

**Keywords:** Patent infringement; claim construction; damages.

**General:** Non-method claims requiring only the capability of performing a certain function are directly infringed even though the function is disabled in the accused product.

*Finjan Inc. v. Secure Computing Corp.*  
Nos. 2009-1576, -1594 (Fed. Cir. 2010)  
Decided November 4, 2010

## I. Facts

Finjan, Inc. (“Finjan”) filed suit against Secure Computing Corporation (“Secure”) alleging direct patent infringement of three related patents: U.S. Patent Nos. 6,092,194 (“’194 patent”), 6,804,780 (“’780 patent”), and 7,058,822 (“’822 patent”). These patents recite inventions associated with proactive scanning technology for computer security (e.g., detecting and defeating unknown Internet threats to a computer such as viruses). Finjan alleged three products sold and tested by Secure infringed both method and non-method claims of the ‘194, ‘780, and ‘822 patents. The three accused products included: a “Webwasher” software download, a “Webwasher” hardware application or server containing software, and a “Cyberguard TSP” hardware appliance with software. All three accused products contained source code for modules offering proactive scanning functionality among other features. However, these modules are locked when the products are sold and require the customer to purchase a separate key to activate each individual module. In response to the suit, Secure counterclaimed that Finjan infringed two of Secure’s patents: US. Patent Nos. 6,357,010 (“’010 patent) and 7,185,361 (“’361 patent”). A jury found none of the patents invalid and that Finjan did not infringe Secure’s patents (the ‘010 and ‘361 patents). However, the jury found that Secure willfully infringed all of the asserted claims of Finjan’s patents (‘194, ‘780, and ‘822 patents). The jury awarded Finjan \$9.18 million in royalties. The parties also filed various motions for judgment as a matter of law (“JMOL”) or new trial, which the district court denied. The district court also enhanced damages by 50%, awarded damages that accrued between the verdict and entry of the judgment, and entered a permanent injunction. Secure appealed the verdicts of infringement of Finjan’s patents, while Finjan cross-appealed the district court’s damages ruling seeking post-judgment, pre-injunction damages.

## II. Issues

- A. Was there substantial evidence to support the jury’s verdict of infringement of the asserted storage medium claims?
- B. Did the district court err in denying Secure’s motion for JMOL of noninfringement of the method claims asserted by Finjan?
- C. Did the district court err by failing to construe the term “addressed to a client” as recited in the asserted claims of the ‘194 patent?
- D. Was there a reasonable basis to support the jury’s award of damages?

- E. Did the district court err in not awarding post-judgment, pre-injunction damages to Finjan?

### III. Discussion

- A. Yes. Secure argued that they did not sell infringing products because all of the software products that feature proactive scanning were locked when sold. In particular, Secure argued that the source code within the modules was disabled and incapable of being used until the customers purchased keys to unlock the proactive scanning modules and, further, that Finjan failed to allege indirect or joint infringement. In response, Finjan countered that Secure waived the argument that locked software cannot infringe by failing to raise the argument in their JMOL motions. However, the Federal Circuit disagreed since Secure orally moved for JMOL of noninfringement at the close of Finjan's case under Rule 50(a) and in written form on the last day of trial repeating its noninfringement position. Finjan also renewed the JMOL motion under Rule 50(b) after the trial reiterating their noninfringement arguments and explaining the locked software theory. Further, the Federal Circuit found that Finjan waived its objection because Finjan did not oppose Secure's Rule 50(b) motion on waiver grounds.

Even though Secure did not waive the locked software argument, the Federal Circuit found that the argument lacked merit. Secure relied on two Federal Circuit cases, *Southwest Software, Inc. v. Harlequin Inc.* and *ACCO Brands, Inc. v. ABA Locks Manufacturer Co.*, for the proposition that locked or disabled products cannot infringe apparatus claims. In *Southwest*, the Federal Circuit affirmed denial of a new trial on infringement because the accused software product included a manual step that avoided the automatic selection of a feature of the patented invention even though code for automatic selection remained in place. Secure interpreted *Southwest* for the proposition that locked code cannot infringe. However, the Federal Circuit distinguished *Southwest* from the present case because the claim at issue in *Southwest* involved "a method that required performance of each step," as opposed to the claims asserted by Finjan which are "system" and "storage medium" claims that do not require the performance of any method steps.

In *ACCO Brands*, the Federal Circuit overturned a jury verdict because the patentee could not cite specific instances of direct infringement or that the accused device infringed the claims at issue. In *ACCO Brands*, the asserted apparatus claim covered a locking device with pins in a specific configuration, while the accused device could be operated in either an infringing mode or noninfringing mode. However, in *ACCO Brands*, the patentee failed to show customers operated the device in the infringing mode, thus, direct infringement could not be inferred. Secure interpreted *ACCO Brands* for the proposition that an infringed device does not infringe if at any time the device can be used in a noninfringing manner. The Federal Circuit distinguished *ACCO Brands* from the present case because the claim language in *ACCO Brands* required a specific configuration as opposed to apparatus claims asserted by Finjan which "do not require that the proactive scanning software be configured in a particular way to infringe—only that it be programmed for performing the claimed steps."

Secure argued that the asserted claims require actual operability citing the various claimed engines within the claims and Finjan's expert testimony that the engine is an

active component with an active task to perform. Secure also argued that the source code must be enabled to infringe. However, the Federal Circuit found that the claim language of the asserted claims and the testimony of Finjan's own expert did not support Secure's contention. The Federal Circuit stated to infringe claims that recite "capability and not actual operation, an accused device 'need only be capable of operating' in the described mode". In particular, the Federal Circuit found that Finjan's non-method claims described capabilities but did not require the software components to be enabled. Citing *Fantasy Sports Properties Inc. v. Sportsline.com, Inc.*, the Federal Circuit noted that the code for proactive scanning was already present in the accused products sold by Secure and did not involve any further modification of the actual code on the part of customer to unlock the software modules.

- B. Yes. At trial, the only evidence produced by Finjan on infringement of the method claims included testimony as to the effect that Webwasher AG, a German company, performed a single proactive scan on one occasion in *Germany*. The Federal Circuit found no evidence (e.g., testing or operating copies of the accused device) supporting direct infringement in the United States as required by 35 U.S.C. § 271(a). Accordingly, the Federal Circuit reversed the denial of the Secure's motion for JMOL of noninfringement of the asserted method claims.
- C. No. Secure tried to argue that the district court failed to construe the term "addressed to client." Prior to trial, both parties submitted competing definitions to the district court as to the meaning of the term "addressed to a client." In particular, Secure's construction required an IP address. The district court construed "addressed to client" to have its plain and ordinary meaning and instructed the jury to that effect at trial. During the trial, one of Secure's witnesses tried to repeatedly assert that the asserted claims require an IP address, but the district court prevented this. The Federal Circuit found the district court already resolved how to construe the term at issue by rejecting Secure's construction and that Secure tried to resurrect the rejected claim construction during the trial. Further, the Federal Circuit found that Secure failed, even on appeal, to provide an alternative claim construction or how a different construction would negate infringement of the '194 patent.
- D. Yes. During the trial for damages, both parties presented opposing damages experts. Finjan sought a hypothetically negotiated royalty based on factors in *Georgia-Pacific Corp. v. U.S. Plywood Corp.* As to the royalty base, Secure made two challenges. First, Secure argued the jury misapplied the entire market value rule by using the full value of the accused products. However, Finjan argued and the Federal Circuit agreed that Secure waived the entire market value rule argument by not raising the argument in the post-trial motions. Second, Secure argued (and Finjan conceded) that Finjan's expert witness incorrectly included sales to the U.S. government. The trial court instructed the jury not to include sales to the U.S. government in the damages calculation. While the Federal Circuit found the inclusion of the sales to the government in the testimony of Finjan's expert impermissible, it also noted that the total amount of sales to the United States was small relative to the verdict (\$447,444 v. \$9.18 million) and the jury chose numbers different from Finjan's expert (albeit higher in terms of the total base). Thus, the Federal Circuit found Secure failed to rebut the presumption that the jurors followed their charge.

As to the actual royalty rates, Secure argued that the royalty rates used by the jury lacked support under the *Georgia-Pacific* factors. For example, Secure challenged Finjan's

expert's methodology for calculating the profitability of the accused products. In particular, Secure challenged the use of company-wide, instead of product-specific, gross profits to calculate royalty rates (for hardware products) by Finjan's expert. Secure also challenged Finjan's expert's method of discounting certain expenses in Secure's financial statements to calculate operating profit since this resulted in converting some losses into profits. Since Finjan's expert provided "more than a conclusory opinion," and actual reasoning for his methodologies, the Federal Circuit found the jury could rely on Finjan's expert's testimony. Further, the Federal Circuit, while noting potential flows in Finjan's damages theory, also found the jury heard evidence and reasoned expert opinion on both sides. The Federal Circuit also cited that the jury awarded a lower total damages and a lower royalty rate for software sales from those given by Finjan's expert. Thus, the Federal Circuit did not find a lack of reasonable basis in the record for the jury's damage award.

- E. Yes. The Federal Circuit found Finjan entitled to post-judgment, pre-injunction damages. The district court granted Finjan additional damages for previously uncalculated sales only up to the date of entry of the judgment, which preceded the entry of the injunction by seventeen months. The Federal Circuit found in order for the patentee to be fully compensated the damages award must include future lost sales.

#### IV. Conclusion

The Federal Circuit affirmed the denial of Secure's motions for JMOL or new trial on infringement of Finjan's system and storage medium claims, but reversed the denial of Secure's motion for JMOL of noninfringement of the method claims. Also, the Federal Circuit affirmed the denial of Secure's motions for JMOL or new trial on damages, and remanded to the district court to determine post-judgment, pre-injunction damages.

#### V. Appendix

Finjan's U.S. Patent No. 6,092,194

32. A system for execution by a server that serves as a gateway to a client, the system comprising:  
a security policy;

an interface *for* receiving an incoming Downloadable addressed to a client;

a comparator, coupled to the interface, *for* comparing Downloadable security profile data pertaining to the Downloadable, the Downloadable security profile data includes a list a suspicious computer operations that may be attempted by the Downloadable, against the security policy to determine if the security policy has been violated; and

a logical engine *for* preventing execution of the Downloadable by the client if the security policy has been violated.

Claim 1 of the reexamined U.S. Patent No. 5,170,257

1. A method of calibrating halftone output images form [sic] an imagesetting device, comprising:

providing a halftone input image, each said input image including a plurality of requested gray value densities, each said input image being a function of image resolution, exposure intensity and screen frequency;

reproducing said halftone images onto a photographic media;

chemically processing said media to manifest the exposure thereon;

measuring the density of each said requested gray value of each said halftone input image by a densitometer;

generating a plurality of calibration sets in accordance with said measuring step, each said calibration set corresponding to any variation between said requested gray value density and said respective measured density reading for each said half-tone input image at various said image resolutions, said exposure intensity and said screen frequency; and,

converting a subsequent plurality of halftone input images to a respective plurality of calibrated halftone output images according to changes made to said subsequent halftone input images by said calibration sets, *by programmably selecting* a particular calibration set of said plurality of calibration sets to be used to convert one of said subsequent plurality of halftone input images depending upon said imagesetting device current settings of said image resolution, said exposure intensity and said screen frequency.