IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

LEADER TECHNOLOGIES, INC., a Delaware corporation, Plaintiff and Counterdefendant, v. FACEBOOK, INC., a Delaware corporation, Defendant and Counterclaimant.	Civil Action No. 1:08-cv-00862-JJF **PUBLIC VERSION**

CONFIDENTIAL - FILED UNDER SEAL

DEFENDANT FACEBOOK, INC.'S
MEMORANDUM IN SUPPORT OF ITS MOTION FOR
SUMMARY JUDGMENT OF NON-INFRINGEMENT AND NO DAMAGES

[Motion 2]

BLANK ROME LLP
Steven L. Caponi (DE Bar #3484)
1201 N. Market Street, Suite 800
Wilmington, DE 19801
302-425-6400
Fax: 302-425-6464

Attorneys for Defendant and Counterclaimant Facebook, Inc.

OF COUNSEL:

Heidi L. Keefe (*pro hac vice*)
Mark R. Weinstein (*pro hac vice*)
Jeffrey Norberg *(pro hac vice)*
Melissa H. Keyes *(pro hac vice)*
Elizabeth L. Stameshkin *(pro hac vice)*
COOLEY GODWARD KRONISH LLP
5 Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306-2155

Filed: May 14, 2010
Public Version Filed: May 21, 2010

IN THE UNITED STATES COURT
FOR THE DISTRICT OF DELAWARE

LEADER TECHNOLOGIES, INC., a Delaware corporation,	)	**CIVIL ACTION**
Plaintiff and Counterdefendant,	)	**No. 1:08-cv-00862-JJF**
v.	)	
FACEBOOK, INC., a Delaware corporation,	)	
Defendant and Counterclaimant.	)	**CONFIDENTIAL FILED UNDER SEAL**

FACEBOOK INC.'S MEMORANDUM IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT OF NON-INFRINGEMENT AND NO DAMAGES

[MOTION NO. 2 OF 6]

Steven L. Caponi (DE Bar #3484)
BLANK ROME LLP
1201 N. Market Street, Suite 800
Wilmington, DE 19801
302-425-6400
Fax: 302-425-6464
Attorneys for Defendant and Counterclaimant Facebook, Inc.

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

Dated: May 14, 2010

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page No.

CASES

STATUTES

I. NATURE AND STAGE OF THE PROCEEDINGS

Plaintiff Leader Technologies, Inc. ("LTI") filed its complaint against defendant Facebook, Inc. ("Facebook") in this patent infringement action on November 19, 2008. Expert discovery closed on May 7, 2010 and this matter is set for trial on June 28, 2010.

II. SUMMARY OF THE ARGUMENT

Facebook does not infringe the U.S. Patent No. 7,139,761 (the "'761 patent") because each asserted claim recites elements and actions that must be performed – if at all – by both Facebook and third party end-users. The Federal Circuit's decision in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008) makes clear that a website operator like Facebook is not liable for alleged infringement of a claim that requires the combined actions of the website and end-users. As alleged by LTI, each asserted claim of the '761 patent is infringed only through the combined activities of Facebook and third party end-users. As such, LTI cannot establish that Facebook alone practices each and every element of any asserted claim. Facebook is therefore entitled to partial summary judgment of non-infringement as to any use of Facebook by end-users of the website.

III. UNDISPUTED MATERIAL FACTS

The '761 patent, entitled "Dynamic Association of Electronically Stored Information with Iterative Workflow Changes," purports to disclose a data management tool for use in "communications, organization, information processing, and data storage." Declaration of Heidi L. Keefe in Support of Facebook, Inc.'s Motion for Summary Judgment of Non-Infringement and No Damages ("Keefe Decl."), Ex. A (U.S. Patent No. 7,139,761) at col. 3, ll. 16-19. The patent further claims that the invention relates to "structures and methods for creating relationships between users, applications, files, and folders." *Id.* at col. 1, ll. 21-23.

//

//

//

A. The Asserted Claims of the '761 Patent

LTI has asserted claims 1, 4, 7, 9, 11, 16, 21, 23, 25, 31 and 32 of the '761 Patent against Facebook. Only four of those claims (*i.e.* claims 1, 9, 21 and 23) are independent claims. This motion will focus on the independent claims because the dependent claims cannot be infringed unless it is first shown that the independent claims are infringed (which they are not, as described below). *Jenerich/Pentron, Inc. v. Dillon Co.*, 205 F.3d 1377, 1383 (Fed. Cir. 2000). As shown below, each of the four asserted independent claims of the '761 patent recites steps or structures that must be performed by at least two distinct actors: (1) Facebook and its computer systems; and (2) a Facebook end-user.

Claim 9 covers a method of managing data that includes steps that, by their terms, are performed by: (1) the provider of a "web-based computing platform," and (2) a user of that platform. Claim 9 reads:

> 9. A computer-implemented method of managing data, comprising computer-executable acts of:
>
> [a] creating data within a user environment of a web-based computing platform via user interaction with the user environment by a user using an application, the data in the form of at least files and documents;
>
> [b] dynamically associating metadata with the data, the data and metadata stored on a storage component of the web-based computing platform, the metadata includes information related to the user, the data, the application, and the user environment;
>
> [c] tracking movement of the user from the user environment of the web-based computing platform to a second user environment of the web-based computing platform; and
>
> [d] dynamically updating the stored metadata with an association of the data, the application, and the second user environment wherein the user employs at least one of the application and the data from the second environment. (underlining and brackets added).

Several of the elements shown above, such as the elements labeled [b], [c], and the first half of element [d] above, describe operations performed by the claimed "web-based computing

platform." The last half of element [d] above, on the other hand, claims a specific action that must be performed by an end-user of that platform: "the user employs at least one of the application and the data from the second environment." Finally, the first element [a] listed above, which claims "creating data . . . via user interaction with the user environment by a user using an application," requires combined action by both the user and the web-based computing platform.

Independent claims 1 and 23 each purport to describe an apparatus or system for facilitating management of data. These claims recite structural components that perform functions similar to the steps in claim 9, and both similarly conclude with a step that must be performed by the end-user. Claim 1 reads:

> 1. A computer-implemented network-based system that facilitates management of data, comprising:
>
> a computer-implemented context component of the network-based system for capturing context information associated with user-defined data created by user interaction of a user in a first context of the network-based system, the context component dynamically storing the context information in metadata associated with the user-defined data, the user-defined data and metadata stored on a storage component of the network-based system; and
>
> a computer-implemented tracking component of the network-based system for tracking a change of the user from the first context to a second context of the network-based system and dynamically updating the stored metadata based on the change,
>
> wherein the user accesses the data from the second context. (underlining added)

As with claim 9 (above), claim 1 by its terms is only infringed, if at all, through the conduct of two or more actors. The two components recited in the claim, *i.e.*, a "context component" and a "tracking component" of the "network-based system," must be provided by the entity that makes or provides the claimed system. Claim 1 concludes, however, by requiring action by the *end-user* of that system – "the user accesses the data from the second context."

For purposes of this motion, there are no material differences between claim 1 and claim 23. As with claim 1 (above), claim 23 recites a computer-implemented system that facilitates management of data, including both a "context component" and a "tracking component," but claim 23 involves a first and second "user workspace" rather than a first and second "context" as in claim 1. Claim 23 similarly ends with a method step that must be performed by the end-user of the system: "the user accesses the data from the second user workspace."

Claim 21 purports to cover an article of manufacture in the form of a "computer-readable medium for storing computer-executable instructions" for implementing a method of managing data. Claim 21 recites a number of steps performed by the executable instructions stored on the computer-readable medium, which closely track the steps of claim 9. Like the other claims described above, claim 21 also includes a specific step that must be performed by the user: "the user employs the application and data from the second user workspace."

B. LTI's Claims Against Facebook

Facebook operates a leading social networking service, www.facebook.com, that connects people with friends and others. LTI alleges that certain aspects of the Facebook website infringe the asserted claims of the '761 patent.

REDACTED

REDACTED

IV. ARGUMENT

"Summary judgment is as appropriate in a patent case as it is in any other case." *Desper Prods., Inc. v. QSound Labs., Inc.*, 157 F.3d 1325, 1332 (Fed. Cir. 1998). Federal Rule of Civil Procedure 56 authorizes entry of summary judgment, on all or part of a claim, where there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. *See* Fed. R. Civ. P. 56(a), (c)(2).

LTI bears the burden of proving that Facebook satisfies each and every element of the asserted claims. *See Telemac Cellular Corp. v. Topp Telecom, Inc.*, 247 F.3d 1316, 1330 (Fed. Cir. 2001); *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1380 (Fed. Cir. 2007) ("Infringement requires, as it always has, a showing that a defendant has practiced each and every element of the claimed invention."). "Summary judgment of noninfringement is appropriate where the patent owner's proof is deficient in meeting an essential part of the legal standard for infringement, since such failure will render all other facts immaterial." *Telemac*

Cellular Corp., 247 F.3d at 1323. The Court should grant summary judgment of non-infringement because LTI cannot show that Facebook satisfies each and every element of any asserted claim.

REDACTED

Therefore, if the Court grants summary judgment of non-infringement based on use of the Facebook website by third party end-users, it should also grant summary judgment on LTI's damages claim as there would be basis to sustain a claim for damages against Facebook, and no infringement claim would be presented to a jury.

A. A Defendant Cannot Be Liable for Infringement Based On The Combined Actions of Itself and Third Parties.

Federal Circuit law is clear that infringement cannot be found unless a single party performs or practices each and every element of the claim. *See BMC Res.*, 498 F.3d at 1378-80.

In *BMC Resources*, the plaintiff accused the defendant of infringing an electronic payment processing patent even though some of the steps of the claims were performed by parties other than the defendant. The Federal Circuit rejected this theory, reasoning that "[d]irect infringement requires a party to perform or use each and every step or element of a claimed method or product." *Id.* at 1378. Because no single party had performed all of the claim elements, the court found that the plaintiff could not show direct infringement. *Id.* at 1379-80. The court went on to reject the plaintiff's claim for indirect infringement (based on inducement) for the same reasons, noting that "[i]ndirect infringement requires, as a predicate, a finding that some party amongst the accused actors has committed the entire act of infringement." *Id.* at 1379 (emphasis added). Because the plaintiff could not establish that a single actor had directly infringed, the court affirmed summary judgment. *Id.* at 1380-81.

BMC Resources confirmed that liability for infringement cannot arise simply because the combined actions of two or more separate actors may result in performance of each step of a claimed method. *Id.* at 1380. The court recognized, however, that this principle could create a "loophole" in which a party could escape infringement liability by simply hiring a third party to perform a claim step on its behalf. *Id.* at 1380. The court therefore recognized the exception that infringement liability may attach when an accused infringer controls the actions of a third party such that every step is attributable to the accused infringer. *Id.* at 1381. Mere "arms-length cooperation" between different actors, however, will not give rise to liability for direct infringement. *Id.*

The Federal Circuit's subsequent decision in *Muniauction* applied these principles in the context of an Internet website like Facebook. 532 F.3d at 1329 (citing *BMC Res.*, 498 F.3d at 1380-81). The asserted claims in *Muniauction*, much like claim 9 of the '761 patent, required actions by the accused website and the end-users of the website. *Id.* at 1328-29. The court clarified that "the control or direction standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of a claimed method." *Id.* at 1330. The plaintiff

argued that the defendant controlled or directed users by controlling access to its online system and instructing end-users in its use, but the Federal Circuit found those actions insufficient. *Id.* at 1330 ("That [defendant] controls access to its system and instructs bidders on its use is not sufficient to incur liability for direct infringement.").

Federal decisions decided after *Muniauction* have reaffirmed this principle and have repeatedly rejected the theory that website operators exercise "control or direction" over their users. For example, in *PA Advisors, LLC v. Google, Inc.*, ___ F. Supp. 2d ____, No. 2:07-CV-480 (RRR), 2010 WL 986618 (E.D. Tex. Mar. 11, 2010), Chief Judge Rader of the Federal Circuit, sitting by designation, granted a motion for summary judgment under facts similar to the ones presented here. The patent claim in *PA Advisors* covered a network search method in which all steps were performed by the accused system (website), except one that was performed by the end-user. Judge Rader granted summary judgment of non-infringement, noting that: "While Google and Yahoo benefit and invite users to visit their websites and run searches, they in no way 'control or direct' them once they are there. Significantly, users are free to search as they please." *Id.* at *8.

In *Global Patent Holdings, LLC v. Panthers BRHC LLC*, 586 F. Supp. 2d 1331 (S.D. Fla. 2008), the plaintiff alleged that the defendant's website infringed a claim that required actions of both the website operator and the end-user. That court similarly rejected the plaintiff's "control or direction" argument, noting that the plaintiff "has, in no way, alleged that remote users are contractually bound to visit the website, it has not alleged that the remote users are Defendant's agents who visit the website within the scope of their agency relationship nor has it alleged any facts which would render Defendant otherwise vicariously liable for the acts of the remote user." *Id.* at 1335; *see also McKesson Info. Solutions, LLC v. Epic Sys. Corp.*, No. 06-CV-2965, 2009 WL 2915778, at *4 (N.D. Ga. Sept. 8, 2009) (following *Muniauction*); *Desenberg v. Google, Inc.*, 2009 WL 2337122, at *8 (S.D.N.Y. Jul. 30, 2009) ("[Plaintiff] has not alleged that those who participate in Google AdWords do so at the behest of Google, even under an expansive interpretation of 'direction or control.'").

B. Facebook Cannot Be Held Liable Under Claims 9, 11 or 16 Based On The Combined Actions of Facebook and Its End Users.

In order to infringe method claim 9 of the '761 patent (as well as asserted claims 11 or 16 which both depend from claim 9), Facebook would have to perform many of the steps of the claim, but the user would have to perform at least the final step in which "the user employs at least one of the application and the data from the second environment." Because neither Facebook nor its users are performing each step of claim 9, Facebook cannot be held liable for infringement unless LTI can show that Facebook exercises control or direction over its end-users with respect to the final step of claim 9.

REDACTED

See Muniauction, 532 F.3d at 1330 (controlling access to a website and instructing users on its use held insufficient to constitute control or direction of users); *Global Patent Holdings, LLC*, 586 F. Supp. 2d at 1335 (concluding that "the level of 'direction or control' the Federal Circuit intended was not mere guidance or instruction in how to conduct some of the steps of the method patent. Instead, the court indicates that the third party must perform the steps of the patented process by virtue of a contractual obligation or other relationship that gives rise to vicarious liability . . . ."). The Court should therefore enter summary judgment of non-infringement as to claim 9 and dependent claims 11 and 16. *See Jeneric/Pentron, Inc.*, 205 F.3d at 1383 (dependent claim cannot be infringed if the claim from which it depends is not infringed).

C. Facebook Likewise Cannot Be Held Liable for Alleged Infringement of Claims 1, 21 or 23 or Any Asserted Dependent Claims.

LTI has suggested that *BMC Resources* and *Muniauction* apply only to method claims such as claim 9, and do not apply to the other independent claims asserted by LTI. LTI has cited no case to support this assumption. Furthermore, although the other claims asserted by LTI are not method claims *per se*, they incorporate a method step that must be taken by the end-user. These claims are therefore, not infringed for the same reasons as claim 9.

As explained in Facebook's Motion for Partial Summary Judgment of Invalidity (Motion No. 1), claims 1, 21 and 23 (and all claims that depend from them) are "hybrid" claims that impermissibly mix at least two statutory classes of invention. Claims 1 and 23 cover a system and a method of using it, while claim 21 covers a computer-readable medium and a method of using it. These claims are invalid for the reasons stated in Facebook's co-pending motion. *See IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377 (Fed. Cir. 2005) (holding that an apparatus claim that includes a method step is invalid as indefinite). Additionally, and for purposes of the present motion, the "hybrid" nature of these claims erases any question as to the applicability of *BMC Resources* and *Muniauction*. Each of these claims includes a specific step in which "the user accesses the data from the second context" (claim 1), "the user accesses the data from the second user workspace" (claim 23), or "the user employs the application and data from the second user workspace" (claim 21). Like claim 9 discussed above, the alleged infringement of these claims would require the combined activity of Facebook and an end-user. *See* Part III.A, above.

Because LTI cannot show that Facebook controls or directs its users with respect to the method step in these claims, summary judgment of non-infringement should be entered as to claims 1, 21 and 23 for the same reasons as claim 9 above. And because LTI cannot establish infringement of independent claims 1, 21 and 23, it likewise cannot establish infringement of dependent claims 4, 7, 25, 31 or 32. *See Jeneric/Pentron, Inc.*, 205 F.3d at 1383.

D. Summary Judgment Should Be Entered Against LTI's Claim for Damages Against Facebook.

LTI cannot recover for alleged infringement by Facebook to the extent that its theory is predicated on use of the website by third party end-users, as discussed above. The only possible theory left to LTI, therefore, is that Facebook itself satisfies each element of the asserted claims because its own employees allegedly use the website for testing or other internal purposes. LTI has alleged that Facebook infringes claim 9 based on this alleged internal use, but LTI is seeking no damages for it.

REDACTED

The Court should therefore enter summary judgment against LTI's claim for damages, which is not based on any alleged internal user by Facebook employees.

//

//

//

//

//

//

//

V. CONCLUSION

For the reasons stated above, Facebook respectfully requests that this Court grant summary judgment that Facebook cannot be held liable for infringement of any of the asserted claims based on use of the website by end-users of the Facebook website, and that the Court grant summary judgment against LTI's claim for damages.

Dated: May 14, 2010

BLANK ROME LLP

By: */s/ Steven L. Caponi*
Steven L. Caponi (DE Bar #3484)
1201 N. Market Street, Suite 800
Wilmington, DE 19801
302-425-6400
Fax: 302-425-6464

Attorneys for Defendant-Counterclaimant
Facebook, Inc.

OF COUNSEL:

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