

**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
)	PUBLIC VERSION
v.)	
)	
FACEBOOK, INC., a Delaware corporation,)	
)	
Defendant-Counterclaimant)	

**PLAINTIFF LEADER TECHNOLOGIES, INC.'S ANSWERING BRIEF IN
OPPOSITION TO DEFENDANT FACEBOOK, INC.'S MOTION TO
STAY PENDING REEXAMINATION OF U.S. PATENT NO. 7,139,761**

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I. STATEMENT OF THE NATURE AND STAGE OF THE PROCEEDINGS

Plaintiff Leader Technologies, Inc. ("Leader") filed a complaint on November 19, 2008, alleging Defendant Facebook, Inc.'s ("Facebook") willful infringement of U.S. Patent No. 7,139,761 (the "'761 Patent"). D.I. 1. Facebook filed its Answer and Counterclaims on January 8, 2009. D.I. 5. The agreed-upon trial date is June 28, 2010. D.I. 76 at 4. October 21, 2009 was the last day to serve written discovery. November 20, 2009 is the last day to complete document production. *Id.* at 2. The parties completed written discovery, having jointly served eleven (11) sets of interrogatories, five (5) sets of requests for admissions and eight (8) sets of requests for production, twenty-two (22) third party subpoenas issued in ten (10) different states, and have disclosed experts. *See e.g.* D.I. 17, 18, 24, 31, 32, 60, 70, 71, 97, 112, 118, 123, 126, 135, and 140; *see also* Declaration of James Hannah in support of Leader's Answering Brief in Opposition to Facebook's Motion to Stay Pending Reexamination of U.S. Patent No. 7,139,761 ("Hannah Decl."), ¶ 5. The Court has seen numerous motions from this dispute. D.I. 36, 39, 55, 65-66, 74, 102, 124-125, 128, and 131.

Facebook filed its *ex parte* reexamination request of the '761 Patent on July 2, 2009 based on six alleged prior art references, which was granted based on four references on September 25, 2009. Declaration of Jeffrey Norberg in Support of Facebook's Motion to Stay Pending Reexamination of U.S. Patent No. 7, 139, 761 ("Norberg Decl."), D.I. 132-3, Ex. B at 111; *see also id.*, D.I. 132-4, Ex. C. No substantive action has taken place in the reexamination. *Id.*, D.I. 132-4, Ex. C. [REDACTED]

II. SUMMARY OF ARGUMENT

After litigating for a year, Facebook seeks to have the Court indefinitely¹ stay the case based on nothing more than a hope and a promise -- a hope that the Patent Office ("PTO") will take

¹ The average length of time for an *ex parte* reexamination, without any appeal, is greater than two (2) years. [REDACTED]

substantive action on certain claims of the '761 Patent, [REDACTED]
[REDACTED]

Missing from Facebook's motion to stay are any persuasive facts that support the legal standard for staying litigation. It speaks volumes that some factors considered by the courts for staying a litigation are entirely absent from Facebook's motion. Facebook has not attempted to carry its burden of proving the "clear case of hardship or inequity" it would allegedly suffer should the litigation not be stayed. *Dentsply Int'l, Inc. v. Kerr Mfg. Co.*, 734 F. Supp 656, 658 (D. Del. 1990) (stay denied)(citations omitted). Facebook simply ignores this requirement, presumably because it will not suffer any hardship or inequity if this case is adjudicated on the merits.

Leader, on the other hand, would suffer severe prejudice if a stay is granted. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Facebook's use of reexamination procedures is a tactic to gain a litigation advantage over Leader by avoiding and delaying adjudication of its infringement on the merits.

Moreover, the current *ex parte* reexamination proceeding does not address all the asserted patent claims in this case. The PTO did not find that the alleged prior art submitted² raised a

² It appears that Facebook actually has multiple sets of alleged prior art it may assert against the '761 Patent when it feels like the timing of disclosure would help it. There are: (i) the seven references included in Facebook's July 2009 *ex parte* reexamination request, (ii) the fifteen references identified in Facebook's May 15, 2009 response to Leader's interrogatories which did

question of patentability with respect to asserted dependent Claim 3 and independent Claim 17. As such, this reexamination, still in its infancy, will not simplify the issues before this Court -- the issues of infringement, willfulness, validity, damages and equitable relief will still need to be decided *regardless* of what the PTO does in the current reexamination.

Reexamination as a tool to simplify issues is speculative, at best. The issues concerning the validity of the '761 Patent will not be simplified, as about 90% of claims that are reexamined are confirmed valid "as is" or with amendment, and often *more* claims emerge. The PTO cannot address questions regarding infringement, willfulness, damages, on-sale bars, public uses, marking, enablement, written description, best mode, inequitable conduct, secondary considerations, and permanent injunctions. This Court will take on those issues.

Finally, the timing of Facebook's reexamination request and its fanciful motion to stay strongly disfavors staying this case, illustrating Facebook's strategy to delay rather than litigate on the merits.³ Discovery deadlines have been set, and in some cases already passed. Trial is scheduled for June, seven (7) months away. Due to these deadlines, the parties completed written discovery with multiple sets of supplementation, involving the Court substantially along the way on a variety of issues that have come up during the pendency of the case. Leader has completed its document production and is still waiting for Facebook to complete its production. Hannah Decl., ¶ 3. [REDACTED]

[REDACTED]

[REDACTED] Leader's other experts have already begun the

not include the references in the reexamination request, (iii) the fifty-four new references identified for the first time in interrogatory responses served on November 3, 2009 [REDACTED]

[REDACTED] Norberg Decl., D.I. 132, Ex. B at 110; Hannah Decl., Ex. K at 5-6 and Ex. N at 4-10.

³ Facebook filed its *ex parte* reexamination request eight (8) months after the litigation commenced, [REDACTED]

process of formulating their opinions. Simply put, Facebook waited far too long to employ this delay tactic, both before the PTO and this Court.

This Court is the best forum to resolve this dispute between the parties, address equitable questions, and to prepare the record for appeal, should it come to that. Staying the case for reexamination does not serve any purpose other than delay a determination of the merits of the case. Accordingly, Facebook's motion should be denied.

III. STATEMENT OF FACTS

[REDACTED]

Facebook is a large company with over 900 employees, and offices around the world. Hannah Decl., Ex. C. Similar to Leader, Facebook provides an online environment for users to collaborate and share ideas. In fact, Facebook describes its platform as being able to "facilitate the sharing of information." *Id.* However, unlike Leader, Facebook provides its platform at no cost to its users in exchange for collecting information from the users and displaying targeted ads. [REDACTED]

[REDACTED]

Facebook filed an *ex parte* reexamination request based on seven references, eight months after the case was filed and some six months after it filed its counterclaim for invalidity. Norberg Decl., D.I. 132-3, Ex. B at 111; *see also* D.I. 5. [REDACTED]

The parties have conducted substantial discovery in the case and filed quite a few motions. Hannah Decl., ¶¶ 3-5. With respect to Facebook's challenge on validity, Facebook's disclosure of alleged prior art references has been very suspect. In interrogatory responses dated May 15, 2009, Facebook identified fifteen alleged prior art references, none of which were identified in Facebook's *ex parte* reexamination request that was submitted a few months later. Recently, Facebook identified alleged prior art references in an interrogatory served on November 3, 2009. Fifty-four (54) of these references were never disclosed, in either the *ex parte* reexamination request or during the litigation. Hannah Decl., Ex. N. These references were identified ten (10) months *after* Facebook filed its invalidity counterclaim.

IV. ARGUMENT

The decision to grant or deny a stay is within the Court's broad range of discretionary powers. *Dentsply*, 734 F. Supp. at 658 (stay request denied)(citations omitted). The Federal Circuit has reiterated that the district court "is not required to stay judicial resolution in view of reexaminations." *Viskase Corp. v. Am. Nat'l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001) (affirming lower court's denial of motions to stay)(citations omitted). The Court is to "weigh the competing interests of the parties and attempt to maintain an even balance." *Dentsply*, 734 F. Supp. at 658 (citations omitted). Courts consider the following factors when deciding whether a stay is warranted: (1) whether discovery and a trial date have been set; (2) whether a stay would simplify the issues raised by the parties; and (3) whether a stay would unduly prejudice Leader or present a clear tactical advantage for Facebook. *Cognex Corp. v. Nat'l Instruments Corp.*, No. Civ.A. 00-442-JJF, 2001 WL 34368283, at *1 (D. Del. June 29, 2001)(stay request denied). All of these factors in this case mandate that Facebook's motion for a stay be denied.

A. FACEBOOK HAS NOT MADE ANY SHOWING OF A CLEAR CASE OF HARDSHIP OR INEQUITY AND WRITTEN DISCOVERY IS COMPLETE AND TRIAL IS SET

Facebook was required to “make out a clear case of hardship or inequity in being required to go forward, if there is even a fair possibility that the stay for which [it] prays will work damage to some one else.” *St. Clair Intellectual Property Consultants, Inc. v. Fujifilm Holdings Corp.*, No. 08-373-JJF-LPS, 2009 WL 192457, at *2 (D. Del. Jan. 27, 2009)(stay request denied), quoting *Landis v. North Am. Co.*, 299 U.S. 248, 255 (1936); see also *Dentsply*, 734 F.Supp. at 658 (where a stay will forestall the trial date agreed-upon by the parties, the moving party must “make a strong showing of ‘a clear case of hardship or inequity’ before the Court can enter a stay order.”), citing *Gold v. John-Marville Sales Corp.*, 723 F.2d 1068, 1075-76 (3d Cir. 1983). Facebook has not even attempted to address its burden on a motion to stay, much less allege a clear case of hardship or inequity because it cannot make such a showing. *Id.* It has merely claimed that the case is in the early stages.⁴ D.I. 131 at 10. Such an argument to support a stay is an oversimplification and ignores the specific facts of the present case. It most certainly does not relieve Facebook of its burden to show a clear case of hardship or inequity.

A stay is wholly inappropriate as substantial discovery has been completed and this Court has invested significant resources already in the case. The parties have served all written discovery, as the deadline to serve written discovery was October 21, 2009. Between Leader and Facebook, there have been 11 sets of interrogatories, 8 sets of documents requests, and 5 sets of requests for admissions served. Hannah Decl., ¶¶ 3-5 (a total of 68 interrogatories, 267

⁴ This is not sufficient grounds to support a stay. Indeed, courts have denied requests for stay when the case is in its early stages. See *Biax Corp. v. Fujitsu Computer Sys. Corp.*, No. 2:06-CV-364 (TJW), 2007 WL 614187 (E.D. Tex. Feb. 26, 2007) (where there has not been a scheduling conference and discovery has not begun); see also *Imax Corp. v. In-Three, Inc.*, 385 F.Supp.2d 1030, 1034 (C.D. Cal. 2005) (where no trial date has been set and discovery is not completed); *Cheng v. Sighting Sys. Instruments, LLC*, No. 1:06-CV-2326-WSD, 2007 WL 1341119, at *3 (N.D. Ga. May 3, 2007) (no trial has been set and discovery is not complete); *Sighting Sys. Inst., LLC v. Prestige Law Enforcement, Inc.*, No. 3:05-CV-1560-G, 2006 WL 2642184, at *4 (N.D. Tex. Sept. 11, 2006) (where no answer has been filed, no discovery has commenced and no trial date is set, stating “[a]lthough the advanced nature of a case approaching trial may weigh heavily against granting a stay, the opposite inference – that a suit in the early stages should weigh heavily in factor of a stay – is not true.”).

document requests and 87 requests for admissions have been served). Twenty-two (22) subpoenas based on this case have been served, involving a total of 279 requests for production and issued in 10 different states. *Id.*, ¶ 5. Not including Facebook's objections to a discovery order, its pending motion to amend its answer and its motion for a stay, there has been no less than eight discovery motions involving numerous issues before the Court.⁵ D.I. 36, 39, 55, 65-66, 74, 102, 124-125. Trial is set for June, a date which the parties agreed upon in March. Hannah Decl., Ex. L at 4:13-16; D.I. 76.

[REDACTED]

[REDACTED]

[REDACTED] "It is well settled that before a stay may be issued, the petitioner must demonstrate 'a clear case of hardship or inequity,' if there is 'even a fair possibility' that the stay would work damage on another party." *Gold*, 723 F.2d at 1075-76, quoting *Landis*, 299 U.S. at 255. Since Facebook has failed to make a showing of clear hardship

⁵ This does not include the motions scheduled to be heard on November 13, 2009 before Magistrate Judge Stark.

or inequity, much less address this issue, its motion should be denied, as Facebook will not suffer any hardship from the planned June trial.

B. A STAY DOES NOT SIMPLIFY THE ISSUES

1. *Ex Parte* Reexaminations Are Limited in Scope, Not All of the Asserted Claims are Under Reexamination and Not All the Prior Art is Before the PTO

The only basis for Facebook's motion is the fact that there is an *ex parte* reexamination pending on the '761 Patent. This reexamination, however, *does not cover* all of the asserted claims in this case. Norberg Decl., D.I. 132-4, Ex. C at 2. There are at least two claims that are not at issue in the reexamination, which were recently added in response to Facebook's demands that Leader supplement its infringement contentions. Thus, these claims will be exactly the same today as they are after these reexamination proceedings are completed, making the *ex parte* reexamination limited in scope.

No office action has issued in the reexamination, such that no claims have been rejected. *Id.*, D.I. 132-4, Ex. C. The granting of a request for reexamination is not a comment on patentability. Hannah Decl., Ex. F at 1 (35); *see also* Ex. J at 6-7. To suggest otherwise ignores the different standards utilized by the Court and the PTO to examine validity issues.⁶ Furthermore, it is purely conjecture at this point whether this reexamination will have any effect on the '761 Patent claims. As of June 29, 2009, 87% of patents in *ex parte* reexamination proceedings emerge either with the original claims intact or amended. Hannah Decl., Ex. E at 2.

Facebook's strategy and conduct has complicated this case just with regard to the issue of validity of the '761 Patent. Since the only existing reexamination is an *ex parte* reexamination,

⁶ "Before the courts, a patent is presumed valid and the party asserting invalidity must prove the facts to establish invalidity of each claim by clear and convincing evidence", which is not the standard used in reexamination proceedings. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988)(citations omitted). "The intent underlying reexamination is to 'start over' in the PTO with respect to the limited examination areas involved, and to *re* examine the claims, and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding." *Id.* (emphasis in original)(citation omitted).

Facebook is not estopped from asserting the same alleged prior art references at trial, as well as any “new” references once the reexamination proceeding is completed, if there is a stay granted. Facebook’s conduct with respect to the disclosure of numerous different sets of alleged prior art and delay in disclosing such references in this litigation is suspect, only suggesting that Facebook will file endless requests for reexamination in the hopes that something will stick. Even though lead trial counsel for Facebook is the same person who filed the *ex parte* reexamination request, Facebook did not identify these references in its discovery responses until last week. Hannah Decl., Ex. K (prior art identified in Response to Interrogatory No. 4), Ex. N (prior art identified in Response to Interrogatory No. 18) *c.f.* D.I. 132-3, Norberg Decl., Ex. B at 9 (listing different prior art.) Leader assumed that Facebook was not going to use the same references in the litigation for its invalidity claims, since it did not identify these references after the reexamination request was filed. Four (4) months after the reexamination request was filed, Facebook identified in discovery for the first time these references used in Facebook’s reexamination request as references it intended to use at trial. Then, eleven (11) months *after* Facebook filed its invalidity counterclaim, it identified for the first time fifty-four (54) new alleged prior art references in discovery. Hannah Decl., Ex. N.

Facebook has no reasonable excuse for delaying the identification of the references used in the reexamination. It also seems improbable it took Facebook, a huge company with significant legal and monetary resources, as well as contacts in the relevant industry, to locate the newly- identified fifty-four (54) references a year after the complaint was filed, nearly a year after it asserted an invalidity counterclaim and four (4) months after filing an *ex parte* reexamination request, [REDACTED]

[REDACTED]

Ultimately, Facebook’s pattern of delaying identification of alleged prior art that it intends to use in this litigation demonstrates its intent to do whatever it can to delay the litigation. Nothing precludes it from continuing to file reexamination requests if it finds that it will benefit

it in avoiding a trial on the merits. Thus, in light of Facebook's conduct, the reexamination is of limited use in this case, given that it is being used to strategically delay the progress of the case and indeed, nothing prevents Facebook from asserting more alleged prior art at trial. *Freeman v. Minnesota Mining & Mfg. Co.*, 661 F.Supp. 886, 888 (D. Del. 1987) (stay request denied, noting that the PTO is of limited use, as the Court can rule "with or without the PTO's assistance.").

2. [REDACTED]

There are many issues that the PTO simply cannot address during any reexamination proceeding, [REDACTED]. Issues, such as infringement, willfulness, on-sale bar, public use, enablement, written description, best mode, inequitable conduct, marking, damages, secondary factors, and equitable remedies, are all issues the PTO cannot address. Hannah Decl., Ex. J at 4. *See St. Clair*, 2009 WL 192457, at *2 (denied stay where infringement and damages are likely to remain significant and disputed issues); *see also Gladish v. Tyco Toys Inc.*, 29 U.S.P.Q.2d 1718, 1720 (C.D. Cal. 1993) (denying a stay based in part because the reexamination proceeding would not finally resolve all the issues in the litigation, where infringement and the question of an exceptional case would not be resolved by a reexamination.) For example, Facebook states that damages will be simplified due to intervening rights. D.I. 131 at 8. This is not necessarily the case: if the reexamined claims emerge unchanged or are substantially the same, intervening rights will not attach. *See Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 978 (Fed. Cir. 1986). Only if the claims are substantially amended will this Court have to decide if intervening rights apply. Furthermore, intervening rights are not an issue for asserted Claims 3 and 17 because they are not subject to reexamination.

The PTO cannot fully address secondary considerations of non-obviousness. Secondary considerations are a highly factual inquiry. *Graham v. John Deer Co.*, 383 U.S. 1, 17-18 (1966). Discovery is the best way to obtain this information from Facebook. If this case is stayed during the pendency of the *ex parte* reexamination, Leader will not be permitted to seek highly relevant

information from Facebook, such as financial information to show commercial success, proof of copying or infringement, or any failed attempts Facebook may have had while developing the infringing product. Indeed, notwithstanding the law, Facebook is not likely to stipulate that its burden of proving invalidity of a reexamined '761 Patent is more difficult to sustain. *See U.S. Surgical Corp. v. Hosp. Prods. Int'l Pty. Ltd.*, 701 F.Supp. 314, 337 n.24 (D.Conn. 1988), citing *American Hoist & Derrick Co. v. Sowa & Sons*, 725, F.2d 1350, 1364 (Fed. Cir. 1984). Thus, it is far better to have an impartial fact finder with the ability to actually collect these facts, rather than rely on a single, PTO examiner.

Not only is this Court the most efficient forum in which to resolve this dispute because the Court can address all the issues, including the issues of injunction, but it is also the best forum for determining the underlying factual basis upon which validity depends. Unless all the claims of the '761 Patent are invalidated by the PTO (a 13% chance, based on the statistics available from the PTO), the parties will be back in this Court if a stay were granted. Hannah Decl., Ex. E. And it is a certainty that the two claims not being reexamined will be at issue as they are today. Facebook is asking the Court for the extraordinary remedy of a stay based on the conjecture that an *ex parte* reexamination will somehow simplify adjudication of the asserted claims, [REDACTED]

[REDACTED] A stay of this case which the parties have litigated aggressively for a year, involving significant resources from the parties and the Court is improper because it is based on conjecture and hope.

⁷ By "simplify," Facebook means cancellation of the claims under reexamination – an outcome that is about 90% certain to not occur. And 100% certain to not occur with the asserted claims not under reexamination. Hannah Decl., Ex. E.

3.

[REDACTED]

4. This Court is the Best Forum to Resolve This Dispute

Facebook argues that this Court routinely⁸ grants stays, and that the PTO is a better venue to resolve the legal dispute between the parties. As noted above, there are a plethora of issues

⁸ A recent survey reported that the District of Delaware has one of the lowest percentages (35%) of granting stay pending reexamination, making a grant of a stay not so “routine.” Hannah Decl., Ex. O. Moreover, requests to stay a litigation are extremely fact dependent, so if nothing else, such dramatic actions should never be considered routine. Cases which Facebook relies upon are easily distinguished on the facts of each case. *See e.g., Pegasus Dev. Corp. v. DirecTv, Inc.*, No. Civ.A. 00-1020-GMS, 2003 WL 21105073, at *1 (D.Del. May 14, 2003) (granting stay where “greater context of... suit is extraordinary” as plaintiffs have filed more than 300 related patent applications based on the original patent application at issue and these applications contain an

and claims in this case that the PTO cannot address in the reexamination of the '761 Patent. Moreover, this Court is a much better forum to resolve all of the issues between the parties, including validity of the patent.

Leader brought this action in order to enforce an injunction against Facebook. Injunctions are the end-game of patent cases to assist an innovative competitor to preserve its market share and ensure it does not have to compete against its own technology in the market place. Facebook now wishes to delay the entire case that has been hotly contested for a year based on speculation that the PTO "might" have some issues with *some* of the asserted claims of the '761 Patent based on four alleged prior art references that were identified in the reexamination grant, adding to the delay of Facebook's own making, as it filed the reexamination request eight (8) months after Leader this case commenced. This Court is best-suited to address to address the *entire* case, and can do so by either granting or denying an injunction, and, if necessary, preparing the record for appeal. There is no question that a trial and appeal will finally resolve the parties' dispute. Leader respectfully asks the Court to allow this case to proceed and permit Leader to have its day in court.

C. A STAY WOULD FATALLY PREJUDICE LEADER AND GIVE FACEBOOK A CLEAR TACTICAL ADVANTAGE

It is paramount for the Court to be mindful of the consequences of a stay on the non-moving party. *Dentsply*, 734 F.Supp. at 658. Facebook's stay request would have severe prejudicial effects on Leader.

1. Leader Would Suffer Irreparable Harm, Losing Its Rights To Patent Exclusivity

[REDACTED]

[REDACTED]

[REDACTED] A

estimated 10,000 claims); *United Sweetener USA, Inc. v. Nutrasweet Co.*, 766 F.Supp. 212, 217 (D.Del. 1991) (plaintiffs initiated the reexamination procedures).

stay will effectively eliminate Leader's ability to obtain an injunction for potentially many years while the '761 Patent is in reexamination (and does not include any additional reexaminations that Facebook or some other third party might file). If Leader's ability to seek an injunction is hamstrung for at least two years based on an *ex parte* reexamination (and longer by at least 24 months if appeals are included), then Facebook and every other competitor would be free to destroy the market. *Innovative Office Prods., Inc. v. SpacoCo, Inc.*, No. 05-4037, 2008 WL 4083012, at *4 (E.D.Pa. Aug. 28, 2008) (stay denied in part because patentee would suffer a long term loss of market share and revenue if the accused permitted to continue to infringe and diminish the patentee's market share and sales); *Remington Arms Co. v. Modern Muzzleloading, Inc.*, No. 2:97CV00660, 1998 WL 1037920, at *2 (M.D.N.C. Dec. 17, 1998)(denying a request for stay reexamination could last for years and after such a passage of time, injunctive relief "may no longer have value as technology or market conditions change."); Hannah Decl., Ex. E at 2 (PTO report that as of June 30, 2009, the average pendency of an *ex parte* reexamination is 25.1 months for third party requested reexaminations.) Indeed, the proceeding would be extended by another 24 to 36 months if Leader had to file an appeal to the PTO Board of Appeals and Federal Circuit.

[REDACTED]

This Court is the only venue to adjudicate *all the issues* involved in this case in a far more timely manner, preserving Leader's patent rights should it prevail. *Cognex Corp. v. Nat'l Instruments Corp.*, No. Civ.A. 00-442-JJF, 2001 WL 34368283, at *2 (D.Del. June 29, 2001)(denying the stay in part because the litigation would be completed prior to the PTO action).

Facebook finds it noteworthy that Leader has not sought a preliminary injunction, citing *Abbott*. See *Abbott Diabetes Care, Inc. v. Dexcom, Inc.*, No. 05-590 GMS, 2006 WL 2375035 (D. Del. Aug. 16, 2006). The facts in *Abbott* do not lend Facebook's motion any support. In *Abbott*, Abbott suggested that a stay would deprive it of the ability to file a preliminary injunction. *Id.* at *5. Judge Sleet declined to offer "an opinion on such a motion," which had not been filed. *Id.* Just as in this case, promised filings should not persuade the Court, and did not in *Abbott*.

What Facebook did not address is a stay would eliminate Leader's right to exclusivity and in effect, grant Facebook a compulsory license for many years to come. Leader believes it can obtain a permanent injunction should it prevail in this case and this case has always involved claims for irreparable harm. D.I. 1. It is the court's role to get the parties precisely to that stage. *St. Clair*, 2003 WL 25283239, at *2 (stating that "this case, like many is about 'the injunction'" and "a trial and appeal is what will finally resolve the parties' dispute.").

2. Undue Prejudice to Leader Because Reexamination Proceedings Are Indefinite

Courts have recognized that lengthy reexamination proceedings unduly prejudice the non-moving party. See *Imax*, 385 F.Supp.2d at 1032 (denying a stay request, the court noted in 2005 that the pendency of *ex parte* reexamination was potentially two years); see also *Telmac Corp. v. Teledigital, Inc.*, 450 F.Supp.2d 1107, 1110 (N.D.Cal. 2006)(stay denied, citing a 20 month pendency of reexamination proceedings); *Biax*, 2007 WL 614187, at *2 (stay request denied where *ex parte* reexamination was pending, but the PTO had not issued any office actions and there was no definitive guidance on the length of the time required for the reexamination, resulting in a "potential delay for an indefinite period [that] would likely prejudice" the patentee). The PTO reports that as June 30, 2009, the average pendency of an *ex parte* reexamination is 25.1 months for third party requested reexaminations. Hannah Decl., Ex. E at 2. It is important to note that the 25 month average pendency does not include any appeals that may occur, which adds approximately an additional 24 to 36 months.

[REDACTED]

Facebook has added to the length of the potential stay by strategically and prejudicially filing the *ex parte* reexamination eight months after this case was filed. D.I. 132-3 at 111. Since the PTO is not reexamining all of the asserted claims (or all of the claims of the '761 Patent) and no Office Action is pending, the actual length of time to complete the reexamination is speculative, at best. *Power Integrations Inc. v. Fairchild Semiconductor Int'l Inc.*, No. 08-309-JJF-LPS, 2008 WL 5335400, at *2 (D. Del. Dec. 19, 2008) (stay request denied where PTO did not reject all the asserted claims and the rejected claims were likely to be the subject of further appellate proceedings within the PTO and the Federal Circuit, such that "[n]o one can predict the outcome or timing of those proceedings.").

[REDACTED]

[REDACTED]

Another very important effect of staying litigation during a protracted PTO reexamination proceeding is disruption of the instant case. This case, in particular, has numerous third parties, whose memories are likely to fade with time, as they are no longer affiliated, employed or have relationships with either of the parties. This is apparent from the fact that the case already has generated twenty-two subpoenas, propounding 279 requests for production, across ten states. This, notably, does not include the depositions of third parties that Leader intends to take once it can begin taking depositions later this month. Hannah Decl., ¶ 5. Undoubtedly, since Facebook has issued much of the third party discovery, it is likely going to want to depose third parties as well. Thus, with the passage of time, Leader, at a minimum, is very likely to face evidentiary obstacles with the loss of documentation in the hands of third parties and their fading memories. Much of this discovery includes the activities of the founder of Facebook, which third parties are aware of due to their interactions with him, and how he allegedly developed the infringing Facebook website. Courts have recognized that "crucial witnesses are more likely to be located if discovery is allowed to proceed now, rather than later." *Anascape, Ltd. v. Microsoft Corp.*, 475 F.Supp.2d 612, 617 (E.D. Tex. 2007). Indeed, delaying

[REDACTED]

the litigation would likely prejudice both parties because "witnesses may become unavailable, their memories may fade, and evidence may be lost while the PTO proceedings take place." *Gladish*, 29 U.S.P.Q.2d at 1720. Given the technology at issue, it is important to preserve this evidence and permit Leader to ensure that key evidence of its case is not lost with an indefinite stay of the litigation. The loss of such evidence would unduly and irreparably prejudice Leader, weighing heavily in favor of denying Facebook's request for a stay.

3. Facebook's Dilatory Tactics Should Not Be Rewarded

Facebook is using the reexamination procedures as a tactical tool to delay his case and impose costs, with no real expectation that any controversy will be resolved. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Such strategies effectively remove disputes from the Courts and are an abuse of the reexamination procedures, as delays are part of the PTO, evident from the PTO statistical data. In fact, citing to the statistical data made available by the PTO, Judge Newman of the Federal Circuit recently noted in a concurring opinion that "if [reexaminations are] routinely available to delay the judicial resolution of disputes, the procedure is subject to inequity, if not manipulation and abuse, through the delays that are inherent in PTO activity." *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1305 (Fed. Cir. 2009)(concurring opinion). Facebook's claim that this Court "routinely" or "consistently" grants stays pending reexamination uncovers Facebook's belief that it can delay adjudication on the merits by filing or threatening to file a reexamination request and motion to stay. D.I. 131 at 6. Such an abuse of the reexamination procedures and inequity to patentees with a patent that is presumed valid should not be permitted.

Effectively "removing" this infringement dispute to the PTO would be tactically advantageous to Facebook, delaying the issues of Facebook's continued infringement which is willful, as well as the continued irreparable harm that Leader will face if Facebook is permitted to continue infringing for some indefinite length of a time. Leader's willful infringement claim will not be heard for years to come. Hannah Decl., Ex. F at 3. Facebook's entire request is based on a pending reexamination proceeding that does not address all the asserted claims and has not received any Office Action. [REDACTED]

Facebook has exhibited a pattern of delay throughout this case. For example, it delayed filing the *ex parte* reexamination request for nearly eight (8) months after this case began, [REDACTED]

[REDACTED] Trial begins in less than eight (8) months. Facebook would have a tactical advantage if it could delay the trial for at least two (2) years based on the *ex parte* reexamination, four (4) years with the appeal process, [REDACTED]

[REDACTED] These dilatory tactics are more than sufficient grounds to deny Facebook's request for an indefinite stay of this case.

4. Facebook is Forum Shopping

Facebook has been forthcoming in stating that the PTO will challenge the validity of the '761 Patent in a far more favorable way for Facebook, and as such, Facebook would prefer to have the claims first challenged in the PTO and then take a second bite of the invalidity apple in this Court. D.I. 131 at 8. Indeed, it is recognized that the PTO uses a preponderance of the evidence standard when determining the validity of a patent, whereas in this Court the '761 Patent enjoys a presumption of validity that must be overcome by clear and convincing evidence. Hannah Decl., Ex. I at 5 - 6 ; *Ethicon*, 849 F.2d at 1427. In addition, the "claim construction" the

PTO undertakes is purposefully broad in order to capture more prior art. Hannah Decl., Ex. I at 6. Of course, this Court will rely upon the intrinsic record primarily, and will render a more realistic construction of the claim terms after briefing by the parties. *Id.*

D.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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E.

[REDACTED]

F. DISMISSAL IS NOT WARRANTED

Dismissal of this case is also not warranted. Facebook's request is essentially case dispositive¹⁰ and there is a substantial burden on Facebook for proving that such drastic relief is appropriate. Facebook's extraordinary request for a dismissal, however, is two sentences with a string cite to three cases that do not support its request. Facebook, again, did not attempt to meet the burden of proof for seeking dismissal of a case that both parties have aggressively litigated for a year. This request for dismissal is also another issue that Facebook raises for the first time in its motion. Hannah Decl., ¶ 2.

¹⁰ It is for this reason that both parties' briefs do not fall under the non-case dispositive filing requirements found in the Court's Scheduling Order.

For the reasons stated above, Facebook's request for dismissal should be denied. No judicial resources are conserved, no efficiencies obtained, there are numerous issues still to be resolved, and the prejudice on Leader is substantial. Furthermore, two of the cases Facebook relies upon for its dismissal request were employment disputes, not patent cases, where the defendants were able to compel arbitration, such that parallel proceedings would address *all* the issues involved in the dispute. *See Amro v. Ameriquest Mortgage Co.*, No. 05 C 2420, 2005 WL 2284247 (N.D. Ill. Sept. 15, 2005); *see also Sheth v. Ernst & Young, LLP*, No. 04 C 4280, 2005 WL 221245 (N.D. Ill. Jan. 27, 2005). Thus, these cases lend no support for its dismissal request. The remaining case, *Hamilton Indus., Inc. v. Midwest Folding Prods. Mfg. Corp.*, No. 89 C 8696, 1990 WL 37642 (N.D. Ill. Mar. 20, 1990), involved a case where the reexamination request presented all the prior art before the Court, such that the Court was assured that all the prior art would be first considered by the PTO, and the court found that the cost was likely to be reduced as a result. *Id.* at *1-2. Unlike this case, Facebook has not presented all the alleged prior art to the PTO. [REDACTED]

V. CONCLUSION

For the foregoing reasons, Leader requests that Facebook's motion is denied in its entirety.

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

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.

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