

LEADER TECHNOLOGIES, INC., a Delaware corporation,

y.

FACEBOOK, INC., a Delaware corporation,

C. A. No. 08-862-JJF

PUBLIC VERSION

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I. INTRODUCTION

The arguments Facebook makes in its *Daubert* motions are wholly inappropriate for a *Daubert* motion. Facebook's overreaching theme is that if Facebook disagrees with an expert's opinion, the expert should not be allowed to testify at trial. The correct standard, however, is whether the expert has provided a proper opinion based on a reliable methodology. Even a cursory reading of the reports submitted by Leader's experts demonstrates that each of their opinions was reached after a meticulous review of the evidence. In fact, Facebook does not challenge the process the experts used in reaching their opinions, but only takes issue with the ultimate conclusion that they reached. Accordingly, Facebook's *Daubert* motion should be denied.

II. ARGUMENT

A. THE *DAUBERT* STANDARD FOR ADMISSIBILITY FOCUSES ON RELEVANCY AND RELIABILITY, NOT FACTUAL ISSUES IN DISPUTE

Expert testimony is designed to give the trier of fact the benefit of an expert's "scientific, technical, or other specialized knowledge" in order to help the trier of fact understand "the evidence or to determine a fact in issue." *See* Fed. R. Evid. 702. Expert testimony will be admitted if "(1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case." *McKesson Automation, Inc. v. Swisslog Holding AG*, C.A. No. 06-28-SLR-LPS, 2009 WL 3648455, at * 38 (D. Del. Oct. 30, 2009) quoting Fed. R. Evid. 702. Significantly, this Court has "a liberal policy of admissibility" for expert testimony. *Id.* (citation omitted); *see also Waldorf v. Shuta*, 142 F.3d 601, 625 (3d Cir. 1998) (holding that the liberal policy of admissibility of expert testimony "extends to the substantive as well as the formal qualification of experts") (quotation omitted).

**B. DR. VIGNA SHOULD BE ALLOWED TO TESTIFY REGARDING ALL
OPINIONS IN HIS EXPERT REPORT BECAUSE HE PROVIDES PROPER
OPINION SUPPORTED BY RELIABLE METHODOLOGY**

1. Summary of Argument

Facebook's *Daubert* motion does not take issue with Dr. Vigna's analysis, but rather his ultimate conclusion that Facebook infringes U.S. Patent No. 7,139,761 ("the '761 Patent"). Specifically, Facebook disagrees with Dr. Vigna's conclusion that the Facebook website satisfies the tracking limitation, infringes under the doctrine of equivalents, and infringes under a divided infringement theory. These arguments are not proper grounds for a *Daubert* motion, as they either challenge his ultimate opinion or the sufficiency of the evidence for his opinions. Furthermore, to support its arguments, Facebook often resorts to misrepresenting Dr. Vigna's expert report and deposition testimony, and even goes so far as to misrepresent what took place during a deposition. Facebook's choice to utilize such tactics is not only disappointing, but a reflection of the lack of support it has for its positions.

2. Statement of Facts

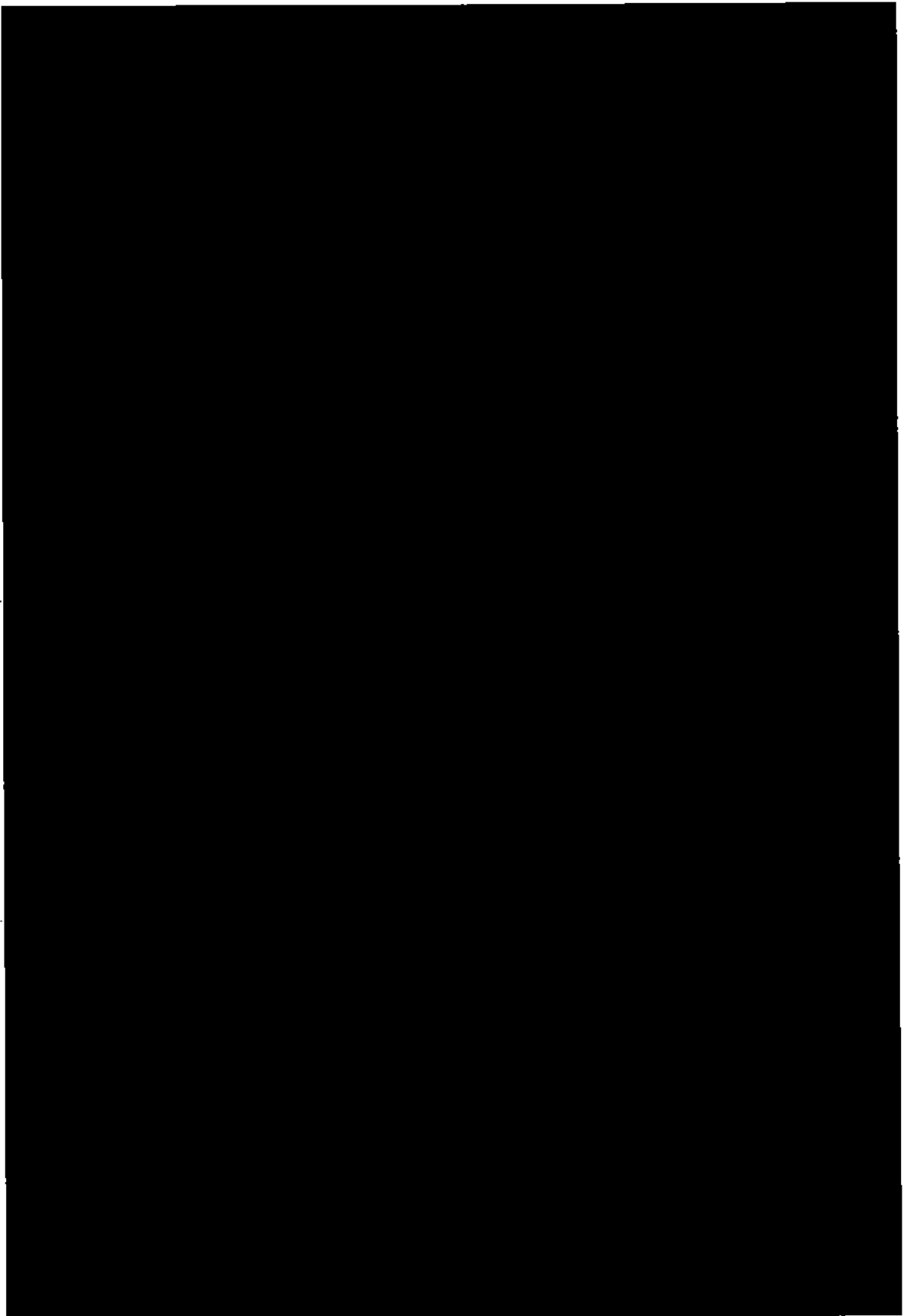
On April 8, 2010, Dr. Giovanni Vigna submitted his expert report detailing the reasons why Facebook infringes the '761 Patent. In his report, Dr. Vigna provided over 177 pages of analysis, which included a detailed explanation of each element of the asserted claims. For each claim element, Dr. Vigna explained how Facebook infringes literally or under the doctrine of equivalents. Moreover, for certain claims, Dr. Vigna provided additional analysis explaining why the claim elements are infringed both directly and indirectly.

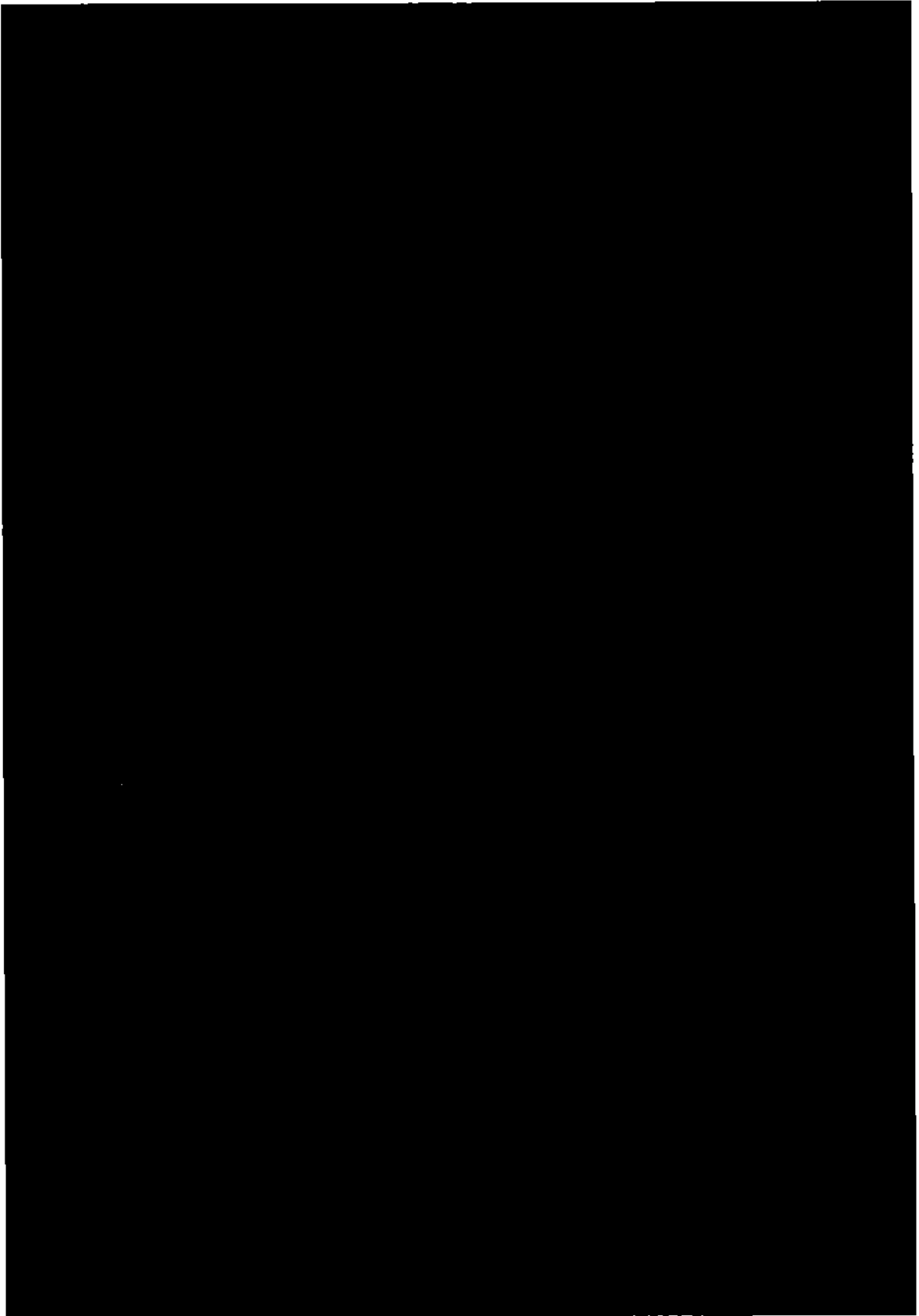
3. Facebook Disagrees with Dr. Vigna's Opinion that the Facebook Website Practices The Tracking Limitation Of the Asserted Claims and Ignores Significant Portions of Dr. Vigna's Expert Report

Facebook's argument regarding the infringement opinion of Dr. Vigna essentially boils down to whether (1) Dr. Vigna provided any analysis of a particular claim element and (2) whether Dr. Vigna used the Court's claim construction in his analysis. Facebook's argument that Dr. Vigna does not analyze the "critical claim element" is simply an argument that Dr. Vigna did not provide an analysis of the tracking limitation found in all the claims of the '761 Patent. Presumably, Facebook obfuscates its argument in this way because Dr. Vigna provides extensive analysis regarding how Facebook's website satisfies the tracking limitations of all the asserted claims. Facebook's argument that Dr. Vigna did not use the Court's claim construction is simply wrong and amounts to nothing more than an inappropriate rehash of its claim construction arguments. Because Dr. Vigna provides an exhaustive analysis of all of the elements of the asserted claims and uses the Court's claim construction in his analysis, Facebook's motion should be denied.

a. Dr. Vigna Provided a Thorough Element by Element Analysis of the Tracking Limitation

Dr. Vigna provided an extremely detailed analysis explaining that the Facebook website contains a tracking component and satisfies the tracking limitations. Facebook's argument that "Dr. Vigna has failed to include analysis addressing at least one critical claim element," namely a tracking component or tracking limitation, is simply incorrect. Memorandum in Support of Facebook, Inc.'s *Daubert* Motions ("FB Mot.") at 2. Dr. Vigna provides pages upon pages of analysis of the tracking features embedded in the Facebook architecture. For example, with regard to the tracking component of Claim 1, for only the first set of uses cases, Dr. Vigna provides the following analysis:

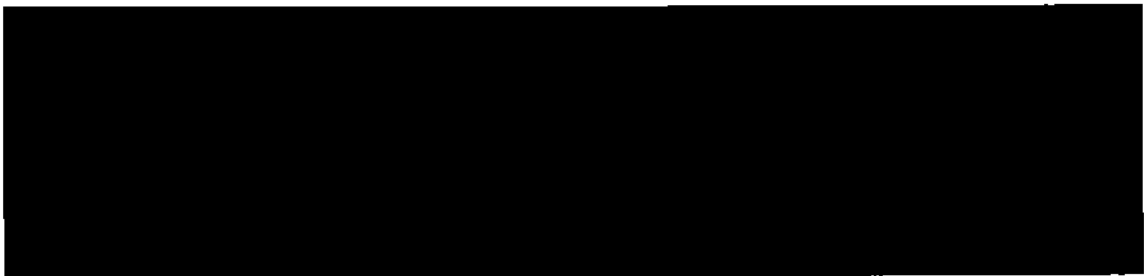






D.I. 413, Ex. 1 at ¶¶ 90-94. Dr. Vigna's analysis with regard to the tracking component of Claim 1 carries on for another 8 pages and describes the remaining use cases. Dr. Vigna's report then goes on to provide the same type of element by element infringement analysis for the rest of the asserted claims. *See id.* at ¶¶ 61-359. Therefore, Facebook's complaint about missing elements is without merit.

Apart from Facebook's incorrect allegation that Dr. Vigna does not discuss the tracking limitation, Facebook argues that Dr. Vigna does not discuss tracking user movement or dynamically updating metadata. FB Mot. at 4-5. This is also false. For example, with reference to paragraph 91 reproduced above, Dr. Vigna provides the following opinion that Facebook contains a tracking component which tracks a user as the user moves from one context to another:



D.I. 413, Ex. 1 at ¶ 91.

Dr. Vigna follows this statement with a detailed summary of the source code of the backend components. With regard to the dynamic update of metadata, Dr. Vigna uses the following example of a database query which updates the stored metadata:

[REDACTED]

Id. at ¶ 93. A similar analysis is found throughout Dr. Vigna's report for all of the identified use cases. *Id.* at ¶¶ 61-359. Additionally, comparable analysis which thoroughly addressed the tracking limitations of the remaining claims was also disclosed in Dr. Vigna's report. *See, e.g., id.* at ¶¶ 171-207, 251-274, 317-332. Thus, Facebook's assertion that Dr. Vigna does not discuss tracking user movement or dynamically updating metadata rings hollow. Of course, if Facebook disagrees with Dr. Vigna's opinion that the Facebook website contains a tracking component, it may cross-examine Dr. Vigna. Mere disagreement with his opinion, however, is not an appropriate ground for a *Daubert* motion. *See Inline Connection Corp. v. AOL Time Warner Inc.*, 470 F. Supp. 2d 435, 439 (D. Del. 2007) (holding "[a] court should not consider the strength or weakness of the basis of an expert's testimony, because [rule] 705, together with rule 703, places the burden of exploring the facts and assumptions underlying the testimony of an expert witness on opposing counsel during cross-examination." (internal quotation omitted)).

With no evidence to support its position, Facebook resorts to mischaracterizing Dr. Vigna's deposition testimony. In its motion, Facebook quotes an excerpt from Dr. Vigna's deposition and then concludes that he has no opinion regarding the update of metadata. FB Mot. at 5-6. First, this is not true as evidenced above with the excerpts from Dr. Vigna's expert report. Second, the questions asked of Dr. Vigna during his deposition, which Facebook reproduced in its motion, did not make any sense (which is probably why Dr. Vigna was having a difficult time understanding them). For example, the question asked by Facebook's counsel requested information about [REDACTED] *Id.* at 6. This

question is not only technically imprecise, it is referring to a hypothetical limitation which is completely absent from the claim. The pattern continues as many of the questions that Facebook cites from Dr. Vigna's deposition are hypothetical questions which are completely outside the scope of Dr. Vigna's report. With the appropriate background and knowing that the questions were outside the scope of Dr. Vigna's opinion, it becomes apparent why Dr. Vigna asked for the source code to provide a sensible answer to Facebook's questions.

b. Dr. Vigna Properly Used the Court's Claim Construction

Subsumed in its argument that Dr. Vigna does not discuss the tracking limitations in his expert report, Facebook incorrectly suggests that Dr. Vigna did not rely upon the Court's claim construction. This, again, is in direct contradiction to his expert report. Indeed, Dr. Vigna's report properly used every claim term as dictated by this Court's claim construction order. For example, paragraph 16 of Dr. Vigna's report states, "[f]or the purposes of this report, I am using the following definitions for terms in the claims of the '761 Patent, *as provided by the Court in this litigation.*" D.I. 413, Ex. 1 at ¶ 16 (emphasis added). Dr. Vigna even provides a chart of the claim constructions he used, which are identical to the Court's claim construction. *Id.* Thus, Facebook's argument that Dr. Vigna did not use the appropriate claim construction falls flat.

Furthermore, Facebook's attempt to obtain claim construction testimony from Dr. Vigna is inappropriate. In its motion, Facebook criticizes Dr. Vigna for not providing support for a purported claim construction interpretation. Namely, Facebook argues that Dr. Vigna did not provide any claim construction evidence for the term "wherein." To be clear, Dr. Vigna is not providing any type of claim construction interpretation for any of the terms. Instead, Dr. Vigna is applying the Court's construction for the terms that were construed and the plain and ordinary meaning for the remaining terms. Thus, Facebook's attack of Dr. Vigna's lack of claim

construction evidence is completely misplaced. Because it is not appropriate for Dr. Vigna to offer claim construction testimony, it is equally not appropriate for him to provide evidence of claim construction in his expert report as Facebook suggests. Accordingly, Facebook's motion should be denied.

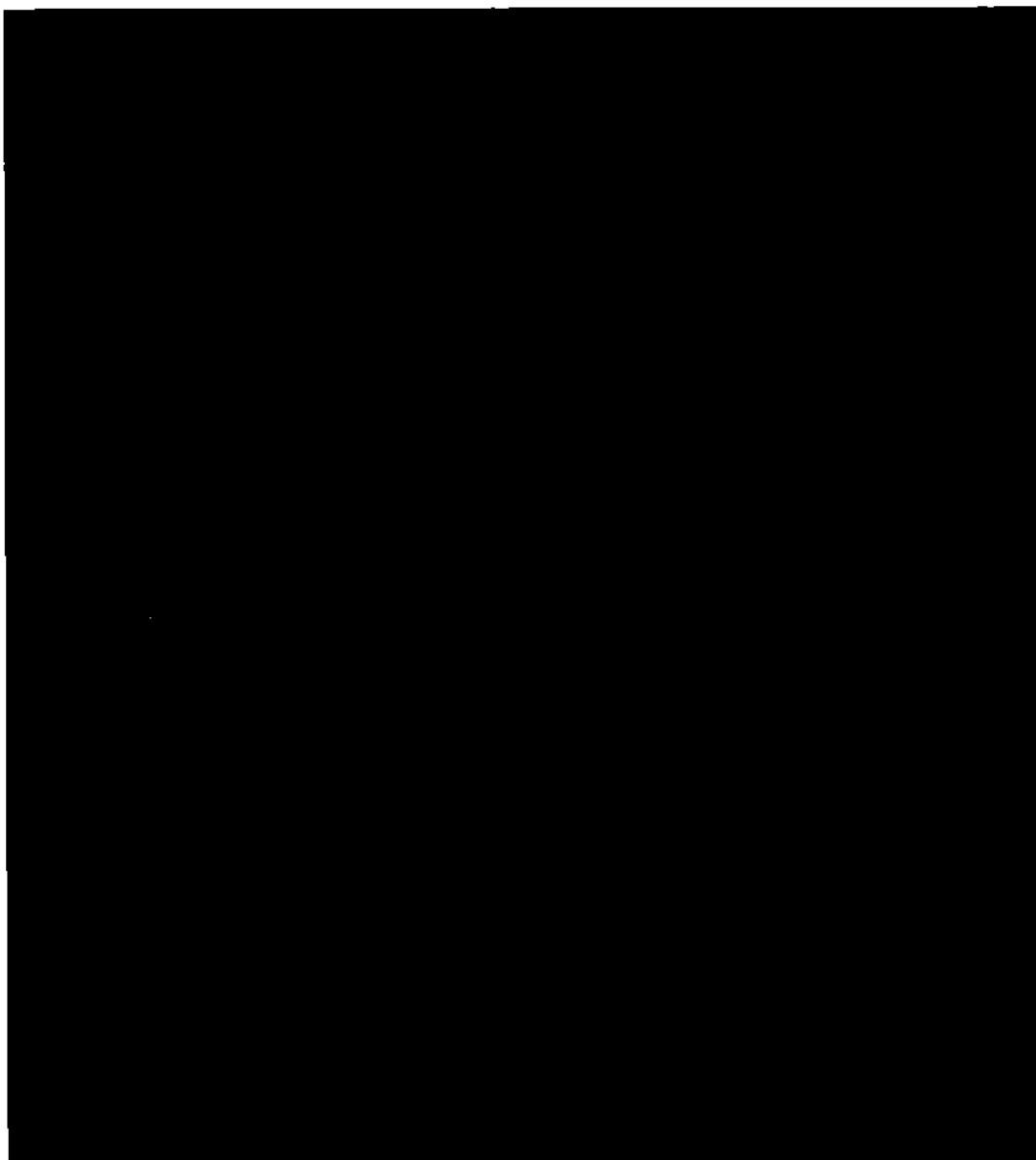
As shown, Facebook's *Daubert* motion never questions Dr. Vigna's technical knowledge of Facebook's website. Instead, each of Facebook's complaints merely target the *sufficiency* of Dr. Vigna's factual support to justify his conclusion of infringement. Because "[t]he analysis of the conclusions themselves is for the trier of fact when the expert is subjected to cross-examination," Facebook's *Daubert* motion should be denied. *Kannankeril v. Terminix Int'l, Inc.*, 128 F.3d 802, 806-09 (3d Cir. 1997) (reversing exclusion of expert based on "insufficient factual foundation" and cautioning that the "trial judge must be careful not to mistake credibility questions for admissibility questions")(citation omitted); *Inline Connection Corp.*, 470 F. Supp. 2d at 439.

4. Facebook Simply Ignores Dr. Vigna's Doctrine of Equivalents Analysis Disclosed in His Expert Report.

Facebook's *Daubert* motion regarding Dr. Vigna's opinion on the doctrine of equivalents is essentially a duplicate of its Motion *in Limine* No. 2. For the same reasons articulated in Leader's Opposition to Facebook's Motion *in Limine* No. 2, Facebook's *Daubert* motion should be denied. As in its Motion *in Limine*, Facebook's primary complaint is that Dr. Vigna does not provide an element-by-element analysis of the doctrine of equivalents. However, as detailed below, Facebook's arguments are flawed as they plainly ignore the majority of Dr. Vigna's report and mischaracterize Dr. Vigna's deposition testimony.

The premise of Facebook's flawed argument is that Dr. Vigna does not provide an element-by-element analysis, including particularized testimony or linking argument, with

respect to the asserted claims. *See* FB Mot. at 7. This is untrue. Dr. Vigna's report provided particularized testimony to show that Facebook infringes each limitation of each asserted claim of the '761 Patent under the doctrine of equivalents. For example, paragraphs 86-89 of Dr. Vigna's report clearly provided "particularized" analysis, linking the first element of claim 1 of the '761 Patent to elements of the Facebook website¹:



¹ Notably, Facebook's argument omits any reference to paragraphs 86-89 in its representation of Dr. Vigna's doctrine of equivalents analysis.

[REDACTED]

D.I. 413, Ex. 1 at ¶¶ 86-89.

Dr. Vigna's report goes on to provide "particularized" doctrine of equivalents analysis that links each limitation of each asserted claim of the '761 Patent to elements of the Facebook's website. *See id.* at ¶¶ 104-107, 118, 127, 152-155, 167-170, 178-181, 193-196, 207, 211, 232-235, 247-250, 258-261, 271-274, 291, 313-316, 329-332, 344, 348, and 359.² Notably, each of the holdings in the case law relied upon by Facebook are inapposite because, unlike the detailed infringement analysis provided by Dr. Vigna, the patentees in those cases failed to provide any particularized testimony to show infringement under the doctrine of equivalents.³

To determine equivalence under the doctrine of equivalents, courts regularly apply the "function-way-result" test. The Federal Circuit dictates that under the "function-way-result" test one considers whether an element of the accused product at issue "performs substantially the same function, in substantially the same way, to achieve substantially the same result as the

² Again, Facebook misrepresents Dr. Vigna's doctrine of equivalents analysis as it completely ignores paragraphs 118, 127, 152-155, 167-170, 178-181, 196, 207, 211, 232-235, 247-250, 258-261, 291, 313-316, 344, 348, and 359 of Dr. Vigna's report.

³ *See, e.g., Motionless Keyboard Co. v. Microsoft Corp.*, 486 F.3d 1376, 1383 (Fed. Cir. 2007) ("[Patentee] did not provide any particularized testimony to show infringement under the doctrine of equivalents...."); *see also Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568 (Fed. Cir. 1996) ("[t]here [was] no discussion of whether or how the way the die pad operates [was] similar to the patent claim, nor [was] there any particularized testimony explaining *why* the function and result [were] the same, especially with respect to the conductive function of the conductor in the patent.")(quotation omitted); *see also DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1334 (Fed. Cir. 2001) (Patentee merely presented analysis of a "hypothetical claim" under doctrine of equivalence.); *see also PC Connector Solutions LLC v. SmartDisk Corp.*, 406 F.3d 1359, 1362 (Fed. Cir. 2005) (In this case, the defendant charged that patentee was "fatally deficient for failing to include an analysis under the doctrine of equivalents."); *see also Hewlett-Packard Co. v. Mustek Sys., Inc.*, 340 F.3d 1314, 1322 (Fed. Cir. 2003) ("The only evidence to which [patentee] points to on the issue of equivalents was provided, in its entirety," by the deposition testimony of its expert, who merely answered "yes" to whether he performed a doctrine of equivalence analysis).

limitation at issue in the claim.”⁴ See *Dawn Equipment Co. v. Kentucky Farms Inc.*, 140 F.3d 1009, 1016 (1998). This is precisely how Dr. Vigna conducted his doctrine of equivalents infringement analysis of the Facebook website. See D.I. 413, Ex. 1 at ¶¶ 86- 89, 104-107, 118, 127, 152-155, 167-170, 178-181, 193-196, 207, 211, 232-235, 247-250, 258-261, 271-274, 291, 313-316, 329-332, 344, 348, and 359. Thus, Leader has demonstrated “the substantiality of the differences” between the claims and the accused product or processes with its analysis of the “function, way, result test,” which according to Facebook is sufficient. See FB Mot. at 8 (“One way to show the ‘the substantiality of the differences’ is to employ the ‘function, way, result’ test.”).

Facebook attempts to create new law by arguing that, in addition to the “function, way, result” test, “precise ‘differences’ between the claim elements and the accused devices” must be identified and analyzed for a doctrine of equivalents analysis. *Id.* This is not the law and Facebook does not even attempt to cite case law to support such an argument. As Dr. Vigna provided appropriate analysis under the “function, way, result test,” no further analysis is required.

Because Facebook had no basis for its motion, Facebook made the desperate assertion that Leader’s counsel, Mr. Hannah, moved to strike the testimony of Dr. Vigna because his answers were not responsive. FB Mot. at 10-11. This is false, and frankly, Leader is surprised that Facebook made this argument in its motion. It is clear from the record of Dr. Vigna’s deposition, Dr. Vigna mistakenly said [REDACTED] instead of [REDACTED] when referring to the ‘761 Patent. FB Mot. at 10 (citing Vigna Depo. at 223:24-227:15). After the laughter subsided, Mr. Hannah

⁴ Notably, the application of the “function-way-result” test is treated as a question of fact for the jury to decide. See *Hilton Davis Chemical Co. v. Warner-Jenkinson Co., Inc.*, 62 F.3d 1512 (Fed. Cir. 1995), 1520-22 (stating that infringement under the doctrine of equivalents is a question of fact for the jury at trial); see also *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950) (“A finding of equivalence is a determination of fact.”).

moved to strike the answer so that his answer mistakenly referring to [REDACTED] rather than [REDACTED] would not be used inappropriately during trial. It speaks volumes that Facebook would resort to such tactics and accentuates the fact that Facebook has no basis for its motion.

5. Facebook's Complaint About Dr. Vigna's "Divided Infringement" Opinion Ignores the Majority His Report.

Facebook's complaint about Dr. Vigna's conclusions regarding divided infringement is flawed as Facebook plainly ignores the majority of Dr. Vigna's report and mischaracterizes Dr. Vigna's deposition testimony.⁵ The crux of Facebook's flawed argument is its subjective belief that:

[REDACTED]

FB Mot. at 11 (emphasis added).

Because of Facebook's subjective belief that "Dr. Vigna's report contains nothing but a conclusory and unsubstantiated statement," Facebook concludes that Dr. Vigna did not identify "any facts, whatsoever, to support his opinion that Facebook exercised direction or control over third parties." *Id.* at 12. Facebook simply ignores what is contained in Dr. Vigna's report. Over twenty paragraphs of Dr. Vigna's 177 page report address divided infringement. *See, e.g., D.I. 413, Ex. 1 at ¶¶ 131-151.*

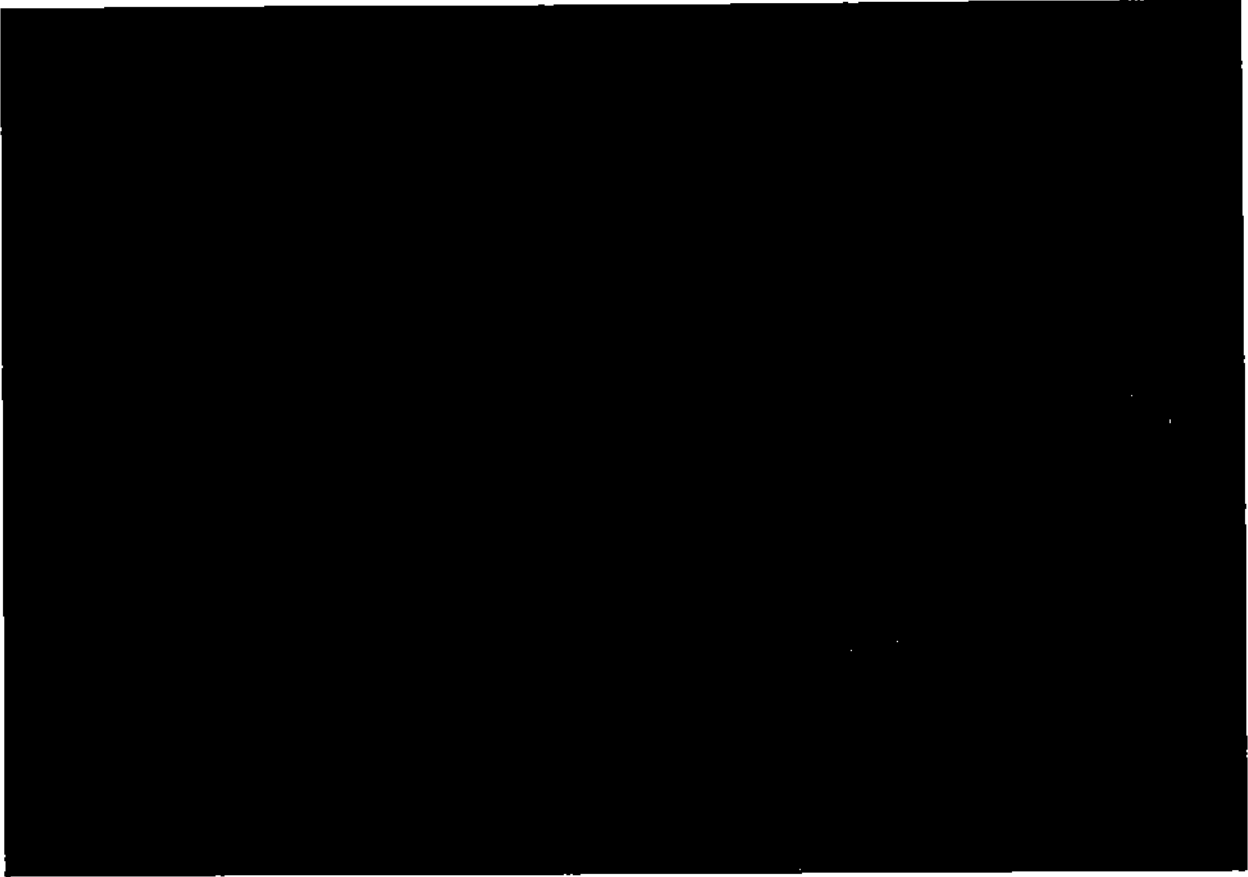
These twenty paragraphs contain dozens of references to illustrative screenshots and technical documents which provide more than enough factual basis for Dr. Vigna's conclusion.

⁵ Notably, Facebook's complaint regarding Dr. Vigna's opinion relies on numerous misstatements of fact and law. For example, contrary to Facebook's baseless assertion, Leader's infringement theory does not [REDACTED]

For example, Dr. Vigna's report discusses LTI-157151-61, which is [REDACTED]
[REDACTED] D.I. 413, Ex. 1 at ¶¶ 43, 52, 60, 73, 80, 85, 94, 99,
103, 114, 115, 117, 121, 123, 126, 142, 147, 151, 160, 164, 166, 173, 175, 177, 185, 189, 192,
200, 203, 206, 210, 214, 222, 227, 231, 240, 244, 246, 253, 255, 257, 265, 267, 270, 280, 285,
290, 301, 308, 312, 320, 324, 328, 336, 338, 343, 347, 354, and 358; *see also* Declaration of
Michael Lee in Support of Leader Technologies, Inc.'s Opposition to Facebook, Inc.'s *Daubert*
Motions to Exclude Testimony of Leader's Experts Giovanni Vigna, James Herbsleb and Russell
Parr ("Lee Decl.") Exs. 1 and 2. On its face, Facebook admits that the [REDACTED]
[REDACTED]

Indeed, the first sentence of this document explicitly states that it is an "agreement." Lee Decl.,
Ex. 1 at LTI 157155. [REDACTED]
[REDACTED]
[REDACTED]

Id. at LTI 157155 (emphasis added).
[REDACTED]
[REDACTED]
[REDACTED]



Id. at 157155. There is no dispute that Dr. Vigna reviewed this document and relied upon it in his expert report. See D.I. 413, Ex. 1 at ¶¶ 43, 52, 60, 73, 80, 85, 94, 99, 103, 114, 115, 117, 121, 123, 126, 142, 147, 151, 160, 164, 166, 173, 175, 177, 185, 189, 192, 200, 203, 206, 210, 214, 222, 227, 231, 240, 244, 246, 253, 255, 257, 265, 267, 270, 280, 285, 290, 301, 308, 312, 320, 324, 328, 336, 338, 343, 347, 354, and 358. Facebook's claim as to whether this is sufficient evidence to support Leader's direct infringement claims, however, is a question for the jury, not an issue for a *Daubert* motion.

Facebook also mischaracterizes Dr. Vigna's deposition testimony. Most notably, Facebook can only provide quotes of its own deposition questions to support its argument that Dr. Vigna's deposition testimony was non-responsive. Rather than providing any quotes of Dr. Vigna's actual answers to these questions, Facebook's argument relies on mischaracterizing Dr.

Vigna's answers as "simply quoting nonresponsive statement from his expert report." FB Mot. at 12. Facebook's imprecise and objectionable questions regarding [REDACTED] were attempts to improperly elicit legal conclusions. As can be seen from the excerpt below, Facebook's questions were improper and unclear:

[REDACTED]

D.I. 413, Ex. 4 at 208:15-209:6.

Given the legal conclusion Facebook was asking Dr. Vigna to testify about, Dr. Vigna's requested clarification of what Facebook actually meant by [REDACTED] In response to Dr. Vigna's request for clarification, however, Facebook misstated the law, claiming that it required a [REDACTED]

[REDACTED]

[REDACTED]

Id. at 213:21-214:12 (emphasis added). No court has ever required a technical expert to give legal conclusions about whether a [REDACTED]⁶ Certainly, Facebook does not cite to such a case. There is nothing in Dr. Vigna's deposition testimony that suggests that he did not have evidence to support the [REDACTED] aspect of his opinion. In any case, Facebook's arguments regarding divided infringement merely question the sufficiency of the evidence, not the methodology that Dr. Vigna used and therefore is not an appropriate *Daubert* challenge. The bottom line is that Dr. Vigna identified sufficient evidence to support his opinion. For these reasons, Facebook's motion should be denied.

C. DR. HERBSLEB'S EXPERT OPINIONS ARE ADMISSIBLE UNDER *DAUBERT*

1. Summary of Argument

Facebook's motion fails to state a legally sufficient basis for excluding any of Dr. Herbsleb's expert opinions regarding the validity of the '761 Patent under *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579 (1993). As Facebook itself recognizes, Fed. R. Evid. 702 and *Daubert* require that (1) the expert be qualified to testify competently; (2) the expert reach his or her conclusions employing a reliable methodology; and (3) the testimony assists the trier of fact to understand the evidence or determine a fact through application of expertise. *See* FB Mot. at 1; *see also Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 141-42 (1999). Facebook's motion does not attack Dr. Herbsleb's qualifications as an expert, the reliability of Dr. Herbsleb's methodology, or the assistive value of his testimony to the Court and the jury.

⁶ Facebook's attempts to cite the Southern District of Florida case, *Global Patent Holdings LLC v. Panthers BRHC LLC*, to perpetuate this incorrect statement of law because Global Patent Holdings did not require a contract.

By ignoring the bulk of Dr. Herbsleb's opinions disclosed in his expert report and only addressing small portions,⁷ Facebook's motion is based on arguments directed toward issues of cross-examination and its disagreement with Dr. Herbsleb's conclusions, as opposed to appropriate *Daubert* issues. Facebook's motion should be denied as it is based on grounds that are legally incorrect and not relevant to the analysis of an expert's reliability under *Daubert*.

2. Statement of Facts

Dr. James Herbsleb submitted an extensive rebuttal expert report on a myriad of technical issues relating to the validity and enforceability of the '761 Patent in response to Facebook's experts, Dr. Saul Greenberg's ("Greenberg Report") and James P. Hughes' ("Hughes Report") expert reports. Dr. Herbsleb's report contains, among other things, [REDACTED]

Specifically, Dr. Herbsleb's analysis details why [REDACTED]

[REDACTED] D.I. 413, Ex. 3, Herbsleb Report at ¶¶ 83-319.

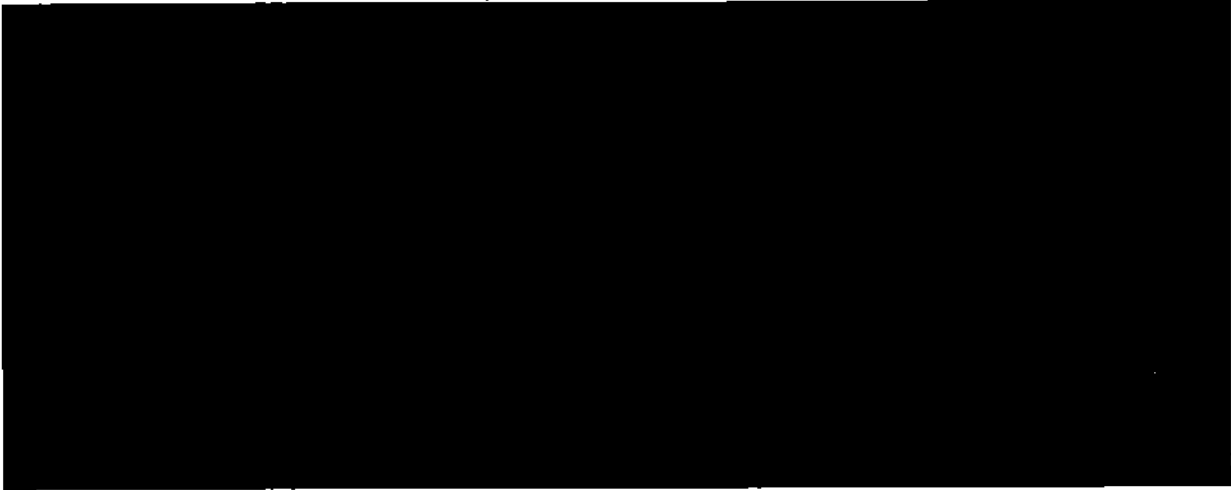
3. Reliable Experimental Results were Properly Included in Dr. Herbsleb's Report

Dr. Herbsleb's report contains a [REDACTED]


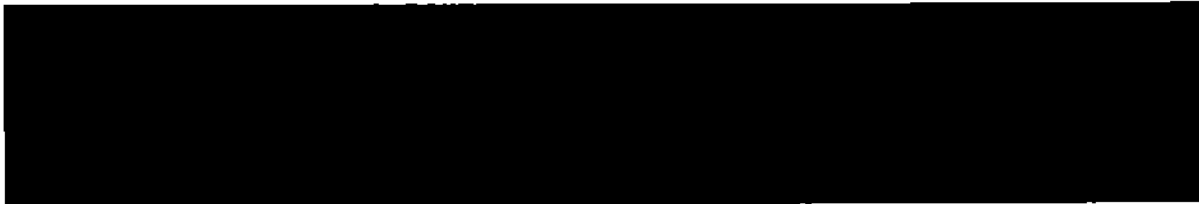
[REDACTED] See D.I. 413, Ex. 3, Herbsleb Report at ¶¶ 33-

55. In addition to providing his own analysis, which Facebook does not address, Dr. Herbsleb

⁷ Facebook's motion addresses approximately 35 paragraphs of Dr. Herbsleb's 330 paragraph expert report. Presumably, Facebook does not object to the methodology or assistive value of the 90% of Dr. Herbsleb's report to which it did not object. See FB Mot at 13-25; D.I. 413, Ex. 3, Disclosure of Expert Testimony for James Herbsleb, PhD Pursuant to Fed. R. Civ. P. 26(a)(2) ("Herbsleb Report") at ¶¶ 30-32, 36, 37, 56-72, 83, 320-330.



As an initial matter, it is common and appropriate for expert witnesses to perform experiments, and to interpret experiments performed by others, as part of the preparation of an expert opinion in patent litigation. The Federal Circuit has broadly held that such experiments and experimental analysis can form the basis for an expert's opinion. See *Liquid Dynamics Corp. v. Vaughn Co., Inc.*, 449 F.3d 1209, 1220-21 (experimental results and testimony allowed over *Daubert* challenge which went to the weight, rather than the admissibility of experimental results), *Adang v. Fischhoff*, 286 F.3d 1346 (Fed. Cir. 2002) (upholding finding that expert's testimony and experimental evidence was relevant and credible).



D.I. 413, Ex. 3, Herbsleb Report at Ex. C. Dr. Herbsleb explained in his deposition that this "pseudo code" is code that, while not entirely syntactically correct, represents source code. *Id.*, Ex. 6 at 74:16-18. This code is analogous to a blueprint for a computer program, which any programmer could easily convert into an operational computer program with minimal effort.

Despite Facebook's argument to the contrary, [REDACTED]

[REDACTED] Dr. Herbsleb defined this standard as "someone with a bachelor's degree *or higher* in computer science and/or several years of experience in the computer industry." D.I. 413, Ex. 3, Herbsleb Report at ¶ 11 (emphasis added). [REDACTED]

[REDACTED]

[REDACTED] In fact, Facebook's expert, Dr. Kearns, agrees with Dr. Herbsleb that one of ordinary skill in the art would possess "at least a Bachelor's Degree in Computer Science" and "at least two years of practical experience in software design and development." See Lee Decl., Ex. 7, Kearns Report at ¶ 27. The parties' experts therefore agree that one of ordinary skill in the art can possess education beyond just a bachelor's degree and Dr. Cataldo fits well within the parties' definition of who is one of ordinary skill in the art.

Facebook's remaining argument regarding [REDACTED]

[REDACTED]

ordinary skill in the art of computer science would be able to recreate the Facebook website by observing a user's interaction with the site.

Facebook's second assertion is simply false. [REDACTED]

[REDACTED]

[REDACTED]

D.I. 413, Ex. 6 at 223:23-224:8. [REDACTED]

[REDACTED]

Based on the above, Facebook has no legitimate *Daubert* challenge to Dr. Herbsleb's opinions regarding [REDACTED] and, accordingly, the Court should allow Dr. Herbsleb's testimony on this point.

4. Dr. Herbsleb Correctly Analyzed Dr. Greenberg's Cumulative References

Facebook cannot reasonably claim that Dr. Herbsleb failed to properly analyze the '538 Patent, '179 Patent, '575 Patent, and the iManage manual. As an initial matter, Facebook's motion completely ignores the exhaustive, element-by-element analysis of these references performed by Dr. Herbsleb. *See id.*, Ex. 3, Herbsleb Report at ¶¶ 84-185. Instead, Facebook focuses on Dr. Herbsleb's introductory remarks, in which he describes how the '538 Patent, '179 Patent, '575 Patent, and the iManage manual are duplicative of the references considered by the

PTO during prosecution of the '761 Patent. *See id.* at ¶¶ 56-72. Dr. Herbsleb opines, quite correctly, that these references discuss well-known prior art techniques that are distinctly different from, and do not disclose all elements of, the invention embodied in the claims of the '761 Patent. *Id.* In this section, Dr. Herbsleb uses his technical expertise to explain both the differences between the references and the '761 Patent, and the similarities between the references cited by Dr. Greenberg and references cited during prosecution of the '761 Patent. *Id.* This 5 page section of Dr. Herbsleb's report merely provides background and context for the following 40 page substantive analysis and is appropriate for supporting his opinions with respect to the validity of the '761 Patent.

Facebook seizes on Dr. Herbsleb's use of the word "cumulative" in an attempt to argue that Dr. Herbsleb is somehow addressing inequitable conduct issues in this section of his report. FB Mot. at 17-18. Facebook's argument is nothing more than an attempt to misread Dr. Herbsleb's analysis in an attempt to manufacture a *Daubert* objection. There is no question that Dr. Herbsleb's analysis of these references is directed to rebutting the sections of Dr. Greenberg's Report entitled "Anticipation and Obviousness" that (unsurprisingly) deals with Facebook's allegations of anticipation and obviousness. The fact that Dr. Herbsleb used the word "cumulative" in this section does not affect the reliability of his analysis and does not preclude admission of this evidence on *Daubert* grounds. Accordingly, this portion of Dr. Herbsleb's report should be allowed into evidence.

5. Dr. Herbsleb Provided Appropriate Technical Expert Analysis Regarding The Corroborating Evidence of Conception of the '761 Patent

Facebook's Motion, continuing a trend, again attempts to manufacture a *Daubert* issue by improperly confusing several different areas of patent law in addressing the portion of Dr. Herbsleb's report that concerns corroborating evidence for the conception date of the '761

Patent. See D.I. 413, Ex. 3, Herbsleb Report at ¶¶ 30-32. In this section, Dr. Herbsleb stated that he reviewed several documents offered by the '761 Patent inventors and that, in Dr. Herbsleb's expert opinion, these documents corroborate the inventors' testimony regarding conception of the invention embodied in the '761 Patent from a technical perspective. *Id.* To be clear, this portion of Dr. Herbsleb's report addressed the technical sufficiency of the corroboration evidence only - it did not supply an independent evaluation of the conception date to the '761 Patent.

Facebook, nonetheless, appears to be arguing that Dr. Herbsleb cannot provide an opinion regarding whether certain documents are corroborating evidence because Dr. Herbsleb can not testify regarding how conception included every feature and limitation of the claim invention. FB Mot. at 19. Wholly apart from the fact that Dr. Herbsleb is not being offered to give an opinion about conception, Facebook can only make such a contorted argument by confusing the law of *corroborating evidence* with the law of *conception*. See *id.* at 18-21. Since Leader is seeking to prove conception based on an inventor's oral testimony, all it must do is proffer evidence corroborating that testimony of conception, which it has done. See *Proctor & Gamble Co. v. Teva Pharms. USA, Inc.*, 566 F.3d 989, 999 (Fed. Cir. 2009). Contrary to Facebook's claim, there is no law requiring *corroborating evidence* to disclose each and every feature or limitation of the claimed invention. Indeed, Facebook does not cite or rely upon any such law and only cites to law regarding *conception*. In deposition, Dr. Herbsleb correctly noted that corroborating evidence is evidence [REDACTED]

[REDACTED] D.I. 413, Ex. 6 at 56:14-20.

⁸ Facebook cites to Dr. Herbsleb's deposition testimony, during which Facebook asked imprecise questions requiring legal conclusions about patent law, which Leader correctly objected to during the deposition. Dr. Herbsleb has never held himself out to be a patent law

Facebook then compounds its legal errors by asserting that Dr. Herbsleb's report is itself corroborating evidence. *See* FB Mot. at 19 ("Dr. Herbsleb's report and testimony . . . falls short of such corroborating evidence."). This statement shows the depth of Facebook's confusion in this area of patent law. Dr. Herbsleb's opinion is not itself corroborating evidence -- it is an expert's analysis of the corroborating evidence contained in LTI_012960-12988. The corroborating evidence supports the inventor's oral testimony regarding conception, and it is this oral testimony that is the primary evidence for conception of the invention embodied in the '761 Patent. To the extent Facebook's motion challenges the sufficiency of the corroborating evidence, this is an issue for the jury to decide or one to be explored on cross-examination, as opposed in a *Daubert* motion. For these reasons, Facebook's motion should be denied.

6. Dr. Herbsleb Correctly Analyzed Dr. Greenberg's Erroneous Treatment of Incorporation by Reference

Dr. Herbsleb's report contains a section addressing Dr. Greenberg's incorrect assumptions regarding the sufficiency of an incorporation by reference under 35 U.S.C. § 102(b). *See* D.I. 413, Ex. 3, Herbsleb Report at ¶ 83; Lee Decl., Ex. 3, Greenberg Report at ¶¶ 44-46, 54-56, 60-63. In essence, Dr. Greenberg incorrectly stated that [REDACTED]

[REDACTED] Lee Decl., Ex. 3, Greenberg Report at ¶ 44. This is an incorrect statement of law. Dr. Herbsleb's report correctly noted that [REDACTED]

[REDACTED]

expert and such questions only demonstrate Facebook's misunderstanding regarding the substance of Dr. Herbsleb's opinion and the law regarding corroborating evidence.

Furthermore, Dr. Herbsleb noted that the [REDACTED]

[REDACTED] *Id.* Dr. Herbsleb provided an expert opinion on this last point - he states that the [REDACTED]

[REDACTED]

Here, Facebook again confuses two areas of case law, namely the law governing incorporating by reference *during examination* of a patent and law governing incorporation by reference *as an anticipatory reference*. For example, Facebook's confusion is apparent from its heavily reliance upon the Harari decision, which involved the standard for incorporation by reference under the written description requirement of 35 U.S.C. § 112, and not the standard required for an anticipatory reference. *See Harari v. Hollmer*, 602 F.3d 1348, 1350 (Fed. Cir. 2010). Case law on the requirements for incorporation by reference for anticipation purposes is quite clear -- "[t]o incorporate material by reference, the host document must identify with detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents." *Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1282-83 (Fed. Cir. 2000)(citations omitted).⁹ One-sentence references to a second document, similar to those relied upon by Dr. Greenberg to support claims of incorporation by reference, have been found legally insufficient to incorporate material into the host document. *Id.* (citing *In re Lund*, 376 F.2d 982, 989 (C.C.P.A. 1967)).

⁹ It is worth noting that Facebook's Motion cites to the same page of the *Advanced Display Sys.* case, yet Facebook's apparently overlooked this quote and the accompanying discussion.

“Further, the standard of one reasonably skilled in the art should be used to determine whether the host document describes the material to be incorporated by reference with sufficient particularity.” *Advanced Display Sys.*, 212 F.3d at 1282. Dr. Herbsleb provided an entirely proper opinion as a technical expert, stating that [REDACTED]

[REDACTED] As such, the references should not be considered incorporated and Dr. Herbsleb’s expert opinion in this regard should be permitted.

7. Dr. Herbsleb’s Rebuttal Analysis of the Hughes’ Expert Report Will Help the Jury Determine an Issue of Disputed Fact

It is worth noting as an initial matter that inequitable conduct is not currently a claim at issue in this case. Facebook, nonetheless, submitted the expert report of James P. Hughes to support a claim of inequitable conduct. Mr. Hughes is not one of ordinary skill in the art under either Leader’s or Facebook’s formulation of the standard and is therefore not an individual that Facebook itself considers competent to comprehend the meaning of the ‘761 Patent or the alleged prior art. *See* D.I. 413, Ex. 3, Herbsleb Report at ¶ 11; Lee Decl., Ex. 3, Greenberg report at ¶ 40; Lee Decl., Ex. 4, Hughes Report at 2-3 (Mr. Hughes has no education or work experience in computer science); *see also, e.g.*, D.I. 426.

Undeterred by his lack of subject matter knowledge, Mr. Hughes submitted an expert report including a technical analysis of the ‘761 Patent claims and several allegedly material references. *See* Lee Decl., Ex. 4, Hughes Report at 9-14. In response, Dr. Herbsleb’s report pointed out numerous technical errors in Mr. Hughes’ analysis of the references, discussed the technology embodied in these references, and properly noted the significant differences between the references and claims of the ‘761 Patent. *See* D.I. 413, Ex. 3, Herbsleb Report at ¶¶ 320-330.

Each of these opinions is well within Dr. Herbsleb's area of technical expertise and, as such, should be permitted under *Daubert*.

8 Dr. Herbsleb Addressed Factually the Patent Office's Consideration of the '761 Patent

Dr. Herbsleb's report identified several indications where the PTO considered the priority date of the '761 Patent to be based on the Provisional Application. *See id.* at ¶ 36. These indications include the presence of the Provisional Application's filing date on the face of the '761 Patent and the fact that all of the prior art cited by the PTO during prosecution of the '761 Patent were filed or published prior to the filing date of the Provisional Application. *Id.* Dr. Herbsleb stated that [REDACTED]

[REDACTED] *Id.* Dr. Herbsleb is not being offered to testify regarding Patent Office procedures, which Facebook appears to suggest as it cited to its questions to Dr. Herbsleb about such procedures. Contrary to Facebook's accusation that Dr. Herbsleb's opinion is based on "blind speculation," his opinion is based on numerous facts from the prosecution history of the '761 Patent and from the '761 Patent itself, as well as other evidence that Dr. Herbsleb disclosed throughout his report. *See* FB Mot. at 24-25. As such, his opinion is sufficiently based on numerous facts and is therefore admissible.

C. MR. PARR'S EXPERT OPINIONS ARE ADMISSIBLE UNDER *DAUBERT*

1. Summary of Argument

Leader opposes Facebook's motion to preclude the testimony of Leader's proposed expert witness regarding damages, Russell L. Parr. Facebook's Motion is based chiefly on the arguments that Mr. Parr improperly employed the entire market value rule, considered the 25% Rule of Thumb, and did not consider any non-infringing alternatives. Facebook's motion shows

a remarkable lack of self awareness because Facebook's own damages expert, Christopher J. Bokhart, also relied upon the entire market rule and considered the 25% Rule of Thumb in his opinion. In addition to the fact that Mr. Bokhart conducted a similar analysis to Mr. Parr's, Mr. Parr's application of the entire market rule is justified by his reliance on Facebook customer surveys indicating why they use Facebook. His consideration of the 25% Rule of Thumb was based on well-accepted custom and practice in determining a reasonable royalty, even in cases involving the computer industry.

As to alleged non-infringing alternatives, Facebook's expert never considered any evidence of non-infringing alternatives either. Instead, Mr. Bokhart admitted that [REDACTED]

[REDACTED]

[REDACTED] Throughout the entire case, Facebook never produced any evidence of non-infringing alternatives; not a single interrogatory response, not a single document, not a single witness identification pursuant to Fed. R. Civ. P. 26(a)(1). Even to this day, Facebook's claim of non-infringing alternatives is based on the oral, unverified statements of a single employee. In contrast, Mr. Parr's opinion is based on sufficient data and facts, reliable, well-accepted principles and methods and reliable application of those principles and methods to the facts and data. As such, his testimony is admissible under Federal Rule of Evidence 702 and Facebook's Motion should be denied.

2. Statement of Facts

Leader served the expert report of its damages expert, Russell Parr, on April 8, 2010. Mr. Parr was deposed on April 29, 2010, prior to which he produced a corrected version of his report,

which fixed a typographical error. D.I. 413, Ex. 2; *see also* Lee Decl., Ex. 8. Facebook served the expert report of its damages expert, Christopher J. Bokhart, on April 22, 2010. Lee Decl., Ex. 5. On May 4, 2010, Mr. Bokhart was deposed regarding his damages opinion.

In his expert report, Mr. Parr first described the '761 Patent. D.I. 413, Ex. 2 at 5-6. He then went on to describe Leader and Facebook and their respective products. *Id.* at 6-17. In his description of Facebook and its website, Mr. Parr detailed the website's popularity with over 400 million users. *Id.* at 8-9. Using Facebook customer surveys, he also examined why users chose Facebook's website with the overwhelming answer being [REDACTED] *Id.* at 9-11. Mr. Parr, using Facebook documents and deposition testimony, then analyzed Facebook's annual revenue which, in 2009, was more than [REDACTED] and is projected for 2010 at over [REDACTED] *Id.* at 11-12. Then Mr. Parr examined the sources of Facebook's revenue and, again based on Facebook documents and deposition testimony, concluded that Facebook derives its revenue from [REDACTED] and that Facebook [REDACTED]

Id. at 14-17.

In the second part of his expert report, Mr. Parr determined a reasonable royalty that Facebook and Leader would have agreed upon in a hypothetical negotiation on the date infringement of the patent-in-suit first occurred. *Id.* at 17. To make that determination, Mr. Parr analyzed numerous documents and deposition testimony and considered the factors set-forth in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970), modified and affirmed, 446 F.2d 295 (2d Cir. 1971). D.I. 413, Ex. 2 at 18-32. In his analysis of the *Georgia-Pacific* factors, Mr. Parr considered, *inter alia*, the fact that [REDACTED]

[REDACTED]

[REDACTED] *Id.* Based upon his analysis of the *Georgia-Pacific* factors, documents and deposition testimony, Mr. Parr concluded that [REDACTED] would be a reasonable royalty for the '761 Patent and that the revenue base was [REDACTED] resulting in a damages award of [REDACTED]¹⁰ *Id.* at 32.

3. Mr. Parr Correctly Applied the Entire Market Rule

Facebook argues that Mr. Parr incorrectly employed the entire market value rule because he did not have any supporting data. *See* FB Mot. at 26-28. Facebook's argument, however, is directly contradicted by Mr. Parr's expert report and proposed testimony. Moreover, Facebook's argument is contradicted by its own damages expert who conceded that the entire market value rule applies in this case. *See* Lee Decl., Ex. 6 at 214:9-14 and Ex. 5, Bokhart Expert Report at ¶ 64.

First, contrary to Facebook's claim, Mr. Parr's application of the entire value market rule is well supported by facts and data, including [REDACTED]

[REDACTED]

[REDACTED] *Id.* at 10 (citing FB 00121165-66). Lee Decl., Ex. 9 at FB 00121165-66. [REDACTED]

[REDACTED]

¹⁰ Mr. Parr at his deposition corrected the royalty base to [REDACTED] D.I. 413, Ex. 5 at 28:7-13.

possible by the '761 Patent. *See* D.I. 413, Ex. 2 at 26-27. Finally, Mr. Parr relied upon deposition testimony and documents produced by Facebook to determine that the '761 Patent is responsible for helping increase Facebook's revenues in two different ways. First, the '761 Patent has made Facebook a very popular site with around 400 million users and Facebook can



Second, Facebook misstates the law when it claims that the only way in which a patent holder can make a claim for damages under the entire market value rule is to “supply economic proof linking any proposed entire market value royalty base to the market and consumer demand.” FB Mot. at 27 (citing *Cornell Univ. v. Hewlett-Packard Co.*, No. 01-cv-1974, 2008 WL 2222189, at * 2 (N.D.N.Y. May 27, 2008)). In fact, in order for the entire market value rule to apply, *Cornell* merely requires that a patent holder prove “that the patented invention was the ‘basis for demand’ of those [accused] products.” *Cornell Univ.*, 2008 WL 2222189, at * 2. The evidence relied upon by Mr. Parr to make the required proof is far more substantial than that discussed in *Cornell*. In *Cornell*, the Court found that the expert witness “simply could not identify *any* reliable evidence in support of his position.” *Id.* at * 2 (emphasis added). In this

case, Mr. Parr is relying upon deposition testimony and documents to conclude that the entire value market rule is applicable.¹¹

Finally, when courts reject application of the entire market value, it is in circumstances where the patent at issue covers only a small component of the accused product and that small component is clearly defined and capable of being physically separated from the accused product. As the Court stated in *Cornell University*, the expert witness offered no proof “that the component of a component of a part of the server and workstation systems drove demand for the entire server and workstation products and entitles Cornell to damages on sales of Hewlett-Packard's entire servers and workstations.” *Id.* at * 3. See also *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336-37 (Fed. Cir. 2009) (the patent covered a date picker function but the plaintiff sought a reasonable royalty based on the entire Outlook program); *Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GMBH*, 408 F.3d 1374, 1379 (Fed. Cir. 1995) (the patent covered coin selectors but the plaintiff sought a reasonable royalty on the laundry machines which incorporated the coin selectors); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1549-51 (Fed. Cir. 1995) (the patent covered vehicle restraints but the plaintiff sought a reasonable royalty based on dock levelers because the two products were sold together).

In contrast, Facebook's infringement goes to [REDACTED]

[REDACTED]

[REDACTED]

See D.I. 413, Ex. 1, Vigna

¹¹ The other cases cited by Facebook, *Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374 (Fed. Cir. 2005), and *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538 (Fed. Cir. 1995), are similarly distinguishable. See FB Mot. at 28. In *Imonex Servs.*, the plaintiff presented no evidence to support the entire market value rule, which was particularly problematic because the patents at issue only constituted a small part of the accused products. *Imonex Servs.*, 408 F.3d at 1379-80. In *Rite-Hite Corp.*, not only did the patent cover but a small component of the accused product, the two products were actually sold separately. *Rite-Hite Corp.*, 56 F.3d 1538 at 1550-51.

Expert Report at ¶ 25 [REDACTED]

[REDACTED]

Mr. Parr's application of the entire market value rule was therefore proper.

4. [REDACTED]

[REDACTED] See FB

Mot. at 28-30. However, in Mr. Parr's expert report and deposition, he repeatedly based his royalty calculation in part on documents and deposition testimony that showed [REDACTED]

[REDACTED]

[REDACTED] See D.I. 413, Ex. 2, Parr Expert Report at 17-32. Mr. Parr then analyzed this information and other relevant data in light of the *Georgia-Pacific* factors to conclude that a [REDACTED]

Facebook's criticism of Mr. Parr's [REDACTED] consists of only two arguments; (1) that Mr. Parr did not have any comparable licensing agreements to support his opinion; and (2) that he improperly considered the 25% Rule of Thumb. Neither one of Facebook's arguments has any merit. Moreover, Mr. Bokhart, Facebook's damages expert, did not analyze any comparable licensing agreements and also considered the 25% Rule of Thumb.

5. Mr. Parr Properly Considered All Appropriate License Agreements

First, Facebook faults Mr. Parr for not providing any licensing agreements that Facebook considers comparable. FB Mot. at 28. However, Facebook does not cite any case law for the proposition that a reasonable royalty opinion must look at comparable licenses. Under Facebook's argument, a plaintiff could never recover a reasonable royalty for patent infringement when there are no other comparable licenses. Such a result would be plainly unfair to patent holders.¹² Second, Facebook claims that the license agreement that Mr. Parr does consider, the [REDACTED] does not support Mr. Parr's opinion because it contains [REDACTED] [REDACTED] FB Mot. at 28-32. However, as Mr. Parr stated in his expert report and testified to at his deposition, [REDACTED]

[REDACTED]

Facebook's criticism is particularly bewildering because it comes immediately after it claims that Mr. Parr has no support for his application of the entire market rule. Like in the rest of the Motion, Facebook relies on distortion and selective reading to argue without merit that Mr. Parr should be precluded from testifying at trial.

In regards to the royalty rate, in both his expert report and deposition, Mr. Parr explained that [REDACTED]

¹² Notably, as discussed in Leader's Motion *in Limine* No. 3, Mr. Bokhart, Facebook's damages expert also does not provide any comparable licenses in support of his reasonable royalty opinion. D.I. 419, Leader's Motion *in Limine* No. 3 at 5-7.

[REDACTED]

[REDACTED] In addition, Mr. Bokhart agreed with Mr. Parr that the [REDACTED] was not relevant to the hypothetical negotiation between Facebook and Leader. See Lee Decl., Ex. 5, Bokhart Expert Report at ¶ 58.

6. Mr. Parr Properly Applied the 25% Rule of Thumb

Facebook claims that Mr. Parr's application of the 25% Rule of Thumb is improper because the Rule of Thumb is not appropriate for the computer industry. See FB Mot. at 29-30. However, Facebook's entire argument is based on the fact that the first articles to discuss the Rule of Thumb do not link the rule "to the computer industry."¹³ *Id.* Such an observation is not surprising given that the Rule of Thumb originated in the 1950s long before the computer industry was even born. However, the Rule of Thumb has proven to be a more universal concept, applicable to a broader range of industries, than Facebook claims. For example, in *IAI Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 839-40 (Fed. Cir. 2010), the patent at issue described a method that could be incorporated into software to allow better editing of "documents containing markup languages like XML." Contrary to Facebook's claim that the Rule of Thumb is not applicable to the computer industry, the Federal Circuit in *IAI Limited Partnership* found that an expert's reliance on the 25% Rule of Thumb "was 'based on sufficient facts or data.'" *Id.* at 854 (citing Fed. R. Evid. 702). Similarly, in *Honeywell Int'l, Inc. v. Universal Avionics Sys. Corp.*, 426 F. Supp. 2d 211, 215, 225 (D. Del. 2006), where the patent at

¹³ In support of its argument, Facebook also cites to an article criticizing the economic rationale behind the 25% Rule of Thumb. However, that article goes on to state that while the Rule of Thumb's underpinnings are unclear, it "retains widespread endorsement and use" among business enterprises. See D.I. 413, Ex. 30 at 252.

issue related to computer software used in airplane guidance systems, the Court upheld the use of the Rule of Thumb, finding it within “the field’s normative royalty range.”

Facebook’s criticism is particularly disingenuous because its own damages expert, Mr. Bokhart, also applied the Rule of Thumb. Lee Decl., Ex. 5, Bokhart Expert Report at ¶ 75; *see also id.*, Ex. 6 at 210:18-25. Moreover, the Rule of Thumb is actually beneficial to infringers because, as Mr. Parr explained, [REDACTED]

[REDACTED] D.I. 413, Ex. 2, Parr Expert Report at ¶ 28.

7. There Was No Evidence of Non-Infringing Alternatives for Mr. Parr to Consider

Facebook’s argument that Mr. Parr should have addressed acceptable non-infringing alternatives in his damages opinion is baseless. As described more fully in Leader Technologies, Inc.’s Motion *In Limine* No. 3 To Exclude Evidence Of Facebook’s Settlement Agreements And Expert Testimony Regarding Potential Design Arounds Or Non-Infringing Alternatives, filed on May 20, 2010 (“Motion *in Limine* No. 3”), at no time during discovery in this case did Facebook present any evidence of non-infringing alternatives – no documents, no interrogatory responses, no expert opinion, nothing. *See* D.I. 419, Motion *in Limine* No. 3 at 8-12. Indeed, Mr. Bokhart’s opinion on allegedly non-infringing alternatives [REDACTED]

[REDACTED] Having wholly failed to produce any evidence of non-

infringing alternatives, Facebook cannot now criticize Mr. Parr for not considering something that does not exist.

While Facebook does not argue that Mr. Parr should also have contacted Facebook's counsel to obtain information about potential non-infringing alternatives, it does claim that Mr. Parr should have considered other social networking sites that have not been sued by Leader for patent infringement. FB Mot. at 30. However, there is no evidence that the technology used in any of those other sites was "available" to Facebook or "acceptable" to Facebook's customers as required by case law. See *Grain Processing Corp. v. American Maize-Prods. Co.*, 185 F.3d 1341, 1346-49 (Fed. Cir. 1999). Moreover, there is no evidence that those other sites allow for the same collaboration and instant sharing of information that Facebook provides its users. Facebook's claim that MySpace.com, Friendster, LinkedIn, Planet Out, Knot.com and mashable.com should be considered acceptable non-infringing alternatives because they are also social networking sites is akin to arguing that buses and trains are acceptable non-infringing alternatives to airplanes because they are all modes of public transportation.

8. Mr. Parr's Opinion Does Not Turn On Whether Facebook and Leader Are Competitors

Facebook argues that Facebook and Leader are not competitors and that this "weighs in favor of a *lower*, not higher royalty rate." FB Mot. at 31. However, as Mr. Parr testified at his deposition, competition between Facebook and Leader did not cause him to find a higher royalty rate. Indeed, Mr. Parr testified that he did not give that factor any weight in his royalty calculation. D.I. 413, Ex. 5 at 118:19-22. Facebook's argument is therefore without merit.

III. CONCLUSION

Accordingly, Leader requests that the Court deny Facebook's *Daubert* motion to preclude the testimony of Leader's experts.

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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

CERTIFICATE OF SERVICE

I, Philip A. Rovner, hereby certify that on June 3, 2010, the within document was filed with the Clerk of the Court using CM/ECF which will send notification of such filing(s) to the following; that the document was served on the following counsel as indicated; and that the document is available for viewing and downloading from CM/ECF.

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