

United States District Court  
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

FINJAN, INC.,

No. C 17-05659 WHA

Plaintiff,

v.

**ORDER RE MOTION FOR  
LEAVE TO AMEND AND  
VACATING HEARING**

JUNIPER NETWORK, INC.,

Defendant.

**INTRODUCTION**

In this patent infringement action, a prior order permitted accused infringer to seek leave to amend. Accused infringer now timely moves for leave to amend to include additional factual allegations to existing claims and defenses. For the reasons stated below, the motion is **GRANTED IN PART and DENIED IN PART.**

**STATEMENT**

Plaintiff Finjan, Inc., accuses defendant Juniper Networks, Inc., of infringing patents pertaining to malware-detection technology. Finjan’s allegations have been summarized in a prior order (*see, e.g.*, Dkt. No. 30). On June 15, Finjan moved to dismiss various counterclaims and strike related affirmative defenses, which were based on prosecution laches, inequitable conduct, unclean hands, and ensnarement (Dkt. No. 110).

An order dated August 31 granted in part and denied in part Finjan’s motion to strike and dismiss Juniper’s answer and counterclaims (Dkt. No. 190). Specifically, the order granted Finjan’s motion to dismiss Juniper’s prosecution laches and inequitable conduct

1 counterclaims (and strike the related affirmative defenses) and strike Juniper’s ensnarement  
2 affirmative defense (*id.* at 3–9). That order also gave Juniper opportunity to seek leave to  
3 amend within twenty-one days of the order.

4 Juniper now timely moves for leave to amend and submits a proposed amended  
5 responsive pleading. Its proposed amendment seeks only to add factual allegations in support  
6 of Juniper’s already-existing counterclaims and affirmative defenses. Finjan opposes in part.  
7 This order follows full briefing. Pursuant to Civ. L.R. 7-1(b), this order finds Juniper’s motion  
8 suitable for submission without oral argument and hereby **VACATES** the hearing scheduled for  
9 November 1.

### 10 ANALYSIS

11 Federal Rule of Civil Procedure 15(a)(2) provides that a court should “freely give leave  
12 when justice so requires.” In ruling on a motion for leave to amend, courts consider: (1) bad  
13 faith, (2) undue delay, (3) prejudice to the opposing party, (4) futility of amendment, and (5)  
14 whether the plaintiff has previously amended their complaint. Futility alone can justify  
15 denying leave to amend. *Nunes v. Ashcroft*, 375 F.3d 805, 808 (9th Cir. 2004). For purposes  
16 of assessing futility on this motion, the legal standard is the same as it would be on a motion to  
17 dismiss under Rule 12(b)(6). *Miller v. Rykoff-Sexton, Inc.*, 845 F.2d 209, 214 (9th Cir. 1988).

18 In the order dated August 31, the Court stated that the motion “must include a proposed  
19 amended responsive pleading (and a redlined copy) and must explain why the new pleading  
20 overcomes all deficiencies,” including those the order did not reach (Dkt. No. 190 at 12).  
21 Finjan argues essentially that the proposed amendment is futile as to the inequitable conduct  
22 and prosecution laches allegations (*i.e.*, Juniper fails to cure the deficiencies) and that it would  
23 be prejudiced by such amendment.

#### 24 1. INEQUITABLE CONDUCT.

25 In its proposed amended pleading, Juniper includes additional factual allegations to  
26 support its fourth and fifth counterclaims and fourteenth affirmative defense of inequitable  
27 conduct regarding United States Patent Nos. 8,677,494 (“the ’494 patent”) and 8,141,154 (“the  
28 ’154 patent”).

1 To state a claim for inequitable conduct, a party must allege that “(1) an individual  
2 associated with the filing and prosecution of a patent application made an affirmative  
3 misrepresentation of a material fact, failed to disclose material information, or submitted false  
4 material information; and (2) the individual did so with a specific intent to deceive the PTO.”  
5 *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 n.3 (Fed. Cir. 2009).

6 “Inequitable conduct . . . must be pled with particularity under Rule 9(b).” *Id.* at 1326  
7 (quotations and alterations omitted). This requires identification of “the specific who, what,  
8 when, where, and how of the material misrepresentation or omission committed before the  
9 PTO.” *Id.* at 1328. “Although knowledge and intent may be alleged more generally, a party  
10 must still allege sufficient facts to justify an inference that a specific individual had knowledge  
11 of the material information withheld or the falsity of the material misrepresentation and  
12 withheld or misrepresented that information with the intent to deceive.” *Oracle Corp. v.*  
13 *DrugLogic, Inc.*, 807 F. Supp. 2d 885, 896–97 (N.D. Cal. 2011) (citing *Exergen*, 575 F.3d at  
14 1328–29) (Judge Joseph Spero).

15 **A. Touboul Declaration.**

16 As discussed in the August 31 order, Juniper’s fourth counterclaim directed to the ’494  
17 patent alleges that Shlomo Touboul knowingly made false material misrepresentations before  
18 the PTO that he was the sole inventor of certain claims — including Claim 10 — thus  
19 backdating the priority date to November 18, 1996, for the purpose of avoiding the potentially  
20 invalidating Ji reference. That order found that Juniper’s factual allegation raised in its  
21 original pleading regarding Finjan’s interrogatory response in the *Symantec* case insufficient.

22 Juniper now seeks to amend the fourth counterclaim to include additional factual  
23 support showing, *inter alia*, the falsehood of Touboul’s statement. Specifically, Juniper now  
24 alleges that David R. Kroll — one of the ’494 patent’s co-inventors — testified under oath in  
25 *Finjan, Inc. v. Blue Coat Systems, Inc.*, No. C 15-03295 BLF (N.D. Cal. Nov. 28, 2017) (Judge  
26 Beth Labson Freeman), that he contributed to Claim 10 (Dkt. No. 197-2 at 460:24–461:1):

27 O. Yes. You helped come up with the idea behind claim 10 during  
28 your time at Finjan; is that right?

A. Yes.

1 Kroll further testified that he began working at Finjan in 1999 — at least three years *after*  
2 Touboul’s asserted priority date (*see id.* at 451:11–12). Finjan counters that “this single  
3 statement” by Kroll in response to a “vague” question does not establish the falsehood of  
4 Touboul’s statement (Dkt. No. 202 at 3). Finjan’s contention, however, is more appropriate at  
5 a summary judgment stage. This order finds that at the pleading stage, the additional factual  
6 allegations are sufficient to support a showing of the falsehood of Touboul’s statement under  
7 the heightened pleading standard.<sup>1</sup>

8 Finjan further argues that Touboul’s intent to deceive the PTO based on statements  
9 made by others is speculative (*id.* at 5). Knowledge and intent, however, may be alleged more  
10 generally under Rule 9(b), and “[p]leading on ‘information and belief,’ ” — as Juniper does  
11 here — “is permitted under Rule 9(b) when essential information lies uniquely within another  
12 party’s control.” *Exergen Corp.*, 575 F.3d at 1330. At the pleading stage, these additional  
13 factual allegations, when taken together as true, sufficiently support a reasonable inference that  
14 Touboul made material affirmative misrepresentations with the intent to deceive the PTO in  
15 order to backdate potentially invalidating prior art.<sup>2</sup>

#### 16 **B. Attorney Bey’s Petitions.**

17 Juniper further alleges that Finjan’s patent prosecution attorney Dawn-Marie Bey filed  
18 “unmistakably false” certified petitions before the PTO that her claims of priority were  
19 “unintentionally” delayed with respect the ’494 and ’154 patents. It additionally alleges that  
20 Attorney Bey filed such petitions with unusually high frequency for Finjan and incorporates by  
21 reference Juniper’s unclean hands counterclaim alleging Finjan’s overarching scheme of  
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23 <sup>1</sup> Because this order finds Juniper’s factual allegations regarding Kroll sufficient, it does not reach Finjan’s  
24 argument regarding Juniper’s additional allegations in connection with United States Patent No. 7,058,822. This additional  
allegation should be included in the final pleading.

25 <sup>2</sup> Finjan argues that Juniper “must prove that deceptive intent is the ‘single most reasonable inference able to be  
26 drawn from the evidence’ ” (Dkt. No. 202 at 4 (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed.  
27 Cir. 2011))). Such proof, however, is necessary to *prevail on the merits*, as “the accused infringer must prove both materiality  
28 and intent by clear and convincing evidence.” *Exergen Corp.*, 575 F.3d 1312, 1329 n.5 (Fed. Cir. 2009). At the pleading  
stage, however, inference of deceptive intent need only be “reasonable and drawn from a pleading’s allegations of underlying  
fact to satisfy Rule 9(b).” *Ibid.*

1 maximizing the value of its patents. Finjan argues that Juniper alleges no facts showing that  
2 Attorney Bey's filings are anything but ordinary actions by a patent prosecutor in charge of a  
3 busy docket (Dkt. No. 202 at 2). This order disagrees.

4 For example, with regard to the '154 patent, Juniper's proposed amendment further  
5 establishes a pattern of "unintentional" delayed claims of priority. This in turn further supports  
6 the reasonable inference of Attorney Bey's intentional delay "in order to maximize the value of  
7 the '154 patent during pre-suit licensing negotiations and only attempt[] to correct the claim of  
8 priority once it became clear that the '154 Patent would be subject to serious invalidity attacks  
9 in litigation," as Attorney Bey's petition "conspicuously coincided with a new campaign by  
10 Finjan to assert the '154 Patent" (Dkt. No. 197-5 ¶¶ 249, 251). See *Exergen Corp. v. Wal-Mart*  
11 *Stores, Inc.*, 575 F.3d 1312, 1330 (Fed. Cir. 2009). And, Attorney Bey's alleged  
12 "unmistakably false" affidavits in the form of certified petitions of "unintentionally" delayed  
13 priority are *per se* material. *Outside the Box Innovations, LLC v. Travel Caddy, Inc.*, 695 F.3d  
14 1285, 1294 (Fed. Cir. 2012). These allegations, when taken together as true, sufficiently  
15 support a showing that Attorney Bey's petition of "unintentional" delay in connection with the  
16 '154 patent was false.

17 Finjan further argues that Juniper's allegations fail to adequately plead facts from  
18 which it may be reasonably inferred that Attorney Bey delayed with the specific intent to  
19 deceive the PTO (Dkt. No. 202 at 5). Again, "[p]leading on 'information and belief is  
20 permitted under Rule 9(b) when essential information lies uniquely within another party's  
21 control." *Exergen Corp.*, 575 F.3d at 1330. Moreover, Attorney Bey's submission of the  
22 allegedly false petitions in order to avoid prior art — and the alleged pattern of such false  
23 petitions — "raise[] a strong inference of intent to deceive." *Intellect Wireless, Inc. v. HTC*  
24 *Corp.*, 732 F.3d 1339, 1345 (Fed. Cir. 2013). As such, this order finds that Juniper's proposed  
25 amendment plead sufficient facts to support the reasonable inference that Attorney Bey  
26 delayed claim of priority with the intent to deceive the PTO.

27 Accordingly, Juniper's motion for leave to amend the fourth and fifth counterclaims  
28 and fourteenth affirmative defense is **GRANTED**.

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