EXHIBIT 2

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4   UNITED STATES DISTRICT COURT

5   NORTHERN DISTRICT OF CALIFORNIA

6

7   FINJAN, INC.,   Case No.17-cv-04790-HSG

8   Plaintiff,

9   v.   **ORDER GRANTING IN PART AND**
                                           DENYING IN PART PLAINTIFF'S
10   BITDEFENDER INC., et al.,   **MOTION TO STRIKE AFFIRMATIVE**
     BITDEFENDER S.R.L.   **DEFENSES**

11   Defendants.   Re: Dkt. No. 33

12

13   Plaintiff Finjan, Inc. ("Finjan") brings this action for patent infringement against

14   Defendants Bitdefender Inc. ("Bitdefender") and Bitdefender S.R.L. (collectively, "Defendants").

15   Pending before the Court is Finjan's motion to strike Bitdefender's fourth, fifth, ninth, tenth,

16   eleventh, and thirteenth affirmative defenses. Dkt. No. 33 ("Mot.") at 2. Briefing on the motions

17   is complete. Dkt. Nos. 46 ("Opp."), 47 ("Reply"). After carefully considering the parties'

18   arguments, the court **GRANTS IN PART** and **DENIES IN PART** Plaintiff's motion.[1]

19   **I.   BACKGROUND**

20   On August 16, 2017, Finjan filed a complaint against Defendants alleging direct and

21   indirect infringement of United States Patent Nos. 6,804,780 ("the '780 Patent"), 7,930,299 ("the

22   '299 Patent"), 8,141,154 ("the '154 Patent"), and 8,677,494 ("the '494 Patent") (collectively, the

23   "Asserted Patents"). Dkt. No. 1 ("Compl.") ¶¶ 38, 39. Finjan is in the business of developing

24   proactive security technologies that detect online security threats, also known as "malware." *Id.* ¶

25   8. According to Finjan, it built and sold software, including application program interfaces

26   ("APIs"), using its patented technologies. *Id.* ¶ 9. Finjan asserts that Defendants infringed the

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1 Asserted Patents by making and selling various products, including Defendants' "Total Security,

2 Family Pack, Internet Security, [and] Antivirus Plus [products]." *Id.* ¶ 38.

3   On November 22, 2017, Bitdefender filed its answer to Finjan's complaint, and asserted

4 thirteen affirmative defenses. Dkt. No. 25 at 13–17. Finjan moved to strike Bitdefender's

5 inequitable conduct defense on the ground that it does not meet the heightened pleading standard

6 set by Federal Rule of Civil Procedure ("Rule") 9(b). Mot. at 5–8. Finjan also moved to strike

7 Bitdefender's affirmative defenses of prosecution history estoppel, prosecution laches, waiver,

8 estoppel, and unclean hands, arguing that they do not satisfy the *Twombly/Iqbal* pleading standard.

9 *Id.* at 4–5.

10 **II.**   **LEGAL STANDARD**

11   Rule 12(f) authorizes a court to "strike from a pleading an insufficient defense or any

12 redundant, immaterial, impertinent, or scandalous matter." An affirmative defense is

13 insufficiently pleaded if it fails to give the opposing party "fair notice" of the nature of the

14 defense. *Wyshak v. City Nat. Bank*, 607 F.2d 824, 827 (9th Cir. 1979). In moving to strike, a

15 party seeks "to avoid the expenditure of time and money that must arise from litigating spurious

16 issues by dispensing with those issues prior to trial." *Sidney–Vinstein v. A.H. Robins Co.*, 697

17 F.2d 880, 885 (9th Cir. 1983). In ruling on a motion to strike, a "court[ ] may not resolve disputed

18 and substantial factual or legal issues . . . ." *Whittlestone, Inc. v. Handi-Craft Co.*, 618 F.3d 970,

19 973 (9th Cir. 2010).

20 **III.**   **DISCUSSION**

21   **A.**   **Bitdefender's Thirteenth Affirmative Defense for Inequitable Conduct**

22   Bitdefender asserts in its thirteenth affirmative defense that "the '494 patent is

23 unenforceable for inequitable conduct occurring during its prosecution. . . ." Dkt. No. 25 at 15–

24 17. Unlike Bitdefender's other affirmative defenses, "[i]nequitable conduct … must be pled with

25 particularity under Rule 9(b)." *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326

26 (Fed. Cir. 2009) (quotations and alterations omitted). To satisfy Rule 9(b)'s particularity

27 requirement, a fraud claim must state "the who, what, when, where, and how" of the alleged

1   why [a] statement or omission complained of was false and misleading," *In re GlenFed, Inc. Secs.*

2   *Litig.*, 42 F.3d 1541, 1548 (9th Cir. 1994) (en banc).

3   **1.   Alleged Misconduct**

4   Bitdefender claims that Finjan made false statements to the PTO regarding how the '494

5   Patent was conceived and invented. Dkt. No. 25 at 15–16. As set forth in Finjan's complaint, the

6   '494 Patent, titled "Malicious Mobile Code Runtime Monitoring System and Methods," was

7   issued on March 18, 2014 to Yigal Mordechai Edery, Nimrod Itzhak Vered, David R. Kroll, and

8   Shlomo Touboul. Compl. ¶ 19. During the patent's prosecution, Finjan submitted a declaration

9   by inventor Touboul stating that claims 1, 3, 4–6, 9, 10, 12–15, and 18 of the '494 Patent were

10   Touboul's sole invention. Dkt. No. 25 at 16. Touboul declared that "[his] sole invention was in

11   his mind and developed by at least November 18, 1996." *Id.* Bitdefender asserts that Touboul's

12   statements were false. *Id.* at 17.

13   Finjan does not dispute that Bitdefender has pled the "who, what, when, and where" of

14   Finjan's alleged misrepresentation. Finjan does argue, however, that Bitdefender failed to

15   adequately plead "how" Touboul misrepresented his contribution to the independent claims of the

16   '494 Patent. Mot. at 6. Bitdefender's assertion of fraud against Touboul rests primarily on its

17   allegation that "[i]nventors other than Touboul confirmed that they contributed to the conception

18   of the concept set forth in the independent claims of the '494 patent and were also inventors."

19   Dkt. No. 25 at 17. In response, Finjan claims that Bitdefender's allegation is unsupported and

20   conclusory. Mot. at 7.

21   The Court disagrees. Viewing the pleadings in the light most favorable to Bitdefender, the

22   Court finds that Bitdefender's allegations suffice to put Finjan on notice of the facts giving rise to

23   Touboul's alleged misrepresentation. To support its contention that other inventors contributed to

24   the '494 Patent, Bitdefender's answer describes a declaration filed with the '494 Patent

25   application. Dkt. No. 25 at 16. According to Bitdefender, the declaration was signed by all

26   inventors, and acknowledged that "[t]he inventor(s) named below [are] the original and first

27   inventor(s) of the subject matter which is claimed and for which a patent is sought on the

United States District Court
Northern District of California

1 METHODS." *Id.* While not conclusive, these facts as alleged are sufficient at this stage to

2 support a reasonable inference that Touboul's statements to the PTO were false or misleading

3 insofar as he represented that: (1) he "had the ideas described in the patent application"; (2) he

4 "first developed a working system described in the patent application and in claims 1, 3, 4-6, 9,

5 10, 12-15 and 18" of the '494 Patent; and (3) these ideas and the working system were Touboul's

6 "sole invention." Dkt. No. 33-2 at 1–2 ("Touboul Decl.").[2]

7   **2.   Intent to Deceive**

8   Aside from the "how" pleading requirement, Finjan argues that the facts alleged do not

9 give rise to a reasonable inference of Touboul's intent to deceive the PTO. Mot. at 7. "Malice,

10 intent, knowledge and other conditions of a person's mind may be alleged generally" under Rule

11 9(b). Fed. R. Civ. P. 9(b). But a pleading must include sufficient allegations of underlying facts

12 that would allow a court to reasonably infer that the individual: "(1) knew of the withheld material

13 information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented

14 this information with a specific intent to deceive the PTO." *Exergen*, 575 F.3d at 1328–29. "[A]

15 reasonable inference is one that is plausible and flows logically from the facts alleged, including

16 any objective indications of candor and good faith." *Id.* at 1329 n.5.[3]

17   Bitdefender asserts that Touboul made the alleged false statements to overcome the PTO's

18 rejection of the '494 Patent in view of U.S. Patent No. 5,983,348 (the "Ji Patent"). Dkt. No. 25 at

19

20 [2] In his declaration, Touboul also states that his "sole invention was in [his] mind and developed by at least November 18, 1996." Touboul Decl. at 1–2. Though Touboul subsequently

21 acknowledges that "the remaining pending dependent claims were co-invented by or with one or more of the other listed inventors," he does not expressly reference those inventors with respect to the other claims listed. *See id.*

22 [3] Plaintiff contends, citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1289–90

23 (Fed. Cir. 2011), that "a party alleging inequitable conduct must detail allegations showing that the 'single most reasonable inference' of the alleged facts is an intent to deceive, as opposed to a

24 mistake or oversight. Mot. at 7–8. This argument misstates the law. *Therasense* did not discuss pleading standards, instead describing what is required to meet a party's ultimate burden under the

25 "clear and convincing evidence" standard. 649 F.3d at1290. In *Exergen*, which *did* discuss what must be pled to state an inequitable conduct claim, the Federal Circuit directly explained that the

26 pleading burden is different than the ultimate burden of proof. *See* 575 F.3d at 1329 n.5 ("In contrast to the pleading stage, to prevail on the merits, the accused infringer must prove both

27 materiality and intent by clear and convincing evidence . . . . Whereas an inference of deceptive intent must be reasonable and drawn from a pleading's allegations of underlying fact to satisfy

28 Rule 9(b), this inference must be the single most reasonable inference able to be drawn from the

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