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14 **UNITED STATES DISTRICT COURT**
15 **SOUTHERN DISTRICT OF CALIFORNIA**

16 FINJAN LLC,
17 Plaintiff,
18 v.
19 ESET, LLC, et al.,
20 Defendants.

Case No. 3:17-cv-0183-CAB-BGS

PUBLIC REDACTED VERSION

**JOINT STATEMENT REGARDING
BRIEFING ORDER (D.I. 841)**

Judge: Hon. Bernard G. Skomal

21 AND RELATED COUNTERCLAIMS.

CONTAINS HIGHLY CONFIDENTIAL –
ATTORNEYS’ EYES ONLY
INFORMATION

1 **I. ESET’S STATEMENT**

2 Finjan steadfastly refuses to produce highly relevant non-privileged documents that
3 are directly responsive to ESET’s Requests for Production on the ruse that privilege
4 attaches to the disputed documents. Finjan is whistling past the graveyard; its assertions
5 lack any legal or factual support. The Court should order production of those documents.

6 **A. Relevant Background**

7 On July 23, 2020, the Court lifted the stay on U.S. Patent No. 7,975,350 (“the ’305
8 patent”). The next day, Finjan Holdings, Inc. announced that it was acquired by Fortress
9 for \$43.9 million. *See* Declaration of Regis C. Worley, Jr. in Support of Joint Statement
10 (“Worley Decl.”), Ex. A. Finjan Holdings, Inc. survived the merger as a wholly owned
11 subsidiary. *Id.* at Ex. B. The acquisition of Finjan Holdings, Inc. included its wholly-
12 owned subsidiary, Finjan LLC (formerly Finjan, Inc.) – the plaintiff in this case.¹

13 In a 10-Q filing for the period ending March 31, 2020, Finjan Holdings, Inc.
14 reported total current assets (not including intangible assets) of \$36 million. *See* Worley
15 Decl., Ex. C. Finjan Holdings, Inc. stated in that 10-Q that its revenue “results from
16 grants of licenses to its patented cybersecurity technology and settlements reached from
17 legal enforcement of the Company’s patent rights.” Moreover, the 10-Q identified 12
18 pending patent infringement actions in which Finjan, Inc. was plaintiff (six of which
19 involve the ’305 patent), including the instant action. Apart from its litigation costs in the
20 March to July time-period, it appears that Fortress paid just \$8 million more to acquire
21 Finjan Holdings, Inc. than Finjan Holdings, Inc.’s cash assets.

22 In this litigation, Finjan’s damages expert opined in his expert report on the
23 “*reasonable* royalty” owed by ESET for alleged infringement. *See* D.I. 726-4, at pp. 4-5
24 (Supplemental Expert Report of Kevin Arst, dated November 20, 2019). Fortress’s
25 acquisition price not only significantly discounts the value of the ESET litigation, but
26

27 ¹ Finjan has provided ESET with no discovery regarding Finjan LLC’s standing to
28 continue to assert the patents-in-suit as a result of any corporate restructuring. While
Finjan argues that ESET has not shown that Finjan LLC lacks standing, ESET has been
provided none of the relevant documents relating to Finjan LLC’s restructuring.

1 discounts all of Finjan's other reported litigations, and the value of its intellectual
2 property assets, to *zero*.²

3 The actual valuations that Finjan Holdings, Inc. assigned to the ESET litigation, all
4 of Finjan's other pending litigations, and Finjan's intellectual property rights and other
5 assets, as determined by an arm's length transaction, all likely are revealed in documents
6 exchanged between Finjan Holdings, Inc. and Fortress to induce the acquisition. Such
7 valuations were not publicly disclosed, but are highly relevant to determining the value of
8 the '305 patent and any associated royalty rate. Those documents also bear directly on
9 Finjan's highly-inflated damages claims for the other asserted patents-in-suit. Moreover,
10 discovery of the documents relating to the Fortress acquisition is required to establish
11 whether Finjan LLC even has standing to continue pursuing this litigation.

12 For example, a recent order in a suit brought by another subsidiary of Fortress
13 revealed that subsidiary lacked standing to maintain its patent infringement action.
14 *Uniloc USA, Inc. v. Apple, Inc.*, No. C 18-00358 WHA, 2020 U.S. Dist. LEXIS 240994
15 (N.D. Cal. Dec. 22, 2020) (putative plaintiff lacking standing where milestone venue
16 targets missed). Moreover, counsel for Finjan LLC maintains that the parent corporation,
17 Finjan Holdings, Inc. – that consummated the sale to Fortress – “no longer exists as an
18 entity,” notwithstanding that as recently as December 9, 2020, Finjan Holdings, Inc. filed
19 a pleading in a shareholder suit pending in the Northern District of California. (Worley
20 Decl., Exs. I and J). Its corporate agent also acknowledged receipt of ESET's subpoena
21 to Finjan Holdings, Inc. **on January 4, 2021**. ESET is entitled not only to valuation
22 documents regarding the value of the ESET litigation and '305 patent, but moreover to
23 discovery regarding the chain of title to the asserted patents, and proof that Finjan LLC
24 has sufficient rights to maintain this suit.

25
26 ² For example, in another recently resolved Finjan case, it was reported that Finjan sought
27 \$142 million in damages in another case, whereas the defendant, had infringement been
28 established (it was not) would have owed less than \$1.8 million. *See* Worley Decl., Ex.
K (D. Simpson, Finjan Fights \$8.7M Fee Bid For 'BS' Juniper Patent War, LAW360
(Dec. 15, 2020), available at [**DOCKET**
ALARM](https://www.law360.com/articles/1338065/finjan-fights-8-</p></div><div data-bbox=)

1 **B. Requested Documents in Dispute**

2 Finjan refuses to produce valuation or case-specific documents exchanged with
3 Fortress in response to multiple Requests for Production (RFPs), including: patent
4 valuation documents (RFPs 222 and 226); documents referring to (a) the asserted patents
5 (RFP 223); (b) referring to ESET (RFP 224); (c) substitution of Finjan’s counsel of
6 record (RFP 225); (d) allocation of the acquisition (RFP 227); (e) Finjan’s
7 communications to shareholders about the acquisition (RFP 229); (f) valuation of
8 infringement damages for the asserted patents (RFPs 230 and 231); (g) potential
9 invalidity or unenforceability of the ’305 patent (RFP 232³); and (h) prior art to the ’305
10 patent (RFP 233⁴).⁵ See Worley Decl., Ex. D.

11 **C. Legal Standards**

12 A party asserting privilege bears the burden of establishing all elements of the
13 privilege. *Ayers v. Yiu Lee*, No. 14-cv-542-BGS (NLS), 2018 U.S. Dist. LEXIS 211333,
14 at *9-10 (S.D. Cal. Dec. 14, 2018). Voluntary disclosure of privileged documents
15 constitutes waiver of the privilege, which extends to all other such communications. *Id.*
16 at *10-11. “If litigants are to have any faith in the discovery process, they must know
17 that parties cannot fail to produce highly relevant documents within their possession with
18 impunity.” *HM Elecs., Inc. v. R.F. Techs., Inc.*, No. 12cv2884-BAS-MDD, 2015 U.S.
19 Dist. LEXIS 104100, at *33 (S.D. Cal. Aug. 7, 2015); *OEM-Tech v. Video Gaming*
20 *Techs., Inc.*, No. C 10-04368 RS, 2013 U.S. Dist. LEXIS 201318, at *17-18 (N.D. Cal.
21 Jan. 8, 2013) (same). Indeed, as the Ninth Circuit observed: “Litigation is not a game. It

22 ³ During the meet-and-confer process, ESET agreed to narrow RFPs 232 and 233 from
23 “any of the Patents-in-Suit” to “the ’305 patent.” In view of the uncertainty that recent
24 court filings in the Northern District reveal regarding how Fortress entities retain title to
and fund patent litigations, such narrowing now appears unduly restrictive.

25 ⁵ As noted during the call with the Court, a parallel dispute has arisen regarding Finjan’s
26 responses to Interrogatory 24 (“Identify the dollar amount at which This Litigation was
27 valued in connection with any discussions between Finjan, Inc. and Fortress Investment
28 Group LLC relating to the acquisition of Finjan, Inc. by Fortress Investment Group
LLC”) and Interrogatory 25 (“Identify the dollar amount at which the ’305 patent was
valued in connection with any discussions between Finjan, Inc. and Fortress Investment
Group LLC relating to the acquisition of Finjan, Inc. by Fortress Investment Group
LLC”). ESET submits that the interrogatory dispute is ripe for adjudication together with

1 is the time-honored method of seeking the truth, finding the truth, and doing justice.
2 When a corporation and its counsel refuse to produce directly relevant information an
3 opposing party is entitled to receive, they have abandoned these basic principles in favor
4 of their own interests.” *Haeger v. Goodyear Tire & Rubber Co.*, 793 F.3d 1122, 1126
5 n.1 (9th Cir. 2015).

6 **D. Finjan’s Defective Privilege Logs**

7 On December 30, 2020, Finjan provided a privilege log listing 24 documents.
8 Among its numerous deficiencies, the log failed to identify all senders and recipients,
9 their positions and employers, and whether any of the addressees were attorneys. *See*
10 *Worley Decl.*, Ex. E (under seal). ESET requested that Finjan provide an amended log
11 on December 31 remedying those deficiencies. *See Worley Decl.*, Ex. F; *see also*
12 *Jumping Turtle Bar & Grill v. City of San Marcos*, No. 10-cv-00270-IEG (BGS), 2010
13 U.S. Dist. LEXIS 119390, at *13 (S.D. Cal. Nov. 10, 2010) (requiring an amended
14 privilege log be served “that includes all the recipients of the communications and
15 provides the position held by each person identified in the privilege log”). Finjan agreed
16 to do so, but its replacement privilege log suffers many of the same deficiencies (*see, e.g.*,
17 documents 2317, 2318, 2320, 2321, 2324, 2325, 2326, 2327, 2328 each of which identify
18 the author as “[REDACTED]”). *See Worley Decl.*, Ex. G (under seal). The new
19 log raised as many questions as it purported to answer. For example, the “From” entry of
20 document 2319 originally stated “[REDACTED]
21 [REDACTED],” (emphasis added) whereas the revised entry states
22 merely “[REDACTED].” *Id.* Likewise, the “From” entry of document 2314
23 originally stated “[REDACTED]
24 [REDACTED],” (emphasis added) but the revised entry now identifies only “[REDACTED]
25 [REDACTED],” who [REDACTED]. *Id.*
26 Moreover, while Ms. Mar-Spinola is an attorney, she also participates in competitive
27 decision-making within Finjan LLC, and as such her appearance on communications
28 exchanged outside of Finjan refutes any claim that such communications are privileged.

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