Leader Technologies Inc. v. Facebook Inc. Doc. 435

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 OPENING BRIEF IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT OF INVALIDITY OF U.S. PATENT NO. 7,139,761 BASED ON THE ON-SALE BAR

[Motion 5]

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

128605.00602/40188517v.1

Dockets.Justia.com

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 **CONFIDENTIAL** **FILED UNDER SEAL**

DEFENDANT FACEBOOK, INC.'S OPENING BRIEF IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT OF INVALIDITY OF U.S. PATENT NO. 7,139,761 BASED ON THE ON-SALE BAR

[MOTION NO. 5 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

Page No.

I. STATEMENT OF NATURE AND STATE OF PROCEEDINGS 1

II. SUMMARY OF ARGUMENT 1

III. UNDISPUTED FACTS 2

A. The Prosecution of the '761 Patent 2

B. LTI Claims that the Leader2Leader Product Practices all Claims of the '761 Patent 4

C. 5

1. REDACTED 5

2. 6

IV. ARGUMENT 7

A. Legal Standard for Summary Judgment 7

B. The '761 Patent is not Entitled to the Priority Date of the Provisional Application 8

C. The '761 Patent is Invalid Based on the On-Sale Bar of 35 U.S.C. § 102(b) 11

1. Legal Standard: On-Sale Bar 12

2. REDACTED 14

3. 15

V. CONCLUSION 16

TABLE OF AUTHORITIES

Page No.

CASES

Accord Enzo Biochem, Inc. v. Gen-Probe, Inc.,
424 F.3d 1276 (Fed. Cir. 2005) ... 13

Cargill, Inc. v. Canbra Foods, Ltd.,
476 F.3d 1359 (Fed. Cir. 2007) ... 14, 15, 16

Celotex Corp. v Catrett,
477 U.S. 317 (1986) ... 7

Durkin v. City of Newark,
C.A. No. 04-163 GMS, 2006 U.S. Dist. LEXIS 68221 (D. Del. Sept. 22, 2006) ... 11

Group One, Ltd. v. Hallmark Cards, Inc.,
254 F.3d 1041 (Fed. Cir. 2001) ... 12, 14

Honeywell Int'l Inc. v. Nikon Corp.,
672 F. Supp. 2d 638 (D. Del. 2009) ... 12, 14

Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,
475 U.S. 574 (1986) ... 7

New Railhead Mfg., LLC v. Vermeer Mfg. Co.,
219 F. Supp. 2d 751 (N.D. Tex. 2001) ... 7, 11

New Railhead Mfg., LLC v. Vermeer Mfg. Co.,
298 F.3d 1290 (Fed. Cir. 2002) ... 7, 8, 11

Pfaff v. Wells Elecs., Inc.,
525 U.S. 55 (1998) ... 12, 13

Poweroasis, Inc. v. T-Mobile U.S.A., Inc.,
522 F.3d 1299 (Fed. Cir. 2008) ... 8

Scaltech, Inc. v. Retec/Tetra, L.L.C.,
269 F.3d 1321 (Fed. Cir. 2001) ... 12

SRI Int'l v. Matsushita Elec. Corp.,
775 F.2d 1107 (Fed. Cir. 1985) ... 7

Trading Techs. Int'l., Inc. v. eSpeed, Inc.,
595 F.3d 1340 (Fed. Cir. 2010) ... 8

Vas-Cath Inc. v. Marhurkar,
935 F.2d 1555 (Fed. Cir. 1991) ... 8

TABLE OF AUTHORITIES

Page No.

STATUTES

§102(b) 2
35 U.S.C. § 102(b) .... passim
35 U.S.C. § 112 8
35 U.S.C. § 119(e)(1) 8
Federal Rules of Civil Procedure 56(c) 7

OTHER AUTHORITIES

1 *Corbin on Contracts* § 2.2 at p. 109 (Joseph M. Perilla, Rev. ed. 1993) 12

I. STATEMENT OF NATURE AND STATE OF PROCEEDINGS

Plaintiff Leader Technologies, Inc. ("LTI") filed its complaint against Defendant Facebook, Inc. ("Facebook") in this patent infringement action on November 19, 2008. Discovery is closed and trial is set for June 28, 2010. (D.I. 30, *Rule 16 Scheduling Order*).

II. SUMMARY OF ARGUMENT

The asserted claims[1] of LTI's patent, U.S. Patent No. 7,139,761 (the "'761 patent"), are invalid as a matter of law because LTI offered to sell a product known as Leader2Leader, which LTI claims embodies its alleged invention, more than one year prior to filing the application that matured into the '761 patent. Title 35 United States Code § 102(b) establishes a bar to patentability when an inventor attempts to extend the monopoly granted under the patent system by commercializing his invention more than one year before filing his patent application. In this case, any offers to sell the Leader2Leader product – which plaintiff contends practices every claim of the asserted patent – before December 10, 2002 statutorily invalidate the patent.

REDACTED

[1] LTI is asserting the following claims against Facebook: 1, 4, 7, 9, 11, 16, 21, 23, 25, 31, and 32.

REDACTED

Because each of these offers were made more than one year prior to LTI's December 10, 2003 application for the '761 patent, LTI's patent is invalid under the on-sale bar provisions of 35 U.S.C. §102(b).

LTI's sole defense to the on-sale bar is the argument that it is entitled to rely upon the priority date of a sparse provisional patent application filed after these offers to sell. However, that argument must be rejected because that provisional application does not disclose a foundational element of each claim of the '761 patent: the dynamic updating of metadata associated with user-created data in response to tracked user movement. LTI is thus not entitled to rely on the earlier filing date of the provisional application as a matter of law, and the two offers for sale create an on-sale bar under 35 U.S.C. § 102(b). Facebook is entitled to an order of summary judgment of invalidity of all claims.

III. UNDISPUTED FACTS

A. The Prosecution of the '761 Patent

On December 11, 2002 LTI filed U.S. Provisional Application No. 60/432,255 (the "'255 application"), which purported to disclose a system that "utilizes 'boards' and 'webs' to automate workflow processes and define relationships between data and applications." Declaration of Elizabeth L. Stameshkin in Support of Defendant Facebook, Inc.'s Motion for Summary Judgment of Invalidity of U.S. Patent No. 7,139,761 Based on the On-Sale Bar ("Stameshkin Decl.") Ex. 9 at [0022]. The '255 application was limited to a nine page written description and ten pages of pseudo code.[2] The description went on to state that "[a]s users create and change their contexts, the files and applications automatically follow, dynamically capturing those shifts in context." *Id.* Ex. 9 at [0022]. Importantly, however, neither the written description nor the pseudo code disclosed how these "shifts in context" were captured. *Id.*

On December 10, 2003 LTI filed U.S. Patent Application No. 10/732,744 (the "'744 Application"), the application that matured into the issued '761 patent on November 21, 2006. The '744 application contained 18 new figures and an additional 30 pages of text that disclosed, for the first time, that the purported invention was to dynamically capture shifts in context by using "metadata":

> Data created within the board is immediately associated with the user, the user's permission level, the current workspace, any other desired workspace that the user designates, and the application. This association is captured in a form of metadata and tagged to the data being created. The metadata automatically captures the context in which the data was created as the data is being created.

Stameshkin Decl. Ex. 8. When the patent ultimately issued on November 21, 2006, each

---

[2] Pseudo code is not executable computer code, but instead representative of code. Stameshkin Decl. Ex. 10 at 74:16-18.

of the six independent claims (1, 9, 17, 21, 22 and 23) further required tracking the user's movements between contexts, user environments or user workspaces and, then, dynamically updating the metadata in response to that tracked movement.

As discussed in greater detail in Section IV.B, below, because the '255 application did not disclose the critical limitation of updating stored metadata in response to tracked user movement, which appears in every issued independent claim, LTI cannot sustain its burden of establishing that the '761 patent is entitled to the priority date associated with that application.

REDACTED

---

[3] REDACTED

[4] Note that since this response was filed, LTI has reduced the number of claims asserted against Facebook. However, all currently asserted claims are included in this response.

REDACTED

REDACTED

IV. ARGUMENT

A. Legal Standard for Summary Judgment

Summary judgment is appropriate if "if the pleadings, the discovery and disclosure materials on file, and any affidavits," when viewed in the light most favorable to the non-moving party, "show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); *Celotex Corp. v Catrett*, 477 U.S. 317, 322 (1986). It has long been settled that summary judgment "is entirely appropriate, in a patent as in any other case, where there is no genuine issue of material fact." *SRI Int'l v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1116 (Fed. Cir. 1985). Although the moving party bears the initial burden of providing the Court with the basis for its motion and identifying the evidence that demonstrates the absence of any genuine issue of material fact, once this threshold burden is met, the non-moving party has an affirmative burden of coming forward with specific facts evidencing the need for a trial. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586-87 (1986).

Summary judgment of invalidity under 35 U.S.C. § 102(b) is appropriate when the defendant establishes by clear and convincing evidence that the alleged invention was offered for sale more than one year prior to the applicable critical date. *See, e.g., New Railhead Mfg., LLC v. Vermeer Mfg. Co.*, 219 F. Supp. 2d 751, 754 (N.D. Tex. 2001) ("*New Railhead I*"). The determination of the appropriate critical date is also appropriate for summary judgment when, as here, the provisional patent application fails to disclose all limitations included in the claims of the ultimately issued patent. *New Railhead Mfg., LLC v. Vermeer Mfg. Co.*, 298 F.3d 1290, 1297 (Fed. Cir. 2002) ("*New Railhead II*") (affirming district court's determination that provisional application did not support issued claims of patent and entry of summary judgment based on on sale bar). While the

party claiming invalidity bears the overall burden of showing that the patent is invalid, the patent holder bears the burden of showing that a patent is entitled to a priority associated with an earlier filed application. *See Poweroasis, Inc. v. T-Mobile U.S.A., Inc.*, 522 F.3d 1299, 1305 (Fed. Cir. 2008).

B. The '761 Patent is not Entitled to the Priority Date of the Provisional Application

The application for the '761 patent was filed on December 10, 2003, and claimed priority to the '255 application, filed on December 11, 2002. The '761 patent is not entitled to the priority date of the provisional application because that application does not disclose the concept of updating metadata based on tracked user movement, which is mandatory in each of the asserted claims of the issued patent.

To enjoy the benefit of the filing date of a provisional application under 35 U.S.C. § 119(e)(1), the provisional specification must support each and every limitation of the issued claims providing an adequate written description under 35 U.S.C. § 112 ¶1. *Trading Techs. Int'l., Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1359 (Fed. Cir. 2010) (citing *New Railhead II*, 298 F.3d at 1294). An adequate written description, for purposes of establishing priority, "must also convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention." *New Railhead II*, 298 F.3d at 1295 (quoting *Vas-Cath Inc. v. Marhurkar*, 935 F.2d 1555, 1563-64 (Fed. Cir. 1991)).

Claim 1 of the '761 Patent 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.

Stameshkin Decl. Ex. 7 (emphasis added). Each of the other independent claims includes a similar limitation. This Court has defined the term "dynamically" to mean "automatically and in response to the preceding event." D.I. 280 at 25-26. Thus, updating previously stored metadata based on tracked user movement is one of several limitations contained in every claim of the '761 patent, and LTI must show that this limitation is disclosed in the provisional application in order to obtain the benefit of the provisional filing date.

LTI has not and cannot do this because the provisional application never disclosed that changes in user context would be captured automatically, **in metadata**, automatically and in response to user movement.

REDACTED

Indeed, the only reference to "metadata" in the '255 application is with respect to problematic attributes of prior systems:

> [0011] Another limitation of LDAP is that little or no information is contained within the file about the user and

> the context and circumstances of the user at the time the file was created. Current processes designed to add context to files such as the 'metadata' tagging approach, involve having a knowledge officer view files after they have been stored and create meta-data tags with additional key words associated with the file for search purposes.

Stameshkin Decl. Ex. 9 at [0011]. The term is never used within the description of the alleged invention described in the provisional application. While the application itself discusses the broad concept of applications and data automatically following a user (*see, e.g., id.* ¶ [0022]), the '255 application never discloses that this should be accomplished in the way that it is claimed in the '761 patent: by dynamically updating metadata based on a user's tracked movement.

LTI cannot claim priority to the '255 application in the absence of any disclosure of this foundational and pervasive limitation of the claims of the '761 patent.

REDACTED

REDACTED

Here, as in *New Railhead*, this Court should find that LTI is not entitled to the benefit of the filing date of the '255 application.

C. The '761 Patent is Invalid Based on the On-Sale Bar of 35 U.S.C. § 102(b).

5

6

REDACTED

1. Legal Standard: On-Sale Bar

Under 35 U.S.C. § 102(b), "[a] person shall be entitled to a patent unless . . . the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States." The Supreme Court has determined that the on-sale bar applies when, more than one year prior to the date of the patent application, (1) a product embodying the patented invention was the subject of a commercial offer for sale, and (2) the invention was ready for patenting. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998).

The first condition has two subparts: (a) that there was a "commercial offer" of a product, and (b) that the offer was of the patented invention. *Scaltech, Inc. v. Retec/Tetra, L.L.C.*, 269 F.3d 1321, 1328 (Fed. Cir. 2001). In order to determine whether a proposal constitutes a "commercial offer," the language of a proposal must be analyzed in accordance with the principles of general contract law, such as the Uniform Commercial Code and the Restatement of Contracts. *See Honeywell Int'l Inc. v. Nikon Corp.*, 672 F. Supp. 2d 638, 642 (D. Del. 2009) (Farnan, J.) Importantly, an offer for sale need not be accepted to trigger the on-sale bar. *Scaltech*, 269 F.3d at 1328. Rather, "'an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under 102(b).'" *Honeywell*, 672 F. Supp. 2d at 642 (quoting *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001)). In determining whether an offer exists, "the relative completeness of terms helps determine if a reasonable person would understand a given communication to be an offer. The more complete the proposal, the more likely it reasonably can be taken to be an offer." 1 *Corbin on Contracts* § 2.2 at p. 109 (Joseph M. Perilla, Rev. ed. 1993). The analysis then turns to whether the offer was of the patented invention.

REDACTED

Accord Enzo Biochem, Inc. v. Gen-Probe, Inc., 424 F.3d 1276, 1280 (Fed. Cir. 2005) ("[B]ecause [the patentee] Enzo's success in its suit depended in part on its establishing that [its product] satisfies all the limitations of the claims for purposes of the enablement and written description requirements . . . it was appropriate for [the accused infringer] to rely on that contention as if proved for the purpose of [the accused infringer's] own motion for summary judgment on the on-sale bar.").

Finally, the condition that an invention be "ready for patenting" may be satisfied in two ways: (1) proof of reduction to practice, or (2) proof that "the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention." *Pfaff*, 525 U.S. at 67-68.

REDACTED

Thus, any offer to sell Leader2Leader prior to the critical date of the patent, which is one year prior to the application that matured into the '761 Patent – December 10, 2002 – is an invalidating commercial use under 35 U.S.C. § 102(b).

2.

REDACTED

Further, the proposal contains all of the terms included in a typical offer capable of being accepted: price, quantity, identification of deliverables, a timeframe for completion, a location for completion, and the like. *See Honeywell*, 672 F. Supp. 2d at 643-44 (intent to constitute a formal offer evident from terms that "express firm and definite commitments regarding, among other things, price and delivery"); *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1369 (Fed. Cir. 2007) (letter including quantity, price, and delivery method was "powerful evidence of a sales transaction").

REDACTED

REDACTED

REDACTED

V. CONCLUSION

REDACTED

As a matter of law, the '761 patent is not entitled to the priority date of the Provisional Application. Accordingly, Facebook requests that the Court grant its Motion for Summary Judgment that all asserted claims of the '761 patent are invalid under 35 U.S.C. § 102(b).

Dated: May 14, 2010

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

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.