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13 FINJAN LLC

14   UNITED STATES DISTRICT COURT

15   NORTHERN DISTRICT OF CALIFORNIA

16   (SAN JOSE DIVISION)

17 FINJAN LLC., a Delaware Limited Liability   Case No. 5:17-cv-04467-BLF (VKD)
    Company,
18   **PLAINTIFF FINJAN LLC'S OPPOSITION
19   Plaintiff,   TO DEFENDANT SONICWALL INC.'S
                                                       MOTIONS TO EXCLUDE EXPERT
20   v.   TESTIMONY AND TO EXCLUDE
                                                       BACKGROUND OPINIONS
21 SONICWALL, INC., a Delaware Corporation,   (MOTION *IN LIMINE* NO. 1) [DKT. 360]**
22   Defendant.
                                                       Date: March 18, 2021
23   Time: 1:30 PM
                                                       Hon. Beth Labson Freeman
24   Ctrm: 3, 5th Floor
25
26
27   **REDACTED VERSION OF DOCUMENT SOUGHT TO BE SEALED**
28

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TABLE OF REFERENCED EXHIBITS[1]

2

Description	Exhibit
Expert Report of DeForest McDuff, Ph.D. dated September 4, 2020	A
Expert Report of Dr. Eric Cole Regarding Technology Tutorial and Infringement by SonicWall, Inc. of Patent Nos. 6,154,844; 7,058,822; 7,647,633 and 8,677,494 dated September 3, 2020	B
Expert Report of Dr. Nenad Medvidovic Regarding Infringement by SonicWall, Inc. of Patent Nos. 8,225,408; 7,975,305 and 8,141,154 dated September 3, 2020	D
Expert Report of Dr. Aaron Striegel dated September 3, 2020	F

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1   **I.   INTRODUCTION**

2   Due to errors both economic and legal, the Court should deny SonicWall's motion for a

3   windfall as to past damages through misapplication of discounting. SonicWall's second motion

4   (seeking preclusion of relevant testimony on SonicWall's state of mind pre-suit) has no cognizable

5   relationship to the first, and is a separate motion *in limine* exceeding the Court's limit of five

6   motions. The Court should deny it on that basis or, should it reach them, deny it on the merits.

7   **II.   BACKGROUND (FIRST MOTION)**

8   Economist DeForest McDuff, Ph.D. modeled damages across the entire period of accused

9   infringement, extending back to the date of pre-suit notice and forward to the latest date of

10 infringement in the future. As part of his model, Dr. McDuff computed how much SonicWall

11 would owe (again, assuming infringement) if value were assessed on the date Dr. McDuff served

12 his report, Sept. 4, 2020. *See* Exh. A. This included both "past" (pre-Sept. 2020) damages based

13 on SonicWall's actual financial data, and "future" (post-Sept. 2020) damages projected from

14 available information.

15   Because his model hypothesized SonicWall paying in mid-2020 for infringement months

16 or years hence, Dr. McDuff's model acknowledged that a typical economic actor requires a

17 "discount" when paying for future acts, due to general uncertainty about the future and the time

18 value of money—not the uncertainty of infringement (which was hypothesized), but uncertainty

19 about other market conditions that might affect the "present value" of future liabilities. *E.g.*, Exh.

20 A at ¶¶ 114–15. Dr. McDuff estimated an appropriate discount for an actor in SonicWall's

21 position, and applied it so as to accurately compute the net present value (to an actor in

22 SonicWall's position, as of mid-2020) of the stream of future liability.

23   As to ***past*** liability (i.e., liability before the date of the report), Dr. McDuff explained that

24 no discounting was appropriate. *Id.* & n.312. This was because the parties at the hypothetical

1   based on that infringement, as Finjan has done in its actual license agreements. Dr. McDuff noted

2   there is no uncertainty as to past infringement at the time of SonicWall's payment to Finjan, and

3   thus concluded that, as an economic matter, no discounting was required. Put differently, Dr.

4   McDuff reasoned that while it was economically reasonable to consider SonicWall seeking and

5   receiving a discount for projected liabilities, it does not have leverage to require the same for

6   liabilities where the record is fixed and certain. Further confirming his approach, Dr. McDuff

7   noted numerous documents from Finjan's archives showing that it did not offer accused infringers

8   time-value of money discounts for past infringement.

9   From an abundance of caution, Dr. McDuff also supplied an alternate computation.

10   Instead of computing the economic value of damages as of his report (Sept. 2020), he also

11   modeled value on the first day of the damages period (June 10, 2014). In this model, because

12   value was assessed in 2014 entirely for liabilities that accruing in the future when (under the

13   model's limited view) market conditions would be uncertain, the model gave SonicWall a

14   discount rate for the entire stream of payments. But in this version, SonicWall took a windfall. It

15   benefited from the assumption that the conditions surrounding its infringement from 2014–2020

16   were uncertain, when in fact there is no uncertainty at all. Still further, the discounting of past

17   infringement was inconsistent with Finjan's licensing policies in other contexts. For this reason

18   Dr. McDuff viewed the alternate, excessively discounted model as "conservative" and disfavored.

19   **III.   ARGUMENT (FIRST MOTION)**

20   The central allegation in SonicWall's motion is that Dr. McDuff's decision not to discount

21   past infringement was "based primarily on Finjan's willfulness allegations." (Mot. 1) That

22   allegation is demonstrably incorrect. Nowhere did Dr. McDuff state that his decision was based

23   on SonicWall's state of mind, or bad faith, or other willfulness-type considerations. To the

24   contrary, Dr. McDuff's report explained that the decision to discount future liabilities was based

1   occurred." Exh. A at ¶ 114. Dr. McDuff's report also explained that the decision not to discount

2   past liability was because "the past infringement has already occurred with certainty and an exact

3   value based on sales data." *Id.* SonicWall's motion neither cites nor discusses these. Further

4   confirming the reasonableness of his approach, Dr. McDuff provided eight independent economic

5   bases for his discounting structure. *Id.*

6   The sole citation SonicWall offers to suggest that Dr. McDuff's decision was based on

7   willfulness considerations was his statement that his model as a whole "reflects that SonicWall has

8   earned revenue and profits through ongoing infringement over time via Finjan's technology

9   without compensating Finjan." Mot. 2 (quoting Exh. A at ¶ 114). This is not, as SonicWall

10   inaccurately styles it, a willfulness basis. It is a description that (at least according to Finjan's

11   allegations, which Dr. McDuff assumes are correct) SonicWall's infringement was consistent and

12   ongoing, without any meaningful intercessions or pauses. There is no reference to any aspect of

13   SonicWall's mental state, nor anything else cognizable as willfulness. *See generally Halo Elecs.,*

14   *Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933 (2016) (willfulness connotes action while

15   "knowing or having reason to know of facts which would lead a reasonable man to realize his

16   actions are unreasonably risky").

17   As to legal authority, SonicWall's sole material citation is to this Court's order in *Finjan,*

18   *Inc. v. Cisco Systems, Inc.*, No. 17-cv-00072-BLF, slip op. (N.D. Cal. Apr. 17, 2020), D.I. 555, but

19   *Cisco*'s rationale has no application here. As SonicWall concedes, in *Cisco* the struck model

20   based its discounting approach "solely on the assumption that Cisco willfully infringed." Slip op.

21   at 10. Not so here. None of Dr. McDuff's stated bases relate to willfulness in any sense, and

22   SonicWall has pointed to nothing suggesting otherwise. Further, in *Cisco* the struck model

23   applied no discounting at all, not even for liabilities accruing after the modeled date. *Id.* at 11

24   (noting expert's conclusion "that time value of money discount would not have been applied").

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