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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 FINJAN, INC.,

12 Plaintiff,

13 v.

14 ESET, LLC and ESET SPOL. SR.O.,

15 Defendant.

Case No.: 17CV183 CAB (BGS)

**ORDER ON CMPS DISCOVERY
DISPUTE**

[ECF 428]

16
17 The parties have filed a Joint Statement addressing a dispute that has arisen as to
18 compliance with the Court's prior Orders on the parties' dispute regarding Eset's Cloud
19 Malware Protection System ("CMPS"). (ECF 428)

20 **I. Sandboxing(CMPS): Clarification of November 28, 2018 Order (ECF 398)**

21 In the Court's November 8, 2018 Order, the Court ordered Finjan to provide its
22 good faith basis premised on a reasonable inquiry to support its contention "that Eset's
23 cloud-based sandboxing is put into service in the U.S. where the system is exercised and
24 beneficial use of the system obtained." (ECF 383 at 6 (emphasis added).) Finjan, in
25 support of its good faith basis that ESET uses the CMPS (sandboxing) system in the
26 United States, provided a declaration of Michael Lee with supporting exhibits. (ECF
27 388). In his declaration, and as part of his proffer that CMPS was exercised in the U.S.
28 and its beneficial use was obtained in the U.S., Mr. Lee declared that "Eset strategically

1 placed these servers [REDACTED], in part, because that location makes it easier to provide
2 the accused CMPS services to U.S. and foreign customers, including those in North
3 America and Asia.” (Id. at 2). Based on Mr. Lee’s declaration and exhibits, the Court
4 found that Finjan had established a good faith basis that the LiveGrid Reputation System
5 servers [REDACTED] may be used to provide Eset’s customers with automated detections
6 derived from the CMPS system. (ECF 398 at 3). The Court now clarifies that Order to
7 include only Eset’s customers who are in the United States, which was its original intent
8 based on the proffer of Mr. Lee quoted above.

9 As the Court stressed in its November 28, 2018 Order, the only issue raised by the
10 parties in this discovery dispute was whether Finjan had a good faith basis to believe the
11 CMPS system satisfied the jurisdictional requirements of 35 U.S.C. § 271(a). (ECF 398
12 at 3.) It was for this reason the Court required Finjan to put forth how CMPS is exercised
13 in the U.S. and how the beneficial use of that system is obtained in the U.S.

14 The territorial reach of § 271(a) is limited. Section 271(a) is only actionable
15 against patent infringement that occurs within the United States. *NTP, Inc. v. Research in
16 Motion, Ltd.*, 418 F.3d 1282, 1313 (Fed. Cir. 2005) abrogated on other grounds by *Zoltek
17 Corp. v. United States*, 672 F.3d 1309, 1323 (Fed. Cir. 2012). Pursuant to § 271(a),
18 “whoever without authority makes, uses, offers to sell, or sells any patented invention,
19 within the United States . . . infringes the patent.” In terms of the infringing act of “use,”
20 it is to be construed broadly. *NTP*, 418 F.3d at 1316-1317. The use of a claimed system
21 under § 271(a) is the place at which the system as a whole is put into service, i.e., the
22 place where control of the system is exercised and beneficial use of the system obtained.
23 *Id.* at 1317.

24 In the present case, the Court, based on Finjan’s proffer, found that the results of
25 the CMPS system may be passed to customers via the LiveGrid Reputation System
26 servers [REDACTED]. The Court now clarifies that only the U.S. customers that
27 receive these results from those [REDACTED] servers are included in its Order. For
28 purposes of obtaining discovery only, the CMPS system results to Eset’s U.S. customers

1 would satisfy the “use” test under § 271(a), i.e., the place where control of the system is
2 exercised and beneficial use of the system obtained.

3 In conclusion, the Court’s November 28, 2018 Order, (ECF 398), is clarified as
4 follows. To the extent that the LiveGrid Reputation system servers [REDACTED] are used
5 to provide Eset’s U.S. customers the results of the CMPS system, Finjan is entitled to the
6 discovery requested in its RFPs.

7 **II. Present Dispute**

8 The parties’ current dispute arises from apparent confusion by what the Court
9 meant in its November 28, 2018 Order, which stated that “[t]he Court finds that Finjan
10 has established a good faith basis to believe that the LiveGrid Reputation servers [REDACTED]
11 [REDACTED] may be used to provide ESET’s customers with automated detections derived from
12 the CMPS system. Therefore, to the extent that the LiveGrid Reputation servers [REDACTED]
13 [REDACTED] are used to perform this service, Finjan is entitled to the discovery as related to that
14 use.”¹ (ECF 398.)

15 The Court will not summarize the parties’ arguments for purposes of expediency.
16 Their Joint Statement recites their respective interpretations of this language. (See ECF
17 428.) To understand what the Court meant by its ruling, the parties need only to revisit
18 the source of this discovery dispute. The only dispute raised by Eset was whether the
19 discovery requested by Finjan in its RFPs was irrelevant under § 271(a) because the
20 alleged infringement took place outside the U.S. (ECF 383 at 2.) The parties did not raise
21 any dispute regarding what documents are being sought or parsing of the language of the
22 RFPs regarding CMPS. And to the extent there is any dispute as to the language or scope
23 of the RFPs, it is waived because it was not raised in the briefing. (ECF 383 at 6, n 7.)
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27 ¹ This holding is now clarified to apply only to Eset’s U.S. customers as explained in
28 Section I. of this order.

1 As such, interpreted in view of the only issue raised, the Court found in its
2 November 28, 2018 Order that for the purposes of discovery only, Finjan had established
3 a sufficient good faith basis that the “use” element of § 271(a) was met. (ECF 398.) This
4 in turn meant that the discovery requested was relevant, but only to the extent Eset’s U.S.
5 customers received the CMPS results via its [REDACTED]. The Court’s November
6 28, 2018 Order did not narrow the scope of the actual RFPs, since Eset did not raise any
7 such issues. (ECF 398.) The narrowing of the scope was only to the use concerns of
8 § 271(a), namely to Eset’s U.S. customers who received the beneficial use of the CMPS
9 system by receiving the results of that system via Eset’s [REDACTED] servers. In all other
10 respects, Eset was to respond to Finjan’s RFPs.

11 Therefore, if Eset does not provide its U.S. customers with CMPS results via the
12 [REDACTED] servers, then the dispute is moot since there will be no required disclosure of
13 discovery. If this is the case, Eset must provide a declaration from an appropriate
14 representative so stating.

15 However, if Eset does provide the above, then Eset will be required to respond to
16 the RFPs as they regard those U.S. customers. To be clear, if Eset’s U.S. customers
17 receive the results of the CMPS system via the LiveGrid Reputation system servers in the
18 U.S. Eset has to respond to the RFPs as they relate to Eset’s U.S. customers. This Order
19 is subject to Section III.

20 **III. Federal Rule of Civil Procedure 26(b)(2)(C)(i)-(iii)**

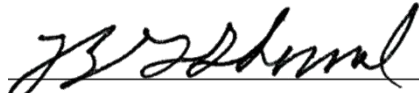
21 Pursuant to the above cited section, the Court has a duty sua sponte to limit
22 discovery as detailed in these subsections. In the Court’s November 8, 2018 Order, (ECF
23 383), the Court considered these sections, but determined at that time that ESET was not
24 arguing the discovery was cumulative or over burdensome. (ECF 383 at 7.) However, in
25 the Joint Statement filed for this present dispute, ESET details the extensive discovery
26 concerning CMPS provided to Finjan, including the source code used in that service, as
27 well as the countless hours of individual and corporate testimony regarding that
28 documentation and source code. (ECF 428 at 6-7.) Eset further proffers that on

1 November 30, 2018 Finjan served three expert reports totaling more than 3,000 pages in
2 which it laid out its position regarding the operation of CMPS as a basis for its
3 infringement claims. (Id. at 7). Eset also lays out the burden and expense it would incur
4 by responding to Finjan’s RFPs. (Id.)

5 Given the limits imposed by Rule 26(b)(1) and this Court’s duty to limit discovery
6 that fits within Rule 26(b)(2)(C)(i)-(iii), the Court orders the parties to meet and confer to
7 limit the scope of the discovery requested in Finjan’s RFPs to comply with the rule
8 26(b)(2)(C) limits. The parties are to accomplish this by January 23, 2019. If they cannot
9 reach an agreement as to what discovery remains outstanding that is not cumulative, is
10 relevant to important issues at stake, and not over burdensome to Eset, then they must
11 contact the Court by January 25, 2018.²

12 **IT IS SO ORDERED.**

13 Dated: January 18, 2019

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15 Hon. Bernard G. Skomal
16 United States Magistrate Judge
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27 ² Of course this meet and confer is not required if ESET does not provide the CMPS
28 results to U.S. customers via its [REDACTED] servers.