UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

FINJAN, INC.,

Plaintiff,

v.

ESET, LLC and ESET SPOL. S.R.O.,

Defendants.

Case No.: 17-cv-00183-CAB-BGS

ORDER DENYING MOTION TO STRIKE AMENDED AFFIRMATIVE DEFENSES AND DISMISS COUNTERCLAIMS

[Doc. No. 157]

On July 24, 2017, the Court granted, with leave to amend, a motion to strike affirmative defenses and dismiss counterclaims filed by Plaintiff Finjan, Inc. ("Finjan"). [Doc. No. 137.] Finjan now moves to strike the most of the same affirmative defenses and to dismiss the same counterclaims, along with a new counterclaim, as pled in the amended answers and counterclaims filed by Defendants ESET, LLC and ESET SPOL. S.R.O. (collectively, "ESET"), respectively. The motion has been fully briefed, and the Court deems it suitable for submission without oral argument. As discussed below, the motion is denied.

I. Background

Finjan is the owner of six patents which protect computers and networks from malicious code that may exist in content downloaded from the internet. [Doc. No. 1 ¶¶ 10-27.] Finjan alleges ESET has infringed on those patents and filed a complaint asserting

direct and indirect infringement of each of the six patents at issue here (collectively the "patents in suit"): U.S. Patent Nos. 6,154,844 (the "'844 Patent"); 6,804,780 (the "'780 Patent"); 7,975,305 (the "'305 Patent"); 8,079,086 (the "'086 Patent"); 9,189,621 (the "'621 Patent"); and 9,219,755 (the "'755 Patent").

The Court granted Finjan's motion to strike certain of ESET's affirmative defenses and to dismiss certain counterclaims, but the Court gave ESET leave to file an amended answer and counterclaims. [Doc. No. 137.] ESET filed an amended answer and counterclaims, and Finjan now moves to strike or dismiss many of the same counterclaims and affirmative defenses that were at issue in its prior motion.

II. Motion to Strike Affirmative Defense of Acquiescence

A. Legal Standard

A motion to strike an affirmative defense is allowable under Federal Rule of Civil Procedure 12(f), which provides that "a court may strike from a pleading an insufficient defense or any redundant, immaterial, impertinent, or scandalous matter." Fed. R. Civ. P. 12(f). "The key to determining the sufficiency of pleading an affirmative defense is whether it gives plaintiff fair notice of the defense." *Simmons v. Navajo Cty.*, 609 F.3d 1011, 1023 (9th Cir. 2010). "Fair notice generally requires that the defendant state the nature and grounds for the affirmative defense." *Nguyen v. HOVG, LLC*, No. 14cv837, 2014 WL 5361935, at *1 (S.D. Cal. Oct. 20, 2014) (citation omitted). "It does not, however, require a detailed statement of facts." *Id*.

Motions to strike are generally disfavored and "should not be granted unless it is clear that the matter to be stricken could have no possible bearing on the subject matter of the litigation." *Neveu v. City of Fresno*, 392 F.Supp. 2d 1159, 1170 (E.D. Cal. 2005) (citation omitted). "[C]ourts often require a showing of prejudice by the moving party before granting" a motion to strike, and "[u]ltimately, whether to grant a motion to strike lies within the sound discretion of the district court." *Cal. Dept. of Toxic Substances Control v. Alco Pac., Inc.*, 217 F. Supp. 2d 1028, 1033 (C.D. Cal. 2002) (citation omitted). In exercising its discretion, the court views the pleadings in the light most favorable to the

non-moving party, and "resolves any doubt as to the relevance of the challenged allegations or sufficiency of a defense in the defendant's favor." *Id.* "Even when the defense under attack presents a purely legal question, courts are reluctant to determine disputed or substantial questions of law on a motion to strike." *SEC v. Sands*, 902 F. Supp. 1149, 1166 (C.D. Cal. 1995).

B. Analysis

Finjan moves to strike ESET's amended eleventh affirmative defense of acquiescence. Finjan moved to strike the acquiescence defense that appeared in the original answer and counterclaims on the grounds that it did not provide fair notice of the defense. [Doc. No. 127-1 at 9.] In the original answer, ESET's eleventh affirmative defense provided in its entirety: "Plaintiff's claims and requested relief under Title 35 of the United States Code are barred by the equitable doctrine of acquiescence." [Doc. No. 118 at 24.] The Court agreed with Finjan, finding that this defense did not provide fair notice because it was a "mere reference to a legal doctrine. . . [which does not] provide [] fair notice of an affirmative defense absent some fact or argument explaining the defense." [Doc. No. 137 at 5]; *Stevens v. Corelogic, Inc.*, No. 14-cv-1158-BAS-JLB, 2015 WL 7272222, at *4 (S.D. Cal. Nov. 17, 2015) (quoting *Baker v. Ensign*, No. 11-cv-2060-BAS (WVG), 2014 WL 4161994, at *4 (S.D. Cal. Aug. 20, 2014)).

In the amended answers, ESET included additional allegations with its acquiescence defense. This time around, Finjan moves to strike the defense not because it does not provide fair notice, but because it is "facially implausible." [Doc. No. 157-1 at 8.] Facial implausibility, however, is akin to the standard for dismissal of a claim pursuant to Rule 12(b)(6); it is not grounds for striking an affirmative defense. As discussed above, to strike an affirmative defense, the Court must find that it does not give the plaintiff fair notice of the defense.[1] Finjan does not even argue that the amended answer does not provide fair

[1] District courts in the Ninth Circuit have reached different conclusions with respect to whether the pleading standards set by the Supreme Court in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007),

notice, and the Court finds that the additional allegations are sufficient to provide Finjan fair notice of ESET's acquiescence defense. Accordingly, Finjan's motion to strike this defense is denied.

III. Motion to Dismiss Counterclaims

A. Legal Standard

Under Rule 12(b)(6), a party may file a motion to dismiss based on the failure to state a claim upon which relief may be granted. A Rule 12(b)(6) motion challenges the sufficiency of a complaint as failing to allege "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). A facial plausibility standard is not a "probability requirement" but mandates "more than a sheer possibility that a defendant has acted unlawfully." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (internal quotations and citations omitted). For purposes of ruling on a Rule 12(b)(6) motion, the court "accept[s] factual allegations in the complaint as true and construe[s] the pleadings in the light most favorable to the non-moving party." *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008). "[D]ismissal may be based on either a lack of a cognizable legal theory or the absence of sufficient facts alleged under a cognizable legal theory." *Johnson v. Riverside Healthcare Sys.*, 534 F.3d 1116, 1121 (9th Cir. 2008) (internal quotations and citations omitted).

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and *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009), apply to affirmative defenses. *See generally J & J Sports Prods., Inc. v. Scace*, No. 10CV2496-WQH-CAB, 2011 WL 2132723, at *1 (S.D. Cal. May 27, 2011) (discussing split and ultimately holding that the fair notice standard still applies). In cases since *Twombly* and *Iqbal*, however, the Ninth Circuit has at least implied that the fair notice standard still applies to the pleading of affirmative defenses. *See, e.g., Kohler v. Flava Enter., Inc.*, 779 F.3d 1016, 1019 (9th Cir. 2015) (noting when discussing whether an affirmative defense had been adequately pled that "the 'fair notice' required by the pleading standards only requires describing the defense in 'general terms.'"); *see also Bruno v. Equifax Information Servs., Inc.*, No. CV 2:17-0327 WBS EFB, 2017 WL 2833393, at *2 (E.D. Cal. June 30, 2017) ("This court [] has generally understood *Kohler* to have held that the "fair notice" standard applies to affirmative defenses."); *Roe v. City of San Diego*, 289 F.R.D. 604, 608 (S.D. Cal. 2013) ("[T]he Ninth Circuit has continued to recognize the 'fair notice' standard of affirmative defense pleading even after *Twombly* and *Iqbal*.") (citing *Simmons*, 609 F.3d at 1023, and *Schutte & Koerting, Inc. v. Swett & Crawford*, 298 Fed. Appx. 613, 615 (9th Cir. 2008)). Accordingly, the Court applies the fair notice standard here.

Even under the liberal pleading standard of Rule 8(a)(2), under which a party is only required to make "a short and plain statement of the claim showing that the pleader is entitled to relief," a "pleading that offers 'labels and conclusions' or 'a formulaic recitation of the elements of a cause of action will not do.'" *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 555). The court must be able to "draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.* at 663. "Determining whether a complaint states a plausible claim for relief . . . [is] a context-specific task that requires the reviewing court to draw on its judicial experience and common sense." *Id.* at 679.

B. Counterclaim 13 (Affirmative Defense 12): Prosecution Laches

Finjan moves to dismiss ESET's amended counterclaim for declaratory judgment of unenforceability of the '305, '086, '621, and '755 patents due to prosecution laches. [Doc. No. 127-1 at 13.] "The doctrine [of prosecution laches] 'may render a patent unenforceable when it has issued only after an unreasonable and unexplained delay in prosecution' that constitutes an egregious misuse of the statutory patent system under the totality of the circumstances." *Cancer Research Tech. Ltd. v. Barr Labs., Inc.*, 625 F.3d 724, 728 (Fed. Cir. 2010) (quoting *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.*, 422 F.3d 1378, 1385-86 (Fed. Cir. 2005)). It also requires a showing of prejudice, which in turn requires "evidence of intervening rights, *i.e.*, that either the accused infringer or others invested in, worked on, or used the claimed technology during the period of delay." *Id.* at 729. "[T]here are no strict time limitations for determining whether continued refiling of patent applications is a legitimate utilization of statutory provisions or an abuse of those provisions. The matter is to be decided as a matter of equity, subject to the discretion of [the] district court . . . ." *Symbol Techs.*, 422 F.3d at 1385.

The first time around, the Court dismissed this counterclaim because ESET's allegations of unreasonable and unexplained delay were limited to a recitation of the number of years that lapsed between the time Finjan filed its application for the parent patent and the applications for the four patents at issue here. [Doc. No. 137 at 5-7] The

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