

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

LEADER TECHNOLOGIES, INC., a
Delaware corporation,

Plaintiff-Counterdefendant,

v.

FACEBOOK, INC., a Delaware corporation,

Defendant-Counterclaimant.

Civil Action No. 08-862-JJF/LPS

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**DEFENDANT FACEBOOK, INC.'S REPLY BRIEF IN SUPPORT OF ITS 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. ARGUMENT

Facebook has (1) shown good cause for moving for leave to file an amended Answer and Counterclaims as per Rule 16, (2) met the requirements for amending pleadings under Rule 15, and (3) met the pleading requirements of Rules 8 and 9. Thus, Facebook should be permitted to amend its Answer and Counterclaims at this stage of the case. LTI has failed to show any reason why Facebook's request should not be granted.¹

A. Facebook has shown good cause to amend its Answer and Counterclaims.

1. Confirmation of facts through discovery is encouraged prior to setting forth a claim of inequitable conduct.

Judges in this district have repeatedly encouraged defendants to confirm factual allegations through discovery prior to pleading inequitable conduct. For instance, in *Cordance Corp. v. Amazon.com, Inc.*, 255 F.R.D. 366 (D. Del. 2009), Magistrate Judge Thyng found that “[a]lthough [the plaintiff] maintains that [the defendant] possessed the documents which form the basis of its inequitable conduct pleadings for more than a year, in light of the ‘pleading with particularity requirement of Rule 9(b),’ it was appropriate for [the defendant] to confirm the factual allegations through discovery.” *Id.* at 372; *see also Roquette Freres v. SPI Pharma, Inc.*, Civ. A. No. 06-540, 2009 U.S. Dist. LEXIS 43740, at *17 (D. Del. May 21, 2009) (same); *ICU Med., Inc. v. Ryimed Techs., Inc.*, Civ. A. No. 07-468, 2009 U.S. Dist. LEXIS 117353, at *8 (D. Del. Dec. 16, 2009) (Farnan, J.) (same). In *Enzo Life Sciences, Inc. v. Digene Corp.*, 270 F. Supp. 2d 484 (D. Del. 2003) (Farnan, J.), this Court explained that, although a plaintiff complained that “the facts underlying the inequitable conduct allegations were available” in the public prosecution history of the patent at issue, “since the Rule 9(b) ‘pleading with particularity’ requirement is implicated with regard to an inequitable conduct claim” defendants would be “prudent and *possibly required* to confirm the factual allegations through discovery.” *Id.* at 489

¹ To the extent LTI has set forth any credible evidence contradicting claims in Facebook's Proposed Third Amended Answer and Counterclaims (“Proposed Answer”), Facebook has, in good faith, amended its Proposed Answer, attached as Exhibit A to this Reply. A redline comparing the Amended Proposed Third Amended Answer and Counterclaims to Facebook's Second Amended Answer and Counterclaims is attached as Exhibit B to this Reply.

(emphasis added). Here, Facebook used appropriate discovery tools before moving to add a claim of inequitable conduct.

Rather than look to the extensive Delaware federal law relating to precisely the situation at hand, LTI overstated the holdings and applicability of an inapplicable case, *Pressure Prods. Med. Supplies, Inc. v. Greatbatch Ltd.*, No. 2008-1602, 2010 WL 1051154 (Fed. Cir. Mar. 24, 2010). In *Pressure Products*, the Federal Circuit found no *abuse of discretion* on the part of the Eastern District of Texas judge in denying the defendant's motion for leave to amend. *Pressure Prods.*, 2010 WL 1051154, at *8-10. Simply because the Federal Circuit upholds a lower court's discretionary determination does not mean that the holding of the particular district court judge in question in a specific case regarding specific facts and circumstances becomes a bright line rule for all future cases. For instance, in *Pressure Products*, the district court made a specific finding that allowing the requested amendment would cause delay of the trial schedule and result in undue prejudice. *Id.* at *9. Here, as demonstrated below, no such delay of the trial or undue prejudice will occur.² As such, *Pressure Products* does not apply here.

2. Facebook both learned and confirmed vital information at depositions of the inventors, which did not occur until late February.

LTI repeatedly faults Facebook for not propounding written discovery regarding various documents upon which Facebook bases its inequitable conduct defense and counterclaim. However, LTI overlooks the fact that deposition testimony of the inventors is likely the best evidence of a key element of inequitable conduct – intent to deceive.

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Facebook was possibly *required* to wait

² Similarly, *Inline Connection Corp. v. AOL Time Warner Inc.*, 237 F.R.D. 361 (D. Del. 2006), does not support LTI's case here. In *Inline Connection*, the defendants had all relevant evidence for more than two years prior to requesting an amendment; the defendants drafted their proposed amended answer and exchanged it with the plaintiff *prior to receipt* of additional evidence in support of their claims, demonstrating their ability to set forth a pleading without such evidence. *Id.* at 368. Here, several key pieces of evidence were only recently discovered and confirmed by Facebook.

until these depositions to assert these inequitable conduct claims. As the scheduling order did not allow for these depositions to occur until after the deadline for amending pleadings, Facebook did not act in a dilatory manner in waiting for deposition testimony to confirm these theories. In fact, had Facebook moved to add this claim earlier, LTI would have certainly opposed the motion, claiming Facebook had not yet taken depositions.

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As set forth in the USPTO provisional application information sheet, provided as Exhibit Q to the Declaration of Ryan Hopkins in support of LTI's Opposition ("Hopkins Decl."):

It is recommended that the disclosure of the invention in the provisional application be as complete as possible. **In order to obtain the benefit of the**

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filing date of a provisional application the claimed subject matter in the later filed non-provisional application must have support in the provisional application.

Hopkins Decl., Ex. Q (emphasis added).

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As Mr. Lamb's deposition testimony confirmed, as well as the testimony of Mr. McKibben cited in the opening brief, Facebook's beliefs regarding its inequitable conduct case, this evidences the wisdom of the Delaware courts in encouraging confirmation through discovery of facts supporting a claim of inequitable conduct. Thus, Facebook's actions evidence its good faith.

3. Facebook has shown good cause to amend its false marking counterclaim.

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Facebook should be allowed to amend its pleadings to conform to this evidence, which could not be gleaned from written discovery.

B. Facebook has met the requirements of Rules 15 and 9.

1. The amendments will not unduly prejudice LTI.

LTI's assertions of surprise at these amendments are unfounded.

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Regardless, Facebook's proposed amendments do not require additional discovery and will not delay the proceedings. LTI complains that it has not had an opportunity to conduct discovery on Facebook's "alleged evidence," but this argument makes little sense, as the evidence for both inequitable conduct and marking comes *from LTI*, not Facebook. As Facebook has provided significant detail in its allegations including citations to the record, LTI knows exactly what Facebook alleges with regard to these claims. Nor can LTI claim prejudice regarding third party discovery, as what is at issue with regard to inequitable conduct and false marking is LTI's actions, not those of third parties.

2. Facebook's inequitable conduct allegations regarding intent meet the heightened pleading requirements of Rule 9(b).⁵

At the pleading stage, Facebook must "allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind." *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009). The Federal Circuit has held repeatedly that "intent need not, and rarely can, be proven by direct evidence," so "a patentee facing a high level of materiality and clear proof that it knew or should have known of that

⁴ Further, as discussed above, this Motion is not about whether Facebook can assert all available invalidity defenses under 35 U.S.C. §§ 102 and 103, as Facebook has already supplemented its interrogatory responses to reflect its assertions regarding on-sale bar and prior public use.

⁵ Facebook has pled its false marking claim with the same, proper level of particularity as in its Second Amended Answer and Counterclaims. Further, while LTI states "the evidence directly contradicts an intent to deceive," it cites to no evidence to show this lack of intent to deceive.

materiality, can expect to find it difficult to establish 'subjective good faith' sufficient to prevent the drawing of an inference of intent to mislead." *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1191 (Fed. Cir. 2006) (internal quotations and citations omitted).

For instance, in *eSpeed, Inc. v. Brokertec USA, L.L.C.*, 417 F. Supp. 2d 580, 593-95 (D. Del. 2006), this Court found that the failure to disclose a prior system used internally by the patentee for commercial purposes, which contained features of the patented system, constituted inequitable conduct. Here, the Court specifically found intent to deceive based on the high materiality of the prior system and the lack of any credible reason for failing to disclose the system. *Id.* at 593-94

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As in *eSpeed*, the facts set forth in Facebook's Proposed Amendment in support of Facebook's inequitable conduct allegations could support a finding that (1) LTI knew of the information it failed to disclose to the USPTO; (2) LTI knew or should have known that this information was material to the patentability of the claims of the '761 patent; and (3) LTI provided no credible excuse for withholding this information. *See Ferring*, 437 F.3d at 1191. Thus, Facebook's Proposed Third Amended Answer and Counterclaims is properly pled under Rule 9(b).

3. Facebook's amendments are not futile.

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Finally, as demonstrated in the previous section, Facebook's properly pled allegations of LTI's intent to deceive are far from futile under current Federal Circuit precedent and relevant District of Delaware case law.

C. LTI's recent actions have caused Facebook to have to modify its Proposed Third Amended Answer and Counterclaims yet again.

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facebook, in good faith and despite LTI's misleading and overall confusing citation to incorrect evidence, attaches a new proposed Answer and Counterclaims that removes claims regarding public disclosures to American Express and the Ohio Education Association.

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II. CONCLUSION

For all the reasons stated above, Facebook respectfully requests that the Court grant its motion to amend its responsive pleading to add a defense and counterclaim of inequitable conduct and to amend its false marking counterclaim.

Dated: April 22, 2010

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