IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

LEADER TECHNOLOGIES, INC., a Delaware corporation, Plaintiff-Counterdefendant, v. FACEBOOK, INC., a Delaware corporation, Defendant-Counterclaimant.	Civil Action No. 08-862-JJF/LPS

DEFENDANT FACEBOOK, INC.'S REPLY BRIEF IN SUPPORT OF ITS MOTION FOR LEAVE TO AMEND ITS RESPONSIVE PLEADING TO ADD A COUNTERCLAIM OF FALSE MARKING

Steven L. Caponi (DE Bar #3484)
BLANK ROME LLP
1201 N. Market Street
Wilmington, DE 19801
302-425-6400
Fax: 302-425-6464
Attorneys for Defendant and Counterclaimant Facebook, Inc.

OF COUNSEL:
Heidi L. Keefe (*pro hac vice*)
Mark R. Weinstein (*pro hac vice*)
Jeffrey Norberg (*pro hac vice*)
Melissa H. Keyes (*pro hac vice*)
COOLEY GODWARD KRONISH LLP
3000 El Camino Real
5 Palo Alto square, 4th floor
Palo Alto, CA 94306

Dated: November 13, 2009

Table of Contents

Page

Table of Authorities

Page(s)

CASES

STATUTES

OTHER AUTHORITIES

I. ARGUMENT

Although Leader Technologies, Inc. ("LTI") tries to obfuscate the issue, two facts remain: 1) the scheduling order in this case specifically contemplates that motions for leave to amend pleadings may be filed right up until the close of written discovery on November 20, 2009, *see* Joint Proposed Rule 16 Scheduling Order (D.I. 30) at ¶ 6; and 2) LTI has raised no fact or argument sufficient to overcome the liberal standard of Rule 15(a) of the Federal Rules of Civil Procedure.

Rule 15(a) states that amendments made after service of a responsive pleading require leave of the court, but that "the court should freely give leave [to amend] when justice so requires." Though the decision to grant leave is entirely within the discretion of the court, the Supreme Court has cautioned that leave should be freely given unless there is an "apparent" reason for denying the request, such as undue delay, bad faith or dilatory motive, undue prejudice, or futility of the amendment. *Foman v. Davis*, 371 U.S. 178, 182 (1962). There is no such reason apparent in this case.

A. Facebook sought leave to amend immediately upon confirming its belief that LTI lacked reasonable belief to mark its product with U.S. Patent No. 7,139,761.

A mere eleven days after the September 4, 2009 discovery teleconference during which Facebook first learned of the possibility that LTI lacked reasonable belief to mark its Leader2Leader product with U.S. Patent No. 7,139,761 (the "'761 patent"), Facebook propounded a discovery request to investigate this possibility. A mere five days after receiving LTI's response which confirmed Facebook's suspicions, Facebook filed this motion for leave to amend its responsive pleading. There has been no delay in addressing this matter.[1]

[1] This court has before granted leave to amend to add a claim of false marking at much later stages of litigation. *See, e.g., Affinion Net Patents, Inc. v. Maritz, Inc.*, No. 04-360-JJF, 2006 U.S. Dist. LEXIS 37474, at *2-4 (D. Del. Jun. 8, 2006) (court granted leave to amend after close of all discovery, subsequent to plaintiff learning through deposition that it had a viable claim for false marking).

Furthermore, there is no bad faith or dilatory motive involved in the timing of this motion. While Facebook had previously formed its own belief that LTI's Leader2Leader product does not practice the invention claimed in the '761 patent, and while Facebook learned from documents produced during discovery in this action that LTI has marked its products with the '761 patent, Facebook had no reason to believe that LTI had marked its Leader2Leader product with an intent to deceive the public until the September 4 teleconference. Facebook's discovery on September 4 that LTI may have lacked a reasonable belief that its product practices its patent led the chain of discovery request and response that brings us to the Court today. Therefore, whereas LTI claims that seeking amendment at this stage of litigation constitutes bad faith, the exact opposite is true: it would have been bad faith and a breach of Rule 11 for Facebook to have brought this claim any earlier.

B. Adding a claim of false marking to this action will not unduly prejudice LTI.

There are only three pieces of evidence required to prove or defend against a claim of false marking: the patent, the product marked, and documents or deposition testimony sufficient to show that the patentee had or did not have a reasonable belief that the product practiced the patent. The patent is public record. LTI, of course, has access to the product marked. And, as Facebook stated in its opening brief, and as LTI repeated in its opposition brief, no one is in a position to better position to evaluate whether LTI developed a reasonable belief whether Leader2Leader embodies the '761 patent. Therefore, all documents and/or witnesses that will attest to LTI's beliefs as they pertain to marking are already within LTI's control. There is no additional discovery that LTI needs, and certainly nothing that Facebook can add to LTI's defense.

This Court has before granted leave to amend to add a claim of false marking in circumstances far more apparently prejudicial than those presented here. In *Affinion Patents*, this Court found that plaintiff should be granted leave to amend to add a claim of false marking after the close of all fact discovery, in part because "no further discovery is necessary, and therefore,

the parties need not extend deadlines or continue the discovery process." 2006 U.S. Dist. LEXIS 37474, at *6. [2]

C. Facebook's requested amendment is not futile.

A requested amendment is not futile if it would survive a motion to dismiss under Rule 12(b)(6). *Lynch v. Coinmaster USA, Inc.*, No. 06-365-JJF, 2007 U.S. Dist. LEXIS 292, at *5-6 (D. Del. Jan. 4, 2007) (*citing Conley v. Gibson*, 355 U.S. 41, 45-46 (1957)). "The purpose of a motion to dismiss is to test the sufficiency of a complaint, not to resolve the disputed facts or decide the merits of the case." *Id.* (*citing Kost v. Kozakiewicz*, 1 F.3d 176, 183 (3d Cir. 1993)). As such, a court considering a motion to dismiss "must accept as true all allegations made in the complaint and must draw all reasonable factual inferences in the light most favorable to the plaintiff." *Id.* at *5-6 (*citing Neitzke v. Williams*, 490 U.S. 319, 326-27 (1989)). Therefore, all of LTI's objections that its September 4 statements to the Court were taken out of context, that it did in fact have a reasonable belief that Leader2Leader practices the invention claimed in the '761 patent, and that Facebook cannot prove by a preponderance of the evidence that LTI lacked such reasonable belief, matter for naught: in order to survive a motion to dismiss, all that is required of Facebook are allegations which, if taken as true, are sufficient for a reasonable jury to grant Facebook relief. Facebook has provided this.

---

[2] LTI's contentions that Facebook seeks leave to amend in order to perform an improper product-to-product comparison are false. Facebook requested identification of which LTI products practice the invention claimed in the '761 patent in order to obtain evidence sufficient to dispute LTI's claims that it is entitled to damages and injunctive relief. For example, to be entitled to damages in the form of lost profits, a patentee must prove that his product practices the invention claimed by his patent. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1548 (Fed. Cir. 1995) (if the patentee is not selling a product covered by his patent, by definition there can be no lost profits). A determination of whether the patentee's product practices the invention claimed by his own patent is also useful in establishing or refuting an allegation of irreparable harm. *See eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006) (a patentee's "'lack of commercial activity in practicing the patents' would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue"). *Product-to-patent* comparisons, such as the one Facebook sought, are certainly permissible for such purposes; in fact, even *product-to-product* comparisons are "appropriate in the context of validity and/or damages analysis." *Cordis Corp. v. Medical Vascular, Inc.*, No. 97-550-SLR, 2005 U.S. Dist. LEXIS 6583 at *10 (D. Del. Feb. 28, 2005).

1) Facebook has alleged, and LTI has does not dispute, that LTI has marked its Leader2Leader product with the '761 patent since the patent was granted in November 2006. *See* Leader Technologies, Inc.'s Opposition to Facebook Inc.'s Motion to Leave to Amend its Responsive Pleading to Add a Counterclaim of False Marking (D.I. 146), at 7.

2) Facebook has alleged that LTI's product Leader2Leader does not practice at least the limitation of the '761 patent which a "tracking component" to "dynamically updat[e] the stored metadata based on the change" of a user from one context to another.

3) Facebook has alleged that LTI lacked a reasonable belief that Leader2Leader practiced the invention claimed in the '761 patent when it marked the product with the patent. Pursuant to *Clontech Laboratories, Inc. v. Invitrogen Corp.*, a party without a reasonable belief that a product was properly marked has actual knowledge of the falsity of its patent marking. 406 F.3d 1347, 1352-53 (Fed. Cir. 2005). Facebook bases its belief on two statements made by LTI. The first statement was made during the September 4 discovery teleconference with this Court, in which LTI admitted the following:

> THE COURT: Are you able to state at this point which of the asserted claims that the 761 patent, that that product practices?
>
> MR. ANDRE: No, Your Honor.
>
> THE COURT: All right. And how long would you need to be able to put yourselves on the record as to which of the asserted claims the product you just identified practices?
>
> MR. ANDRE: It would be a fairly large burden, Your Honor. We would have to do an entire analysis of proving infringement of our own product.

Declaration of Jeffrey Norberg in Support of Defendant Facebook, Inc.'s Motion to Leave to Amend its Responsive Pleading to Add a Counterclaim of False Marking (D.I. 129), Ex. 1 at 20:3-15. The second statement was made during was made in response to an interrogatory that Facebook propounded requesting a description of the process "by which the decision to mark such product was reached." *See id.*, Ex. 2 at 8-9. In response to this interrogatory, with every opportunity to explain how it came to the conclusion that it was properly marking its product, LTI responded simply that it had "a policy of marking material related to Leader2Leader" with

the '761 patent.[3] *See id.* From these statements, a jury could draw the reasonable inference that LTI performed no analysis of its Leader2Leader product before marking it with the '761 patent. Facebook alleges that this total lack of analysis amounts to a lack of reasonable belief that LTI was properly marking its product.

If all of these allegations are taken as true pursuant to the *Lynch* and *Nietzke*, Facebook can prove that (1) LTI falsely affixed a mark signifying (2) that an unpatented article was covered by a patent (3) with intent to deceive the public. Therefore, Facebook's claim of false marking under 35 U.S.C. § 292(a) would survive a motion to dismiss under Rule 12(b)(6), and as such, would also not be futile under Rule 15(a).

II. CONCLUSION

For all the reasons stated above, Facebook respectfully requests that the Court grant it leave to amend its responsive pleading to add a counterclaim of false marking.

Dated: November 13, 2009

By: */s/ Steven L. Caponi*

Steven L. Caponi (DE Bar #3484)
BLANK ROME LLP
12 N. Market Street
Wilmington, DE 19801
302-425-6400
Fax: 302-425-6464

Attorneys for Defendant-Counterclaimant
Facebook, Inc.

OF COUNSEL:

Heidi L. Keefe (*pro hac vice*)
Mark R. Weinstein (*pro hac vice*)
Jeffrey Norberg (*pro hac vice*)
Melissa H. Keyes (*pro hac vice*)
COOLEY GODWARD KRONISH LLP
3000 El Camino Real
5 Palo Alto square, 4th floor
Palo Alto, CA 94306

[3] LTI claims that any analysis done on the question of whether the Leader2Leader product practices the invention claimed in the '761 patent would be privileged attorney-client communications, and therefore LTI was not required to identify any such analysis in response to Facebook's interrogatory. However, the *fact* that an analysis was performed is not privileged information. *See Pfizer Inc. v. Ranbaxy Labs., Ltd.*, No. 03-209-JJF, 2004 U.S. Dist. LEXIS 11258, at *4 (D. Del. Jun. 18, 2004). Had any such analysis been performed, revealing the fact of its existence would not waive privilege and would have been greatly in LTI's favor to disclose. *Id.*