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13 *Attorneys for Defendant*
14 QUALYS INC.

15 **UNITED STATES DISTRICT COURT**
16 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**
17 **OAKLAND DIVISION**

19 FINJAN, INC., a Delaware Corporation,) CASE NO.: 4:18-cv-07229-YGR
20)
21 Plaintiff,) **DEFENDANT QUALYS INC.'S**
22) **MOTION FOR LEAVE TO AMEND**
23 v.) **ANSWER AND AFFIRMATIVE**
24) **DEFENSES**
25 QUALYS INC., a Delaware Corporation,) **Judge: Hon. Yvonne Gonzalez**
26) **Rogers**
27) **Date: April 7, 2020**
28) **Time: 2:00 pm**
) **Location: Courtroom 1, 4th Floor**

1 **NOTICE OF MOTION**

2 PLEASE TAKE NOTICE that on April 7, 2020 at 2:00 pm or as soon thereafter as this
3 matter may be heard before Judge Gonzales Rogers of the United States District Court for the
4 Northern District of California in Courtroom 1, 4th Floor, of 1301 Clay Street in Oakland,
5 California, defendant Qualys, Inc. (“Qualys”) will move to file an Amended Answer and
6 Affirmative Defenses pursuant to Federal Rule of Civil Procedure 15(a)(2).

7 For the reasons set forth below, Qualys requests that the Court grant this motion and allow
8 Qualys to file additional defenses for patent exhaustion, implied license, and preclusion.

9 **MEMORANDUM OF POINTS AND AUTHORITIES**

10 **I. INTRODUCTION¹**

11 Qualys brings this Motion seeking leave to file a Second Amended Answer. This proposed
12 amendment would add three new affirmative defenses: patent exhaustion, implied license, and
13 preclusion.

14 After filing its First Amended Answer in March 2019, Qualys subsequently learned of new
15 facts supporting these defenses. For example, in January 2020, the United States Patent and
16 Trademark Office (“Patent Office”) confirmed that several claims of U.S. Patent No. 7,975,305
17 (“the ’305 Patent”) were invalid and issued a Reexamination Certificate canceling them. However,
18 these claims (which until recently plaintiff Finjan, Inc. (“Finjan”) asserted against Qualys) are
19 immaterially different from the remaining ’305 patent claims Finjan continues to assert against
20 Qualys. Because Finjan is precluded from continuing to assert these claims, Qualys seeks to add
21 collateral estoppel as an affirmative defense.

22 Additionally, on September 3, 2019, Finjan produced a license agreement between it and
23 a third party, Trend Micro Inc. (“Trend Micro”). In this agreement (the “Trend Micro License”),
24 Finjan licensed every Trend Micro product to Finjan’s entire patent portfolio (which includes the
25 Patents-in-Suit here). Finjan nonetheless accuses Qualys products, including functionality of those
26 products that incorporate licensed Trend Micro software, of patent infringement. This gives rise
27

28 _____
¹ Unless stated otherwise, all emphasis in quotes is added.

1 to both a patent exhaustion and an implied license defense, and Qualys seeks to add these as
2 affirmative defenses.

3 Qualys only brings this motion after having gone to great lengths to seek an agreement
4 from Finjan on these defenses. For example, Qualys asked Finjan to confirm that it would not
5 accuse any Trend Micro software (as found in Qualys products) of infringement in this case.
6 Finjan eventually declined to confirm this, but did hold out the possibility that it would stipulate
7 to the amended answer if Qualys produced relevant documents showing its use of Trend Micro's
8 software. Qualys spent the next two months searching, collecting, and producing technical
9 documents (including software source code) showing precisely how it uses Trend Micro's
10 software. Finjan's response was to demand yet more documents. Qualys has acted in good faith
11 to informally resolve these issues, and only brings this Motion after months of meet and confer
12 efforts with Finjan resulted in an impasse.

13 **II. ISSUES TO BE DECIDED**

14 Whether the Court shall grant leave for Qualys to file its proposed Second Amended
15 Answer, which adds affirmative defenses under patent exhaustion, implied license, and preclusion.

16 **III. FACTUAL BACKGROUND**

17 **A. Preclusion: The Patent Office Invalidated Claims of the '305 Patent That Are** 18 **Immaterially Different From Claims Finjan Still Asserts**

19 On December 11, 2015, an *Ex Parte* Reexamination Request ("Request") was filed with
20 the Patent Office. *See* Ex. B.² The Request asked the Patent Office to reconsider the validity of
21 claims 1, 2, 5, and 13 of the '305 Patent. *Id.* The Patent Office granted this request. On January
22 29, 2020 the Patent Office issued an *Ex Parte* Reexamination Certificate that canceled claims 1,
23 2, 5, and 13.³ *Id.* at 1:10. As pled in the proposed Second Amended Answer, the canceled '305

24
25 ² All exhibits are attached to the Declaration of Christopher Mays in Support of Qualys's
26 Motion Seeking Leave to Amend its Answer ("Mays Decl."), filed concurrently herewith.

27 ³ For the sake of brevity, Qualys omits the details of these lengthy *Ex Parte* Reexamination
28 proceedings, which culminated in a Federal Circuit decision affirming the Patent Office.

1 claims are not materially different from '305 claims 6-12, 14, and 17-25 that Finjan continues to
 2 assert against Qualys.⁴ See Ex. A at ¶ 317. Finjan is therefore collaterally estopped from asserting
 3 these additional claims.

4 **B. Patent Exhaustion and Implied License: Finjan Accuses of Infringement**
 5 **Software It Previously Licensed**

6 Qualys' patent exhaustion and implied license defenses share the same common set of
 7 facts. In 2011, Qualys and Trend Micro announced a business partnership and product integration.
 8 See Ex. A. at ¶ 309; Ex. C. Through this partnership, Trend Micro provided software to Qualys,
 9 who then integrated that software into Qualys' own products. Ex. A. at ¶ 309. For example,
 10 Qualys uses Trend Micro's antivirus software in its products. *Id.*

11 Before this litigation even began, however, Finjan gave Trend Micro a license covering
 12 every Trend Micro product for every Patent-in-Suit. See Ex. A at ¶ 308; Ex. D at -4294. In
 13 exchange for this license, Finjan received \$13.4 million from Trend Micro and ownership of Trend
 14 Micro patents. Ex. D at -4292, 4294 at § 3.1(a), -4313.

15 Finjan sued Qualys for patent infringement on November 29, 2018, five months after
 16 licensing Trend Micro to the Patents-in-Suit. On April 19, 2019, Finjan filed its "Initial Disclosure
 17 of Asserted Claims and Infringement Contentions" pursuant to Patent Local Rule 3-1
 18 ("Infringement Contentions"). Mays Decl. ¶ 5. Finjan's infringement contentions accuse, among
 19 other things, "antivirus operations" that "download[] and scan[] documents such as PDFs on the
 20 site using antivirus software." Ex. E at 2 (referencing anti-virus functionality) (emphasis in
 21 original); see also *id.* at 35-36; Ex. F at 5, 8 (same); Ex. G- at 5, 27, 42, 43, 66, 105, 111 (same);
 22 Ex. H at 6 (same). Qualys' proposed Second Amended Answer pleads that these "antivirus
 23 operations" refer to Trend Micro's antivirus software that is already licensed under the Patents-in-
 24 Suit. See Ex. A at ¶ 310. The defenses of patent exhaustion and implied license therefore apply.

25 **IV. ARGUMENT**

26
 27
 28 ⁴ Finjan previously also asserted claims 1, 2, 5, and 13, but withdrew these in light of the
 '305 Reexamination proceedings

1 Rule 15(a) permits a party to seek leave of Court to amend its pleadings. FED. R. CIV. P.
2 15(a). Courts freely grant leave when justice so requires, and public policy strongly encourages
3 courts to permit amendments. *Id.*; *Outdoor Sys., Inc. v. City of Mesa*, 997 F.2d 604, 614 (9th
4 Cir.1993). The policy of allowing amendments “is to be applied with extreme liberality.” *Waldrip*
5 *v. Hall*, 548 F.3d 729, 732 (9th Cir. 2008) (quoting *Owens v. Kaiser Found. Health Plan, Inc.*, 244
6 F.3d 708, 712 (9th Cir.2001). As this Court has stated,

7 Courts may decline to grant leave to amend only if there is strong evidence of undue
8 delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure
9 deficiencies by amendments previously allowed, undue prejudice to the opposing
party by virtue of allowance of the amendment, or futility of amendment, etc.

10 *Buchanan v. Tata Consultancy Servs., Ltd.*, No. 15-CV-01696-YGR, 2017 WL 6611653, at *4
11 (N.D. Cal. Dec. 27, 2017) (citing and quoting *Foman v. Davis*, 371 U.S. 178, 182 (1962); *Johnson*
12 *v. Buckley*, 356 F.3d 1067, 1077 (9th Cir. 2004); *Eminence Capital, LLC v. Aspeon, Inc.*, 316 F.3d
13 1048, 1052 (9th Cir. 2003); *Sonoma County. Ass’n of Retired Emps. v. Sonoma County.*, 708 F.3d
14 1109, 1117 (9th Cir. 2013)). “Absent prejudice, or a strong showing of any of the remaining . . .
15 factors, there exists a *presumption* under Rule 15(a) in favor of granting leave to amend.” *Finjan,*
16 *Inc. v. Check Point Software Techs., Inc.*, No. 18-CV-02621-WHO, 2019 WL 1455333, at *2 (N.D.
17 Cal. Apr. 2, 2019) (quoting *Eminence*, 316 F.3d at 1052) (emphasis in original). Each of these
18 factors weighs in favor of granting Qualys leave to amend.

19 **A. Qualys’s Proposed Second Amended Answer is not Futile**

20 “If the underlying facts or circumstances relied upon by a plaintiff may be a proper subject
21 of relief, he ought to be afforded an opportunity to test his claim on the merits.” *Foman v. Davis*,
22 371 U.S. 178, 182 (1962). Futility requires a finding that “the pleading could not possibly be cured
23 by the allegation of other facts.” *Nunes v. Ashcroft*, 375 F.3d 805, 808 (9th Cir. 2003) (citing *Doe*
24 *v. U.S.*, 58 F.3d 494, 497 (9th Cir.1995)). Qualys’s proposed defenses for patent exhaustion,
25 implied license, and preclusion are not futile.

26 **1. Qualys’s Preclusion Defense Is Not Futile**

27 Preclusion prevents a party from relitigating an issue from a prior litigation where three
28 elements are met:

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