

**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 TO EXCLUDE
TESTIMONY IN ITS ENTIRETY OF FACEBOOK'S EXPERTS
JAMES HUGHES AND KIMBERLY FELIX**

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Filed: May 27, 2010
Public Version Filed: June 3, 2010

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Plaintiff and Counterdefendant,)	No. 1:08-cv-00862-JJF
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v.)	CONFIDENTIAL
)	FILED UNDER SEAL
FACEBOOK, INC.,)	
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I. INTRODUCTION

Leader Technologies, Inc.'s ("LTI") motion to exclude the testimony of Facebook, Inc. ("Facebook") experts James Hughes and Kimberly Felix is entirely without merit. LTI confuses the purpose for which Mr. Hughes' testimony has been offered, arguing that he is not qualified to testify in an area of expertise for which *he has never been offered*. LTI has also improperly framed its objections to the false marking statute and its interpretation by the Federal Circuit as a motion to exclude Ms. Felix's testimony, implying that she is not qualified to opine on damages because she *properly* applies the law. LTI's motion should therefore be denied in its entirety.

II. ARGUMENT

A. James Hughes Is A Qualified Expert Offering Reliable Testimony

LTI's objections to Mr. Hughes and his testimony are baseless. Mr. Hughes is qualified, based on extensive professional experience at the U.S. Patent and Trademark Office ("PTO"), to opine on PTO practice and procedure, and in particular on the view of a "reasonable examiner" – to which purpose Facebook has offered his testimony.

1. Mr. Hughes Is Qualified to Opine on U.S. Patent Office Practice and Procedure

In his report and deposition, Mr. Hughes opined that certain prior art references not disclosed to the U.S. Patent and Trademark Office ("PTO") during the prosecution of U.S. Patent No. 7,139,761 (the "'761 patent") are material. Materiality of prior art is a question of fact. *J.P. Stevens & Co. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1562 (Fed. Cir. 1984). As such, materiality is an appropriate subject on which experts may opine. *See* Fed. R. Evid. 702; *Oasis Indus., Inc. v. G.K.L. Corp.*, No. 92 C 4814, 1996 U.S. Dist. LEXIS 1057, at *32-35 (N.D. Ill. Jan. 31, 1996) (permitting three former PTO examiners to provide expert testimony as to the materiality of prior art); *Nisus Corp. v. Perma-Chink Sys., Inc.*, No. 3:03-CV-120, 2005 U.S. Dist. LEXIS 41068, at *18-19 (E.D. Tenn. May 27, 2005) (allowing former patent examiner to testify as to materiality). Mr. Hughes' entire opinion in this case goes to the issue of materiality, as he stated repeatedly during his deposition. *See, e.g.*, Declaration of Kathryn Robinson in Support of Facebook's

Oppositions to Leader Technology, Inc.'s Pretrial Motions ("Robinson Decl."), Ex. 24 at 6:24-7:1, 40:15-25, 45:5-11. He has not, as LTI claims, opined on any issue of law, nor has he offered any opinion on the ultimate issue before the Court – i.e., inequitable conduct. As such, any objection that Mr. Hughes is not a qualified patent law expert is entirely moot since he is not offered as an expert on patent law.

Mr. Hughes is more than qualified to opine on the materiality of prior art, one of the tests for which is whether "a reasonable examiner would have considered such prior art important in deciding whether to allow the patent application." *Digital Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1314 (Fed. Cir. 2006) (internal quotations and citation omitted). A person may qualify as an expert on the basis of personal knowledge or experience, *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 150 (1999), and Mr. Hughes possesses the ultimate professional background that may qualify one to opine on the considerations of the "reasonable examiner": he was a patent examiner for six-and-a-half years, part of which he spent as a Primary Examiner permitted to examine and grant patent rights in any art group. *See* D.I. 427, Declaration of Lisa Kobialka in Support of Leader Technology Inc.'s Daubert Motion ("Kobialka Decl."), Ex. 1 at Ex. A. Furthermore, Mr. Hughes instructed other examiners at the PTO Training Academy on "everything related to patent examination, so the patent examination policies, the patent examination procedures, how patent examiners apply the various statutes to patent examinations." *Id.*; Robinson Decl., Ex. 24 at 173:1-5, 177:6-17. Mr. Hughes is therefore well-versed in what a "reasonable examiner" would have regarded to be important, and offers his opinions on materiality from that perspective. To the extent Mr. Hughes' report discusses the law at all, it is merely to convey the understanding possessed by a "reasonable examiner" who is tasked with making determinations on patentability.

Finally, LTI's argument regarding Mr. Hughes' qualifications as a person of ordinary skill in the art is entirely beside the point. The "reasonable examiner" standard reaffirmed by the Federal Circuit in *Digital Control* does not require the perspective of a "reasonable examiner who is also a person of ordinary skill in the art," nor that of a "reasonable examiner who

examines art in the exact art group in which the patent issued.” *See Nisus Corp.*, 2005 U.S. Dist. LEXIS 41068, at *19 (former PTO examiner’s lack of experience in the exact art of the patent-at-issue did not disqualify him as an expert or render his opinion inadmissible). It requires only the perspective of a “reasonable examiner,” on which Mr. Hughes is certainly qualified to opine based on his professional experience as an examiner. Moreover, Mr. Hughes’ service as a Primary Examiner, during which time he was entrusted with granting patent rights *in any art group*, and as a Training Academy instructor on PTO procedure further enhances his expertise on what a “reasonable examiner” would consider important.

In sum, Mr. Hughes is very well-qualified to testify on the matter for which his testimony is proffered, *i.e.*, the materiality of prior art references not disclosed to the PTO during prosecution of the ’761 patent.

2. Mr. Hughes’ Opinions are Founded on Proper Law and Appropriate Facts

In a further attempt to discredit him, LTI first chastises Mr. Hughes for providing more information rather than less regarding the standard for materiality. However, in accord with *Digital Control*, Mr. Hughes cites *both* of the commonly considered standards for materiality used by patent examiners at the PTO: the “reasonable examiner” standard long applied by the Federal Circuit, and the narrower standard set by the amended 37 C.F.R. § 1.56(c). Kobialka Decl., Ex. 1 at 7. *See also Digital Control*, 437 F.3d at 1316 (holding that the new § 1.56 standard does not supplant the “reasonable examiner” standard, just as the reasonable examiner standard did not replace the standards that preceded it). LTI attempts to seize on such full disclosure by arguing that Mr. Hughes has applied the wrong standard, when in fact *both* are correct. *Id.*

In addition, LTI makes a specious argument that Mr. Hughes word choices – “would” v. “might” – amount to misapplication of the law. What LTI neglects to mention is that Mr. Hughes choice of words in his conclusions regarding materiality precisely reflect the “reasonable examiner” standard, as it was confirmed in *Digital Control*. *See, e.g.*, Kobialka Decl., Ex. 1 at 9

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There can therefore be no doubt that Mr. Hughes applied the correct standard of law.

Finally, LTI complaint that Mr. Hughes opines on the materiality of hypothetical prior public demonstrations and offers for sale is ridiculous and contrary to the law. An expert is free to opine on hypotheticals. *Daubert v. Merrell Dow, Pharms., Inc.*, 509 U.S. 579, 592 (1993) (“Unlike an ordinary witness, . . . an expert is permitted wide latitude to offer opinions, including those that are not based on first hand knowledge or observation”) (citation omitted). Similarly, LTI’s protests that Mr. Hughes failed to elucidate his finding that the ’761 patent and its antecedent provisional application are sufficiently different to raise a question as to the date of priority is a problem of its own making. Despite deposing Mr. Hughes for more than four hours, LTI’s counsel failed to ask him a single question about the differences he found, instead confining her questioning to broad inquiries about the requirements of provisional applications. *See e.g.*, Robinson Decl., Ex. 24 at 11:3-15:22.

Mr. Hughes’ testimony is therefore founded in the appropriate legal standards and uses methods generally accepted and legally sanctioned for experts.

B. LTI’s Objections to Kimberly Felix Are Really Masked Objections to the Law

LTI purports to object to Ms. Felix on the ground that her process is unreliable. However, what LTI is really objecting to is the law, including the false marking statute itself and its interpretation by the Federal Circuit in *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). In that decision, the Federal Circuit held that fines imposed for violation of the false marking statute should be calculated on a per article basis. *Id.* at 1304. Ms. Felix has done nothing more provide an opinion on this basis, which is an entirely legitimate process for an

expert under the *Daubert/Kumho* standard. LTI's other objection that Ms. Felix utilized unreliable sources is also without merit: LTI cannot be heard to complain of a circumstance *it* created by failing to produce documents properly requested during discovery.

1. LTI Takes Umbrage With the False Marking Statute and *Bon Tool*

In her report, Ms. Felix proposed three alternate calculations of damages: one based on the number of LTI web pages falsely marked; a second based on the number of visits to the LTI web pages that were falsely marked; and a third based on the number of falsely marked products sold.¹ LTI takes issue with the first two calculations – those based on LTI's falsely marked website – on the ground that they are not founded in law. However, in making this objection, LTI has ignored the language of the false marking statute itself and its interpretation by the courts.

The false marking statute – 35 U.S.C. § 292 – states that,

[w]hoever, without the consent of the patentee, marks upon, or affixes to, *or uses in advertising* in connection with anything made, used, offered for sale, or sold by such person within the United States . . . the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public Shall be fined not more than \$500 for every such offense.

(Emphasis added). Therefore, under the clear terms of the statute, falsely marking advertising constitutes an offense. A company's website is nothing if not advertising for its services and products, and has been recognized by the courts as such for the purposes of the false marking statute. *Soverain Software LLC v. Amazon.com, Inc.*, 383 F. Supp. 2d 904, 909 (E.D. Tex. 2005) (holding that plaintiff had failed to state an issue of triable fact sufficient to defeat defendant's motion for summary judgment of its false marking claim based on marking of plaintiff's website); *Vantage Trailers, Inc. v. Beall Corp.*, No. H-08-0361, 2008 U.S. Dist. LEXIS 86895, at *6 (S.D. Tex. Oct. 27, 2008) (holding that plaintiff had stated a claim for at least one offense of

¹ As stated in Ms. Felix's report, and as discussed *infra*, the third alternate damages calculation could not be performed based on the documents and information provided by LTI during discovery in this action.

false marking based on defendant's website). The policy considerations underlying the false marking statute further support application of the statute to a company's website: according to the Federal Circuit in *Bon Tool*, false marking on items *in the public domain* stifles competition and discourages scientific research. 590 F.3d at 1303. In the Internet age, a company has no more public face than its website. Therefore, Ms. Felix has correctly applied the false marking statute to LTI's website.

LTI has taken particular exception with Ms. Felix's second alternate calculation based on the number of visits to falsely marked pages on the LTI website. However, this too is supported by the law. As stated earlier, the Federal Circuit recently held in *Bon Tool* that false marking damages should be calculated on a per article basis. *Id.* at 1304. On top of the plain language of the statute – i.e., “any unpatented article,” “every such offense” – the Court reasoned that the harm caused by false marking to competition and scientific research “occur[s] each time an article is falsely marked. The more articles that are falsely marked the greater the chance that competitors will see the falsely marked article and be deterred from competing.” *Id.* at 1303. Furthermore, the Court found that “a mere \$500 per continuous act of marking, which act could span years and countless articles, would be insufficient to deter nearly all cases.” *Id.* For all these same reasons, it makes sense to count each visit to a falsely marked webpage as a single offense under § 292: each visit increases the chances that a competitor will be discouraged and a mere \$500 fine for each webpage, regardless of how long the page has been publicly available, is insufficient to deter.²

² This interpretation of § 292 and the recently issued *Bon Tool* decision are not without support in the community of patent and damages experts. In fact, the non-profit Public Patent Foundation (“PUBPAT”) wrote an amicus curiae brief in support of calculating damages for falsely marking webpages on a per visit basis in *Juniper Networks v. Shipley*, No. C 09-0696 SBA, 2010 U.S. Dist. LEXIS 24889 (N.D. Cal. Mar. 16, 2010). In its brief, PUBPAT argues that a single visit to a webpage constitutes an instance of false marking because “‘a memory containing stored information, as a whole’ qualifies as ‘an article of manufacture’ under the Patent Act.” See Robinson Decl., Ex. 26 at 8 (citing *In re Lowry*, 32 F.3d 1579 (Fed. Cir. 1994)). “Thus even if two visitors to a website receive the identical ‘web page’ or ‘html file’ from the same webserver, the ‘memory containing stored information, as a whole’ of each visitor’s computer . . . will be different.” *Id.* at 8-9.

To the extent that these theories are novel, they are novel as a matter of law and not as a matter of scientific or technical reliability. As such, LTI's objections are poorly timed and poorly framed: they pertain not to Ms. Felix's qualifications as an expert, but rather to questions the Court must address if and when the matter of damages is reached. In part for this reason, Ms. Felix has provided several alternate damages calculations, from which the jury and Court may take wisdom depending on how the Court ultimately interprets § 292 and *Bon Tool* as applied to these particular set of facts.

Ms. Felix's opinions are thus both founded in the law and sufficiently flexible to provide a reliable calculation of damages no matter how the Court interprets that law.

2. LTI Has No One But Itself to Blame for the Sources Upon Which Ms. Felix Relies

LTI complains of the sources on which Ms. Felix relies in her calculations of damages, but neglects to recognize its own role in such reliance. Facebook propounded discovery requests *four months ago* that would have provided Ms. Felix with better facts on which to base her calculations.

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Without facts and documents to which only LTI has access, Ms. Felix was forced to rely upon information in the public domain. Recognizing the limitations of public information, Ms. Felix took pains to conservatively estimate damages.

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If LTI believed that there existed better, non-public sources of information, then it should have produced such information in response to Facebook's discovery requests.

Therefore, because it is LTI's own deficient discovery responses which forced Ms. Felix to rely upon publicly available sources, LTI cannot be heard now to complain that those sources are unreliable.

III. CONCLUSION

For the foregoing reasons, Facebook respectfully requests that LTI's motion to exclude the expert testimony of James Hughes and Kimberly Felix be denied.

Dated: May 27, 2010

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