

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

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

**LEADER TECHNOLOGIES, INC.'S OPPOSITION TO FACEBOOK INC.'S
MOTION FOR LEAVE TO AMEND ITS RESPONSIVE PLEADING TO ADD A
COUNTERCLAIM OF FALSE MARKING**

OF COUNSEL:

Paul J. Andre
Lisa Kobialka
KING & SPALDING LLP
333 Twin Dolphin Drive
Suite 400
Redwood Shores, CA 94065
(650) 590-0700

Philip A. Rovner (#3215)
POTTER ANDERSON & CORROON LLP
Hercules Plaza
P.O. Box 951
Wilmington, DE 19899
(302) 984-6000
provner@potteranderson.com

*Attorneys for Plaintiff
Leader Technologies, Inc.*

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I. STATEMENT OF THE NATURE AND STAGE OF PROCEEDINGS

Leader Technologies, Inc. (“Leader”) filed this action against Facebook, Inc. (“Facebook”), alleging infringement of U.S. Patent No. 7,139,761 on November 19, 2008. Discovery opened on February 17, 2009. *See* D.I. 76; D.I. 111 at 2. Trial is set for June 28, 2010. *See* D.I. 76.

II. SUMMARY OF ARGUMENT

Facebook’s proposed amendment will unduly prejudice Leader because it will cost significant additional time, expense, and effort to meet a claim not previously advanced. The time to propound written discovery has passed and there is no reason to believe that Facebook will cease its dilatory tactics should the Court permit additional discovery in an attempt to cure the prejudice to Leader. Such a concession will also likely delay this case.

Facebook’s proposed amendment will also unduly prejudice Leader by allowing an improper product-to-product comparison in this case. Facebook has already sought to compel Leader to provide a claim by claim analysis of its own product. Undoubtedly, Facebook will attempt to use this amendment to continue this pursuit.

Facebook has no basis for its proposed amendment, nor does it sufficiently plead such an amendment. Facebook cites an out-of-context statement made by Leader’s trial counsel in a hearing regarding Facebook’s Interrogatory No. 9 and Leader’s Response to Interrogatory No. 18, as evidence of an intent to deceive the public. This does not support a false marking allegation under 35 U.S.C. § 292(a). Nor does it suffice as a well-pled factual allegation upon which the Court could plausibly determine that Facebook is entitled to relief. Facebook fails to provide any evidence to support its allegation despite knowing since at least April 17, 2009 that Leader2Leader® powered by the Digital Leaderboard® engine (“Leader2Leader®”) practices the claims of the ‘761 Patent.

Facebook's delay in attempting to amend after the time to propound written discovery has passed, will delay this case and unduly prejudice Leader. Facebook's proposed amendment will also perpetuate its goal of conducting an improper product-to-product comparison in this infringement action. Therefore, Leader respectfully requests that this Motion for Leave to Amend ("Motion") be denied.

III. STATEMENT OF FACTS

Leader is assigned all rights to U.S. Patent No. 7,139,761 (the "'761 Patent"). The inventors, Michael McKibben and Jeffrey Lamb, developed the '761 patented technology while developing Leader2Leader®. *See* Declaration of James Hannah ("Hannah Decl."), Ex. A at 2-3. Mr. McKibben is a founder and remains the Chief Executive Officer of Leader. *Id.* at 6.

Facebook has sought to conduct an improper product-to-product comparison throughout this case. Facebook's Interrogatory No. 9 requests:

For each claim of the '761 patent that LTI contends is practiced by any product(s) and/or services of LTI, identify all such product(s) and/or service(s) and provide a chart identifying specifically where each limitation of each claim is found within such product(s) and/or service(s)

Hannah Decl., Ex. A at 4. Leader objected to this Interrogatory on multiple grounds, including attorney-client privilege and work product doctrine, and has consistently objected to Facebook's inappropriate attempt to burden Leader with a claim by claim "infringement" analysis of its products to perpetuate a product-to-product comparison in this case. Leader's Response to Interrogatory No. 9 on April 17, 2009 stated in relevant part:

Leader incorporates by reference the general and specific objections and response to this Interrogatory set forth in its earlier Responses. Subject to and without waiving the foregoing objections, Leader2Leader® powered by the Digital Leaderboard® engine is covered by the '761 Patent.

Hannah Decl., Ex. A at 4. Facebook received all of Leader's documents by August. *See id.*, Ex. D at D-1 to D-3. Facebook did not raise any issues regarding Leader's Response to Interrogatory No. 9 for over four months or mention false marking, despite having all of the available

documents and information. Further, Facebook filed numerous discovery motions before the Court without mentioning Interrogatory No. 9 or false marking.¹ Then, on September 2nd, Facebook filed a motion to compel regarding Leader's Response to Interrogatory No. 9. Leader again objected to Facebook's attempt to burden it with a claim by claim analysis of its own product in an attempt to conduct a product-to-product comparison in this case.² Leader's trial counsel confirmed during questioning by the Court that Leader2Leader® is the product practicing the '761 patent, but that he could not "state at this point which of the asserted claims [of] the '761 patent, that the product practices." D.I. 129-2 at 20. Leader provided a supplemental response that identified the claims practiced by Leader2Leader®, as required.³ Hannah Decl., Ex. B at 3. Judge Stark held in part that:

"I further agree with Leader that it would be unduly burdensome to require Leader, as the patentee, to produce detailed claim charts showing precisely how its products practice each of the asserted claims. This case is fundamentally about whether Facebook infringes Leader's patent, not about whether Leader practices its own patent." D.I. 111 at 4.

Subsequent to this ruling, Facebook devised its current strategy to delay this action and to conduct a product-to-product comparison in this case by forcing Leader to conduct an infringement analysis of its own product despite Judge Stark's Order. And thus, Facebook served its Interrogatory No. 18 on September 15, 2009 requesting:

For each product and/or service that LTI has marked with U.S. Patent No. 7,139,761, describe, with particularity, the process employed for each such marking, including but not limited to an identification of the beginning and end date(s) of the marking of that product and a description of the analysis, if any, by which the decision to mark such product was reached.

Hannah Decl., Ex. C at 8. Leader responded on October 15, 2009 in relevant part:

¹ D.I. 39; D.I. 55; D.I. 66; D.I. 73; D.I. 85.

² To date, Facebook has yet to provide any case law or statute to support this unreasonable request.

³ Leader supplemented its response to Interrogatory No. 9 again on October 28, 2009 stating that Leader2Leader® powered by the Digital Leaderboard® engine embodies the following asserted claims of the '761 Patent: 1-17, 21, 23-26, 29, and 31-34. Hannah Decl., Ex. E at 46.

. . . Leader objects to this Interrogatory to the extent it seeks information protected by the attorney-client privilege, the work product doctrine, or any other applicable law, privilege, doctrine, or immunity.

Subject to and without waiving the foregoing Specific and General Objections, Leader responds as follows: Leader has the policy of marking material related to Leader2Leader® or related to the Digital Leaderboard® engine with U.S. Patent No. 7,139,761, starting when the patent was issued on November 21, 2006.

Hannah Decl., Ex. C at 8-9. Facebook's Motion fails to cite these objections despite their obvious relevance. Facebook's allegation that Leader has an "intent to deceive the public" based upon: (1) out of context responses by trial counsel to questions from the Court and (2) Leader's response to Interrogatory No. 18 does not meet the pleading requirements under Fed. R. Civ. P. 8(a)(2) or the statutory requirements of 35 U.S.C. § 292(a).

IV. ARGUMENT

"[T]he grant or denial of an opportunity to amend is within the discretion of the District Court." *Foman v. Davis*, 371 U.S. 178, 182 (1962). The Supreme Court articulated four reasons for denying a leave to amend: 1) undue delay, bad faith, or dilatory motive; 2) repeated failure to cure deficiencies by amendments previously allowed; 3) undue prejudice to the opposing party by virtue of allowance of the amendment; and 4) futility of amendment, but did not preclude other potential reasons as indicated by the often ignored "etc." that completes the Court's list. *See id.* ("In the absence of . . . futility of amendment, etc."). Facebook's tactics throughout discovery clearly demonstrate that the first ground alone is sufficient to deny this Motion, but it should also be denied because Leader will be unduly prejudiced by this amendment.

A. Facebook's Proposed Amendment Will Unduly Prejudice Leader

A Delaware Court rejected a motion for leave to amend by quoting "[a] party is unduly prejudiced if amendment would cause surprise, result in additional discovery, or add cost in the preparation to defend against new facts or theories." *Inline Connection Corp. v. AOL Time Warner Inc.*, 237 F.R.D. 361, 370 (D. Del. 2006) quoting *Amquip Corp. v. Admiral Ins. Co.*, 231

F.R.D. 197, 199 (E.D. Pa. 2005). Facebook's proposed amendment is not a supplementation of previous counterclaims, but a "new distinct factual" allegation against which Leader will have to prepare. *See Inline* at 370. This amendment will cost Leader significant additional time, expense, and effort to meet a claim not previously advanced and therefore is unduly burdensome. Facebook's assertion that all of the information that Leader will require is "either public knowledge or information already in [Leader's] possession" is false and not supported by case law. D.I. 128 at 5. First, Leader will need to serve discovery to explore Facebook's new allegation, but cannot because the time to propound written discovery has passed. Second, the *Inline* case rejected the identical assertion because the new allegations will require additional new preparation. *See Inline*, 237 F.R.D. at 369-70. Facebook's discovery tactics to date provide no reason to believe that Facebook will be more forthcoming if the Court permits additional discovery in an attempt to cure the prejudice to Leader by granting this Motion.

The addition of this counterclaim will also unduly prejudice Leader by allowing Facebook to circumvent the Court's previous rulings and make Leader's product at issue in this infringement action. Undoubtedly, if this Motion is granted, Facebook will renew its attempt to force Leader to perform an infringement analysis of its product, despite Judge Stark's statement that this would be "unduly burdensome." D.I. 111 at 4. Regardless, Facebook will use this amendment as an opportunity to present a product-to-product comparison at trial to confuse the issues and the jury. Therefore, the Court should deny Facebook's Motion.

B. Facebook Perpetuates its Dilatory Tactics with this Motion for Leave

Facebook has had in excess of six months to amend its pleading since Leader identified that Leader2Leader® as practicing the '761 Patent, but has instead waited until after the time to

propound written discovery has passed to file its Motion.⁴ It is inconceivable that Facebook is not aware that Leader will need to serve discovery regarding this proposed counterclaim. Facebook cannot assert that its Rule 30(b)(6) witness will be able to articulate its positions regarding this counterclaim; therefore, Leader will have no ability to attain discovery regarding this issue. Even if allowed by the Court, it is unlikely that further discovery regarding this proposed counterclaim will progress quickly given Facebook's persistent refusal to produce even the basic discovery required in this case. Despite this clear use of dilatory tactics, Facebook attests in its Motion for Leave that this amendment will not "significantly alter the schedule" because the "vast majority of the written discovery" has been requested. D.I. 128 at 5. By contrast, it is *unlikely* that the current schedule will persist if this Motion is granted, violating the very purpose of a scheduling order. *See McLaughlin v. Diamond State Port Corp.*, C.A. No. 03-617(GMS), 2004 WL 2958664, at *4 (D. Del. Dec. 21, 2004) ("[t]he purpose of a scheduling order is to provide concrete deadlines on which the parties can rely in planning their respective litigation strategies. If the court were to permit parties to ignore these deadlines, unfair surprise would abound."). Just as in *McLaughlin*, it is clear that Facebook had ample information and opportunity to file the current Motion. While the current schedule in this action is not as compressed as in *McLaughlin*, it is likely that the current schedule would change. Thus, Facebook's delay in filing this Motion has resulted in unfair surprise that will unduly prejudice Leader and, at a minimum, result in delay of this case.

⁴ Conveniently, Facebook served its 6th Set of Interrogatories contemporaneously with its Motion to Amend, which propounded discovery regarding the marking of the Leader2Leader product in Interrogatory No. 25: "Identify all documents upon which LTI bases its assertion, if any, that it had and/or has a reasonable belief that Leader2Leader was properly marked, including any analyses of the '761 patent or Leader2Leader." Hannah Decl., Ex. F at 5.

C. Facebook Has No Reasonable Basis to File Its Counterclaim

False marking under 35 U.S.C. § 292(a) requires that Facebook show (1) a marking of an unpatented article with the word ‘patent’ or any word or number importing that the same is patented (2) for the purpose of deceiving the public. The Supreme Court has defined intent to deceive as “a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true.” *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005), citing *Seven Cases v. United States*, 239 U.S. 510, 517-18 (1916). Facebook’s argument that the alleged lack of “any analysis” by Leader equates with a “lack of reasonable belief that its product was covered by its patent” is preposterous. D.I. 128 at 6. Leader has a reasonable belief that Leader2Leader® practices the identified claims of the ‘761 Patent. *See Hannah Decl.*, Ex. A at 4. The patentees’ work to develop the Digital Leaderboard® engine and Leader2Leader® led to the ‘761 Patent. Therefore, no one is in a better position to develop a reasonable belief regarding whether Leader2Leader® embodies the ‘761 Patent. *See id.*, Ex. A at 3.

Facebook did not “come to understand” that Leader “has been marking promotional materials for its product Leader2Leader[®] with the ‘761 Patent since November 2006” because Leader disclosed that fact on April 17th in its Response to Facebook’s Interrogatory No. 9. D.I. 128 at 6. Furthermore, it is a fact that Facebook could have discovered using publicly available sources, such as the internet or Leader’s document productions. Facebook’s leap from this “discovery” to its purported belief that “[Leader] has been falsely affixing the patent mark because [Leader] has produced no evidence that the Leader2Leader product” practices quoted Claim language is illogical.⁵ Facebook’s lack of evidence does not suffice to meet the

⁵ Facebook finally appears to understand the ‘761 Patent Claim language when it supports a new defense, despite its continued assertions to the contrary when Leader seeks discovery from Facebook.

“preponderance of the evidence” required to show “that the party accused of false marking did not have a reasonable belief that the articles were properly marked.” *Clontech*, 406 F.3d at 1353.

Facebook’s assertion that out of context statements made by Leader’s trial counsel during the September 4th hearing regarding Facebook’s Interrogatory No. 9 equate with an “intent to deceive the public” is also ridiculous. D.I. 128 at 2. Counsel was responding to the Court’s questions regarding Leader’s current knowledge of what specific claims, out of the 24 asserted claims that are included in the ‘761 Patent, are practiced by Leader’s product. D.I. 129-2 at 20-22. Leader’s counsel responded that, in order to specifically identify which of the 24 asserted claims covered Leader’s product in a claim chart as requested by Facebook, it would have to do a burdensome analysis, and such analysis would be used for improper purposes. D.I. 129-2 at 20-22. On the other hand, Leader’s counsel stated that merely identifying which of the asserted claims cover the product did not present much of a burden and could be done with relative ease:

So with respect to naming which claims that we’ve asserted against them that is also covered by our product, Your Honor, we’re willing to do that. I have not problem with that. I think that is something we can do in short order.

D.I. 129-2 at 22. Leader’s repeated objection to identifying which claims are covered by its products was on based Facebook’s request for an element-by-element claim chart that could only be used for improper purposes:

There’s absolutely no relevance whatsoever for us to go through an infringement analysis element by element with supporting documentation as [Facebook] request to try to prove our own product infringes our patent.

But to take a position as to why each element is covered, all [Facebook] can use this for is to try to do a product-by-product comparison, which is improper, or use it in some kind of claim construction, which is also improper.

D.I. 129-2 at 22. When counsel’s entire response to the Court is read, there is no reasonable basis for Facebook’s alleged “intent” argument.

In addition, at no point did Leader's litigation counsel represent to the Court that he had knowledge regarding whether any of Leader's previous counsel had provided Leader with analysis regarding the marking of its product. D.I. 129-2 at 20-22. Nor do Leader's litigation counsel's statements support Facebook's fabricated story that Leader's arguments "suggest" an intent to deceive, or equate with Leader having "entirely failed to perform any analysis" regarding the marking of its products. D.I. 128 at 6. Leader began marking its product with the '761 Patent in 2006 -- well before this litigation began, and well before retaining litigation counsel. Any legal analysis and advice it received from its previous counsel at that time is privileged communication, and such objections have been made to Facebook's improper discovery requests. Obviously, Facebook is still attempting to unduly burden Leader with unnecessary analysis of its own product and attempts to cloak this objective behind unsupported allegations. The only purpose for such an analysis is Facebook's continuing attempt to bring a product-by-product comparison into this case.

Facebook's allegation that Leader's Response to Facebook's Interrogatory No. 18 also "confirms [Leader's] intent to deceive" is likewise preposterous. D.I. 128 at 3. Leader objected "to the extent [Interrogatory No. 18] seeks information protected by attorney-client privilege, the work product doctrine, or any other applicable law, privilege, doctrine, or immunity." Hannah Decl., Ex. C at 8-9. Not only does Facebook ignore this objection, but attempts to fabricate a legal standard by stating that Leader did not conduct "analysis required prior to marking a product with a patent number." D.I. 128 at 3. Facebook fails to cite a single statute or case that imposes such a requirement. Leader met its statutory requirements by marking the product that it reasonably believes practices the '761 Patent. Facebook fails to provide any evidence to support

its allegation despite having the information and Leader's documents for months.⁶ Facebook's continued efforts to delay and confuse this action should be denied.

D. Facebook Does Not Meet the Pleading Standard of Fed. R. Civ. P. 8(a)

Facebook's cited "evidence" of Leader's intent to deceive "amount[s] to nothing more than a 'formulaic recitation of the elements' of a false marking claim under 35 U.S.C. § 292(a)." *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1951 (2009), citing *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007). The Supreme Court in *Iqbal* stated that two principles underlie the *Twombly* holding: (1) the tenet that a court must accept as true all of the allegations contained in a complaint is inapplicable to legal conclusions; and (2) only a complaint that states a plausible claim for relief survives a motion to dismiss." *Iqbal*, 129 S.Ct. at 1949-50, citing *Twombly*, 544 U.S. at 556. The Court went on to say that "legal conclusions can provide the framework of a complaint . . . [and] [w]hen there are well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to an entitlement of relief." *Id.* at 1950. Facebook fails to cite any factual evidence that can be considered well-pled factual allegations or upon which a plausible entitlement to relief can be based even if accepted as true. Despite having the associated information and Leader's documents, Facebook fails to provide any evidence to support its false marking allegations, especially the required intent to deceive the public. Out of context statements made by trial counsel and discovery responses that ignore fundamental principles of privilege do not provide adequate support for Facebook's legal conclusions. Nor should they provide an opportunity for Facebook to further its goals of delaying this action and confusing the issues at trial with a product-to-product comparison.

⁶ Despite having over 145,000 pages of documents from Leader, Facebook does not offer one example of an intent to deceive the public.

E. Facebook is Not Concerned with Judicial Resources or Litigation Costs

Facebook's suppositions regarding Leader's litigation strategy are as unfounded as its basis for the current attempt to amend its pleadings. Additionally, if Facebook intended to conserve judicial or litigation resources, then it is unlikely that it would have filed an *Ex Parte* reexamination with the U.S. Patent and Trademark Office, the contemporaneous Motion for a Stay based on that reexamination and its threatened, but unfiled *Inter Partes* reexamination. See Hannah Decl., Ex. F. The supposed conservation of judicial resources and prevention of a "much longer overall litigation timeline" ring hollow against Facebook's continued attempts to delay this action. D.I. 128 at 7. But more importantly, this argument does not overcome the undue prejudice to Leader caused by Facebook's delay in filing its Motion for Leave and the likely delay it will cause in this action. Therefore, Facebook's Motion should be denied.

V. CONCLUSION

Leader respectfully requests this Court deny Facebook's Motion for Leave to Amend its Responsive Pleading to add a Counterclaim of False Marking.

POTTER ANDERSON & CORROON LLP

OF COUNSEL:

Paul J. Andre
Lisa Kobialka
KING & SPALDING LLP
333 Twin Dolphin Drive
Suite 400
Redwood Shores, CA 94065
(650) 590-0700

Dated: November 9, 2009
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By: /s/ Philip A. Rovner
Philip A. Rovner (#3215)
Hercules Plaza
P.O. Box 951
Wilmington, DE 19899
(302) 984-6000
provner@potteranderson.com

*Attorneys for Plaintiff
Leader Technologies, Inc.*

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CERTIFICATE OF SERVICE

I, Philip A. Rovner, hereby certify that on November 17, 2009, the within document was filed with the Clerk of the Court using CM/ECF which will send notification of such filing(s) to the following; that the document was served on the following counsel as indicated; and that the document is available for viewing and downloading from CM/ECF.

BY CM-ECF, E-MAIL AND HAND DELIVERY

Thomas P. Preston, Esq.
Steven L. Caponi, Esq.
Blank Rome LLP
1201 Market Street
Wilmington, DE 19801
Preston-T@blankrome.com
caponi@blankrome.com

I hereby certify that on November 17, 2009 I have sent by E-mail the foregoing document to the following non-registered participants:

Heidi L. Keefe, Esq.
Mark R. Weinstein, Esq.
Jeffrey Norberg, Esq.
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306-2155
hkeefe@cooley.com
mweinstein@cooley.com
jnorberg@cooley.com

/s/ Philip A. Rovner _____
Philip A. Rovner (#3215)
Potter Anderson & Corroon LLP
Hercules Plaza
P. O. Box 951
Wilmington, DE 19899
(302) 984-6000
provner@potteranderson.com