

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

FINJAN, INC.,

Plaintiff,

v.

TRUSTWAVE HOLDINGS, INC.,

Defendant.

Redacted- Public Version

C.A. No. 20-372
[REDACTED]

MEMORANDUM ORDER

WHEREAS, on April 4, 2018, Finjan, Inc. (“Plaintiff” or “Finjan”) filed suit against Trustwave Holdings, Inc. (“Defendant” or “Trustwave”) in Delaware Superior Court for breach of a license agreement, asserting Trustwave owes Finjan certain unpaid royalties resulting from Trustwave’s acquisition in 2015 by a company named Singtel (*see* D.I. 2 Ex. A);

WHEREAS, Section 1.8 of the license agreement entered into between the parties states that royalties are to be paid for “Licensed Products and Services,” which is defined to mean, *inter alia*, “any product or service . . . whose manufacture, use or sale would infringe, contribute to, or induce the infringement of at least one valid claim of” the licensed patents, and Section 3.4 states that royalty determinations are to be conducted by an auditor or independent accounting firm (*see* D.I. 10 Ex. A at *4, 11);

WHEREAS, in June 2018, Trustwave filed a motion to dismiss Finjan’s state court claim, repeatedly arguing that applying the relevant license agreement would require a determination of patent infringement (*see id.* at 4-5; *see, e.g.*, D.I. 2 Ex. A at *104, 111-12, 123);

WHEREAS, the parties engaged in discovery efforts during the state court proceedings, including relating to patent infringement issues (*see, e.g.*, D.I. 2 Ex. A at *289, 339) (Finjan

interrogatory and request for production served on Trustwave seeking information relating to “whether or not Singtel is actually using Finjan’s patent technology that would trigger royalty payments”);

WHEREAS, Delaware Superior Court Judge William Carpenter has, in the course of presiding over the state court action, made various rulings and/or statements on important contract issues (*see* D.I. 32 at 2-6) (Trustwave compiling various rulings/statements by Judge Carpenter);

WHEREAS, on March 3, 2020, following the parties’ receipt of a February 2020 KPMG audit report in accordance with the parties’ license agreement (*see* D.I. 14 Ex. E) and Finjan’s demand for [REDACTED] pursuant to the audit report (*see id.* Ex. F), Trustwave sent a letter to Finjan denying that any such royalties were owed (*see id.* Ex. G);

WHEREAS, upon reviewing Trustwave’s March 3, 2020 correspondence, Finjan contends that it “promptly concluded that it would have to remove this case to resolve this dispute in federal court” due to what Finjan characterizes as the patent infringement issues resulting from Trustwave’s March 2020 denial (*see id.* at 6);

WHEREAS, on March 16, 2020, Finjan filed a notice of removal of the state court proceeding to this Court, stating that this matter is removable under 28 U.S.C. § 1454(a) and that removal is timely under Sections 1446(b)(3) and 1454(b)(2) (*see* D.I. 2);

WHEREAS, on April 14, 2020, Trustwave filed the pending motion to remand, arguing that Finjan’s removal is untimely and no cause has been shown to extend the relevant time bars, seeking in addition to remand that it be awarded its costs and fees associated with its motion (*see* D.I. 9, 10);

WHEREAS, on July 13, 2020, the Court held telephonic oral argument, at the end of which the Court ordered supplemental briefing (*see* D.I. 28 (“Tr.”)), which the parties completed on August 20, 2020 (D.I. 31-33, 35);

NOW, THEREFORE, IT IS HEREBY ORDERED that, having considered the relevant materials (*see, e.g.*, D.I. 2, 9, 10, 14, 16, 23-26, 29, 31-33, 35) and the parties’ arguments, Trustwave’s motion to remand (D.I. 9) is **GRANTED**.

1. As the party which removed the action and seeks to invoke federal jurisdiction, the burden is on Finjan to show that this case should remain in this Court at this time. *See, e.g., Samuel-Bassett v. KIA Motors America, Inc.*, 357 F.3d 392, 396 (3d Cir. 2004) (“The party asserting jurisdiction bears the burden of showing that at all stages of the litigation the case is properly before the federal court.”); *see also Frederico v. Home Depot*, 507 F.3d 188, 193 (3d Cir. 2007). Among other obstacles Finjan confronts in meeting this burden is that removal provisions “are to be strictly construed against removal and all doubts should be resolved in favor of remand.” *Boyer v. Snap-on Tools Corp.*, 913 F.2d 108, 111 (3d Cir. 1990).

2. During oral argument, the Court raised questions *sua sponte*¹ about whether subject matter jurisdiction existed in this court, based on a line of cases holding that there is not necessarily federal court jurisdiction whenever a patent infringement element is embedded within a breach of contract action. (*See, e.g.*, Tr. at 4-6) (referring to *Gunn v. Minton*, 568 U.S. 251, 257-58 (2013); *Inspired Dev. Grp., LLC v. Inspired Prods. Grp., LLC*, 938 F.3d 1355, 1360-61 (Fed. Cir. 2019); *Univ. Fla. Rsch. Found., Inc. v. Medtronic PLC*, 2017 WL 6210801, at

¹ This Court “has an ongoing obligation to assess whether it has subject matter jurisdiction” over a case. *S3 Graphics Co. v. ATI Techs. ULC*, 2015 WL 8999513, at *1 (D. Del. Dec. 11, 2015); *see also* Fed. R. Civ. P. 12(h)(3) (“If the court determines at any time that it lacks subject-matter jurisdiction, the court must dismiss the action.”); *Liberty Mut. Ins. Co. v. Ward Trucking Corp.*, 48 F.3d 742, 750 (3d Cir. 1995).

*1-2 (Fed. Cir. Jan. 27, 2017) (unreported decision finding that non-compliance with auditing provision in patent license agreement did not arise under federal patent laws); *Bonzel v. Pfizer, Inc.*, 439 F.3d 1358, 1363 (Fed. Cir. 2006) (consideration of patent infringement law in licensor's state law breach of contract claim against licensees does not necessarily "change the complaint into one arising under the patent law"); *Ballard Med. Prods. v. Wright*, 823 F.2d 527, 530 (Fed. Cir. 1987) ("The scope of a licensed patent may control the scope of a license agreement, but that rule of contract law cannot possibly convert a suit for breach of contract into one 'arising under' the patent laws.") The Court advised the parties during the teleconference that, based on the record at that point, it may very well find that Finjan had not met its burden to show that this Court has subject matter jurisdiction over the instant suit. (*See, e.g.*, Tr. at 6) Now, after having given the parties an opportunity to file briefs specifically directed to this issue, the Court's view remains that Finjan has failed to show that this Court has subject matter jurisdiction over this action. Accordingly, the Court is compelled to remand this case to state court. *See Bromwell v. Mich. Mut. Ins. Co.*, 115 F.3d 208, 213 (3d Cir. 1997).²

3. In any event, Finjan's notice of removal is untimely. Pursuant to 18 U.S.C. § 1446(b)(3), "if the case stated by the initial pleading is not removable, a notice of removal may be filed within thirty days after receipt . . . of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become

² The parties (and perhaps Judge Carpenter) appear to agree that at some point in this case determinations on patent infringement and validity will need to be made, and will need to be made in this Court. (*See, e.g.*, Tr. at 16, 20; D.I. 31 at 4; D.I. 32 at 9) They may be right. Although parties cannot, of course, create subject matter jurisdiction by agreement where it would not otherwise exist, *see Ins. Corp. of Ireland v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 (1982), the Court's determination today that Finjan has failed to show that subject matter jurisdiction exists is *not* a determination that such a showing will never be possible regardless of what happens as the state court action proceeds.

removable.” Finjan contends it first ascertained that this case was “removable no earlier than February 20, 2020, because Trustwave for the first time unequivocally refused to accept any results from KPMG on March 3, 2020.” (D.I. 14 at 7, 14-17) This is belied by the parties’ state court discovery efforts, which included patent-related issues; the nearly 50 references by Trustwave to patent infringement in its motion to dismiss, which was filed back in June 2018; and Judge Carpenter’s February 11, 2019 determination that “Finjan’s suit for breach of contract may proceed, but only to determine whether or not Singtel *is actually using the patent technology* that would trigger royalty payments” (see D.I. 2 Ex. A at *202-04) (emphasis added). Thus, Finjan was on notice of removability by no later than the filing of Trustwave’s motion to dismiss, making Finjan’s March 2020 removal untimely.

4. Finjan has failed to show good cause to extend the time bar on removal pursuant to 28 U.S.C. § 1454(b)(2). Courts turn to Federal Rule of Civil Procedure 6(b) to assess whether such good cause has been shown, considering “the danger of prejudice, the length of the delay and its potential impact on judicial proceedings, the reason for the delay, including whether it was within the reasonable control of the movant, and whether the movant acted in good faith.” *Drippe v. Tobelinski*, 604 F.3d 778, 785 (3d Cir. 2010). Trustwave risks being seriously prejudiced by the removal as Trustwave believes it has already prevailed on substantial aspects of the parties’ contract dispute and should not have to relitigate those victories in front of a new judge. The length of the delay here is extreme, as Finjan waited approximately 18 months after Trustwave’s motion to dismiss raised patent issues before Finjan removed the state court action to this court. Finjan’s removal, if effective, could adversely affect both the state court (by wasting the extensive efforts it has expended in handling the parties’ dispute) and this Court (which might have to replough ground already covered by Judge Carpenter). Finjan’s purported

reasoning for the delay is unpersuasive. While the Court has no basis to find that Finjan is acting in bad faith, it is clear that the timing of the removal was entirely within Finjan's control. Thus, the factors strongly disfavor extending the time bar for removal in this case.

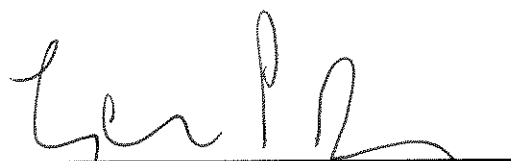
5. Trustwave's request for costs and fees is denied. Notwithstanding the Court's criticism of the timing of Finjan's removal, the Court is not of the view that removal was objectively baseless, particularly given the complicated questions of federal subject matter jurisdiction that are implicated. *See Inselberg v. N.Y. Football Giants, Inc.*, 661 F. App'x 776, 779 (3d Cir. 2016) (determining it was not objectively unreasonable for party to attempt to remove case by relying on "complex area of jurisdiction law" that encompasses state law claims that include elements of federal law). There is the additional reality that the parties are currently litigating a patent infringement lawsuit in front of the undersigned Judge and judicial economy would plainly be promoted were it to be possible for the instant action to proceed here together with that action – rendering Finjan's motive for removal at least partially understandable.³

IT IS FURTHER ORDERED that: (1) should either party believe that anything in this Memorandum Order should, consistent with the governing legal standards, not be made public, that party or parties shall, no later than **March 29**, submit a proposed redacted version, along

³ Another reason the Court provided the parties an opportunity to submit supplemental briefing was to allow them to try to resolve certain aspects of their dispute and ensure that they could litigate in just one court. (*See* Tr. at 33-34) Unfortunately, the parties failed in these efforts. The Court also discussed with the parties whether, if it did remand this case, they would jointly agree to request that Judge Carpenter stay the state court action, given that the parties' patent infringement case (C.A. No. 20-371-LPS) is now proceeding in this Court. (*See id.* at 8) The parties have evidently been unable to agree on making such a request. On remand, of course, it will be entirely up to Judge Carpenter how and when to proceed with this action.

with a memorandum showing how the requested redactions are consistent with the law; and
(2) the Clerk of Court is directed to **CLOSE** this case.

March 26, 2021
Wilmington, Delaware



HONORABLE LEONARD P. STARK
UNITED STATES DISTRICT JUDGE