

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

LEADER TECHNOLOGIES, INC.,
a Delaware corporation,

Plaintiff and Counterdefendant,

v.

FACEBOOK, INC.,
a Delaware corporation,

Defendant and Counterclaimant.

Civil Action No. 1:08-cv-00862-JJF

PUBLIC VERSION

**CONFIDENTIAL --
FILED UNDER SEAL**

**FACEBOOK, INC.'S RESPONSE TO LEADER TECHNOLOGIES, INC.'S
"COUNTERSTATEMENT OF DISPUTED MATERIAL FACTS" TO
FACEBOOK'S MOTION FOR SUMMARY JUDGMENT OF INVALIDITY
OF U.S. PATENT NO. 7,139,761 BASED ON THE ON-SALE BAR**

[MOTION NO. 5 OF 6]

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Filed: June 11, 2010
PUBLIC VERSION FILED: June 24, 2010

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Dated: June 11, 2010

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I. INTRODUCTION

Rather than enumerate disputed facts, Leader Technologies, Inc. (“LTI”) devotes the majority of its Counter-Statement to Facebook’s Motion for Summary Judgment of Invalidity Based on On-Sale Bar (D.I. 405, the “Motion”) to disputing Federal Circuit law, making vague and unsupported pronouncements about the adequacy of its provisional application’s disclosure, arguing matters totally irrelevant to this Motion, and – most mysteriously – calling into question the qualifications of its own expert. In stark contrast, Facebook has come forward with clear, convincing and undisputed evidence that:

1. Redacted
2. Redacted
3. The disclosure of U.S. Provisional Patent Application Serial No. 60/432,255 (the “’255 Provisional Application”) does not adequately support the claims of the ’761 patent for the patent to claim priority back to December 11, 2001.

These facts are sufficient to find the ’761 patent invalid. Furthermore, in light of LTI’s total failure to present any real factual disputes in its Counter-Statement, Facebook’s Motion for Summary Judgment should be granted.

II. RESPONSE TO LTI'S COUNTER-STATEMENT

LTI's Counter-Statement includes 14 numbered paragraphs that purport to identify allegedly "disputed" facts in Facebook's opening brief. As shown in the analysis below, however, these paragraphs do not raise any genuine issues of material fact.

A. Response to Paragraph 1 (Pages 1-2)

The only statement to which Paragraph 1 of the Counter-Statement purports to respond is the first sentence of the Summary of Argument of Facebook's opening brief: "The asserted claims of LTI's patent, U.S. Patent No. 7,139,761 (the "'761 patent'"), are invalid as a matter of law

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LTI claims that this is a "disputed fact," then proceeds to provide absolutely no facts in rebuttal, merely its own argument that the patent is valid, that it is entitled to the priority date of the '255 Provisional Application, and that no invalidating offers to sell were made. Therefore, this paragraph presents no evidence sufficient to create a triable issue of fact for the jury.

B. Response to Paragraph 2 (Page 2)

Paragraph 2 purports to dispute Facebook's assertion that the '761 patent is not entitled to the priority date of the '255 Provisional Application by arguing that the Provisional fulfills the requirements of 35 U.S.C. § 111(b). However, Section 111(b) does not state the requirements for a patent to claim priority back to an antecedent provisional application; it states the very minimal and entirely administrative requirements for a provisional application to be accepted by the U.S. Patent and Trademark Office ("USPTO") in the first instance. In fact, there are *no* substantive requirements for the contents of a provisional application because the USPTO conducts

no examination of patentability of the provisional before accepting it. *See* MANUAL OF PATENT EXAMINING PROCEDURE § 201.04(b) (“Provisional applications will not be examined for patentability . . .”). However, in order for a patent to claim priority back to a provisional application, the law is clear that the patent holder must show that the disclosure of that application adequately supports the issued claims of the patent. *PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1306 (Fed. Cir. 2008) (“It is elementary patent law that a patent application is entitled to the benefit of the filing date of an earlier filed application only if the disclosure of the earlier application provides support for the claims of the later application, as required by 35 U.S.C. § 112.”) (citations omitted). While the facts presented in this paragraph may evidence that the ’255 Provisional Application was properly filed with the USPTO, it fails to show any support for the ’761 patent claims within the contents of the ’255 Provisional Application. As such, this paragraph is irrelevant to the validity inquiry and fails to present a genuine issue of material fact for the jury.

C. Response to Paragraph 3 (Pages 2-4)

Paragraph 3 purports to dispute not the facts presented by Facebook, but rather the incontrovertible law of the Federal Circuit on the issue of shifting burdens of production. There can be no dispute that, under Federal Circuit law, the patent holder bears the burden of coming forward with evidence of a patent’s validity once the alleged infringer makes a *prima facie* case of invalidity. *PowerOasis*, 522 F.3d at 1305 (“Once [the party asserting invalidity] has established a *prima facie* case of invalidity and its burden is met, ‘the party relying on validity is then obligated to come forward with evidence to the contrary.’”) (citation omitted); *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008) (while the ultimate burden of proving invalidity stays with the

party asserting invalidity, once that party carries its initial burden of producing persuasive evidence and argument, the burden of *production* shifts to the patentee to produce evidence and argument that the patent is valid). This burden shifts regardless of the presumption of validity accorded to patents. *See Tech. Licensing*, 545 F.3d at 1330-31 (the judicial process cannot be held hostage to the deference accorded to an administrative agency's decision making).

Facebook has presented a *prima facie* case of invalidity in its motion for summary judgment. Contrary to LTI's assertions, a *prima facie* case does not require an undisputed concession from the party opposing invalidity that an offer for sale was made. Though this was the particular circumstance in *New Railhead Manufacturing, L.L.C. v. Vermeer Manufacturing Co.*, 298 F.3d 1290 (Fed. Cir. 2002) ("*New Railhead II*"), a *prima facie* case merely requires that the party asserting a claim present enough evidence that, if taken as true and in the absence of conflicting evidence, would be sufficient to find for the claimant. *See Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1360 (Fed. Cir. 2007) ("once a challenger introduces evidence that might lead to a conclusion of invalidity – what we call a *prima facie* case – the patentee would be well advised to introduce evidence sufficient to rebut that of the challenger.") (internal quotations and citation omitted). Such was the case in *James L. Taylor Manufacturing Co. v. Doucet Machineries, Inc.*, 24 U.S.P.Q.2d 1868 (W.D. Penn. 1992) (*aff'd*, 5 F.3d 1505 (Fed. Cir. 1993)) – wherein the accused infringer presented, *inter alia*, documents reflecting sales or negotiations for sale similar to those presented here – and *Sinsky v. Pharmacia Ophthalmics, Inc.*, 982 F.2d 494 (Fed. Cir. 1992): in both cases, the patent holders asserted that the commercial activity in question did not constitute an invalidating offer for sale

under 35 U.S.C. § 102(b). Nevertheless, the Federal Circuit found the evidence presented by the accused infringers sufficient to create a *prima facie* case of invalidity, thus shifting the burden of production to the patentees. Because Facebook has made a similar *prima facie* showing, there can be no doubt that under Federal Circuit law, the burden has shifted to LTI. Everything raised by LTI's Counter-Statement though is legal argument, not facts sufficient to defeat a motion for summary judgment.

D. Response to Paragraph 4 (Pages 4-12)

Paragraph 4 purports to respond to Facebook's assertion, shored up by the facts presented in its Motion, that the '255 Provisional Application does not support the claims of the '761 patent. LTI does so largely by quoting a 22-page section of its expert James Herbsleb's rebuttal report, ten out of 23 paragraphs of which cite either no facts to support Dr. Herbsleb's opinions, or cite facts totally irrelevant to the invalidity inquiry raised by Facebook's Motion. No doubt this reflects an attempt, which LTI has made throughout its Counter-Statements in response to Facebook's summary judgment motions, to bulk up its Counter-Statement with irrelevant distractions that identify no true "disputed *facts*."

As stated in Facebook's Motion, the '255 Provisional Application purported to disclose a system that "utilizes 'boards' and 'webs' to automate workflow processes and define relationships between data and applications." D.I. 406, Ex. 9 at [0022]. Notably absent from this description is any mention of the user or how the user employs these boards and webs to help manage his data, the purported focus of the invention disclosed by the '761 patent. *See id.*, Ex. 7, '761 patent, Summary of the Invention, at Col. 3:25-32 ("The data management tool includes a novel architecture where the *highest contextual assumption* is that there exists an entity that consists of *one or more users*. The data

storage model *first assumes that files are associated with the user*. Thus, data generated by applications is *associated with an individual*, group of individuals, and topical content, and not simply with a folder, as in traditional systems”) (emphasis added). Indeed, throughout the entire ’255 Provisional Application, the term “user” makes precious few appearances.

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However, this single sentence cannot carry the heavy burden placed upon it by LTI. In order to adequately support the claims of an issued patent, a provisional application’s written description must both enable a person of ordinary skill in the art to make and use the disclosed invention, and “convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention.” *New Railhead II*, 298 F.3d at 1295 (quoting *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563-64 (Fed Cir. 1991)). *See also PowerOasis*, 522 F.3d at 1306 (“Entitlement to a filing date does not extend to subject matter which is not disclosed, but would be obvious over what is expressly disclosed.”) (quoting *In re Huston*, 308 F.3d 1267, 1277 (Fed. Cir. 2002)). This sentence alone does neither. It does not, for example and as Facebook pointed out in its Motion, disclose that the “shifts in context” are to be tracked in metadata associated with the files and data, a key limitation found in all the asserted claims of the ’761 patent.

To support this solitary sentence, LTI offers a small collection of “import” statements in the pseudo code attached to the written description of the ’255 Provisional Application. However, these statements offer no support. Firstly, pseudo code is not source code – it cannot actually be run on a computer, and therefore does not evidence actual possession. D.I. 407, Ex. 10 at 74:16 – 75:1. Secondly, these “import” statements are nothing but bald statements, with nothing like the code that would underlie a computer-executable function to help elucidate the meaning or purpose of the function.

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Therefore, neither the content of the ’255 Provisional Application nor Dr. Herbsleb’s testimony about it create any triable issue of fact.

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At best, they are argument,

but by no means are they facts which could defeat summary judgment.

In the absence of support from within the contents of the ’255 Provisional Application,

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Even if it was admissible, though, this experiment would raise no issues of fact because it addresses the question of enablement under 35 U.S.C. Section 112, and does nothing to address whether the '255 Provisional Application satisfies the entirely separate written description requirement.

Therefore, though lengthy, this paragraph does nothing to create a genuine issue of material fact as to the sufficiency of the disclosure of the '255 Provisional Application.

E. Response to Paragraph 5 (Pages 12-13)

Paragraph 5 of LTI's Counter-Statement purports to respond to Facebook's assertion

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LTI does not dispute the content of Mr. Lamb's cited testimony or the facts disclosed by that testimony. Rather, LTI's objections appear mainly to be with Facebook's manner of presenting the testimony to the Court. Though Facebook disagrees that it has taken any of Mr. Lamb's testimony out of context, Facebook has appended Mr. Lamb's complete testimony on the subject of the '255 Provisional Application to this brief to put the matter to rest. Declaration of Kathryn Robinson in Support of Defendant Facebook, Inc.'s Reply to Leader Technologies, Inc.'s Counterstatements to Motions for Summary Judgment ("Robinson Decl.") Ex. 6.

Because this paragraph elevates form over substance, and fails to adduce any facts to rebut Mr. Lamb testimony

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F. Response to Paragraph 6 (Pages 13-14)

Paragraph 6 of LTI's Counter-Statement purports to question the sufficiency of Facebook's proffered evidence of invalidity by contradicting the comparison that Facebook draws between *New Railhead II* and this case. However, this paragraph fails to present a triable issue of fact for two reasons. First, the sufficiency of evidence on a summary judgment motion is a question of law, not of fact, and therefore any quarrel LTI has is with Federal Circuit precedent and not Facebook's evidence. Second, the only facts that LTI provides in this paragraph are facts that actually support Facebook's comparison,

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see also New Railhead II, 298 F.3d at 1295. That the court in *New Railhead II* conducted its own analysis of the provisional application adds nothing to LTI's protestations, as such analysis is nothing more than the analysis that must be conducted by any court hearing a motion for summary judgment involving the question of invalidity.

G. Response to Paragraph 7 (Page 14)

Paragraph 7 of LTI's Counter-Statement purports to respond to the third sentence of the Summary of Argument of Facebook's opening brief: "any offers to sell the Leader2Leader product . . . before December 10, 2002 statutorily invalidate the patent." D.I. 405 at 1. As with Paragraph 1 of the Counter-Statement, LTI claims that this is a "disputed fact," then proceeds to provide no facts in rebuttal, merely assertions that "Leader has provided sufficient evidence that the '255 Provisional Application adequately meets the requirements of 35 U.S.C. § 112" D.I. 511 at 14. Therefore, this paragraph presents no evidence sufficient to create a triable issue of fact for the jury.

H. Response to Paragraph 8 (Page 14)

Paragraph 8 of LTI's Counter-Statement purports to dispute "all facts related to Facebook's assertion that an embodiment of the '761 patent was sold by Leader" on the ground that Facebook is asserting contradictory positions in its invalidity and false-marking counterclaims. D.I. 511 at 14. However, this paragraph neither presents any facts creating a genuine issue for trial, nor is it at all relevant to this summary judgment motion. As Facebook has repeatedly stated, its positions are not contradictory because Facebook is entitled to pursue alternative theories, and they are not mutually exclusive as Facebook relies on LTI's *own sworn assertions* that its product, Leader2Leader, practices the claims of the '761 patent for its claim of invalidity based on the on-sale bar. *See, e.g.*, D.I. 459 at 8-9.

I. Response to Paragraph 9 (Pages 14-15)

Paragraph 9 of LTI's Counter-Statement purports to dispute that Mr. McKibben is qualified to determine whether Leader2Leader practices the claims of the '761 patent.

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According to LTI, whether a product practices the claims of a patent is a legal determination for which Mr. McKibben is allegedly unqualified, one would suppose because he is not a lawyer. However, whether one is a lawyer has no bearing on his ability to understand what a patent discloses. Interestingly, if Mr. McKibben is unqualified to opine on whether Leader2Leader practices the claims of the '761 patent simply because he is not a lawyer, then Dr. Herbsleb – LTI's sole expert on validity and the source of the only actual facts presented in LTI's Counter-Statement – is similarly unqualified because he has never practiced law. Therefore, to the extent that this paragraph creates any dispute, it raises the question of whether Dr. Herbsleb is qualified to opine on the sufficiency of the disclosure of the '255 Provisional Application, and by extension every allegedly “disputed fact” raised by his expert report. At a minimum, nothing within paragraph 9 disputes LTI's admissions that *it* believes Leader2Leader to practice the patent.

J. Response to Paragraph 10 (Pages 15-16)

Paragraph 10 of LTI's Counter-Statement purports to object to Facebook's characterization of LTI's admissions relating to the conception of the alleged invention disclosed in the '761 patent. However, Facebook's “characterization” consists solely of a conclusion that, *for purposes of this motion only*, the Court should accept as true LTI's specific assertions and admissions regarding the conception and reduction to practice of the '761 patent and the Leader2Leader product that LTI has consistently asserted practices the '761 patent.

Again, LTI presents no evidence to rebut the fact that it made these assertions and admissions, nor does it provide any facts that counter the assertions and admissions themselves. LTI instead quibbles about brand names and versions to hide the fact that it has no evidence with which to create a genuine issue of material fact as to (1) the date LTI has asserted it had a “definite and permanent idea of the complete and operative invention” of the ’761 patent; or (2) when it was informing potential customers such as the Federal Government that Leader2Leader was operational. Thus, no genuine issue of material fact is presented by this paragraph.

K. Response to Paragraph 11 (Pages 16-19)

Paragraph 11 of LTI’s Counter-Statement purports to contest Facebook’s statement that “

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Most importantly, LTI ignores that the plaintiff in *Honeywell* used LTI’s same argument – that the government *could not* accept an offer similar to the WPAFB White Paper at issue here. See *Honeywell Int’l Inc. v. Nikon Corp.*, 672 F. Supp. 2d 638, 644

(D. Del. 2009). The plaintiff in *Honeywell*, like LTI, also claimed that such a proposal could not be an invalidating offer because additional negotiations would likely occur. *Id.*

However, the Court specifically held as follows:

Honeywell contends that this detailed proposal was not an offer, based on the “longstanding business relationship between Honeywell and Boeing, as well as the industry custom and norm in the context of the proposal phase of a complex, developmental project like AIMS, [which] dictated that the parties would need to meet over the course of many months to determine the exact requirements of the AIMS project and the AIMS system. Thus, Boeing never ‘accepted’ responses like Honeywell’s because Boeing *could not* do so; the AIMS system had not yet been defined.”

As the Court has noted, however, acceptance is not required for a proposal to be considered a commercial offer of sale. Rather, the focus of the inquiry is whether the offer could have been made into a binding contract by formal acceptance. In this case, Honeywell relies on the parties’ business relationship and the alleged custom and practice in the industry to argue that the AIMS Proposal could not be a formal offer for sale because further negotiation between the parties was expected. In the Court’s view, however, **the fact that further negotiations might arise, or even be expected, does not preclude the AIMS Proposal from being an invalidating offer** where, as here, the AIMS Proposal contained the essential terms of an offer and Honeywell manifested its intent to make an offer to Boeing.

Id. (emphasis added and citation omitted). Thus, LTI’s protestations that such an offer could not be accepted are immaterial and do not raise any issues of material fact

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L. Response to Paragraph 12 (Page 19)

Paragraph 12 of LTI’s Counter-Statement purports to contest Facebook’s allegation that

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M. Response to Paragraph 13 (Pages 19-20)

Paragraph 13 of LTI's Counter-Statement purports to contest "Facebook's characterization of Mr. McKibben's deposition testimony

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However, LTI merely incorporates its arguments from paragraphs 11-12 and provides no actual facts. Rather, LTI quotes a single line of Mr. McKibben's deposition testimony and implies that because this one statement is, according to LTI, accurate, all of his testimony must be.

More importantly, this paragraph is simply LTI quibbling with Facebook's characterization of Mr. McKibben's testimony and lawyer argument. It does not set forth a genuine dispute of a material fact with regard to this motion.

N. Response to Paragraph 14 (Pages 20-21)

Paragraph 14 of LTI's Counter-Statement purports to contest the

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However, LTI cannot set forth any genuine disputed issues of material fact as to this statement.

First, LTI turns to Mr. McKibben's unbelievable deposition testimony, stating that

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Further, while LTI is correct that the alleged offer must be evaluated according to how the commercial community would understand that offer, *see Honeywell*, 672 F. Supp. 2d at 642,

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Next, LTI attempts to claim that Facebook has not established the email was sent.

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LTI faults Facebook for offering “no evidence of the practices in the industry when offering or negotiating such complex contracts regarding software products and services;” however, LTI offers no actual evidence, aside from attorney argument, that such an email would not suffice to be an offer for sale. D.I. 511 at 20-21.

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Devices, Inc. v. OEA, Inc., 270 F.3d 1353, 1357 (Fed. Cir. 2001) (“[T]he on-sale bar would apply even if a patentee’s commercial activities took place in secret.”) (citing *Woodland Trust v. Flowertree Nursery, Inc.*, 148 F.3d 1368, 1370 (Fed. Cir. 1998)).

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III. CONCLUSION

For the reasons stated above, Facebook respectfully requests that this Court reject LTI's "Counter-Statement of Disputed Material Facts" and order LTI to file an answering brief and proceed to decide the merits of Facebook's motion for summary judgment.

Dated: June 11, 2010

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