

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

LEADER TECHNOLOGIES, INC., a Delaware corporation,)	CIVIL ACTION
)	
Plaintiff and Counterdefendant,)	No. 1:08-cv-00862-JJF
)	
v.)	
)	CONFIDENTIAL –
FACEBOOK, INC., a Delaware corporation,)	FILED UNDER SEAL
)	
Defendant and Counterclaimant.)	REDACTED VERSION
)	

**FACEBOOK, INC.'S COUNTER-STATEMENT OF DISPUTED
MATERIAL FACTS RELATED TO PLAINTIFF'S MOTION FOR
SUMMARY JUDGMENT**

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I. INTRODUCTION

Pursuant to the Court's Memorandum Order governing motions for summary judgment, defendant Facebook, Inc. ("Facebook"), hereby submits the following Counter-Statement of Disputed Material Facts Related to Plaintiff's Motion for Summary Judgment on Facebook's counterclaim for false patent marking.

The sole argument raised in Leader Technologies, Inc.'s ("LTI") motion is that LTI lacked the requisite intent to deceive because it relied upon the advice of counsel in marking its Leader2Leader product with U.S. Patent No. 7,139,761 (the "'761 patent"). Facebook certifies that, at a minimum, the following are genuine issues of material fact precluding summary judgment on Facebook's false marking claim:

- Whether LTI, reasonably and in good faith, relied on the advice of counsel when it marked its Leader2Leader product with the '761 patent. LTI bears the burden of proof on an advice-of-counsel defense, yet it does not provide any details whatsoever regarding the alleged advice it received or when it received it. There is no basis to evaluate whether LTI's reliance on this alleged advice of counsel was reasonable or in good faith, and therefore, a genuine issue of material fact remains for trial.
- Whether LTI falsely marked its LeaderAlert, LeaderDialog, LeaderMeeting and LeaderPhone products. LTI's motion addresses only Leader2Leader, and does not discuss these other products in any way. It is undisputed that LTI marked these other products with U.S. Patent No. 7,139,761, and that these other products do not practice any claim of the '761 patent.

LTI's last-minute assertion of an advice-of-counsel defense – after refusing to produce such advice in discovery – warrants a denial of the motion in its entirety

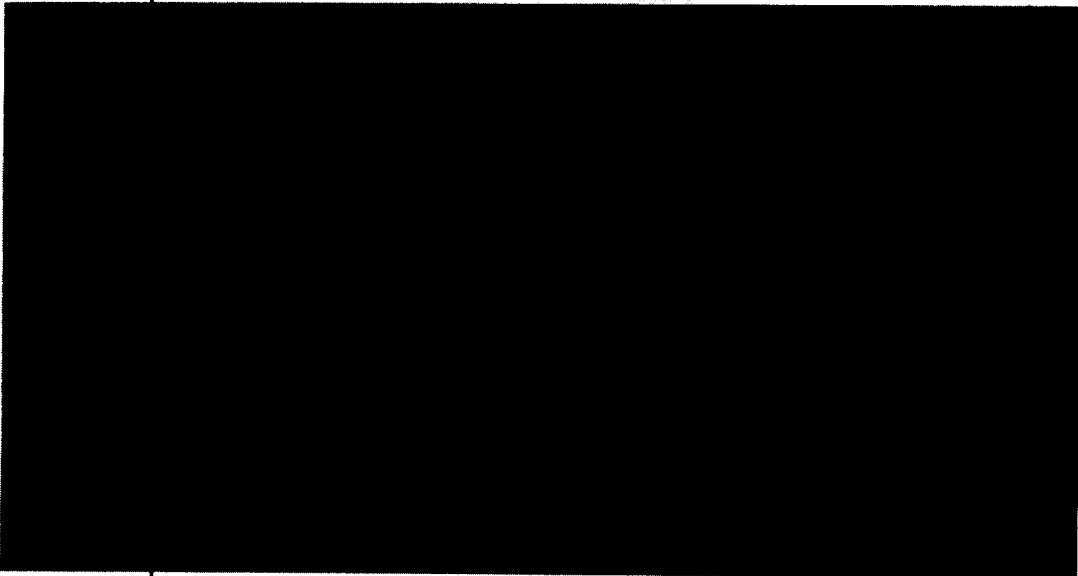
under Rule 56(f) and an order allowing Facebook discovery on LTI's brand new defense. Fed. R. Civ. P. 56(f).

II. GENUINE ISSUES OF MATERIAL FACT

"The two elements of a § 292 false marking claim are (1) marking an unpatented article and (2) intent to deceive the public." *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300 (Fed. Cir. 2009). LTI's motion for summary judgment is based solely on the argument that Facebook cannot establish the second element of its false marking claim because, according to LTI, it relied upon the advice of counsel in marking its Leader2Leader product with the '761 patent. Genuine issues of material fact preclude summary judgment on this issue, as explained below.

A. **Genuine Issues of Material Fact Remain As To LTI's Intent to Deceive in Marking Leader2Leader with the '761 Patent**

"A party asserting false marking must show by a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked." *Id.* In addition, "the mere assertion by a party that it did not intend to deceive will not suffice to escape statutory liability." *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005).



[REDACTED] However, it is well-established that reliance on the advice of counsel as a defense in litigation operates as a waiver of attorney-client privilege. See, e.g., *In re Echostar Commc'ns Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006); *Novartis Pharms. Corp. v. Eon Labs Mfg., Inc.*, 206 F.R.D. 396, 398 (D. Del. 2002) (Farnan, J.); *RCA Corp. v. Data Gen. Corp.*, Civ. A. No. 84-270-JJF, 1986 U.S. Dist. LEXIS 23244, at *4 (D. Del. Jul. 2, 1986) (Farnan, J.) (“The correct rule is that a party who relies upon advice of counsel as an essential element of its defense waives the attorney-client privilege with respect to the subject matter of that advice”). For this reason, Facebook sought the production of all communications relating to the alleged advice LTI received from counsel. See Declaration of Melissa H. Keyes in Support of Facebook, Inc.’s Counter-Statement of Disputed Material Facts Related to Plaintiff’s Motion for Summary Judgment (“Keyes Decl.”), Ex. 1. In response to Facebook’s repeated requests, [REDACTED]

[REDACTED]

LTI may not both rely upon the advice of counsel for the purposes of defending itself against allegations of false marking, and at the same time, refuse to disclose the content of that advice on grounds of privilege. See *Echostar*, 448 F.3d at 1301 (“selective waiver of the privilege may lead to the inequitable result that the waiving party . . . uses the attorney-client privilege as both a sword and a shield. To prevent such abuses, we recognize that when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter”) (citation omitted). Facebook has a right to discover the substance of the advice on which LTI relies, under Rules 30(b)(6), 33(b) or (d), and 34(b)(2)(E) as a counterclaim plaintiff asserting a claim of false marking. LTI has denied Facebook its right to discovery on this issue by waiting until after discovery to disclose for the first time that LTI intended to rely on the advice of

counsel, but refusing to disclose the content of that advice. Pursuant to rule 56(f), the Court should therefore both, (1) deny LTI's motion outright and allow Facebook to examine Mr. McKibben about this alleged new defense at trial; and (2) reopen discovery to allow Facebook to fully explore this issue. Alternatively, should LTI continue to assert privilege despite its clear waiver under *Echostar*, Facebook has moved to exclude from trial any testimony or evidence regarding advice of counsel on the subject matter of whether Leader2Leader practices the '761 patent. See Facebook, Inc.'s Motion *in Limine* No. 12 (filed concurrently herewith).

LTI has, at the very least, raised a genuine issue of material fact as to what analysis was conducted comparing Leader2Leader with the claims of the '761 patent, or whether LTI's reliance on the alleged advice of counsel was reasonable and in good faith.

[REDACTED]

[REDACTED] There is no information, for example, regarding the dates or circumstances of this alleged advice or the analysis (if any) underlying it. [REDACTED]

[REDACTED]

[REDACTED] LTI has simply failed to put forward any evidence by which the Court may conclude that LTI properly relied upon the advice of counsel.

B. Genuine Issues of Material Fact Remain To Whether LTI Falsely Marked its Other Products.

LTI's motion for summary judgment does not address any of LTI's other products, including LeaderAlert, LeaderDialog, LeaderMeeting and LeaderPhone, which were falsely marked with the '761 patent.¹ This alone precludes summary judgment.

Facebook has produced substantial evidence that LTI marked these products with the '761 patent. *See, e.g.,* Keyes Decl., Ex. 5 at Schedule 4.2. [REDACTED]

[REDACTED]

[REDACTED] Therefore, there is no dispute that LTI marked these products despite lacking a reasonable belief that these products practice its patent.

To meet all the elements of a false marking claim, then, all that remains to address is the question of whether these practice the claims of the '761 patent. LTI's admissions as to its own beliefs provide at least substantial evidence that they do not. Therefore, Facebook has adduced enough evidence to create a material question of fact for trial.

¹ On March 25, 2010, Facebook moved the Court for leave to amend its responsive pleading to amend its false marking counterclaim with respect to these other products, based on evidence obtained in discovery. The Court has yet to rule on this motion.

III. CONCLUSION

For the foregoing reasons, Facebook certifies that numerous material facts are genuinely in dispute and, as such, LTI is not entitled to summary judgment of Facebook's false marking claim.

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