

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

FINJAN, INC., a Delaware Corporation,)	
)	
Plaintiff,)	
)	
v.)	
)	C.A. No. 18-1519-MN-MPT
RAPID7, INC., a Delaware Corporation)	
and RAPID7 LLC, a Delaware Limited)	
Liability Company,)	
)	
Defendants.)	

REPORT AND RECOMMENDATION

I. INTRODUCTION

Plaintiff Finjan, Inc. (“Finjan”) filed this patent infringement action on October 1, 2018 against defendants Rapid7, Inc. and Rapid7 LLC (“defendants”).¹ The action arises from defendants’ alleged willful infringement of Finjan’s patents, including U.S. Patent Nos. 8,677,494 (the “494 Patent”); 8,079,086 (the “086 Patent”); and 8,141,154 (the “154 Patent”) (collectively, “the Asserted Patents”). Defendants filed an answer with jury demand and affirmative defenses on December 5, 2018.² Currently before the court is plaintiff’s motion to strike defendants’ Third, Fourth, Fifth, and Sixth Affirmative defenses based on inequitable conduct and defendants’ Seventh Affirmative defense based on unclean hands.³

II. BACKGROUND

Finjan is a Delaware Corporation with its principal place of business in Palo Alto,

¹ D.I. 1.

² D.I. 15.

³ D.I. 18.

California.⁴ It was founded in 1997 as a wholly-owned subsidiary of Finjan Software Ltd., an Israeli corporation that moved its headquarters to San Jose, California in 1998.⁵ Finjan developed security technologies capable of detecting online security threats, recognized today as malware.⁶ These technologies protect networks and endpoints by identifying suspicious patterns and behaviors of content delivered over the Internet.⁷

Rapid7, Inc. is a Delaware Corporation with its principal place of business in Boston, Massachusetts.⁸ Rapid7 LLC is a Delaware limited liability company and a wholly-owned subsidiary of Rapid7, Inc., also located in Boston, Massachusetts.⁹

Finjan has numerous patents issued by the United States Patent and Trademark Office (“PTO”), where all rights, title, and interest of the patents have been assigned to it and it is the sole owner.¹⁰ These patents include U.S. Patent Nos. 7,975,305 (“the ‘305 Patent”); 8,225,408 (“the ‘408 Patent”); 7,757,289 (“the ‘289 Patent”); 7,613,918 (“the ‘918 Patent”); 8,079,086 (“the ‘086 Patent”); and 8,677,494 (“the ‘494 Patent”).¹¹

Moshe Rubín, Moshe Matitya, Artem Melnick, Shlomo Touboul, Alexander Yermakov and Amit Shaked were issued the ‘305 Patent on July 5, 2011, and the ‘408 Patent on July 17, 2012.¹² The ‘305 and ‘408 Patents are generally directed towards network security and, in particular, rule based scanning of web-based content for

⁴ D.I. 1 at 1.

⁵ *Id.* at 2.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* at 1.

⁹ *Id.*

¹⁰ *Id.* at 2.

¹¹ *Id.* at 3-8.

¹² *Id.* at 3.

exploits.¹³

The PTO issued to David Gruzman and Yuval Ben-Itzhak the '289 Patent on July 13, 2010, and the '154 Patent on March 20, 2012. The '289 Patent is generally directed towards a system and method for inspecting dynamically generated executable code, while the '154 Patent is generally directed towards a gateway computer protecting a client computer from dynamically generated malicious content.¹⁴

On November 3, 2009, the '918 Patent issued to Yuval Ben-Itzhak, and it generally addresses a system and method for enforcing a security context on a Downloadable.¹⁵

Thereafter, the PTO issued to Yigal Mordechai Edery, Nimrod Itzhak Vered, David R. Kroll and Shlomo Touboul the '086 Patent on December 13, 2011, and the '494 Patent on March 18, 2014. The '086 Patent is generally directed towards computer networks and, more particularly, provides a system that protects devices connected to the Internet from undesirable operations from web-based content.¹⁶ The '494 Patent generally addresses a method and system for deriving security profiles and storing the security profiles.¹⁷

Finjan asserts these patents result from years of research and development efforts, supported by a dozen inventors and over \$65 million in R&D investments.¹⁸ Using its patented technologies, Finjan built and sold software, including application

¹³ *Id.*

¹⁴ *Id.* at 7.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* at 8.

program interfaces (APIs) and appliances for network security.¹⁹ Finjan's pioneering approach to online security drew equity investments from two major software and technology companies, the first in 2005 followed by the second in 2006.²⁰

Finjan claims it generated millions of dollars in product sales and related services and support revenues through 2009.²¹ Pursuant to a merger in 2009, it was bound to a non-compete and confidentiality agreement, under which it could not make or sell a competing product or disclose the existence of the non-compete clause.²² Finjan became a publicly traded company in June 2013, capitalized with \$30 million.²³ After the non-compete expired in March 2015, it re-entered the development and production sector of secure mobile products for consumer markets.²⁴

Finjan notes that it had numerous contacts with defendants both in person and in writing, to specifically identify defendants' continued infringing behavior of the Asserted Patents, specifically the '305, '086, and '494 Patents.²⁵

Finjan claims that from approximately May 11, 2016 to January 4, 2018, it attempted to engage in good faith negotiations with defendants regarding their ongoing alleged infringement of its patent portfolio.²⁶ On or about January 4, 2018, Finjan sent another letter to defendants stating that their Nexpose products infringe the '494 Patent,

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

and their AppSpider product continued to infringe the '305 Patent.²⁷ Finjan provided a PowerPoint presentation to defendants on or about February 8, 2018, where it described how Nexpose, Metasploit, InsightVM, InsightAppSec, and AppSpider products infringed its patents, including the '494, '305, '408, '289, '154, '918, and '086 Patents.²⁸

Finjan alleges defendants knew they infringed the Asserted Patents well before this action was filed, and acted egregiously and willfully by continuing their infringing conduct and, on information and belief, took no action to avoid infringement.²⁹ Instead, defendants continued to develop technologies and products that infringed the Patents.³⁰

Defendants are closely related companies that operate as a single business entity directed and controlled by Rapid7, Inc. They make, use, sell, and import the alleged infringing products and services that utilize InsightIDR, InsightVM (Nexpose), InsightAppSec, AppSpider, Metasploit and Komand technologies, including Rapid7 Insight Platform products (collectively, the "Accused Products").³¹ Defendants represent themselves to be one entity regarding the Accused Products in their annual reports to the United States Securities and Exchange Commission.³² They share the same principal place of business and many of the same corporate executives and directors.³³

²⁷ *Id.* at 9.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

³³ *Id.* at 11.

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