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**

FACEBOOK INC.'S OPPOSITION TO PLAINTIFF'S
MOTION IN LIMINE NO. 5 REGARDING ON-SALE BAR

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

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Dated: May 27, 2010

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I. INTRODUCTION

LTI's motion *in limine* to preclude Facebook's on-sale bar and public disclosure defenses should be denied.[1] LTI had more than sufficient notice that Facebook intended to rely on these defenses and LTI's failure to answer interrogatories and produce relevant documents in a timely manner precludes it from arguing now that Facebook was responsible for any delay. Regardless, LTI has shown no prejudice by the inclusion of these issues in the case. Finally, Facebook brought these defenses in good faith.

II. STATEMENT OF FACTS

A. Facebook's Repeated Notice to LTI of its On-Sale Bar and Public Disclosure Defenses

Facebook first disclosed its defenses of on-sale bar and public disclosure in its Answer, where it stated that it was asserting 35 U.S.C § 102 as a defense. (*See* D.I. 5 at ¶ 2.) Further, on February 18, 2009, Facebook asked the following interrogatory of LTI:

> For each claim of the '761 patent that LTI contends is infringed by Facebook, describe with particularity the circumstances surrounding the alleged invention of the claim, including, for example, the precise date of conception, the persons involved and the nature of their involvement, the date of actual or constructive reduction to practice, the date and circumstances of first experimental or test use, **the date and circumstances of first public disclosure, the date and circumstances of the first offer to sell or sale**, the steps constituting diligence from conception to actual or constructive reduction to practice, and all documents and evidence that Plaintiff contends corroborates any of the foregoing dates and/or diligence.

See Declaration of Kathryn Robinson in Support of Facebook's Oppositions to Leader Technology, Inc.'s Pretrial Motions ("Robinson Decl."), Ex. 13 at 5 (emphasis added). That same day, Facebook also served numerous requests for documents, including the following:

- "All documents that refer or relate to any use of the alleged invention described in the '761 patent, including any use by LTI."

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[1] Facebook has filed a summary judgment motion on the issue of on-sale bar invalidity. Facebook relies on the information contained within that brief to support its factual contentions, and thus, will not respond to Leader's attacks on the substance of Facebook's on-sale bar defense.

- "All documents that refer or relate to any research, design, development, testing, evaluation, production, or sales of any product, device, technology, system or prototype that allegedly uses or embodies, in whole or in part, any alleged invention described in any specification or any claim or claims of the '761 patent."
- "All documents that discuss, refer to or relate to the first use, disclosure, display, demonstration, and/or first sale or offer for sale of the alleged inventions disclosed, described or claimed in the '761 patent, or of services utilizing any alleged invention of the '761 patent, prior to December 10, 2002 . . ."

Id., Ex. 14 at 6 (RFP. Nos. 17-19). Facebook continued to pursue these defenses by serving additional document requests on September 16, 2009, including the following:

- "All documents and communications that refer to or relate to the conception, design, development, implementation, research, testing, evaluation, production, and/or sales of Leader2Leader . . ."
- Documents sufficient to identify every third party who participated in any testing or evaluation of Leader2Leader, including without limitation early adopters, actual or potential customers and members of the press.

Id., Ex. 15 at 6-7 (RFP Nos. 68, 74). These document requests show that Facebook was consistently investigating the issue of on-sale bar and public disclosure.

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Even if LTI could somehow feign ignorance of the Answer and prior written discovery, these questions clearly put LTI on notice that Facebook was aggressively pursuing these defenses

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Facebook's counsel also asked Mr. McKibben about various demonstrations of the Leader2Leader product, making it clear that Facebook contended that a public disclosure may have occurred.

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Next, Facebook disclosed its full, detailed contentions based on the discovery it had obtained regarding its on-sale bar and public disclosure theory to LTI on March 5, 2010, shortly after Mr. McKibben's deposition. Facebook was preparing to move to amend its Answer to add a claim of inequitable conduct, based in part on LTI's failure to disclose to the United States Patent and Trademark Office the existence of invalidating sales and public disclosures of

Leader2Leader. On March 5, 2010, in an effort to meet and confer in good faith, Facebook sent to LTI's counsel a proposed amended Answer that included very specific contentions regarding Facebook's on-sale bar and public disclosure defenses.

Finally, LTI—who was at this point fully cognizant of Facebook's defense—complained to Magistrate Judge Stark that Facebook had not supplemented its interrogatory response regarding its invalidity contentions in response to Facebook's request for exclusion of the late-produced non-disclosure agreements. Magistrate Judge Stark stated, "I'm ordering that if Facebook is going to attempt to assert as a defense the basis of a public display, or demonstration or on-sale bar, they should supplement their interrogatory responses to make that assertion clear." Robinson Decl., Ex. 17 at 38:20-39:1. Facebook promptly supplemented its interrogatory response to fully set forth, yet again, its contentions regarding its on-sale bar and public disclosure defenses.

As set forth above, LTI's claim that it was not aware of Facebook's on-sale bar and public disclosure defenses until Facebook's supplementation of its interrogatory response in April is disingenuous and strains credulity.

B. LTI's Discovery Deficiencies

As discussed above, in February of 2009, Facebook requested that LTI set forth the dates of first sale and first disclosure of any product embodying the invention disclosed in the '761 patent.

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LTI has, to this

date, failed to update its interrogatory response with this information. This information would likely have informed Facebook that other potential offers for sale likely occurred in this time period, including offers for sale made more than one year before the filing date which would have invalidated the patent.

In addition, LTI produced over 30,000 documents in this case, amounting to well over 100,000 pages of documents.

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These NDAs are responsive to at least the discovery requests set forth above, several of which were served at the outset of discovery more than a year ago.

In a flash of hindsight, LTI contended, in response to Facebook's request regarding these documents, that it was not required to produce these documents because Facebook had not alleged on-sale bar or public disclosure defenses. However, LTI first failed to produce these documents in *April of 2009*, long before Facebook had alleged *any* specific invalidity theories. *See* Robinson Decl., Ex. 20 at 7. Thus, LTI's claim that it did not know it should produce these documents because Facebook had not identified on-sale bar or public disclosure as a specific basis for invalidity is absurd, particularly in light of Facebook's Answer and specific requests for production described above.

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III. ARGUMENT

A. Legal Standard

Under Federal Rule of Civil Procedure ("Rule") 26(a) and (e) parties are required to make a number of disclosures and supplements to disclosures and responses. This standard is further addressed in Rule 37(c)(1) which states that "[i]f a party fails to provide information or identity of a witness as required by Rule 26(a) or (e) the party is not allowed to use that information or witness to supply evidence . . . unless the failure was substantially justified or is harmless."

The Third Circuit and this Court have focused on a series of factors in evaluating harmlessness and substantial justification:

> In determining whether a failure to disclose is harmless courts consider such factors as: (1) the importance of the information withheld; (2) the prejudice or surprise to the party against whom the evidence is offered; (3) the likelihood of disruption of the trial; (4) the possibility of curing the prejudice; (5) the explanation for the failure to disclose; and (6) the presence of bad faith or willfulness in not disclosing the evidence (the "Pennypack factors").

UCB, Inc. v. KV Pharm. Co., Civ. A. No. 08-223-JJF, 2010 WL 809815, at *1 (D. Del. Mar. 9, 2010) (internal citations omitted); *see also Meyers v. Pennypack Woods Home Ownership Ass'n*, 559 F.2d 894, 905-06 (3d Cir. 1977). "[T]he exclusion of critical evidence is an 'extreme' sanction, not normally to be imposed absent a showing of willful deception or 'flagrant disregard' of a court order by the proponent of the evidence." *UCB*, 2010 WL 809815, at *2 (citing *Konstantopoulos v. Westvaco Corp.*, 112 F.3d 710, 719 (3d Cir. 1997)).

B. Each *Pennypack* Factor Weighs in Favor of Facebook's Position

1. There is No Prejudice and/or Surprise to LTI

LTI claims that it will be prejudiced and surprised should Facebook be allowed to proceed with these defenses. LTI cannot claim surprise at these theories, as it has known Facebook was pursuing these defenses since February of 2009. Aside from LTI's disingenuous claims that it had no awareness of these defenses until April, despite the clear notice discussed above, it can offer little to support its claim that it will be surprised at trial by "new" theories.

LTI further asserts that it will be prejudiced, but fails to identify any specific prejudice it will face. First, LTI asserts that it is unable to seek fact discovery into the bases for Facebook's claims and to depose third parties, but does not list *any* specific discovery it would seek or what third parties it would wish to depose. This Court has found such a vague claim for the need of discovery to be insufficient to show any harm or prejudice. *See UCB*, 2010 WL 809815, at *2 ("Although Plaintiffs argue they were denied discovery regarding the issue, they do not cite to any particular discovery they were unable to complete.").

LTI is and has always been in sole possession of the relevant documents relating to the on-sale bar and public disclosure defenses, as they involve actions taken by *LTI*, not *third parties*. Facebook's contentions are that LTI *offered to sell* or *disclosed* its products to third parties – LTI, not the third parties, is the relevant actor in each of these scenarios. Third party discovery on these issues *by LTI* is unnecessary, as LTI presumably should know whether or not it offered for sale or publicly disclosed its own product.[2]

LTI also alleges that it would have retained and prepared appropriate experts on these claims, but fails to explain how expert testimony would be relevant to the non-technical determination of whether an offer for sale was made or a demonstration sufficiently public to be invalidating occurred. LTI also states that it had no time to "develop all available defenses so

[2] Leader made no attempt to conduct third-party discovery relating to these defenses, despite Facebook's clear focus on such topics during Mr. McKibben's deposition in February, prior to the close of discovery. If Leader had genuinely believed that such discovery was necessary, it should have pursued it at the time.

close to trial;" however, LTI's repeated attacks on the merits of Facebook's defense throughout this motion *in limine* belie that claim as well. As LTI has not identified any cognizable prejudice or harm it will face, this factor weighs against exclusion.[3]

2. Facebook Pursues These Defenses in Good Faith

LTI contends that Facebook cannot pursue both its false marking claim and its on-sale bar and public disclosure defenses because they are "mutually exclusive." LTI, however, is incorrect. Facebook was and is entitled to pursue alternative theories. Although LTI claims that "Facebook cannot have formed a good faith basis pursuant to Rule 11 to maintain both positions," LTI ignores Rule 8(d)(2) and (3), which allow for pleading alternative or even inconsistent statements. *See Indep. Enters. Inc. v. Pittsburgh Water & Sewer Auth.*, 103 F.3d 1165, 1175 (3d Cir. 1997) ("This Rule permits inconsistency in both legal and factual allegations."). Thus, LTI cannot allege "bad faith" when Facebook in fact fully abided by the Federal Rules of Civil Procedure.

However, Facebook's positions are not actually mutually exclusive. Rather, Facebook relies on LTI's *admission* and repeated insistence that Leader2Leader practices the patent in order to prove that offers for sale of the Leader2Leader product in 2002 were offers for sale of a product embodying the invention disclosed in the '761 patent. This is quite different from a situation in which LTI denies that its product practices the invention and Facebook must prove that the product does practice the invention. Facebook is entitled to rely on LTI's admissions in this case, even if they conflict with Facebook's other contentions.

The Federal Circuit has condoned such an approach. For instance, in *Vanmoor v. Wal-Mart Stores, Inc.*, 201 F.3d 1363, 1366 (Fed. Cir. 2000), the defendants asserted that they sold

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[3] LTI's claim that it could not prepare relevant expert testimony on the on-sale bar or public use defense is particularly disingenuous in light of the fact that LTI submitted an expert report from Dr. Herbsleb on Facebook's inequitable conduct defense. The facts that underlie Facebook's inequitable conduct defense were developed in discovery during the same time period as the on-sale and public use defenses, and they have at all times been in LTI's possession. LTI clearly would have offered an expert report relating to Facebook's on-sale or public use defenses if it had an honest desire to do so.

the accused infringing product before the priority date of the patent. The district court permitted the defendants to use the plaintiff's accusation of infringement as evidence in support of their on-sale bar defense. *Id.* Thus, even though the defendants pled non-infringement in their answers, they were also allowed to proceed on a claim of on-sale bar where they asserted that, at least according to the plaintiff, their products infringe. *Id.* at 1365-66. Similarly, Facebook should be allowed to contend that Leader2Leader does not practice the patent, but that, for the purposes of on-sale bar, LTI has admitted that Leader2Leader is a product that embodies the patented invention.

3. The Remaining *Pennypack* Factors

No "information" was withheld, and the facts underlying Facebook's on-sale bar and public disclosure contentions come from LTI's own production of documents and witness testimony. Thus, this factor weighs against exclusion. As no additional discovery is necessary, no disruption of the trial schedule will occur. Thus, this factor also weighs against exclusion. As there is no prejudice, there is no need to cure any prejudice. Similarly, as there was no failure to disclose, there is no need for an explanation; regardless, LTI's discovery deficiencies provide Facebook with more than enough justifications to have waited until April to supplement its interrogatory responses, in particular as Facebook made LTI well aware of these theories for months prior.

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IV. CONCLUSION

As LTI had more than adequate notice of these defenses and, regardless, each of the *Pennypack* factors weigh against exclusion, Facebook respectfully requests that the Court deny LTI's motion.

Dated: May 27, 2010

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