

**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.	)	
	)	<b>PUBLIC VERSION</b>
FACEBOOK, INC., a Delaware corporation,	)	
	)	
Defendant-Counterclaimant.	)	

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

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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; *see also* D.I. 111 at 2. The final date to amend pleadings was November 20, 2009. The Markman hearing was held on January 20, 2010 and the Court issued a Claim Construction Order on March 9, 2010. Trial is June 28, 2010. D.I. 76. Facebook filed a Motion for Leave to Amend its Responsive Pleading to Add a Defense and Counterclaim of Inequitable Conduct and to Amend its False Marking Counterclaim ("Third Proposed Amendment") on March 25, 2010. D.I. 305.

## II. SUMMARY OF ARGUMENT

Facebook will take any action to stall the impending trial scheduled in less than three months, including seeking another amendment to the pleadings in an attempt to put Leader in a no-win situation. If the Court grants Facebook's motion, Leader will be extremely prejudiced in having to defend against new defenses and claims in less than two months with no opportunity to take reasonable discovery, or possibly lose its June 28 trial date. More troubling is that Facebook does not have good cause to amend its defenses and counterclaims with new claims, much less factual support for them. Every document Facebook relies on and cites in its Third Proposed Amendment was produced at least eight months ago, and many of them were produced a year ago. Nothing prevented Facebook from conducting written discovery into these documents after they were produced. No interrogatories or requests for admission were propounded in connection with these documents. More importantly, the deposition testimony that is Facebook's *sole* basis for seeking to amend the pleadings at this late date does not support Facebook's Third Proposed Amendment.

Facebook cannot satisfy the more rigid standard of demonstrating good cause to seek amendment as required by Rule 16(b) of the Federal Rules of Civil Procedure. *Pressure Prods. Med. Supplies, Inc. v. Greatbatch Ltd.*, No. 2008-1602, 2010 WL 1051154, at \*1, 8-10 (Fed. Cir. Mar. 24, 2010) (upholding the denial of a motion to amend to add an inequitable conduct claim

filed months after the deadline to amend pleadings because of a lack of good cause); *Eastern Minerals & Chems. Co. v. Mahan*, 225 F.3d 330, 340 n.18 (3d Cir. 2000) (affirming denial of motion to amend based exclusively on a lack of good cause). Facebook's failure to pursue its new theories based on documents produced at least eight months earlier demonstrates its lack of diligence. Close scrutiny of the cited deposition testimony further demonstrates Facebook's lack of good cause and exposes its lack of good faith in bringing this motion.

Facebook also fails to meet the higher standard required for pleading a claim of inequitable conduct under Fed. R. Civ. P. 9(b). *Pressure Prods.*, 2010 WL 10511554, at \*9-10 (a five member panel unanimously reaffirmed the significantly higher pleading requirements for an inequitable conduct allegation). Facebook has summarily asserted materiality and intent to deceive, but has failed to assert even a threshold level of each element required to support a finding by clear and convincing evidence at trial. *Id.* (citation omitted).

It is hard to imagine a more prejudicial scenario than waiting until the eve of trial to spring new claims and defenses based on information Facebook has had for more than two-thirds of a year. Leader will be unduly prejudiced in preparing its case for trial if Facebook is permitted to add these claims and defenses, while Facebook has had months to prepare these new claims. Leader will be unable to seek fact discovery into the bases for Facebook's claims, take depositions of relevant third party witnesses, address possible claim construction issues raised by Facebook's new allegations, retain and prepare appropriate experts to rebut these new claims, and develop all available defenses. Leader will be deprived of the opportunity to present evidence it may have offered to rebut these allegations because Facebook failed to diligently pursue and timely allege these new defenses and counterclaims. Ultimately, this amendment is just another attempt by Facebook to delay this case and further prejudice Leader.

### **III. STATEMENT OF FACTS**

#### **A. Facebook's Third Proposed Amendment Alleges New Theories**

Facebook is attempting to amend its pleadings to add new theories to this case. One new

theory is a claim of inequitable conduct found in its proposed eighth affirmative defense and proposed fourth counterclaim based on allegations that the patentees of U.S. Patent No. 7,139,761 (“‘761 Patent”) should have disclosed purported offers to sell, prior public uses in 2002, and prior art to the United States Patent and Trademark Office (“USPTO”). See D.I. 305 at 4-15, 18-29. Facebook’s new inequitable conduct allegation seeks to expand its existing invalidity claims to add for the first time in this case on-sale bar and public prior use allegations pursuant to 35 U.S.C. §102(b),<sup>1</sup> and a claim of obviousness based on Leader2Leader<sup>®</sup> pursuant to 35 U.S.C. §103. Facebook’s Third Proposed Amendment alleges for the first time that Mr. Michael McKibben made offers to sell Leader2Leader<sup>®</sup> to several entities in 2002<sup>2</sup> and that such offers to sell “establish a complete bar to patentability of the claims of the ‘761 Patent under 35 U.S.C. §102(b)(on sale bar).” D.I. 305, Ex. A at 6. Facebook further asserts in that “even if Leader2Leader<sup>®</sup> did not practice each element of each asserted claim. . . . the prior offers to sell Leader2Leader<sup>®</sup> described in the text would . . . establish a *prima facie* case of unpatentability when combined with other information, rendering the claimed invention obvious under 35 U.S.C. §103.” *Id.* at 6 n.1. Facebook received all technical information and communications with actual and potential customers relating to the ‘761 Patent and its Leader2Leader<sup>®</sup> product by August 18, 2009. See D.I. 147, Exs. D-1 to D-3. Facebook never asserted these new allegations despite being specifically asked in two interrogatories for *all* bases of its allegation that the ‘761 Patent is invalid under 35 U.S.C. §§102-103. Declaration of Ryan Hopkins in Support of Leader’s Answering Brief to Defendant Facebook, Inc.’s Motion to Amend (“Hopkins Decl.”) filed herewith, Exs. A1-A4 (Facebook’s five responses to Interrogatory Nos. 4 and 18 seeking all bases for Facebook’s allegations under 35 U.S.C. §§102-103).

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<sup>1</sup> At the April 9, 2010 hearing, Magistrate Stark ordered Facebook to supplement its interrogatory responses disclosing these new invalidity theories if Facebook intends to pursue them. Facebook’s opening expert reports, served on April 8, 2010, did not include any invalidity theories of prior public use or on-sale bar.

<sup>2</sup> The title of this section in Facebook’s Motion alleges an offer for sale in 2001, but Facebook does not allege or cite any offer to sell in 2001 in its Brief or Proposed Amendment.

Facebook's second proposed amendment attempts to add the LeaderPhone<sup>®</sup>, Leader Alert<sup>®</sup>, and Leader Meeting<sup>®</sup> products to its third counterclaim for false marking. While seemingly innocuous, this proposal is a disguised attempt to exponentially amplify the potential liability associated with its false-marking allegations.

**B. The Cited Deposition Testimony Does Not Change the Priority Date of the '761 Patent or Support Facebook's Inequitable Conduct Claim**

Facebook's *only* basis for seeking to add an inequitable conduct claim based on purported offers for sale and prior use at this late stage of the case is the deposition testimony of Mr. Jeffrey Lamb, a third party and inventor of the '761 Patent. D.I. 305 at 2. Facebook alleges that Lamb's testimony "establishes the priority date of the '761 Patent" as December 10, 2003, rather than December 11, 2002, the filing date of the U.S. Provisional Application No. 60/432,255 ("Provisional Application"). *Id.*; Hopkins Decl., Ex. B at 7 (Leader's responses to Interrogatory No. 10, establishing that the Provisional Application supports all the claims of the '761 Patent and its claim of priority to the Provisional Application filing date). However, Facebook's assertion is incorrect, because the cited portions of Mr. Lamb's deposition testimony are responses to narrow technical questions regarding the Provisional Application as clarified by his errata. D.I. 307-08, Norberg Decl., Ex. 4; Hopkins Decl., Ex. C.

Facebook ignores Mr. Lamb's errata in its claim that his testimony alters the priority date of the '761 Patent, despite receiving it two days prior to filing this motion. *Id.*; D.I. 322, 326. Facebook stated at the April 9, 2010 hearing before Judge Stark that the errata allegedly changed Mr. Lamb's responses from essentially a "no" response to a "yes" response.<sup>3</sup> Given that this was Facebook's interpretation of Mr. Lamb's errata (an interpretation that Leader disputes), Facebook did not have a good faith basis for alleging inequitable conduct based on Mr. Lamb's testimony after receiving the errata. Now that the Court denied Facebook's motion to strike the errata and found that the errata only clarifies his testimony, Facebook does not have good cause

<sup>3</sup> A transcript of the April 9, 2010, hearing before Judge Stark has yet to be received. Leader will be glad to provide the Court with appropriate pin citations immediately upon receipt of the transcript.



or a good faith basis for pursuing claims that rely on the alleged change of the '761 Patent priority date. This negates Facebook's alleged claims of public prior use, offers for sale, and certain cited prior art. *Id.*

Besides Facebook's failed argument to change the '761 Patent's priority date to support its invalidity claims, the cited deposition testimony also does not support its proposed inequitable conduct claim. For example, Facebook cites Mr. McKibben's deposition testimony regarding an email that he sent to himself as evidence of a demonstration of Leader2Leader<sup>®</sup> without a non-disclosure agreement ("NDA").<sup>4</sup> D.I. 305 at 4; *see also* D.I. 307-08, Ex. 9 at 140:7-144:19. Mr. McKibben testified that Leader did not perform unprotected demonstrations of Leader2Leader<sup>®</sup>. D.I. 307-08, Norberg Decl., Ex. 9 at 139:17-23

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.... If they didn't sign an NDA, we didn't demo Leader2Leader to them." His testimony did not offer new facts or verify Facebook's allegations derived from documents produced up to a year earlier. Specifically, Mr. McKibben did not provide any new facts regarding the documents about

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,<sup>5</sup> other than to state that he was not sure if anything was ever provided to

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D.I. 305 at 3-4; D.I. 307-08, Norberg Decl., Exs. 5-7, 9-10; Hopkins Decl., Ex. D at 98:4-10.

Both Mr. McKibben and Mr. Lamb testified that they did not recall or have any specific memory of the alleged prior art documents. Hopkins Decl., Ex. Q; D.I. 307-08, Norberg Decl. at Exs. 9-10. There was no testimony supporting Facebook's claim that Leader had the alleged prior art "throughout the prosecution of the '761 Patent." D.I. 305 at 4. In fact, Leader was able to confirm that it did not have at least three of these references until after the '761 Patent issued.

Declaration of Michael McKibben in Support of Leader's Answering Brief to Defendant

<sup>4</sup> Facebook's citation to Mr. McKibben's testimony regarding internal correspondence at Leader's vendor that performed contract work under an NDA, also provides no support for its claims. *See* D.I. 305 at 3, citing Ex. 9 at 168:19-169:7.

<sup>5</sup> The NDA with REDACTED was produced on April 14, 2009 to Facebook. Hopkins Decl., Ex. J.

Facebook, Inc.'s Motion to Amend ("McKibben Decl.") filed herewith, ¶¶ 5-7. Finally, Mr. McKibben's testimony did not establish that Leader failed to disclose any alleged prior art to the Patent Office. D.I. 305 at 4. Mr. McKibben testified that Leader's patent attorneys exclusively communicated with the Patent Office. Hopkins Decl., Ex. E at 298;22-299:15.

**C. Facebook's Cited Documents and Deposition Testimony Do Not Provide Good Cause or a Good Faith Basis for Alleging Inequitable Conduct**

As shown below, Facebook had *all* the documents cited in its Third Proposed Amendment for its new allegations of inequitable conduct since at least August 18, 2009.

Production Date	Bates Range
April 14, 2009	LTI_002871-875; LTI_002878; LTI_006399-434; LTI_014119-127; LTI_048195-206; LTI_064039-057.
August 3, 2009	LTI_074788-789; LTI_078297-298; LTI_098311-313; LTI_101733-734; LTI_102315-317; LTI_102664-665; LTI_105286-288; LTI_105611-613; LTI_111341-342; LTI_111719-721; LTI_122812.
August 18, 2009	LTI_134982-5028; LTI_140576-577; LTI_145929-932.

See D.I. 147, Ex. D-1 to D-3. Notably, three of the four documents cited as alleged prior art that Leader purportedly failed to disclose were produced on April 14, 2009. D.I. 305 at 4; *see also* D.I. 307-08, Norberg Decl., Exs. 15-17. The other documents are primarily email regarding actual and potential demonstrations of various Leader products. At no time did Facebook propound written discovery regarding these documents or other issues related to inequitable conduct. Facebook also did not move to compel further responses on any discovery that could remotely be construed as addressing these inequitable conduct issues in any of its numerous motions to compel.

Facebook fails to support its conclusory allegations of the intent to deceive element required for an inequitable conduct claim. D.I. 305, Ex. A at 7, ¶29; 8, ¶33; 9, ¶35; 21, ¶27; 22, ¶31; and 23, ¶33. Nothing contained in either Mr. Lamb's nor Mr. McKibben's deposition testimony disclose an intent to deceive the USPTO. D.I. 307-08, Norberg Decl., Ex. 4 at 9-10. Both, Mr. Lamb and Mr. McKibben denied any specific memory of the alleged prior art

references and Facebook provides no evidence that Leader was even aware of three of these references before the '761 Patent issued. *Id.*; Hopkins Decl., Ex. D; McKibben Decl. ¶¶ 5-7.

**D. Facebook Has Not Been Diligent in Pursuing Its False Marking Claim**

Since the filing of this complaint on November 18, 2008, Facebook knew how Leader marked its products and that Leader2Leader<sup>®</sup> powered by the Digital Leaderboard<sup>®</sup> engine practices the '761 Patent. Facebook was aware of this information because it is available on Leader's internet website and Facebook admits accessing Leader's website. D.I. 305, Ex. A at ¶17 (Leader "marked each of its public pages accessible from its Internet web site ... with the '761 Patent, effectively contending that all of its products and even its web page practice ... the '761 Patent"). Facebook also received this information in Leader's April 14, 2009 document production that contained numerous marketing documents regarding the newly accused LeaderPhone<sup>®</sup>, Leader Alert<sup>®</sup>, and Leader Meeting<sup>®</sup> products, as well as numerous examples of the '761 Patent markings. *See* D.I. 147, Exs. D-1 to D-3. Further, Leader's April 17, 2009 Response to Facebook's Interrogatory No. 9 established what product practices the '761 Patent. Hopkins Decl., Ex. F at 4. As shown below, Facebook's own document production from a year ago contains examples of how Leader has marked its products and the newly accused products.

Product	Bates Range	Production
Leader Phone <sup>®</sup>	FB00000288	4/17/09
	LTI_070591-93; LTI_070597; LTI_072257	4/14/09
Leader Alert <sup>®</sup>	FB0000289-90	4/17/09
	LTI_007693; LTI_070352-53; LTI_070420; LTI_071442; LTI_072842	4/14/09
	LTI_076664	8/3/09
Leader Meeting <sup>®</sup>	FB00000278	4/17/09
	LTI_072400	4/14/09
	LTI_083018-26	8/3/09

Hopkins Decl., Exs. G1-G14. Facebook had all of this information when it moved the Court on October 21, 2009 to amend its pleadings to add false-marking. Facebook reopened written discovery after its amendment to serve additional limited discovery regarding the marking of the

Leader2Leader<sup>®</sup> product; however, Facebook did not serve any written discovery regarding these new products it is attempting to add in its Third Proposed Amendment. Hopkins Decl., Ex. H.

#### IV. ARGUMENT

The Court should deny Facebook's Third Proposed Amendment because Facebook fails to satisfy the more rigid good cause requirement of Fed. R. Civ. P. 16(b). *See, e.g., Pressure Prods.*, 2010 WL 1051154, at \*8; Fed. R. Civ. P. 16(b)(a schedule shall not be modified except upon a showing of good cause and by leave of the district court judge). The Court should also deny Facebook's Third Proposed Amendment because even under the liberal amendment policy pursuant to Fed. R. Civ. P. 15(a): (1) these amendments will cause undue prejudice to Leader; (2) these amendments were not cured in previously allowed amendments, are in bad faith, and promote Facebook's dilatory motive; and (3) these amendments are futile. *See Foman v. Davis*, 371 U.S. 178, 182 (1962).

##### A. Facebook Fails to Show Good Cause for Its Inequitable Conduct Amendment

###### 1. Facebook had all of the relevant documents for over eight months

Facebook has not been diligent in pursuing its new theory of inequitable conduct. *See* Fed. R. Civ. P. 16(b)(4) Advisory Committee's Notes (1983 Amendments) (good cause requires a showing of diligence). Facebook had all of the documents cited in its Third Proposed Amendment for at least eight months and failed to diligently pursue written discovery regarding this information. *See supra* at 6. A unanimous five member panel of the Federal Circuit recently upheld a District Court's denial of a motion for leave to add an inequitable conduct defense, because the defendant had the cited documents for over ten months and "[n]othing prevented [it] from conducting discovery...." *Pressure Prods.*, 2010 WL 1051154, at \*9. Facebook's assertion that "a claim of inequitable conduct requires a more thorough investigation" does not negate its responsibility to be diligent in pursuing its theories, nor does it permit the use of surprise allegations at such a late stage in the case. D.I. 305 at 6; *see also Inline Connection Corp. v. AOL Time Warner Inc.*, 237 F.R.D. 361, 366, 370 (D. Del. 2006)(the addition of "three

entirely new factual theories under the “inequitable conduct” umbrella” was denied due to surprise and undue prejudice.). Indeed, depositions were not Facebook’s only discovery device for developing its theories. *Pressure Prods.*, 2010 WL 1051154, at \*9. Facebook’s failure to propound specific written discovery demonstrates its lack of diligence.

If Facebook had been diligent, it would have sought written discovery or relevant third party discovery regarding the alleged inequitable conduct issues contained in the cited documents that are the bases for its Third Proposed Amendment. For example, Facebook never served a request for admission or an interrogatory<sup>6</sup> regarding (1) when and whether Leader made an offer to sell to

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(2) the circumstances surrounding any such alleged offers for sale; (3) when and whether Leader made any demonstrations to the

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or alleged “others”;<sup>7</sup> (4) the circumstances of any such demonstrations, including whether there was an NDA; and (5) when Leader became aware of the alleged “material prior art references” that Leader produced. Facebook also never propounded any specific document requests seeking NDAs with third parties, including potential and actual customers, even though Leader produced all correspondence with those parties and the hundreds of pages discussing its aggressive policy and use of NDAs in April 2009. Facebook first asked for Leader’s NDAs on February 23, 2010, despite having the

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since April

14, 2009. Hopkins Decl., Ex. I; *id.*, Ex. J. It speaks volumes that Facebook did not seek to

<sup>6</sup> As a result of a discovery dispute, the parties were ordered to explain their respective denials of any requests for admission when propounded with an interrogatory seeking the basis for the denial. Such an interrogatory did not count toward the interrogatory limit placed on the parties in discovery. D.I. 77 (July 14, 2009 hearing tr. at 33:2-14). Thus, the parties were not constrained during written discovery by the unlimited number of requests for admissions or the limit on interrogatories.

<sup>7</sup> Facebook did not cite to any testimony to support its allegations regarding public demonstrations for because it has none and Mr. McKibben could not even recall the company during deposition. Hopkins Decl., Ex. D at 142:24-143:13. Leader never provided a demonstration for McKibben Decl. ¶ 8. In fact, Facebook falsely attempts to support its allegation that numerous parties received demonstrations, including the

by citing to Mr. McKibben’s testimony regarding whether he could specifically recall Leader’s interactions with the

D.I. 305, Ex. A at 7.

depose or subpoena documents from the patent prosecutor of the '761 Patent,

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, and alleged others, despite issuing sixty-four (64) subpoenas in this case.

Facebook's failure to specifically request NDAs in this case does not warrant factually incorrect accusations regarding Leader's production of them. The NDAs were not relevant to the claims in this case. Facebook alleged in its false marking claim that Leader did not practice the '761 Patent. *See* D.I. 190 at 6, ¶14. Therefore, any potential claim that Leader made an offer to sell or a public demonstration of the '761 Patent technology directly contradicts Facebook's false-marking allegation, because such claims are mutually exclusive. However, Leader offered the NDAs to Facebook as a courtesy during Mr. McKibben's deposition and produced them in good faith in March 2009. Hopkins Decl., Ex. D at 162:10-14; *id.*, Ex. L. Included were NDAs with all but one of the entities that Facebook alleges public disclosure, draft NDAs, and other third party NDAs, including potential or actual company investors and vendors. *Id.*, Exs. M-P. Regardless, Facebook had numerous documents referencing third parties and NDAs for over eight months. Facebook should have diligently pursued these issues during discovery. Facebook's lack of diligence proves that it has no good cause to amend its pleadings now.

**2. The cited depositions do not support an inequitable conduct claim**

A review of the deposition testimony Facebook cited in its Third Proposed Amendment demonstrates that Facebook has no basis to allege an inequitable conduct claim. As stated above, Mr. Lamb's testimony does not change the priority date of the '761 Patent, thereby eviscerating any new theories based on a different priority date for the '761 Patent. *Supra* at 4. Likewise, Mr. McKibben's testimony does not support any of the inequitable conduct allegations. *Supra* at 5. Mr. McKibben testified that any disclosures of Leader's patented technology were pursuant to an NDA. D.I. 307-08, Norberg Decl., Ex. 9 at 139:17-23. He also testified that after almost a decade, he did not have a "specific memory" of NDAs for individual

parties. Mr. McKibben did not testify that Leader did not have specific NDAs, as suggested by Facebook. *Id.*; Hopkins Decl., Ex. D at 161:18-163:7.

Facebook also falsely claims that Mr. McKibben's testimony establishes that he, Mr. Lamb, and Leader "were well aware of" the alleged prior art references during prosecution of the '761 Patent. D.I. 305 at 4; Hopkins Decl., Ex. D; *id.* at Ex. 9-10. Mr. Lamb testified that he did not recall any of the alleged prior art shown to him. Hopkins Decl., Ex. P at 227:21-230:24. Mr. McKibben also testified that he had no specific memory of the alleged prior art. D.I. 307-08, Norberg Decl., Exs. 9-10. In fact, Mr. McKibben investigated after his deposition and was able to determine that Leader received three of the four alleged prior art documents *after* the '761 Patent was issued. McKibben Decl., ¶¶ 5-7. Therefore, Facebook's interpretation of the depositions of Mr. Lamb and Mr. McKibben do not support its frivolous proposed inequitable conduct amendment.

#### **B. Facebook Fails to Show Good Cause for Its False-Marking Amendment**

Facebook fails to present any evidence or argument that it was diligent in pursuing this proposed amendment to its false-marking counterclaim. Its attempt to add new products to alter the scope of its false marking claim should be denied. As described above, Facebook had all of the relevant information regarding how and what Leader marked with the '761 Patent for at least a year. *See supra* at 6-7. In addition to Leader's document production and interrogatory responses, Facebook also produced documents showing how Leader marked its products. Hopkins Decl., Ex. F at 4; *see also* D.I. 147, Ex. D-1; Hopkins Decl., Ex. H at 3; D.I. 305 at 5. Facebook also had access to Leader's internet website since at least the filing of the complaint in November 2008 and admits accessing it. D.I. 305, Ex. A at 17. Therefore, Facebook should have known how Leader marked its products with the '761 Patent and its alleged failure to identify these products when it sought to amend the pleadings in October 2009 shows its lack of diligence regarding this proposed amendment.

Mr. McKibben's deposition testimony regarding marking unequivocally undermines

Facebook's false marking claim. He testified that Leader marked products according to analysis done by four different sets of lawyers, precluding any intent to deceive the public by Leader. Hopkins Decl., Ex. E at 246:17-24. Facebook's cited testimony of Mr. Fathbruckner, a third party, also does not conclusively support Facebook's proposed amendment. Mr. Fathbruckner testified that he "believe[d]" that Leader currently marks LeaderPhone and LeaderAlert with the '761 Patent. D.I. 307-08, Norberg Decl., Ex. 20. These responses do not establish that Leader has improperly marked LeaderPhone and LeaderAlert, nor do they surmount Facebook's lack of diligence since receiving numerous documents regarding these products early in this case. Facebook's failure to present any argument or evidence of its diligence in pursuing its proposed false-marking amendment claim is sufficient to deny this proposed amendment for lack of good cause. In fact, its complete argument supporting its false marking amendment is a single conclusory sentence that states its responsive pleading is not deficient and it has previously requested amendment to its pleadings. D.I. 305 at 8. Facebook should not be permitted to materially alter its false-marking claim without good cause.

### **C. Facebook's Proposed Amendments Will Unduly Prejudice Leader**

Permitting Facebook to amend its pleadings for the third time at this stage of the case will unduly prejudice Leader and is an attempt to unfairly insert new claims and defenses in the case. Prejudice is the "touchstone for the denial of an amendment." *USX Corp. v. Barnhart*, 395 F.3d 161, 166 (3d Cir. 2004)(denying a motion to amend for undue delay)(quotation and citation omitted); *Pressure Prods.*, 2010 WL 1051154, at \*8 (citation omitted). "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*, 237 F.R.D. at 370 (quotation and citation omitted). Facebook's proposed amendment to add an allegation of inequitable conduct is a "new distinct factual" allegation that will cost Leader significant additional time, expense, and effort to meet at this late stage in the case and therefore is unduly burdensome. *Id.*

Facebook's assertion that all of the information that Leader will require is within its



control is false for several reasons. First, the allegation is new and not pled with the required particularity. D.I. 305 at 8-9. *Inline* rejected the identical assertion because the new allegations will require additional preparation that will unduly prejudice Leader this close to trial. *See id.*, 237 F.R.D. at 369-70. Second, Leader has not had the opportunity to seek discovery regarding Facebook's alleged evidence. Third, Leader will not have a chance to seek discovery from relevant third parties, such as the patent prosecutor of the '761 Patent, to appropriately prepare its case regarding this new claim and defense.

Furthermore, Facebook has failed to cite evidence of an intent to deceive the USPTO. It only provides unsupported conclusory statements in its Third Proposed Amendment. D.I. 305, Ex. A at 5, 19. Facebook should be able to fully support its allegations at this stage of the case, because written discovery has closed. As stated above, this leaves Leader with a potential no-win situation. Leader will be precluded from properly preparing for trial against this claim, including obtaining necessary discovery from Facebook and potential third parties relevant to its defense, or Leader will lose the set trial date.

Facebook attempts to expand its invalidity claim under the guise of inequitable conduct. Facebook failed to allege its new theories of invalidity due to an alleged offer for sale and prior use pursuant to 35 U.S.C. § 102(b) at any time in this case. Facebook also failed to allege its new obviousness theory pursuant to 35 U.S.C. § 103. Despite specifically asking Facebook to provide the complete bases for its claims under 35 U.S.C. §§ 101-103, Facebook never presented these new allegations in its five different interrogatory responses. Hopkins Decl., Exs. A1-A4. Facebook should not be allowed to materially expand its invalidity claims by bootstrapping additional issues to its proposed amendment to add an inequitable conduct claim. Permitting such an amendment would only further unduly prejudice Leader due to surprise and the inability to prepare defenses to these new claims at this late stage of the case.

Facebook's proposed material alteration to its false-marking claim, including the addition of Leader's other products, will also unduly prejudice and surprise Leader at this stage of the case. D.I. 305, Ex. A at 16-17. Leader will not have any ability to conduct discovery regarding

the new allegations, which is necessary in light of the significant change from Facebook's previous false-marking allegation that was limited to the claim that Leader2Leader<sup>®</sup> does not practice the claims of the '761 Patent. D.I. 190 at 6. For example, Leader does not know what basis Facebook has for changing the alleged products marked with the '761 Patent or what documents it is relying on for these new allegations. Contrary to its claim, Facebook's amended allegations quadruples the number of products allegedly marked and significantly raises the alleged damages. *Id.* Just as above, Leader is in a potential no-win situation because of Facebook's dilatory tactics. The procedural posture of this case alone warrants denial of these amendments: a Markman hearing was conducted, a claim construction Order issued, a trial date is set, and expert discovery has begun. The addition of these amendments at such a late stage in the case will unduly prejudice Leader during summary adjudication and trial, or significantly delay the case.

**D. Facebook Perpetuates its Dilatory Tactics With This Third Proposed Amendment and Failed to Properly Cure in Its Previous Amendment**

Facebook had the information and opportunity to file the current proposed amendments with its Second Amended Answer, Defenses, and Counterclaims in October 2009. Facebook has had all the relevant documents for at least eight months, if not longer, including all of the specific cited documents for its Third Proposed Amendment. Furthermore, the cited deposition testimony did not change or affirmatively support the information contained in the documents and does not support the new allegations in its Third Proposed Amendment. Facebook's failure to properly amend and its delay in filing this Third Proposed Amendment has resulted in unfair surprise that will unduly prejudice Leader or at a minimum delay this case. *See McLaughlin v. Diamond State Port Corp.*, C.A. No. 03-617(GMS), 2004 WL 2958664, at \*4 (D. Del. Dec. 21, 2004) ("If the court were to permit parties to ignore these deadlines, unfair surprise would abound"). Facebook waited to make these allegations after fact discovery concluded, expert

reports were exchanged, and just months before trial. Facebook's tactic either demonstrates a complete lack of diligence or an attempt to gain an unfair advantage through surprise.<sup>8</sup>

**E. Facebook's Proposed Amendments Are Futile Because As A Matter Of Law Facebook Cannot Show The Requisite Intent Element.**

Facebook's proposed inequitable conduct amendment is futile, because Facebook does not provide any evidence to support an intent to deceive the USPTO by the patentees. "[A]lthough 'knowledge' and 'intent' may be averred generally, a pleading of inequitable conduct under [Fed. R. Civ. P.] 9(b) must include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual (1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the PTO." *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328-29 (Fed. Cir. 2009) (describing the particularity required under Fed. R. Civ. P. 9(b) to plead inequitable conduct). The Federal Circuit recently went out of its way to reaffirm that it "require[s] specific and demanding showings of evidence before a party may assert the defense of inequitable conduct." *Pressure Prods.*, 2010 WL 10511154, at \*9 (citations omitted). It also stated that in evaluating a party's pleading pursuant to Fed. R. Civ. P. 9(b), the inference drawn from the evidence must be "the single most reasonable inference able to be drawn from the evidence to meet the clear and convincing standard." *Id.* at \*9, quoting *Exergen*, 575 F.3d at 1329. Facebook's conclusory statements regarding an intent to deceive fail to meet this high standard.

**1. As a matter of law, Facebook cannot show intent to deceive the USPTO with the alleged prior offers for sale**

All three of Facebook's alleged prior offers for sale of Leader2Leader occurred in 2002, *within* the one year period of Leader's filed provisional application. A patentee is permitted to

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<sup>8</sup> Facebook continues to misconstrue the facts when it accuses Leader of delaying the meet and confer regarding this proposed amendment. D.I. 305 at 7. Facebook provided notice on March 5 and demanded a response by March 8. Hopkins Decl., Ex. R. However, when Leader requested a meet and confer for March 8 at 4pm for other issues, Facebook chose not to respond. *Id.*, Ex. S. Leader then requested a meet and confer for March 10 to discuss the proposed amendment. *Id.*, Ex. R.

rely on the filing of a provisional application and subsequently publicly disclose or offer to sell a patented technology. 35 U.S.C. §119(e); Hopkins Decl., Ex. Q at 3 (a provisional application “enables immediate commercial promotion of the invention with greater security against having the invention stolen.”). Whereas Facebook alleges that Leader offered to sell its Leader2Leader<sup>®</sup> product more than a year before December 10, 2003, it fails to acknowledge that Leader is entitled to rely on the filing of the Provisional Application on December 11, 2002 during the pendency of its application. Therefore, as a matter of law there is no intent to deceive.

Facebook’s Third Proposed Amendment requires that the Court assume that the ‘761 Patent does not receive priority to the Provisional Application. Facebook asserts that the Court should make this assumption by adopting its interpretation of Mr. Lamb’s deposition testimony, which excludes his errata and is in direct contradiction to the ruling of Judge Stark. D.I. 305 at 2; *supra* at 4. Without this improper assumption, all of the purported facts that Facebook subsequently alleges are not relevant.

**2. There is no evidence of an intent to deceive the USPTO with the alleged public disclosures**

Leader has produced undisputable evidence that every time it demonstrated Leader2Leader prior to filing its patent application, it did so under a NDA. For every party, except one, that Facebook alleges there was an improper public disclosure, Leader has produced a NDA with such party. The one party in which there was not a NDA did not receive a demonstration of Leader2Leader. However, even if it had received such a demonstration, Facebook alleges that it would have taken place in 2002 within the one year period of the provisional application. As noted above, as a matter of law demonstrating a product to potential investors or clients under NDAs while relying on a provisional application, does not demonstrate an intent to deceive.

With respect to Leader’s production of NDAs, Facebook fails to acknowledge that even if it had properly alleged these new §102(b) invalidity defenses and requested these documents, the NDAs are only relevant to Leader’s defense against such claims and do not support Facebook’s

allegations. Therefore, Facebook's inequitable conduct claim is futile, because it has failed to properly plead any alleged intent to deceive the USPTO with the alleged public use.

**3. There is no evidence of an intent to deceive the USPTO with the alleged prior art**

Facebook cites Mr. McKibben's deposition testimony and the alleged prior art documents in an attempt to infer specific intent, but the cited testimony states that Mr. McKibben has no specific memory of those documents.<sup>9</sup> D.I. 307-08, Norberg Decl., Ex. 10 at 252-58. Facebook falsely states that the deposition testimony and the cited documents establish that Mr. McKibben, Mr. Lamb, and Leader were "well-aware" of these references. D.I. 305 at 4. Mr. Lamb stated that he had no memory of the documents that were shown to him. Hopkins Decl., Ex. P. Mr. McKibben stated during his deposition that

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another and that the other was an incomplete internal document. D.I. 307-08, Norberg Decl., Ex. 10 at 252-58. Facebook does not provide a single piece of evidence that the patentees intentionally withheld these documents with an intent to deceive the USPTO during the prosecution of the '761 Patent. Written discovery is closed, therefore, Facebook must be able to plead with detailed particularity its alleged evidence of an intent to deceive the USPTO. Facebook only provides unsupported conclusory allegations, therefore its proposed amendment to add an inequitable conduct claim should be denied.

**4. There is no evidence of an intent to deceive the public with the alleged false-marking**

Facebook also fails to cite any evidence regarding its second false-marking amendment that can be considered well-pled factual allegations upon which a plausible entitlement to relief can be based even if accepted as true. False-marking 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. 35 U.S.C. § 292(a). Despite having already

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<sup>9</sup> Moreover, Facebook fails to mention that Leader has never been in the possession of two of the alleged prior art documents, and another alleged prior art document was only discovered after the '761 Patent issued.

amended its pleadings to add a counterclaim of false-marking and reopening written discovery to pursue this claim, Facebook still fails to cite one piece of evidence to support an alleged intent to deceive the public by Leader. In fact, the evidence directly contradicts an intent to deceive, therefore, Facebook's Third Proposed Amendment to modify its false-marking claim should be denied.

**F. Facebook's Proposed Amendments Are Made in Bad Faith**

Facebook has had all of the documents it appears to rely upon in its Proposed Third Amendment for at least eight months. The cited deposition testimony and production of NDAs that allegedly spurred Facebook to seek its Third Proposed Amendment, do not support the new allegations. The cited deposition testimony purportedly supporting the inequitable conduct allegation did not establish any new facts, much less identify offers for sale, public prior uses, or that Leader was even aware of the alleged prior art references during the relevant time. In fact, Facebook's new offer for sale and public use allegations are contrary to its previous allegation that Leader did not practice the '761 Patent. Similarly, there were no cited documents or deposition testimony that justify the proposed material amendment to Facebook's false-marking claim.

**V. CONCLUSION**

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

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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 April 19, 2010, 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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