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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

FINJAN, INC.,  
Plaintiff,  
v.  
QUALYS INC.,  
Defendant.

Case No. 18-cv-07229-YGR (TSH)

**DISCOVERY ORDER**

Re: Dkt. No. 100

United States District Court  
Northern District of California

Finjan seeks financial information concerning foreign sales of the accused Qualys products. To determine if this information is relevant, we have to start with the basics. 35 U.S.C. § 271(a) states that “whoever without authority makes, uses, offers to sell, or sells any patented invention, *within the United States* or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” (emphasis added). Section 271(a)’s reach is limited to activity within the United States, as “no infringement occurs when a patented product is made and sold in another country.” *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441 (2007).<sup>1</sup> “Thus, while U.S. patent law allows for ‘damages adequate to compensate for the infringement,’ there is no compensation for a defendant’s foreign exploitation of a patented invention, as such activity is not infringement at all.” *Kajeet, Inc. v. Qustodio, LLC*, 2019 WL 8060078, at \*13 (C.D. Cal. Oct. 22, 2019) (quoting *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 711 F.3d 1348, 1371 (Fed. Cir. 2013) (citing 35 U.S.C. § 284)).

Accordingly, the location of the alleged conduct bears directly on the relevance of foreign sales information. After all, “[t]he royalty base for reasonable royalty damages cannot include

1 activities that do not constitute patent infringement, as patent damages are limited to those  
2 ‘adequate to compensate for the infringement.’” *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324,  
3 1343 (Fed. Cir. 2015) (quoting 35 U.S.C. § 284). If the alleged exploitation of the patented  
4 invention occurred overseas, “information regarding defendant’s foreign sales is not relevant to  
5 the hypothetical negotiation of the reasonable royalty amount because defendant would not be  
6 liable for foreign sales that do not violate U.S. patent laws.” *Kajeet*, 2019 WL 8060078, \*13. By  
7 contrast, foreign sales are relevant for infringing products that are made, used, offered for sale, or  
8 sold within the United States. *See Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1519  
9 (Fed. Cir. 1984) (“When it made the 1,671 carsets in this country, it infringed claim 10. Whether  
10 those carsets were sold in the U.S. or elsewhere is therefore irrelevant, and no error occurred in  
11 including those carsets among the infringing products on which royalty was due.”). Of course, the  
12 whole patented invention – not just part of it – must be made, used, offered for sale, or sold within  
13 the United States; otherwise, the conduct does not amount to infringement. *See Centillion Data*  
14 *Sys., LLC v. Qwest Commc’ns Int’l, Inc.*, 631 F.3d 1279, 1288 (Fed. Cir. 2011) (“to ‘make’ the  
15 system under § 271(a), Qwest would need to combine all of the claim elements—this it does not  
16 do.”).

17 The parties seem to agree on the above general principles.<sup>2</sup> Where they divide is on  
18 whether Finjan is asserting a claim that Qualys’s foreign sales are of products that were made,  
19 used, offered for sale, or sold in the U.S. Finjan is correct that a discovery motion is not the right  
20 place for the Court to make a factual determination regarding whether Qualys’s foreign sales are  
21 of products that infringe domestically, so the Court declines to discuss any of the evidence the  
22 parties have submitted on that disputed point. The bigger issue is that Finjan’s infringement  
23 contentions contend that Qualys’s accused products infringe only when they are combined with or  
24 connected to other devices and software on a network, so mere development in the U.S. is not  
25 enough to show that the foreign sales are of infringing products that were “made” here. Finjan’s

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27 <sup>2</sup> Finjan previously argued that worldwide sales are relevant to the reasonable royalty even if the  
28 products are not made in the U.S., *see* ECF No. 79, but it now “confirms it is not seeking  
29 discovery on products with no colorable infringement. Its request is limited to products with U.S.

1 infringement contentions also do not contend that Qualys “uses,” “offers for sale” or “sells” the  
2 patented technology in the U.S. for foreign customers. In other words, Qualys argues that Finjan’s  
3 theories of relevance for the foreign sales are way outside anything disclosed in its infringement  
4 contentions. For its part, in the discovery letter brief, Finjan does not dispute that characterization  
5 of its infringement contentions.<sup>3</sup> Instead, Finjan argues that “the Court’s Patent Rules permit  
6 Finjan, upon a timely showing of good cause, to amend contentions, and good cause includes  
7 ‘recent discovery of nonpublic information,’ such as information about Qualys’s internal  
8 activities. It is to develop exactly that nonpublic information that Finjan seeks this discovery.  
9 Denying it on the basis that the contentions have not yet fully developed the case would put Finjan  
10 in the impossible situation of being unable to update contentions, because it is unable to receive  
11 nonpublic information, because it has not yet updated contentions.” ECF No. 100.

12 There are two problems with Finjan’s argument. First, it does not make any sense. The  
13 foreign sales information that Finjan seeks has nothing to do with the liability evidence that either  
14 does or does not show that the products Qualys has sold overseas were infringing when they were  
15 made here, or that Qualys used, offered for sale, or sold here products for its foreign customers.  
16 That evidence is about primary conduct, not sales information.

17 Second, fact discovery closes on October 1, 2020, ECF No. 78, which is two weeks from  
18 now. Finjan has not moved to amend its infringement contentions to include the infringement  
19 theories that would make foreign sales information relevant. At this point, unless Finjan moved to  
20 shorten time, its unfiled motion to amend could not even be heard until after fact discovery is  
21 closed. Of course, it would be up to Judge Gonzalez Rogers to decide whether to allow Finjan to

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23 <sup>3</sup> By contrast, at the hearing Finjan asserted that its infringement contentions do contend that  
24 Qualys infringes by domestically making the patented invention, which it then sells in foreign  
25 sales. Finjan pointed to its infringement contention for claim 4a of the ‘154 patent, which refers to  
26 a storage medium that stores the software. Finjan asserted that Qualys’s domestic development of  
27 the software (which of course has to be stored in something) satisfies claim 4a. However, the  
28 Court is unpersuaded. As Qualys correctly pointed out, claim 4a also incorporates by reference  
29 the analysis for claim 1a (it says: “See analysis for Claim 1a above”), which discloses “a system  
30 for protecting a computer” that comprises certain components and which would not be satisfied  
merely by software in a storage medium. Pointing to this infringement contention was Finjan’s  
sole attempt to assert that its domestic “making” theory was disclosed in its infringement  
contentions for foreign sales. Finjan did not argue at the hearing that its infringement contentions

1 amend its infringement contentions in a material way after fact discovery has closed. But as  
2 matters stand now, Finjan is trying to obtain discovery based on infringement theories that are way  
3 outside its infringement contentions, fact discovery is about to close, and Finjan has not even  
4 asked Judge Gonzalez Rogers for permission to amend. The undersigned is quite skeptical that  
5 Finjan's new infringement theories will ever be in this case.

6 To be clear, the Court is not holding that infringement contentions under the Patent Local  
7 Rules define the outer bounds of relevance for discovery purposes. Finjan is right that such a  
8 holding would have a chicken-and-egg quality to it, since Patent Local Rule 3-6(c) expressly  
9 contemplates that infringement contentions may be amended based on nonpublic information  
10 obtained in discovery. Rather, the Court's point is that we are almost at the end of fact discovery,  
11 and Finjan seems to have done nothing to make its new infringement theories part of its liability  
12 case.<sup>4</sup> Finjan's motion to compel the foreign sales information is therefore **DENIED**.

13 **IT IS SO ORDERED.**

14 Dated: September 17, 2020

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16 THOMAS S. HIXSON  
17 United States Magistrate Judge

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19 <sup>4</sup> Finjan has a few back up arguments, but they are makeweights. Finjan argues that Qualys's  
20 foreign customers benefit from security updates that Qualys develops from information that it  
21 gains in part from the infringing domestic use by its U.S. customers of Qualys's products. That  
22 argument is irrelevant, however, because the reasonable royalty compensates for infringement, and  
23 Finjan's argument does not demonstrate that the foreign sales are of products that infringe. Also,  
24 Finjan does not even articulate how the value of that "benefit" would be reflected in the foreign  
25 sales information it seeks. Finjan also asserts that Qualys induces its foreign customers to infringe  
26 in the U.S. by using Qualys's U.S.-based cloud platform. Again, however, that argument fails to  
27 demonstrate that products in other countries infringe. Finjan also does not explain how the foreign  
28 sales information it seeks would be related to any damages for the alleged induced domestic  
29 infringement on the cloud platform. Finally, Finjan makes a two-sentence assertion that foreign  
30 sales are relevant to establishing the commercial success of Finjan's inventions. However, that  
argument is too underdeveloped for the Court to meaningfully assess it. The Court has previously  
admonished Finjan for making conclusory arguments. *See* ECF No. 89 ("If Finjan is going to  
press this point, it must assert a well-developed argument and not just make a conclusory  
assertion."). Indeed, the whole reason for the current letter brief is that Finjan's arguments in the  
previous letter brief were so undeveloped the Court required further briefing. *See id.*