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

19 FINJAN, INC., a Delaware Corporation,
 20
 21 Plaintiff,

22 v.

23 QUALYS INC., a Delaware Corporation,
 24
 25 Defendant.

26 Case No.: 4:18-cv-07229-YGR

27 **PLAINTIFF FINJAN, INC.’S OPPOSITION TO**
 28 **DEFENDANT QUALYS INC.’S MOTION FOR**
LEAVE TO AMEND ANSWER AND
AFFIRMATIVE DEFENSES

Date: April 7, 2020
 Time: 2:00 PM
 Place: Courtroom 1, 4th Floor
 Before: Hon. Yvonne Gonzalez Rogers

REDACTED VERSION OF DOCUMENTS SOUGHT TO BE SEALED

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1 **I. INTRODUCTION**

2 The Court should deny Defendant Qualys' motion for leave to file a Second Amended Answer
3 to assert new defenses because the proposed new defenses are futile, Qualys unduly delayed in
4 presenting them, and injecting these defenses into the case at this stage would be prejudicial to Finjan.

5 Qualys first seeks permission to assert an open-ended preclusion defense. Qualys primarily
6 relies on the decision of the United States Patent and Trademark Office ("USPTO") to invalidate
7 certain claims from U.S. Patent No. 7,975,305 ("305 Patent") to allege that Finjan should be precluded
8 from asserting different claims from the '305 Patent. Qualys' defense is futile because the claims at
9 issue in this case were not found invalid in the reexamination, the USPTO confirmed the validity of
10 were confirmed valid in subsequent proceedings before the USPTO, and the asserted claims are
11 different in scope from the claims invalidated in the reexamination.

12 Denial of Qualys' proposed preclusion defense is also warranted because Qualys demonstrated
13 an inexplicable lack of diligence in pleading this defense. The claim rejections Qualys relies on are
14 from 2016, more than two years before Finjan filed this suit. Qualys' extreme delay in presenting this
15 proposed defense is to Finjan's prejudice. Finjan elected its claims to assert in this case nearly a year
16 ago and, to the extent Qualys believed Finjan is precluded from asserting claims on invalidity grounds,
17 it should have timely made that assertion so Finjan could take it into account in electing its claims.
18 Thus, leave to add this defense should be denied.

19 Qualys also seeks leave to amend to include futile and belated patent exhaustion and implied
20 license defenses based on its alleged incorporation of Trend Micro, Inc.'s source code into Qualys'
21 products. While Trend Micro indeed has a license from Finjan, [REDACTED]
22 [REDACTED] Thus, as a matter of law, Qualys' patent exhaustion and implied
23 license defenses fail. Moreover, Qualys has been unable to provide any license or evidence supporting
24 its claim that its products incorporate any software validly obtained from Trend Micro. Additionally,
25 Qualys delayed many months in seeking this amendment. Accordingly, leave to add these defenses
26 should also be denied.

II. FACTUAL BACKGROUND

Finjan filed suit against Qualys on November 29, 2018 based on Qualys' willful infringement of seven patents. Dkt. No. 1. Qualys filed its initial Answer on January 23, 2019, then successfully moved for leave to file a First Amended Answer on March 6, 2019. Dkt. Nos. 17, 26. Qualys' first two answers did not raise defenses of preclusion, patent exhaustion or implied license. A year after Qualys filed its second Answer, it now seeks leave to assert these defenses in a third Answer.

A. Facts Relating to Qualys' Purported Preclusion Defense

Qualys has been on notice of the reexamination invalidity determination that is the basis for its preclusion defense since 2016, two years before Finjan filed this case. A reexamination request of the '305 Patent was filed on December 11, 2015, challenging the validity of Claims 1, 2, 5, and 16 (the "Reexamination Claims"). Dkt. No. 44-3. The USPTO issued a final rejection of the Reexamination Claims (and only the Reexamination Claims) on August 24, 2016. Declaration of Aaron Frankel in Support of Finjan's Opposition ("Frankel Decl.") filed herewith, Ex. 1.¹ The USPTO did not include Claims 3-4, 6-12, and 14-25 in this or any other reexamination. Finjan appealed the final rejection of the Reexamination Claims to the USPTO's Patent Trials and Appeal Board ("PTAB") on November 22, 2016. *Id.* The PTAB affirmed the invalidation of the Reexamination Claims on July 2, 2018, six months before Qualys filed its first Answer in this action. *Id.* Finjan appealed the PTAB's decision to the Federal Circuit on September 4, 2018, which affirmed the PTAB decision on September 6, 2019. *Id.* With the appeal concluded, on September 6, 2019, the USPTO carried out the ministerial act of publishing the reexamination certificate for the '305 Patent, reflecting the August 24, 2016 invalidation of the Reexamination Claims. *Id.*

Notwithstanding the invalidation of the Reexamination Claims by the USPTO, the PTAB issued a final written decision in an *inter partes* review (IPR) declaring valid all challenged claims of the '305 Patent, including all of the claims that Finjan is asserting in this action against Qualys: Claims 6-12, 14,

¹ Exhibit 1 is the Transaction History from the Reexamination File (Control No. 90/013,660) initiated December 11, 2015 for the '305 Patent, information downloaded from <https://portal.uspto.gov/pair/PAIRPrintServlet>.

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