

**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

**MEMORANDUM IN SUPPORT OF DEFENDANT
FACEBOOK, INC.'S DAUBERT MOTIONS**

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TABLE OF CONTENTS

	Page No.
I. NATURE AND STAGE OF THE PROCEEDINGS	1
II. LEGAL STANDARD APPLICABLE TO ALL MOTIONS	1
III. FACEBOOK’S DAUBERT MOTIONS	2
A. Daubert Motion No. 1: To Preclude Testimony by LTI Infringement Expert Giovanni Vigna	2
1. The Court Should Exclude Dr. Vigna’s Opinions Regarding Infringement Because His Methodology Ignores Key Claim Elements.....	3
a. All Asserted Claims Require Metadata to be Updated Automatically And In Response to the User’s Movement.....	4
b. Dr. Vigna’s Opinion Fails to Address the Critical Claim Limitation of Metadata Being Automatically Updated in Response to User Movement.....	5
2. The Court Should Exclude Dr. Vigna’s Opinions Regarding Infringement Under the Doctrine of Equivalents.....	7
3. The Court Should Exclude Dr. Vigna’s Opinions on “Control or Direction” For Purposes of Direct Infringement	11
4. Vigna Conclusion.....	12
B. Daubert Motion No. 2: To Preclude Testimony by LTI Expert James Herbsleb	13
1. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Experimental Work of Post-Doctoral Fellow Marcelo Cataldo.....	13
2. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Alleged “Cumulativeness” of Prior Art References.....	17
3. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Alleged Date of Conception of the ’761 Patent.....	18
4. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding Whether References were Properly “Incorporated by Reference”	21

TABLE OF CONTENTS

	Page No.
5. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Alleged Lack of “Materiality” of Prior Art References.....	23
6. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding what the Patent Office “Considered” to be the Priority Date of the ’761 Patent	24
7. Herbsleb Conclusion.....	25
C. Daubert Motion No. 3: To Preclude Testimony by LTI’s Damages Expert Russell L. Parr	25
1. Factual Background	26
2. Argument	26
3. Redacted --	28
a. Redacted	28
b. Mr. Parr’s Application of the So-Called 25 Percent “Rule of Thumb” Is Arbitrary and Unreliable	29
c. Mr. Parr Improperly Ignores Non-Infringing Alternatives	30
d. Mr. Parr Admits that LTI and Facebook Are Not Competitors.....	31
4. Parr Conclusion.....	32

TABLE OF AUTHORITIES

Page No.

CASES

<i>A.B. Dick Co. v. Burroughs Corp.</i> , 798 F.2d 1392 (Fed. Cir. 1986).....	23
<i>Advanced Display Sys., Inc. v. Kent State Univ.</i> , 212 F.3d 1272 (Fed. Cir. 2000).....	21, 22
<i>Becton Dickinson & Co. v. C.R. Bard, Inc.</i> , 922 F.2d 792 (Fed. Cir. 1990).....	3
<i>BMC Res., Inc. v. Paymentech, L.P.</i> , 498 F.3d 1373 (Fed. Cir. 2007).....	3, 7
<i>Cornell Univ. v. Hewlett-Packard Co.</i> , No. 01-CV-1974, 2008 WL 2222189 (N.D.N.Y. May 27, 2008).....	26, 27
<i>Daubert v. Merrell Dow Pharms., Inc.</i> , 509 U.S. 579 (1993).....	passim
<i>DeMarini Sports, Inc. v. Worth, Inc.</i> , 239 F.3d 1314 (Fed. Cir. 2001).....	7
<i>eSpeed, Inc. v. BrokerTec USA, L.L.C.</i> , 480 F.3d 1129 (Fed. Cir. 2007).....	23
<i>Genentech, Inc. v. Novo Nordisk, A/S</i> , 108 F.3d 1361 (Fed. Cir. 1997).....	15
<i>General Elec. Co. v. Joiner</i> , 522 U.S. 136 (1997).....	2
<i>Global Patent Holdings, LLC v. Panthers BRHC LLC</i> , 586 F. Supp. 2d 1331 (S.D. Fla. 2008)	12
<i>Harari v. Holimer</i> , No. 2009-1406, 2010 WL 1540911, (Fed. Cir. Apr. 19, 2010)	22, 23
<i>Hewlett-Packard Co. v. Mustek Sys., Inc.</i> , 340 F.3d 1314 (Fed. Cir. 2003).....	7, 8
<i>Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH</i> , 408 F. 3d 1374 (Fed. Cir. 2005).....	28
<i>IPXL Holdings, L.L.C. v. Amazon.com, Inc.</i> , 430 F.3d 1377 (Fed. Cir. 2005).....	18
<i>Kumho Tire Co. v. Carmichael</i> , 526 U.S. 137 (1999).....	1
<i>LP Mathews LLC v. Bath & Body Works, Inc.</i> , 458 F. Supp. 2d 198 (D. Del. 2006).....	3
<i>Lucent Techs., Inc. v. Gateway, Inc.</i> , 580 F.3d 1301 (Fed. Cir. 2009).....	26, 29
<i>Motionless Keyboard Co. v. Microsoft Corp.</i> ,	

486 F.3d 1376 (Fed. Cir. 2007).....	7
<i>Muniauction, Inc. v. Thomson Corp.</i> , 532 F.3d 1318 (Fed. Cir. 2008).....	11, 12
<i>PC Connector Solutions LLC v. SmartDisk Corp.</i> , 406 F.3d 1359 (Fed. Cir. 2005).....	8
<i>Prima Tek II, L.L.C. v. Polypap, S.A.R.L.</i> , 412 F.3d 1284 (Fed. Cir. 2005).....	18
<i>Procter & Gamble Co. v. Teva Pharms. USA, Inc.</i> , 566 F.3d 989 (Fed. Cir. 2009).....	19
<i>Rite-Hite Corp. v. Kelley Co., Inc.</i> , 56 F.3d 1538, (Fed. Cir. 1995).....	28
<i>Slip Track Sys., Inc. v. Metal-Lite, Inc.</i> , 304 F.3d 1256 (Fed. Cir. 2002).....	19
<i>Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.</i> , 537 F.3d 1357 (Fed. Cir. 2008).....	25
<i>Texas Instruments, Inc. v. Cypress Semiconductor Corp.</i> , 90 F.3d 1558 (Fed. Cir. 1996).....	8

STATUTES

U.S.C. §102.....	22
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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, alleging infringement of a single patent: U.S. Patent No. 7,139,761 (the “’761 patent”). Discovery is closed and trial is set for June 28, 2010. (D.I. 30, Rule 16 Scheduling Order).

The parties have agreed by stipulation to file pre-trial motions no later than May 20, with responses due on May 27 and no replies. For the convenience of the Court, Facebook has separated its pre-trial motions into two categories, three *Daubert* motions, which appear in this brief, and 11 individual evidentiary motions *in limine*, which appear in a separate brief being submitted concurrently herewith. Because several of the individual motions rely on the same documents, all evidence in support of Facebook’s pre-trial motions is being submitted attached to a single declaration: the Declaration of Melissa Keyes in Support of Facebook’s Pre-Trial Motions (“Keyes Decl.”).

II. LEGAL STANDARD APPLICABLE TO ALL MOTIONS

Federal Rule of Evidence 702 “imposes a special obligation upon a trial judge to ‘ensure that any and all scientific testimony . . . is not only relevant, but reliable.’” *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 147-48 (1999) (quoting *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 589 (1993)). The proponent of expert testimony must show by a preponderance of the evidence that (1) the expert is qualified to testify competently regarding the matters he intends to address; (2) the expert has reached his conclusions employing a reliable methodology; and (3) the testimony assists the trier of fact to understand the evidence or to determine a fact in issue through the application of scientific, technical, or specialized expertise. *Kumho Tire*, 526 U.S. at 141. Furthermore, to be relevant and reliable, expert opinion must be based on the facts of the case, not mere speculation or conjecture. *See Daubert*, 509 U.S. at 589-90. Courts should exclude testimony where “there is simply too great an analytic gap between the data and opinion

proffered.” *General Elec. Co. v. Joiner*, 522 U.S. 136, 146 (1997) (noting that the trial court may strike “opinion evidence that is connected to existing data only by the *ipse dixit* of the expert”). Here, each of LTI’s experts’ testimony should be limited under *Daubert* for the reasons expressed below.

III. FACEBOOK’S *DAUBERT* MOTIONS

Facebook seeks to preclude testimony from all three of LTI’s proffered experts. First, Facebook seeks to preclude testimony by LTI’s infringement expert Giovanni Vigna on the ground that Dr. Vigna has failed to include analysis addressing at least one critical claim element. Second, Facebook seeks to preclude testimony by LTI’s validity expert James Herbsleb on the ground that Dr. Herbsleb bases his opinion on the patent’s priority date on unreliable work and his opinions on validity demonstrates fundamental misunderstandings of patent law. Finally, Facebook seeks to preclude testimony by LTI’s damages expert Russell Parr because Mr. Parr has failed to provide any analysis as to whether the allegedly infringing technology forms the basis for user demand for the Facebook website.

A. *Daubert* Motion No. 1: To Preclude Testimony by LTI Infringement Expert Giovanni Vigna.

Facebook moves to preclude certain testimony by LTI infringement expert, Giovanni Vigna. First, Dr. Vigna should be precluded from providing any opinion as to whether the Facebook website infringes the ’761 patent, either literally or under the doctrine of equivalents, on the grounds that his analysis fails to address a critical claim element and ignores the Court’s construction of claim terms. Second, Dr. Vigna’s opinions on the doctrine of equivalents should be excluded because he has failed to provide any “particularized testimony and linking argument,” as required by Federal Circuit law. Third, Dr. Vigna’s opinion on divided infringement should be excluded because his opinion is unsupported by fact and because he does not understand the applicable legal standards provided by Federal Circuit law.

1. The Court Should Exclude Dr. Vigna's Opinions Regarding Infringement Because His Methodology Ignores Key Claim Elements

The expert report of Giovanni Vigna purports to provide his opinion that certain aspects of the Facebook website infringe claims 1, 4, 7, 9, 11, 16, 21, 23, 25, 31 and 32 of the '761 patent. *See* Keyes Decl., Ex. 1. As construed by the Court, each of these asserted claims expressly includes the requirement that the metadata associated with the user's data be updated "dynamically" in response to a user's movement from a first to a second context, user environment or workspace. However, Dr. Vigna's proffered testimony ignores this essential claim element and should therefore be excluded for two interrelated reasons.

First, Dr. Vigna confirmed at his deposition that he had no opinion as to whether this claim element was satisfied by Facebook. It is hornbook patent law that infringement requires that every element of the asserted claim be found in the accused product or service. *See BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1378 (Fed. Cir. 2007); *see also Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 796 (Fed. Cir. 1990). It is improper for Dr. Vigna to give an opinion on the question of infringement when he has admittedly failed to provide an element-by-element analysis of each asserted claim. Because his proffered testimony ignores the legal standard for infringement, it lacks the relevance and reliability demanded by *Daubert* and would do little more than confuse the jury.

Second, Dr. Vigna's testimony should be excluded because it is inconsistent with the Court's claim construction order. *See LP Mathews LLC v. Bath & Body Works, Inc.*, 458 F. Supp. 2d 198, 210 (D. Del. 2006) (expert testimony was inadmissible at trial to the extent it was inconsistent with the court's claim construction order). As explained below, Dr. Vigna's infringement analysis is based on ignorance of the Court's explicit definition of "dynamically" in its claim construction order.

a. All Asserted Claims Require Metadata to be Updated Automatically And In Response to the User's Movement

As construed by the Court, all of the independent claims asserted by LTI require that when a user moves from a first to a second context, user environment or user workspace, the user's movement is tracked and the metadata associated with the user's data is updated automatically and in response to that tracked movement. See Keyes Decl., Ex. 24, '761 patent, claim 1 ("tracking a change of the user from the first context to a second context . . . and *dynamically* updating the stored metadata based on the change"); claim 9 ("tracking movement of the user from the user environment . . . to a second user environment . . . and *dynamically* updating the stored metadata with an association of the data, the application, and the second user environment"); claim 21 ("tracking movement of the user from the user workspace to a second user workspace . . . *dynamically* associating the data and the application with the second user workspace in the metadata"); claim 23 ("tracking change information associated with a change in access of the user from the first user workspace to a second user workspace, and *dynamically* storing the change information on the storage component as part of the metadata") (emphasis added).

This Court has construed the term "dynamically" to mean "automatically and in response to the preceding event." D.I. 280 at 25-26. Therefore, a requirement of each of the claims – i.e., "dynamically updating the stored metadata" (claims 1 and 9) or "dynamically associating the data . . . in the metadata" (claim 21) or "dynamically storing the change information . . . as part of the metadata" (claim 23) – is that the metadata be updated automatically and in response to the preceding event in the claim, *i.e.*, the change of the user from the first context, user environment or user workspace to a second context, user environment or user workspace. All of the asserted, independent claims of the '761 patent are thus infringed only by systems or methods in which the metadata

associated with the user's data is updated automatically and in response to the user's movement to a second context, user environment or user workspace. Dr. Vigna has provided no opinion as to whether this limitation is satisfied by Facebook.

b. Dr. Vigna's Opinion Fails to Address the Critical Claim Limitation of Metadata Being Automatically Updated in Response to User Movement

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However, Dr. Vigna provided no analysis as to whether any alleged metadata is updated automatically and in response to the user's movement from one Facebook page to another. Having failed to provide any analysis regarding this claim element critical to every asserted claim, the Court cannot conclude that Dr. Vigna's testimony "both rests on a reliable foundation and is relevant to the task at hand." *Daubert*, 509 U.S. at 597.

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It would be improper and a waste of the jury's time for Dr. Vigna to testify at trial regarding literal infringement or infringement under the doctrine of equivalents when, as shown above, he has failed to provide any evidence or undertake any analysis with respect to a critical claim element.

2. The Court Should Exclude Dr. Vigna's Opinions Regarding Infringement Under the Doctrine of Equivalents

Dr. Vigna's failure to apply all of the claim elements to the Facebook website renders all of his opinions on infringement inadmissible, as discussed above. However, there are additional reasons why the Court should preclude Dr. Vigna from testifying at trial regarding the doctrine of equivalents. "Infringement under the doctrine of equivalents requires that the accused product contain each limitation of the claim or its equivalent." *DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1331 (Fed. Cir. 2001) (internal quotations and citation omitted). "An element in the accused product is equivalent to a claim limitation if the differences between the two are 'insubstantial' to one of ordinary skill in the art." *Id.* at 1331-32 (citation omitted). Federal Circuit law is clear that trial testimony on the doctrine of equivalents must include, on an element-by-element basis, "particularized testimony and linking argument." *Hewlett-Packard Co. v. Mustek Sys., Inc.*, 340 F.3d 1314, 1323 (Fed. Cir. 2003) (internal quotations and citation omitted); *see also Motionless Keyboard Co. v. Microsoft Corp.*, 486 F.3d 1376, 1382 (Fed. Cir. 2007).

Dr. Vigna's report provides no particularized testimony or linking argument with respect to any element of any asserted claim

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552. This is insufficient as a matter of law. See *PC Connector Solutions LLC v. SmartDisk Corp.*, 406 F.3d 1359, 1364 (Fed. Cir. 2005) (“The evidence and argument on the doctrine of equivalents cannot merely be subsumed in plaintiff’s case of literal infringement”) (internal quotations and citation omitted). Dr. Vigna’s opinions on the doctrine of equivalents are simply “belt and suspenders” to his opinions on literal infringement, a throwaway argument that does not provide anything approaching the “particularized testimony and linking argument” that the law requires. See *Hewlett-Packard Co.*, 486 F.3d at 1323.

The Federal Circuit has made clear that “the application of the doctrine of equivalents rests on the substantiality of the differences between the claimed and accused products or processes, assessed according to an objective standard.” *Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1566 (Fed. Cir. 1996) (internal quotation and citation omitted). One way to show “the substantiality of the differences” is to employ the “function, way, result” test. *Id.* But whichever test is employed, it is impossible to meaningfully assess whether the differences between a claim element and the accused product are insubstantial – let alone provide the particularized testimony and linking argument required – without an identification and analysis of the precise “differences” between the claim elements and the accused device.

Dr. Vigna’s deposition testimony illustrates the importance of this principle.

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There is no basis on which to evaluate this conclusory testimony if a jury cannot even determine the precise claim elements such testimony applies to, let alone how those claim elements allegedly present only insubstantial differences with the Facebook website. Dr. Vigna, having failed to provide even the minimum level of analysis required by Federal Circuit under the doctrine of equivalents, should be precluded from testifying on the doctrine of equivalents.

3. The Court Should Exclude Dr. Vigna’s Opinions on “Control or Direction” For Purposes of Direct Infringement

LTI’s theory of infringement on the ’761 patent necessarily depends on the notion that the asserted claims are infringed by a combination of Facebook and its third-party end users. Federal Circuit law is clear that when a patent claim is infringed only by the combined actions of multiple parties, direct infringement of the claim occurs only if one party exercises “control or direction” over the entire process. *See Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1330 (Fed. Cir. 2008). The Federal Circuit has further held that the “control or direction” test could be satisfied “where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party” performing the steps of the claim. *Id.* As noted, all of the independent claims of the ’761 patent require the combined actions of at least two actors.

Vigna does not identify which claim steps are potentially performed by third parties, nor does he provide any support for his opinion that Facebook exercises control over any third party. He does not, for example, identify any contractual arrangement between Facebook and any third party that gives Facebook the right to direct or control the actions of the third party. *See, e.g., Global Patent Holdings, LLC v. Panthers BRHC LLC*, 586 F. Supp. 2d 1331, 1335 (S.D. Fla. 2008) (holding 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 in order for a court to find ‘direction or control’”); *Muniauction, Inc.*, 532 F.3d at 1330 (holding that in the context of a website, the fact that website operator controls access to its system and instructs users on its use was insufficient to show “control or direction”).

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He did not identify any contractual obligations or any other conduct by Facebook, or any facts whatsoever, to support his opinion that Facebook exercised direction or control over third parties. His opinion testimony on this issue should therefore be excluded on the ground that it lacks any factual foundation whatsoever.

4. Vigna Conclusion

For the foregoing reasons, Facebook respectfully requests that the Court preclude

Dr. Vigna from providing any opinion or testimony as to whether Facebook infringes the '761 patent, either literally or under the doctrine of equivalents, and as to the matter of divided infringement.

B. *Daubert* Motion No. 2: To Preclude Testimony by LTI Expert James Herbsleb

Facebook moves to preclude six categories of testimony by LTI invalidity expert, James Herbsleb. (1) Dr. Herbsleb should not be allowed to offer testimony on the appropriate priority date to be applied to the '761 patent, which relies on unreliable, flawed and tainted experimental work done by Dr. Marcelo Cataldo. Dr. Herbsleb should further be precluded from offering testimony on (2) the alleged “cumulativeness” of prior art references, (3) the alleged date of conception of the '761 patent, (4) “incorporation by reference” of external references into other anticipatory prior art references, (5) the “materiality” of prior art references, and (6) his opinion on what the Patent Office “considered” to be the priority date of the '761 patent. As to each of these opinions, Dr. Herbsleb had no sufficient factual foundation for his opinions and fundamentally misapplied applicable law.

1. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Experimental Work of Post-Doctoral Fellow Marcelo Cataldo

LTI is attempting to claim that the '761 patent can claim priority back to U.S. Provisional Application Serial No. 60/432,255 (the “255 Provisional Application”), which was filed on December 11, 2002. In support of this claim, LTI has offered the testimony of its invalidity expert James Herbsleb, Ph.D., who in turn relies upon an experiment conducted by a post-doctoral fellow employed by his laboratory at Carnegie Mellon University:

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But Dr. Herbsleb's failure to use someone who actually met his own formulation of one of ordinary skill in the art was but one of many flaws in his analysis of the '255 Provisional Application. The law on enablement, ignored by Dr. Herbsleb, is clear that

the provisional application must “teach those skilled in the art how to make and use the full scope of the claimed invention without undue experimentation.” *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1365 (Fed. Cir. 1997) (internal quotations and citation omitted) (emphasis added).

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Id. at 78:7-19. The fact that Dr. Cataldo could draft non-functional “pseudo code” does not provide any reliable foundation for Dr. Herbsleb to opine that the provisional application allows one of ordinary skill to actually “make and use” the claimed invention.

Finally, Dr. Herbsleb confirmed that his experiment involving Dr. Cataldo suffered from numerous other flaws that rendered it unreliable.

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In order for Dr. Herbsleb’s experiment to have any validity, he would have to show that *the only material* Dr. Cataldo relied upon in drafting Exhibit C was the disclosure of the ’255 Provisional Application. If Dr. Cataldo either

(1) reviewed the *issued* '761 patent in connection with his experiment (which contains much more disclosure than the sparse provisional), or (2) had seen a demonstration of an actual product claimed to practice the patent – neither of which would have been available to one of ordinary skill in the art at the time the provisional was filed – one could have no confidence that Dr. Cataldo relied just on the '255 Provisional Application in writing his pseudo code, as the law requires. Dr. Herbsleb's deposition is clear, however, that Dr. Cataldo saw both.

First, Dr. Herbsleb testified about a demonstration of an actual working product embodying the patented invention which was provided to Dr. Cataldo *before* he began writing his pseudo code. Keyes Decl., Ex. 6 at 38:10-18, 39:15-40:3, 72:10-18, 73:7-12. The demonstration included a running technical “log” that showed the events occurring internally within the product as a user navigates through multiple contexts. *Id.* at 38:19-39:3, 44:16-45:9.

Second, the record is also clear that Dr. Cataldo saw the actual issued '761 patent as he was writing the pseudo code. For example, Dr. Cataldo's “report” is entitled “Pseudo Code Implementation of Context and Tracking Components.” *Id.* at 74:5-15. The '255 Provisional Application, however, does not contain the terms “context component” or “tracking component,” or any variant of those terms. Those terms appeared, for the first time, in the specification and issued claims of the '761 patent. When asked to reconcile Dr. Cataldo's use of these obscure terms with the notion that Dr. Cataldo never saw the issued patent, Dr. Herbsleb conceded that Dr. Cataldo may, in fact, have seen the issued patent. *Id.* at 77:11-78:4.

In an attempt to remedy this unexplained inconsistency, during a break in deposition, counsel for LTI (outside the presence of Facebook's counsel) telephoned Dr. Cataldo with Dr. Herbsleb on the line. At the close of the deposition, counsel for LTI asked a series of leading questions attempting to elicit testimony that Dr. Cataldo relied only upon the provisional application and had not seen the issued '761 patent. *Id.* at

223:23-224:8, 227:13-228:17. Incredibly, however, Dr. Herbsleb conceded that he never bothered to ask Dr. Cataldo during this follow-up conversation how he came up with the terms “context component” and “tracking component,” which appeared only in the issued ’761 patent. *Id.* at 229:1-4.

These flaws do not merely go to the weight of Dr. Herbsleb’s purported experiment, but also to its threshold admissibility under *Daubert*. It is clear that Dr. Cataldo, a person of admittedly extraordinary skill in the art, was tainted by the receipt of materials outside the ’255 Provisional Application, including a demonstration of the internal workings of an actual working product claimed to embody the patent-in-suit, and a copy of the issued patent. A person of ordinary skill in the art would not have had access to a functioning LTI product embodying the alleged invention, or most obviously, the granted ’761 patent. Therefore, Dr. Cataldo’s work is inherently unreliable for the purpose for which it is offered, and Dr. Herbsleb should not be permitted to rely upon it at trial.

2. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Alleged “Cumulativeness” of Prior Art References

It is undisputed that the references cited by Facebook as invalidating prior art were neither cited nor considered by the Patent Office during prosecution of the ’761 patent. Dr. Herbsleb has attempted to diminish the significance of this fact by somehow arguing that Facebook’s new prior art references are not prior art because they are “cumulative” of other references considered by the Patent Office and therefore cannot be used to invalidate the ’761 patent. *Keyes Decl.*, Ex. 3 ¶¶ 56-72. In his deposition, Dr. Herbsleb confirmed his assumption that, “if the references were cumulative, then they would not be considered prior art.” *Id.*, Ex. 6 at 142:2-13. Because his assumption is incorrect as a matter of law, his opinions on the alleged “cumulativeness” of Facebook’s prior art references lack relevance and should be excluded.

Federal Circuit law is clear that invalidity is based on comparing each element of the *claims* with the disclosures of the *prior art*. See *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1381 (Fed. Cir. 2005). LTI can cite no authority for the proposition that a court can shortcut this analysis by arguing that a reference is “cumulative” of the art previously considered by the Patent Office. To the contrary, the Federal Circuit has squarely held that “a patent may be found to be anticipated on the basis of a reference that had properly been before the patent examiner in the United States Patent and Trademark Office (“PTO”) at the time of issuance.” *Id.* (affirming summary judgment of invalidity); see also *Prima Tek II, L.L.C. v. Polypap, S.A.R.L.*, 412 F.3d 1284, 1287 (Fed. Cir. 2005) (“the Charrin prior art reference, which was before the examiner during prosecution of the ’532 patent, clearly anticipates the asserted claims of the patents in suit”). As these cases illustrate, whether a reference is “cumulative” is not relevant to whether it anticipates the asserted claims. In this case, the prior art on which Facebook relies was indisputably never considered by the Patent Office.¹

To allow LTI to confuse the jury with incorrect law and an irrelevant comparison between Facebook’s prior art and previously considered prior art would be wholly improper. Dr. Herbsleb should therefore be precluded from testifying at trial about the purported “cumulativeness” of Facebook’s prior art, or otherwise comparing Facebook’s prior art to the references cited during prosecution of the patent.

3. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Alleged Date of Conception of the ’761 Patent

LTI has attempted to show an earlier date of conception for the alleged invention of the ’761 patent through the testimony of Dr. Herbsleb, Redacted

¹ Notably, Dr. Herbsleb’s analysis of “cumulativeness” was not designed to respond to Facebook’s defense of inequitable conduct. He provides opinions, for example, that Lamping, Petersen and Dourish are “cumulative.” Facebook has not asserted an inequitable conduct defense based on the non-disclosure of those references.

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Dr. Herbsleb's opinion on the date of conception should be excluded.

"It is well established that when a party seeks to prove conception via the oral testimony of a putative inventor, the party must proffer evidence corroborating that testimony." *Procter & Gamble Co. v. Teva Pharms. USA, Inc.*, 566 F.3d 989, 999 (Fed. Cir. 2009) (internal quotation and citation omitted). "The inventor 'must provide independent corroborating evidence in addition to his own statements and documents.'" *Id.* (citation omitted).

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It is hornbook patent law that conception requires "the formulation of a definite and permanent idea of the complete and operative invention," *Slip Track Sys., Inc. v. Metal-Lite, Inc.*, 304 F.3d 1256, 1262-63 (Fed. Cir. 2002) (emphasis added). "Conception must include every feature or limitation of the claimed invention." *Id.* at 1263 (emphasis added).

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Dr. Herbsleb's testimony establishes that his expert opinion on the corroborating evidence lacks a factual foundation and is based on a fundamental misapplication of patent law. It further confirms that he did not find all of the elements of the asserted claims in the document, rendering his opinion invalid.

4. The Court Should Exclude Dr. Herbsleb's Opinions Regarding Whether References were Properly "Incorporated by Reference"

Dr. Herbsleb offers the flawed opinion in his expert report that two of the prior art references cited by Facebook for its invalidity defense – U.S. Patent No. 6,370,538 to John O. Lamping ("Lamping") and U.S. Patent No. 6,941,313 to Robert Seliger ("Seliger") – do not properly incorporate co-pending patent applications by reference.

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This testimony should be excluded for two reasons: it is superfluous and it is founded on a fundamental misunderstanding of the law.

First, the Federal Circuit has held that "[w]hether and to what extent material has been incorporated by reference into a host document is a question of law." *Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1283 (Fed. Cir. 2000). It is thus the role of the Court – not the jury – to determine whether Lamping and Seliger properly incorporate by reference other co-pending patent applications. In fact, the Federal Circuit

has held that it is reversible error for a district court to charge the jury with the task of determining whether or not material was incorporated by reference into another document. *Id.* at 1283-84. As such, presenting Dr. Herbsleb's opinion on the issue to the jury would be inappropriate.

Second, even if Dr. Herbsleb's testimony on incorporation were appropriate, his conclusions are founded upon a misunderstanding of the law. Anticipation under 35 U.S.C. §102 requires that each element of the claimed invention be present in a single prior art reference. *Advanced Display Sys., Inc.*, 212 F.3d at 1282. According to the Federal Circuit, "[m]aterial not explicitly contained in the single, prior art document may still be considered for purposes of anticipation if that material is incorporated by reference into the document." *Id.* A patent application can incorporate the disclosures of an earlier patent by reference by merely identifying the other patent (or application) and stating that it is "hereby incorporated by reference." *Harari v. Holimer*, No. 2009-1406 2010 WL 1540911, at *1-3 (Fed. Cir. Apr. 19, 2010).

The Lamping and Seliger prior art references exceed this minimal requirement by identifying the actual U.S. Patent Office serial number that was assigned to the prior applications at the time they were filed. Lamping, for example, incorporates the disclosures of an earlier application – 09/143,551 to Karin Petersen (which later issued as U.S. Patent No. 6,380,179) – by stating: "One such system as summarized above, is described in U.S. patent application Ser. No. 09/143,551, Karin Petersen, et al., entitled property-based user level document management ... assigned to the assignee of the present application and hereby incorporated by reference." Keyes Decl., Ex. 26 at Col. 1:44-50. Seliger similarly incorporates by reference a co-pending application filed by the same inventor – Serial No. 09/583,301 (which later issued as U.S. Patent No. 7,346,648) – as follows: "Reference is made to U.S. patent application Ser. Nos. 60/136,670, 60/139,235, 60/254,753, 09/545,396 and 09/583,301, which provide disclosure of subject matter related to context management systems, and all of which are hereby incorporated

by reference.” *Id.*, Ex. 27 at Col. 7:8-13. One of ordinary skill in the art could clearly have retrieved the incorporated documents based on their application numbers, which provide a much clearer identification than the identification blessed by the Federal Circuit in *Harari*. Dr. Herbsleb’s opinions to the contrary should therefore be excluded from the trial and Court should conclude, as a matter of law, that Lamping and Seliger properly incorporate by reference the earlier co-pending applications.

5. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding the Alleged Lack of “Materiality” of Prior Art References

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Dr. Herbsleb’s opinions regarding materiality should be excluded because he lacks the training or experience to opine on the materiality of prior art references and admittedly has no understanding of the legal concepts involved.

Federal Circuit law is clear that a withheld prior art reference is material “when ‘a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.’” *eSpeed, Inc. v. BrokerTec USA, L.L.C.*, 480 F.3d 1129, 1136 (Fed. Cir. 2007) (quoting *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1397 (Fed. Cir. 1986)). Dr. Herbsleb has no experience or training that would aid the jury in understanding whether a “reasonable examiner” would consider prior art references to be material or cumulative. Dr. Herbsleb has never practiced law, has never worked for the U.S. Patent and Trademark Office, has never examined any patent applications, and admitted during his deposition that he understands, at best, “[o]nly vaguely, from my exposure to this case,” how the Patent Office evaluates patent applications. Keyes Decl.,

² This is an entirely separate opinion from Dr. Herbsleb’s opinion described earlier in this brief regarding the alleged “cumulativeness” of Facebook’s prior art, which pertains to invalidity in general and not to inequitable conduct.

Ex. 6 at 8:23-10:7, 14:10-19. His only exposure to the patent system prior to being retained in this case was as an inventor in connection with patent applications assigned to Lucent Technologies many years ago. *Id.* at 13:23-14:2. He was not involved in the prosecution of those applications. *Id.*

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was “something that will show relevant claim limitations,” but refused to respond to follow-up questions asking him to identify a “relevant” claim limitation in the context of the ’761 patent. *Id.* at 205:13-206:15. He also could not state whether a “material” prior art reference had to disclose all, or only some, of the elements of a claim. *Id.* at 207:14-25. Given this equivocation, there is simply no way to determine what standard of “materiality” Dr. Herbsleb applied in forming his opinion. Regardless, the limited definitions that he did testify to are incorrect under the law. Therefore, Dr. Herbsleb’s opinions on materiality should therefore be excluded under *Daubert* and he should be precluded from offering any testimony on the issue.

6. The Court Should Exclude Dr. Herbsleb’s Opinions Regarding what the Patent Office “Considered” to be the Priority Date of the ’761 Patent

Dr. Herbsleb also speculates in his expert report about what he believes the Patent Office “considered” to be the effective priority date of the ’761 patent during prosecution. *See* Keyes Decl., Ex. 3 ¶ 36. In particular, Dr. Herbsleb opines that “the United States Patent and Trademark office considered the December 11, 2002 filing date of the Provisional Application to be the effective filing date of the ’761 Application because it is provided on the cover page of the Provisional Application.” *Id.* Dr. Herbsleb’s opinion on what the Patent Office “considered” to be the filing date should be excluded for the simple reason that there is no factual foundation to support it, only his blind

speculation, as became clear during his deposition. *See* Keyes Decl., Ex. 6 at 61:22-66:18.

Dr. Herbsleb's opinion was based on his "understanding" that the Patent Office *actually* examines provisional applications as a matter of course, and makes a determination as to whether or not the patent is entitled to the earlier filing date. *Id.* at 65:5-19. Dr. Herbsleb's understanding was, again, wrong. *See Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1367 n.7 (Fed. Cir. 2008) (noting that provisional patent applications are not examined by the Patent Office). There is simply nothing in the file history whatsoever to suggest that the Patent Office ever considered whether or not the claims of the '761 patent were entitled to the filing date of the '255 Provisional Application, and Dr. Herbsleb's wild speculations to the contrary should be excluded.

7. Herbsleb Conclusion

For the foregoing reasons, Facebook respectfully requests that the Court preclude Mr. Herbsleb from offering any testimony or opinion on the appropriate priority date to be applied to the '761 patent, the alleged "cumulativeness" of prior art references, the alleged date of conception of the '761 patent, "incorporation by reference" of external references into other anticipatory prior art reference, the "materiality" of prior art references, and/or what the PTO considered to be the priority date.

C. *Daubert* Motion No. 3: To Preclude Testimony by LTI's Damages Expert Russell L. Parr

Facebook hereby moves to preclude certain testimony by LTI's damages expert, Russell L. Parr. First, the Court should exclude Mr. Parr's opinion regarding the entire market value rule on the ground that it is inadmissible under *Cornell*.

1. Factual Background

LTI's infringement claims against Facebook are limited to three purported "Use Cases" described in the report of its technical expert, Giovanni Vigna.

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LTI has not provided an analysis of any other Facebook functionality, and thus LTI's entire infringement and damages argument relies on these limited scenarios.

Ignoring the limitations of LTI's infringement case, Mr. Parr purports to calculate reasonable royalty damages based on Facebook's entire revenue. *See* Keyes Decl., Ex. 2 at 22-24. Mr. Parr assumes, without support, that LTI is entitled to damages based on the entire market value of all Facebook revenue, and erroneously presumes that Facebook – rather than LTI – bears the burden of proving otherwise.

2. Argument

Mr. Parr improperly purports to employ the entire market value rule, which allows for the recovery of damages based on the value of an entire product when a patent owner proves that a patented feature constitutes the basis for customer demand for that product. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336-37 (Fed. Cir. 2009) (overturning jury award where Court found "lack of evidence demonstrating the patented method [] as the basis-or even a substantial basis-of the consumer demand for Outlook"); *Cornell Univ. v. Hewlett-Packard Co.*, No. 01-CV-1974, 2008 WL 2222189, at *2 (N.D.N.Y. May 27, 2008) (excluding expert testimony where plaintiff failed to show "a sound economic connection between this broad proffered royalty base and the claimed

invention”). In order to make a claim for damages under the entire market value rule, the patent owner must “supply economic proof linking any proposed entire market value royalty base to the market and consumer demand.” *Cornell*, 2008 WL 2222189, at *2. Linking evidence is typically established through customer surveys that allow market demand to be apportioned between patented and non-patented components in the apparatus, and studies of the sensitivity of market demand to products that include or omit patented features. *Id.* at *3.

No such evidence was presented or analyzed here. Mr. Parr’s report does not contain or reference any market analyses, such as customer surveys; analysis of the customer demand for functionality of the Facebook website other than the allegedly patented functionality; or demand curves showing market demand for social networking websites with and/or without the patented feature. *Cf. Cornell Univ.*, 2008 WL 2222189, at *2-3. Instead, Mr. Parr relies exclusively on LTI’s technical expert’s opinion that *some* Facebook functionality – specifically, the three “Use Cases” – form the basis for the entire Facebook website and its success. *See Keyes Decl.*, Ex. 5 at 86:5-87:15. Assuming, *arguendo*, that these three Use Cases show infringement, which they do not, this still does not provide economic support for an finding that it is *this* functionality that draws users to Facebook.

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Wholly ignoring this fact, Mr. Parr proceeds to opine that LTI is entitled to a

royalty on the full market value of Facebook’s revenue, without any *economic* analysis or evidence that the patented functionality is the basis for customer demand for Facebook.³

For these reasons, Mr. Parr’s opinions are impermissible under *Cornell* and the precedent of the Federal Circuit. *See, e.g., Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F. 3d 1374, 1380 (Fed. Cir. 2005) (affirming exclusion of evidence regarding damages under the entire market value rule where there was no evidence “that the patented features were the basis for customer demand for the laundry machines as a whole”); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1549 (Fed. Cir. 1995).

3. Redacted

a. Redacted

Redacted

3

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Id., Ex. 5 at 107:7-12.

Because his opinion as to the size of a reasonable royalty is based on nothing but pure speculation and conjecture,

Lucent Techs., Inc., 580 F.3d at 1336.

b. Mr. Parr’s Application of the So-Called 25 Percent “Rule of Thumb” Is Arbitrary and Unreliable

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See Keyes Decl., Ex. 2 at 28-29. Mr. Parr’s application of the purported “rule” is neither sound nor reliable, and cannot serve the role of an evidentiary presumption or “starting point” for any reasonable royalty.

The 25 percent “rule of thumb” is attributed to attorney Robert Goldscheider, who wrote an article discussing profit and royalty rates for eighteen radio and phonograph licenses from the 1950s. *See* Keyes Decl., Ex. 29 at 125. Even as a “starting point,” Mr. Parr’s attempt to rely on Goldscheider’s historical observations of Swiss, mixed-IP licenses from the 1950’s is not reliable, and has no relationship to the technology, industry, or time-frame of the hypothetical negotiation in this case. The proportion of profits attributable to a single patented technology is likely to differ wildly between and

within industries and among products. None of the Goldscheider articles link the so-called “rule” to the computer industry or to the patent-at-issue here, nor does Mr. Parr.

Without any evidence linking the “rule” to the circumstances at issue in this case, Mr. Parr’s use of the “rule” is purely arbitrary.⁴ Granting the patentee 25 percent of the alleged infringer’s entire profit for a patented feature that constitutes but one of many features of an allegedly infringing product ignores the complexity of many modern software and Internet products, and neglects the immense number of contributors to the success of such products. In particular, for inventions that incorporate several potentially patented features, presuming a 25 percent profit split for each patented feature, even as a “starting point,” is nonsensical and economically unfeasible.

c. Mr. Parr Improperly Ignores Non-Infringing Alternatives

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Despite these admissions, Mr. Parr conducts no analysis of the market share commanded by any of these competitors, nor of why they have not been sued alongside Facebook. In fact, Mr. Parr has not provided any consumer

⁴ See Keyes Decl., Ex. 30 at 252 (observing that “multiplying [profits on the patented product] by an arbitrary fraction to derive the value of a patent is an exercise in arbitrary business analysis,” as it fails to accurately reflect the profit attributable to the patent right to exclude).

surveys, demand curves, demand studies or the like purporting to show that the claims-at-issue are essential to compete in the market. Indeed, if they were, LTI's own product, Leader2Leader would be a successful competitor, which it is not. *See supra*, note 3.

d. Mr. Parr Admits that LTI and Facebook Are Not Competitors

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Id., Ex. 5 at 118:8-18.

The *fact* is that these two entities are not competitors and never have been competitors. As such, this factor weighs in favor of a *lower*, not higher royalty rate. Indeed, Mr. Parr admitted as much in his deposition, and even conceded that this factor should lower the expected royalty rate. *Id.*, Ex. 5 at 116:8-118:22, 121:11-25.

4. Parr Conclusion

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