

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Nutanix, Inc. v. Tessell, Inc.

Case No. 24-cv-01729-AMO (N.D. Cal. Mar. 12, 2025) · No. 24-cv-01729-AMO · Decided March 12, 2025

SUMMARY

The United States District Court for the Northern District of California grants Tessell, Inc.’s motion to compel arbitration of Nutanix, Inc.’s copyright infringement, tortious interference, and declaratory and injunctive relief claims. The court holds that Tessell, a nonsignatory to Nutanix’s employment agreements with its former employees, may enforce the arbitration provisions under California’s equitable estoppel doctrine because the claims are intimately founded in and intertwined with those agreements. The court also concludes that Nutanix’s claims against Tessell and its parallel claims against the former employees in arbitration are based on the same facts and are inherently inseparable.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Araceli Martinez-Olguin
JURISDICTION	United States District Court for the Northern District of California
DECIDED	March 12, 2025
DOCKET	24-cv-01729-AMO
DISPOSITION	other
PROCEDURAL POSTURE	Defendant Tessell moved under the Federal Arbitration Act to compel arbitration of three claims asserted by Nutanix and to stay the action. The district court granted the motion as to the copyright infringement, tortious interference, and declaratory and injunctive relief claims, and stayed the remaining claims.
STANDARD OF REVIEW	The court applied the Federal Arbitration Act. Formation and validity of an arbitration agreement are evaluated under a standard similar to summary judgment; the court decides threshold arbitrability issues involving judicial doctrines and nonsignatories absent clear and unmistakable evidence that the parties delegated those issues to the arbitrator.
PRECEDENTIAL VALUE	Unknown; federal district court order

TOPICS

arbitration

copyright infringement

contracts

civil procedure

trade secrets

PRACTICE AREAS

arbitration

copyright

contracts

intellectual property

civil procedure

QUESTIONS PRESENTED

1. Whether the district court or the arbitrator should decide the arbitrability of claims asserted against Tessell, a nonsignatory to the arbitration agreements.
2. Whether Tessell, as a nonsignatory, may compel arbitration under California's equitable-estoppel doctrine.
3. Whether Nutanix's copyright infringement, tortious interference, and declaratory and injunctive relief claims are intimately founded in and intertwined with the former employees' employment agreements and arbitration claims.
4. Whether the remaining claims and action should be stayed pending arbitration under the Federal Arbitration Act.

HOLDINGS

1. The court, rather than the arbitrator, decides threshold arbitrability issues involving Tessell because Tessell is a nonsignatory and there is no clear and unmistakable evidence that Nutanix agreed with Tessell to delegate arbitrability questions to the arbitrator.
2. Tessell may compel arbitration under California's equitable-estoppel doctrine because Nutanix's claims against Tessell are intimately founded in and intertwined with the employment agreements containing the arbitration provisions and are based on the same facts as Nutanix's arbitrable claims against the former employees.
3. Claims I for copyright infringement, VI for tortious interference with contractual relations, and VII for declaratory and injunctive relief must be compelled to arbitration.
4. The remaining claims and action must be stayed pending arbitration, while the parties' pending discovery briefs were terminated.

KEY QUOTATIONS

“The Court COMPELS Nutanix’s Claim I (copyright infringement), Claim VI (tortious interference with contractual relations), and Claim VII (declaratory and injunctive relief) to arbitration and STAYS the remaining claims.” (Section III)

“Nutanix cannot “seek to hold [Tessell] liable pursuant to duties imposed by the agreement, which contains an arbitration provision,” but “deny arbitration’s applicability.”” (Section II.B.1.d)

FACTUAL BACKGROUND

Nutanix's founders and former employees, Bala Kuchibhotla, Kamaldeep Khanuja, and Bakul Banthia, allegedly developed Nutanix Era source code and other intellectual property while employed by Nutanix, retained or transferred that material, and later used it in connection with Tessell, a competing software company. The former employees' employment agreements and a related dispute resolution agreement contained broad arbitration provisions. Nutanix sued Tessell for copyright infringement, tortious interference, and declaratory and injunctive relief, while simultaneously pursuing arbitration against the former employees based on substantially overlapping allegations.

PROCEDURAL HISTORY

Nutanix filed an action against Tessell asserting copyright infringement, patent infringement, tortious interference with contractual relations, and declaratory and injunctive relief. On the same day, Nutanix filed a JAMS arbitration demand against Tessell's founders based on employment agreements containing arbitration provisions. Tessell, a nonsignatory to those agreements, moved to compel arbitration of Claims I, VI, and VII and to stay the case. The court granted the motion and stayed the remaining claims.

DISPOSITION

other

CASES CITED

- Longboy v. Pinnacle Prop. Mgmt. Servs., LLC, 718 F. Supp. 3d 1004, 1011 (N.D. Cal. 2024)
- Brennan v. Opus Bank, 796 F.3d 1125, 1130 (9th Cir. 2015)
- Lim v. TForce Logistics, LLC, 8 F.4th 992, 999 (9th Cir. 2021)
- Chiron Corp. v. Ortho Diagnostic Sys., Inc., 207 F.3d 1126, 1130 (9th Cir. 2000)
- Lifescan, Inc. v. Premier Diabetic Servs., Inc., 363 F.3d 1010, 1012 (9th Cir. 2004)
- Concat LP v. Unilever, PLC, 350 F. Supp. 2d 796, 804 (N.D. Cal. 2004)
- Hansen v. LMB Mortg. Servs., Inc., 1 F.4th 667, 672 (9th Cir. 2021)
- Momot v. Mastro, 652 F.3d 982, 986-87 (9th Cir. 2011)
- Henry Schein, Inc. v. Archer & White Sales, Inc., 139 S. Ct. 524, 529 (2019)
- First Options of Chi., Inc. v. Kaplan, 514 U.S. 938, 944 (1995)
- Kramer v. Toyota Motor Corp., 705 F.3d 1122, 1126-29 (9th Cir. 2013)
- Young v. ByteDance Inc., 700 F. Supp. 3d 808, 812 (N.D. Cal. 2023)
- Arthur Andersen LLP v. Carlisle, Arthur Andersen LLP v. Carlisle, 556 U.S. 624, 632 (2009)
- Levi Strauss & Co. v. Aqua Dynamics Sys., Inc., No. 15-cv-04718-WHO, 2016 WL 6082415, at *5 (N.D. Cal. 2016)
- Mundi v. Union Sec. Life Ins. Co., 555 F.3d 1042, 1045 (9th Cir. 2009)
- Comer v. Micor, Inc., 436 F.3d 1098, 1101 (9th Cir. 2006)
- Franklin v. Cmty. Reg'l Med. Ctr., 998 F.3d 867, 870-71 (9th Cir. 2021)
- Metalclad Corp. v. Ventana Env't Organizational P'ship, 109 Cal. App. 4th 1705, 1718 (2003)

- *Herrera v. Cathay Pacific Airways Ltd.*, 94 F.4th 1083, 1089 (9th Cir. 2024)
- *In re BAM Trading Services Inc.*
- *Murphy v. DirecTV, Inc.*, 724 F.3d 1218, 1229 (9th Cir. 2013)
- *Coinmint, LLC v. DX Corr Design, Inc.*, No. 23-CV-00599-RS, 2023 WL 9595893, at *3-4 (N.D. Cal. Apr. 24, 2023)
- *Cap Diagnostics, LLC v. Emeritus Medical Technology LLC*, 2023 WL 8351561, at *1, *10 (C.D. Cal. 2023)
- *In re Apple & AT&T Mobility Antitrust Litig.*, 826 F. Supp. 2d 1168, 1177 (N.D. Cal. 2011)
- *Armendariz v. Found. Health Psychcare Servs., Inc.*, 24 Cal. 4th 83, 110-11 (2000)
- *Cinel v. Barna*, 206 Cal. App. 4th 1383, 1387 n.5 (2012)
- *Lovig v. Best Buy Stores LP*, No. 18-CV-02807-PJH, 2019 WL 2568851, at *3 (N.D. Cal. June 21, 2019)

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