

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

LEADER TECHNOLOGIES, INC., a Delaware corporation,)	
)	CIVIL ACTION
)	
Plaintiff and Counterdefendant,)	No. 1:08-cv-00862-LPS
)	
v.)	
)	
FACEBOOK, INC., a Delaware corporation,)	
)	
Defendant and Counterclaimant.)	
)	

**DEFENDANT FACEBOOK, INC'S OPPOSITION TO PLAINTIFF'S
MOTION FOR JUDGMENT AS A MATTER OF LAW AND FOR A NEW TRIAL**

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Dated: September 15, 2010

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I. INTRODUCTION

Having weighed all the evidence and assessed the credibility of the witnesses, the jury in this case unanimously found that the asserted claims of the '761 patent are invalid because Leader offered to sell and publicly disclosed its claimed invention more than one year before the effective filing date of the '761 patent application. The jury also unanimously concluded that Facebook does not control or direct the actions of its users or employees. Because Leader provides no basis for setting aside any of these findings, its motion should be denied.

With respect to the jury's findings of invalidity, Leader's principal argument is that Facebook did not show that Leader2Leader, the product that it offered for sale and publicly demonstrated before the critical date, embodied the asserted claims of the '761 patent. This argument ignores the fact that Leader repeatedly admitted, in sworn interrogatory responses, in pre-trial deposition testimony and in trial testimony, that Leader2Leader embodied the asserted claims. The sole question for the jury was not *whether* the product embodied the claims, but *when* it did so. The answer to that question turned on the credibility of Mr. McKibben and whether the jury believed his (1) pre-trial deposition testimony in which he could not identify any prior version of Leader2Leader that did not embody the asserted claims; or (2) his concocted and contradictory "recollection" at trial that Leader2Leader did not embody the asserted claims until shortly before December 11, 2002. The jury was entitled to discount Mr. McKibben's contradictory story at trial in assessing his credibility and weighing the evidence – and it did so.

The jury also heard substantial evidence supporting the other elements of the on sale and public use defenses. The evidence at trial established that Leader made commercial offers for sale of Leader2Leader to at least three third parties, which included specific quantities, pricing, and delivery terms among others. The evidence also established that, more than one year before the effective filing date of the '761 patent, Leader discussed Leader2Leader with third parties *more than a thousand times* and demonstrated the product in fully operational form to numerous of those third parties. Because even one offer for sale or unprotected disclosure invalidates a patent, the jury had more than substantial evidence to find an invalidating public use.

The jury also properly concluded that the provisional application did not disclose all elements of any of the asserted claims. The jury heard named inventor Jeff Lamb testify under oath at his deposition that Leader's provisional application lacked support for at least one element of each asserted claim of the '761 patent. Mr. Lamb's conclusion was supported by expert testimony at trial. The jury certainly had sufficient evidence to conclude – and did in fact conclude - that the claims were not entitled to the provisional application's filing date.

With regard to Leader's infringement claims, the jury properly concluded that Leader did not establish that Facebook controlled or directed the actions of its users or employees. This is an essential element of all of Leader's theories of infringement. The sole evidence Leader submitted to show control or direction of users was Facebook's terms of service, which are insufficient. Leader offered no evidence that Facebook controls or directs its own employees with respect to any of the steps recited in the asserted claims. As explained below and in Facebook's co-pending Motion for Judgment as a Matter of Law (Motion No. 1), the Federal Circuit has repeatedly affirmed summary judgment or JMOL against plaintiffs that presented considerably more evidence of control or direction than Leader presented here. For the foregoing reasons and the reasons explained below, Leader's motion should be denied.

II. ARGUMENT

A. Leader Failed To Preserve Its Grounds for Judgment as a Matter of Law

As a threshold matter, Leader's motion should be denied as procedurally barred because Leader failed to make an adequate pre-verdict motion to preserve the specific grounds argued in its post-trial motion. Third Circuit law is clear that: "A motion for judgment as a matter of law pursuant to Rule 50(b) must be preceded by a Rule 50(a) motion *sufficiently specific* to afford the party against whom the motion is directed with an opportunity to cure possible defects in proof which otherwise might make its case legally insufficient." *Lightning Lube, Inc. v. Witco*

Corp., 4 F.3d 1153, 1173 (3d Cir. 1993) (emphasis in original).¹ A motion brought under Rule 50(a) “may be made at any time before the case is submitted to the jury. The motion must specify the judgment sought and the law and facts that entitle the movant to the judgment.” Fed. R. Civ. P. 50(a)(2). Accordingly, “a [party’s] failure to raise an issue in a Rule 50(a)(2) motion with sufficient specificity to put the [other party] on notice waives the [moving party’s] right to raise the issue in their Rule 50(b) motion.” *Williams v. Runyon*, 130 F.3d 568, 571-72 (3d Cir. 1997). Because Leader did not comply with the specificity requirements of Rule 50(a), its “renewed” motion under Rule 50(b) fails as a matter of law.

1. Leader’s Pre-Verdict Motions Were Inadequate Under Rule 50(a)

Leader’s entire pre-verdict motion under Rule 50(a), as to both the on sale and public use defenses, was limited to the following statement:

Number three, judgment as a matter of law that the invention covered by any of the asserted claims of U.S. Patent Number 7,139,761 was not in public use or on sale by Leader Technologies more than one year prior to the effective filing date and the asserted claims of U.S. Patent Number 7,139,761 are therefore not invalid for that reason.

Ex.² A at 1714:3-10.

Leader did not identify a single basis for its motion, providing Facebook with no opportunity to cure the alleged evidentiary deficiencies Leader now argues in its opening brief. *See* D.I. 626 at 4-11. Leader therefore waived its right to bring a motion for judgment as a matter of law on the on sale/public use defenses under Rule 50(b). Leader also failed to make *any* pre-verdict motion several other issues it now raises in its opening brief, specifically whether Facebook exercised “control or direction” over its users and employees, or whether the offers for

¹ Third Circuit law governs the question of whether Leader’s pre-verdict JMOL motion was sufficient under Rule 50(a). *See, e.g., Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1106 (Fed. Cir. 2003) (regional circuit law governs procedure for new trial and JMOL motions).

² Citations to “Ex. __” refer to cited exhibits attached to the Declaration of Jeffrey T. Norberg in Support of Facebook’s Opposition to Leader’s Motion for Judgment as a Matter of Law and Motion for New Trial, filed concurrently herewith.

sale and public uses of Leader2Leader were “experimental uses.” Because Leader failed to even mention these issues in its pre-verdict JMOLs, it is barred from raising those issues now.

2. Leader’s Post-Verdict “Rule 50(a)” Motion Was Without Legal Effect

Rule 50(a) is clear that a motion under that rule must be filed “before the case is submitted to the jury.” Fed. R. Civ. P. 50(a)(2). Leader told the Court after making its oral JMOL motions that it reserved the right to file a written submission on its Rule 50(a) motion. *See* Ex. A at 1733:24-1734:4. Leader did not file that submission, however, until six days after the jury verdict was entered. D.I. 612. That post-verdict “Rule 50(a)” motion, for the first time, articulated grounds for Leader’s pre-verdict oral motions and made additional motions that were never previously made. Leader’s belated motion is a nullity that must be disregarded in determining whether Leader complied with the specificity requirements of Rule 50(a).

Leader will likely argue that the Court gave it permission to file its post-verdict belated Rule 50(a) motion, but such an argument is unavailing. On the last day of trial and after apparently realizing that it had neglected to file its promised written Rule 50(a) submission, Leader requested for permission to file its motion after the verdict. The Court indicated that this was “acceptable,” but the Court never authorized Leader to exceed the scope of its oral pre-verdict JMOL motions, nor did it excuse Leader from the specificity requirements of Rule 50(a). *See* Ex. A at 1898:10-19. Nor could it have. Allowing a party to articulate its Rule 50(a) grounds after the verdict, too late for the opposing party to address those alleged deficiencies in its proof, would defeat the very purpose of the rule. *See* Fed. R. Civ. P. 50, Advisory Committee Notes to 1991 Amendment (“Paragraph (a)(2) retains the requirement that a motion for judgment be made prior to the close of the trial, subject to renewal after a jury verdict has been rendered. The purpose of this requirement is to assure the responding party an opportunity to cure any deficiency in that party’s proof that may have been overlooked until called to the party’s attention by a late motion for judgment.”). Leader’s renewed motion under Rule 50(b) must therefore be judged entirely by the content of Leader’s pre-verdict oral JMOL motions, which were insufficient for the reasons discussed above.

B. Substantial Evidence Supports The Jury’s Findings Against Leader

In order to prevail on its JMOL motion, Leader must show that, “viewing the evidence in the light most favorable to the nonmovant and giving it the advantage of every fair and reasonable inference, there is insufficient evidence from which a jury” could have made the findings that it did. *Lightning Lube*, 4 F.3d at 1166 (citing *Wittekamp v. Gulf & Western Inc.*, 991 F.2d 1137, 1141 (3d Cir. 1993)). “Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge.” *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150-51 (2000) (citation omitted). As explained below, the jury’s findings that the asserted claims were invalid under 35 U.S.C. § 102(b), and that Leader failed to prove that Facebook controls or directs the actions of its users and employees, are supported by substantial evidence.

1. Substantial Evidence Supported The Jury’s Verdict of Invalidity Based on the On-Sale Bar

Facebook prevailed on its on-sale bar defense by presenting the jury with clear and convincing evidence that (1) Leader2Leader, which embodied the asserted claims of the ’761 patent, was subject to a commercial offer for sale more than one year prior to the patent’s effective date; and that (2) the invention was ready for patenting. *See Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998). The jury heard ample evidence as to both elements.

a. Substantial Evidence Supported the Jury’s Finding that Leader2Leader Embodied the Asserted Claims

Leader devotes a substantial portion of its opening brief to the assertion that Facebook did not present sufficient evidence that Leader2Leader embodied the asserted claims of the ’761 patent. Leader’s primary argument is that Facebook was required to conduct an element-by-element technical comparison of Leader2Leader against the claims of the ’761 patent. Federal Circuit law is clear, however, that no such requirement exists: “That the offered product is in fact the claimed invention may be established by any relevant evidence, such as memoranda, drawings, correspondence, and testimony of witnesses.” *Sonoscan, Inc. v. Sonotek, Inc.*, 936 F.2d 1261, 1263 (Fed. Cir. 1991) (quoting *RCA Corp. v. Data Gen. Corp.*, 887 F.2d 1056, 1060

(Fed. Cir. 1989)) (emphasis added). For example, the Federal Circuit has repeatedly held that when a patent owner admits in litigation that a particular product practices the claimed invention, that admission is sufficient to sustain the defendant's burden that the product anticipates the claims for purposes of an on sale bar. *See, e.g., Vanmoor v. Wal-Mart Stores, Inc.*, 201 F.3d 1363, 1366 (Fed. Cir. 2000); *Evans Cooling Sys., Inc. v. Gen. Motors Corp.*, 125 F.3d 1448, 1451 (Fed. Cir. 1997); *see also Cummings v. Adidas USA*, No. 08 Civ. 9860(SAS), 2010 WL 2076975, at *4 (S.D.N.Y. May 24, 2010). The cases cited in Leader's opening brief address the situation in which the parties disagree on the question of whether the offered product ever practiced the claimed invention. Those cases have no applicability when, as here, the accused infringer relies on the patent owner's own admissions to show that the offered product embodies the claimed invention.

In *Vanmoor*, for example, the Federal Circuit affirmed summary judgment of invalidity based on pre-critical date sales of caulking gun cartridges. 201 F.3d at 1365. The court rejected the patent holder's argument that the defendants had not carried their burden of establishing that "the cartridges that were the subject of the pre-critical date sales anticipated the claims of [the] patent." *Id.* at 1366. The court explained that although the defendants "bore the burden of proving that the cartridges that were the subject of the pre-critical date sales anticipated [the patent], that burden was satisfied by [plaintiff's] allegation that the accused cartridges infringe [the patent]." *Id.*; *see also Cummings*, 2010 WL 2076975, at *4 (accused infringer met its burden under *Vanmoor* by relying on patentee's allegations and discovery admissions that accused products embody the asserted claims).

To prove that Leader2Leader practiced the asserted claims, Facebook presented Leader's sworn interrogatory responses, the deposition testimony of Mr. McKibben and documentary evidence. *See* Ex. A at 1201:15-21, 1377:14-19; Ex. B (DTX0963-R); Ex. C (DTX0969-R); Ex. D (DTX0179) at LTI_048198, 203. In particular, Facebook presented two interrogatory responses in which Leader admitted that "Leader2Leader® powered by the Digital Leaderboard® engine is covered by the '761 Patent." *Id.* Ex. B (DTX0963-R) at 4; *see also* Ex.

C (DTX 0969-R) at 46 (“Leader2Leader® powered by the Digital Leaderboard® engine embodies the following asserted claims of the ’761 Patent: 1-17, 21, 23-26, 29, and 31-34.”). These admissions were unequivocal and not qualified in any way. Each of the three pre-critical date commercial offers for sale introduced by Facebook was for Leader2Leader. The earliest of those three offers in January 2002, for example, was for the “Digital Leaderboard™ System software . . . supplied under the brand name Leader2Leader™” Ex. D (DTX0179) at LTI_048200. Leader’s unqualified interrogatory admissions would have been sufficient, standing alone, to carry Facebook’s burden of proof on his issue. But there was more.

Facebook also presented the pre-trial deposition testimony of Mr. McKibben, testifying as Leader’s founder, CEO, lead inventor of the ’761 patent and Leader’s corporate designee under Rule 30(b)(6) on the topic of whether Leader2Leader practices the asserted claims.³ Mr. McKibben confirmed during that deposition that Leader2Leader practices the claims of the ’761 patent. *Id.* Ex. A at 1201:15-21. When asked whether he could identify any previous version of Leader2Leader that did *not* practice the claims, Mr. McKibben testified that he could not:

Q. Can you identify any iteration of the Leader2Leader product that, in your opinion, did not implement what’s claimed in the ’761 patent?

A. That was a long time ago. I – I can’t point back to a specific point.

Id. Ex. A at 1377:14-19.

In an attempt to avoid its interrogatory responses and other pre-trial admissions, Leader came up with an entirely new story at trial – that Leader2Leader did not incorporate the

³ Mr. McKibben served as Leader’s Rule 30(b)(6) designee as to all deposition topics specified in Facebook’s notice. Two of those topics dealt directly with the identity of versions of Leader2Leader that practiced the ’761 patent. *See* Ex. E at 5 (Topic 14: “The identity of each version or each LTI product and/or service that LTI contends practices one or more asserted claims of the ’761 Patent, including Leader2Leader, and the manner in which such product and/or service allegedly practices the claimed invention.”), *id.* at 4 (Topic No. 5: “The conception, design, research, experimental work, development, reduction to practice, examination, analysis, testing, evaluation, sales, marketing and public use of each version of each LTI product, including Leader2Leader.”).

technology of the '761 patent until shortly before the filing of Leader's provisional patent application on December 11, 2002. *See* Ex. A at 1316:2-13, 1320:20-1321:16, 1324:23-1325:17, 1327:2-1327:19. In particular, Mr. McKibben asserted at trial that the Leader2Leader product referenced in Leader's offers for sale did not practice the claims of the '761 patent because "that technology was not done until a few days before December 11, 2002." Ex. A at 1327:7-10.

The question presented to the jury, therefore, was not *whether* Leader2Leader practiced the asserted claims of the '761 patent in 2002 (as Leader repeatedly admitted it did), but *when*. The answer to that question turned on the credibility of Mr. McKibben's trial testimony that the technology of the '761 patent "was not done until a few days before December 11, 2002." *Id.* at 1327:9-10. The jury was properly instructed that in weighing that testimony, it should consider "the witness's biases, prejudices or interests; the witness's manner or demeanor on the witness stand; and all circumstances that, according to the evidence, could affect the credibility of the testimony." D.I. 601 at 10, Jury Instruction 1.7. The jury was further instructed that if it could not reconcile contradictions between Leader's pre-trial and trial testimony, "it is your duty and privilege to believe the testimony that, in your judgment, is most believable and disregard any testimony that, in your judgment, is not believable." *Id.* Contrary to Leader's claim that the jury was required to disregard the entirety of Mr. McKibben's testimony if they found him not credible, the jury was entitled to credit Leader's and Mr. McKibben's pre-trial deposition testimony, and discredit any contrary testimony offered at trial. And that is precisely what it did.

The jury saw Leader's trial testimony as what it was – a self-serving and last-minute fabrication to salvage an invalid patent, and the jury's rejection of it is not subject to attack through a JMOL motion. *See Lighting Lube*, 4 F.3d at 1166 ("In determining whether the evidence is sufficient to sustain [the verdict], the court may not weigh the evidence, determine the credibility of witnesses, or substitute its version of the facts for the jury's version."). As the Supreme Court has noted, "although the court should review the record as a whole [in considering a JMOL motion], it must disregard all evidence favorable to the moving party that the jury is not required to believe." *Reeves*, 530 U.S. at 151.

But even if there was a legal basis to second-guess the jury's assessment of the evidence, the jury's conclusion was clearly a correct one. Mr. McKibben offered no explanation for his on-the-stand, after-the-fact and surprising recollection of the precise date on which Leader2Leader first included the invention of the '761 patent. His assertion that the '761 technology "was not done until a few days before December 11, 2002" was unsupported by any facts. Mr. McKibben did not, for example, identify a single facet of Leader2Leader that underwent any change in 2002 (or at any other time), let alone any change significant enough to affect whether or not the product practiced the '761 patent. Mr. McKibben's proposal to Wright-Patterson Air Force Base in January 2002 – eleven months before the date Mr. McKibben claimed at trial that the technology was "done," portrayed Leader2Leader as a fully-functioning product for facilitating on-line collaboration. *See* Ex. D (DTX0179) at LTI_048198, 203. In the end, Mr. McKibben's trial testimony depended on the jury believing the implausible notion that the version of Leader2Leader that Mr. McKibben offered earlier in 2002 – and for which Leader was seeking many millions of dollars – did not implement the invention on which the entire product was allegedly based.

In *Cummings v. Adidas, supra*, Judge Scheindlin of the Southern District of New York recently entered summary judgment of invalidity based on the on-sale bar under facts strikingly similar to those presented here. The plaintiff/patentee in that case admitted in discovery that a particular shoe practiced the asserted claims of the patent. *Cummings*, 2010 WL 2076975, at *2. The defendant relied on this admission and filed a motion for summary judgment of invalidity. The plaintiff sought to avoid the effect of its admissions by arguing that older versions of the product did not practice the claimed invention. The court rejected this argument, noting that "[i]f plaintiffs wanted to accuse some AJXV shoes but not others, they had a duty to qualify their responses appropriately. They did not." *Id.* at *5. As in *Cummings*, if Leader had a basis for claiming that earlier versions of Leader2Leader did not practice the '761 patent, it would have qualified its interrogatory responses or identified those versions during Mr. McKibben's

deposition, as he was required to do under Rule 30(b)(6). Mr. McKibben's self-serving attempts to do so at trial were properly rejected by the jury.⁴

Finally, even if the jury had credited Mr. McKibben's implausible story that Leader2Leader did not practice the '761 patent until "a few days before December 11, 2002," it could *still* have found the claims invalid based on evidence at trial of actual sales or offers of sale of Leader2Leader to The Limited, Boston Scientific and several other companies that may have occurred in those same days before the critical date. In particular, Facebook introduced an e-mail dated December 8, 2002 authored by Mr. McKibben following-up on what he called "numerous developments on the sales front." Ex. F (DTX0766); Ex. A at 1304:1-1306:21. In that e-mail, Mr. McKibben wrote: "We have confirmation now from both the COO, Len Schlessinger, and the CIO, Jon Ricker [of The Limited], that we will acquire a significant contract in January for their implementation of Leader2Leader®." Ex. F (DTX0766) (emphasis added). In that same document, Mr. McKibben similarly claimed that Leader was "well down the path toward a contract for us to supply Leader2Leader" to Boston Scientific. *Id.* The document continued by discussing other recent efforts to sell Leader2Leader to Netcom Solutions and "A Major Japanese Bank." Of course, December 8, 2002 is a "few days" before December 11, 2002. The jury therefore could have reasonably found that Leader offered to sell or sold the patented technology even during the "few days" window when Leader now claims the '761 technology was first incorporated into Leader2Leader.

b. Substantial Evidence Supported the Jury's Finding that the Invention was the Subject of a Commercial Offer of Sale

Leader's contention that Facebook did not present sufficient evidence of a commercial offer for sale is similarly unavailing. Whether a communication qualifies as a commercial offer

⁴ Leader's claim that co-inventor Jeff Lamb "confirmed" Mr. McKibben's testimony is false. D.I. 626 at 10, n.3. At trial Jeff Lamb only testified that his references to Leader2Leader sometimes included references to other Leader products. Ex. A at 469:8-470:21. Mr. Lamb did not confirm Mr. McKibben's on-the-stand sudden recollection that the technology of the patent was not included in Leader2Leader until just a few days before the filing of the provisional patent application.

for purposes of the on sale bar is determined by reference to federal common law. *See Honeywell Int'l, Inc. v. Nikon Corp.*, 672 F. Supp. 2d 638, 642-43 (D. Del. 2009) (Farnan, J.) (citing *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1046 (Fed. Cir. 2001)). Factors that may be considered in determining whether a “commercial offer” has been made include the language used by the parties, the circumstances surrounding the making of the offer and whether the offer includes detailed terms. *Honeywell*, 672 F. Supp. 2d at 642-43. Leader’s claim that a reasonable jury could not have found that Leader’s communications to The Limited, Boston Scientific and Wright Patterson were commercial offers is without merit.

Leader’s written submission to Wright-Patterson Air Force Base (“WPAFB”) identified Leader as the “offeror” and provided a detailed offer for selling Leader2Leader, including the number of licenses to be sold (20,000), the price for those licenses (\$8,400,000) and the timeframe for implementation (end of Q1 2002). Ex. D (DTX0179) at LTI_048202, 204-205. Leader’s written offer to The Limited included the actual word **offer**: “I’d like to **offer** you the following sweetheart deal[,]” including the number of licenses to be provided (2,000), the term of those licenses (3 years) and the price (\$1.5 million, or “\$20.83 per user per month.”). Ex. G (DTX0185) (emphasis added). And the fact that Leader offered to sell Leader2Leader to Boston Scientific was confirmed by Leader employee Steve Hanna in an October 10, 2002 internal Leader e-mail that said: “L2L: we have verbally committed to selling a system to Boston Scientific...” Ex. H (DTX0184). This evidence was more than sufficient for the jury to find that Leader2Leader was the subject of at least three commercial offers of sale, notwithstanding that only one offer was required to sustain the jury’s finding of invalidity based on the on sale bar.

Leader cites *MLMC, Ltd. v. Airtouch Communications, Inc.*, 215 F. Supp. 2d 464 (D. Del. 2002) for the proposition that communications that include prices do not necessarily constitute commercial offers for purposes of § 102(b). The court in *MLMC* found insufficient evidence of an offer where the defendant offered testimony that a patentee provided “budgetary quotations” to serve as a starting point for negotiations, but without submitting the actual quotations into evidence, and which did not include other traditional contract terms such as delivery dates. *Id.* at

480. Significantly, Judge Robinson found the absence of words such as “I offer” to be a significant factor in finding that no commercial offer took place. *Id.* Here, the offers to sell to WPAFB and The Limited included all of the necessary and specific terms one would expect to find in a commercial offer, including price, number of licenses, duration and delivery, along with express language indicating that Leader was making a commercial offer of sale. Further, the jury could have reasonably believed Leader’s internal e-mail in which it admitted that it “verbally committed to selling [Leader2Leader] to Boston Scientific.” Ex. H (DTX0184).

Mr. McKibben attempted at trial to deny that his communications with these third parties were offers to sell Leader2Leader, but that presented nothing more than a credibility question for the jury. Mr. McKibben’s deposition testimony, moreover, made it easy for the jury to discredit his trial testimony. In a November 3, 2002 e-mail, Mr. McKibben wrote: “We had a phenomenal selling week last week. The Limited www.limited.com just committed to contracting with Leader for LeaderPhone(r) and Leader2Leader(tm).” Ex. I (DTX0186). When asked during his deposition whether this was true (which was played for the jury), Mr. McKibben characterized it as “hyperbole” or “an overstatement to make a point that we had a good meeting.” Ex. A at 1231:17-1232:7. The jury could properly have considered Mr. McKibben’s tendency to diminish the significance of damaging communications with third parties in assessing the credibility of his attempts to deny that he made offers to sell Leader2Leader. D.I. 601 at 10, Jury Instruction 1.7.

c. Substantial Evidence Supported the Jury’s Finding that the Alleged Invention was “Ready for Patenting”

An accused infringer may show that an alleged invention was “ready for patenting” in at least two ways: “by proof of reduction to practice before the critical date; or by proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.” *Pfaff*, 525 U.S. at 67-68. Leader presented evidence at trial that the alleged invention of the ’761 patent was conceived before January 1, 2000. Ex. A at 1382:1-5. And Facebook presented

substantial evidence that the Leader2Leader product embodying the asserted claims of the '761 patent was actually reduced to practice before the critical date.

Mr. McKibben testified during his deposition that the collaborative technology claimed in the patent at issue was implemented as early as 2001 or 2002:

Q. At some point there came a time when you had a product implemented; correct?

A. Well, as was -- software is never finished, so even version one of a product is not implemented in the sense that it's perfect. But we were confident of a fairly stable design by '98 and then we started coding and -- now these are rough time frames, but I would say we were coding -- well, we haven't stopped coding, **so a fairly stable collaborative environment was working by I'm going to say 2001/2002 time frame.**

Ex. A at 1200:6-17 (emphasis added). Mr. McKibben's deposition testimony was corroborated by Leader's January 9, 2002 written proposal to WPAFB, in which Leader stated that "the Leader2Leader™ platform *is operational now* with low user volumes." Ex. D (DTX0179) at LTI_048203 (emphasis added). In that same document, Leader said that the Digital Leaderboard system of Leader2Leader was "[f]ully developed at private expense." *Id.* at LTI_048200.

The jury was also presented with evidence that Leader demonstrated the functionality of Leader2Leader to third parties as early as December of 2001 and throughout 2002. *See* Ex. J (DTX0178) at LTI_014125 (December 8, 2001: COO of The Limited agrees to endorsement "after his latest viewing of the Leader2Leader™ platform[.]"); Ex. K (DTX0181) (August 29, 2002 e-mail: "Mike had 2 demos on Tuesday (one to the State of OH Police who are interested in the L2L platform) . . ."). The fact that Leader2Leader was operational and the subject of functional demonstrations to third parties obviously indicates that it was reduced to practice, and was more than sufficient to sustain the jury's conclusion that the alleged invention was ready for patenting. The claims do not recite any required user volume, so operation at "low user volumes," Ex. D (DTX0179), fully satisfies the claims. *See Geo M. Martin Co., v. Alliance*

Mach. Sys. Int'l LLC, Nos. 2009-1132, 2009-1151, ___ F.3d ___, 2010 WL 3275967, at *8 (Fed. Cir. Aug. 20, 2010) (prior art that did not work at “production speed” could still satisfy patent claim that did not require any particular speed).

Leader argues that Facebook “effectively conceded” that the invention was not ready for patenting by December 10, 2002 when it argued that the provisional application did not support the claims of the issued patent. This argument is based on twisted and flawed logic because the content of the provisional application is independent of the functionality of Leader2Leader. The evidence at trial, for example, established that while Leader2Leader was fully operational in 2002, Leader did not fully disclose the details of its operation in its sparse provisional application. Leader’s own expert, Dr. Herbsleb, admitted that the source code contained in the provisional application was incomplete and relied on “import” statements referencing other, undisclosed code. Ex. A at 1855:1-1863:15. The fact that Leader chose to prepare and file an incomplete provisional application does not diminish the fact that the underlying Leader2Leader software was “ready for patenting” at that time.

d. Substantial Evidence Supports the Jury’s Finding that the Asserted Claims of the ’761 Patent Are Not Entitled to the Priority Date of the Provisional Application

The testimony of at least three witnesses (i.e. Jeff Lamb, Professor Greenberg, Dr. Herbsleb) supported the jury’s conclusion that the provisional application does not disclose each and every element of any asserted claim. First, co-inventor Jeff Lamb testified (via deposition testimony played at trial) that elements in each independent claim, such as tracking movement of users and associating metadata with user created content, were not disclosed in the provisional application. Ex. A at 1182:1-1186:21.⁵ Second, Professor Greenberg provided extensive testimony about the differences between the provisional application and the issued claims, and

⁵ Although Mr. Lamb later attempted to alter this deposition testimony via an errata, Mr. Lamb testified at trial that he did not intend to make any substantive changes to his testimony and that his deposition was accurate. Ex. A at 467:3-17. The jury could properly have given the errata little to no weight in assessing whether the provisional application supported the issued claims.

explained why the provisional neither disclosed nor enabled those claims. *See generally*, Ex. A at 1402:20-1403:2, 1407:19-1444:12, 1447:11-20. Third, as noted above, even Dr. Herbsleb admitted that the source code in the provisional (on which he relied for many claim elements) was incomplete. *Id.* at 1855:1-1863:15. That Leader does not agree with the testimony of these three witnesses provides no basis for overturning the jury’s verdict.⁶

Leader’s reliance on the work of Dr. Herbsleb’s post-doctoral student Dr. Cataldo, who did not appear as a witness at trial, does not warrant overturning the jury’s verdict. On cross-examination, Dr. Herbsleb admitted that the report created by Dr. Cataldo referenced claim elements (such as the “context component” and “tracking component”) that do not appear in the provisional application and appeared for the first time in the later-filed application. Ex. A at 1867:12-19; Ex. L (PTX-3). Further, Dr. Herbsleb testified that he did not oversee Dr. Cataldo’s work, and all he knew regarding whether Dr. Cataldo referenced any outside materials in conducting this experiment was “what he told me. . . .” Ex. A at 1865:14-24. Dr. Herbsleb also admitted that, as the ’761 patent is publicly available, Dr. Cataldo “had access to [the ’761 patent] as does everyone.” *Id.* at 1867:15-1868:3. Dr. Herbsleb further admitted that Dr. Cataldo never built any actual working product in connection with this work. *Id.* at 1868:11-20. Furthermore, the jury could easily have found that Dr. Cataldo’s skill far exceeded that of one of ordinary skill in the art at the time the application was filed, rendering his work unreliable. D.I. 601 at 39, Jury Instruction 4.6 (“Leader may rely on the filing date of its provisional application . . . if the application teaches *one of ordinary skill in the art* to make and use the claimed invention of the ’761 patent, and to do so without undue experimentation.”). Dr. Cataldo has a Ph.D., not a bachelor’s degree, and ten years of experience – placing him well

⁶ Leader’s motion also incorrectly places the burden of proof on Facebook. *See* D.I. 626 at 18 (“That kind of analysis does not rise to the level of clear and convincing evidence”). The Court’s jury instructions were clear that it was Leader’s initial burden to prove, by a preponderance of the evidence, that the ’761 patent is entitled to the priority date of the provisional application by. D.I. 601 at 36, Jury Instruction 4.4. *See also Power Oasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1304-06 (Fed. Cir. 2008) (patentee must show entitlement to priority application that contained less disclosure than earlier application).

beyond a person of ordinary skill in art. *See* Ex. A at 1864:8-20, 1740:16-1741:2, 1406:10-22. The lack of any testimony by Dr. Cataldo, the likelihood that he relied on materials outside the provisional application, the fact that he never built a working product, and the fact that he did not even qualify as a person of ordinary skill in the art, provided an overwhelming basis for the jury to disregard Dr. Herbsleb's second-hand account of Dr. Cataldo's unreliable experiment.

2. Substantial Evidence Supported The Jury's Verdict of Invalidity Based on the Public Use Bar

Leader argues that Facebook did not present sufficient evidence of a public use because, according to Leader, any disclosures of Leader2Leader were subject to confidentiality restrictions. Instruction 4.6 correctly instructed the jury that: "The disclosure of the invention to even a single third party may qualify as a 'public' use provided that the third party was under no legal obligation to the inventor to maintain its secrecy." D.I. 601 at 39, Jury Instruction 4.6; *see also Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1334 (Fed. Cir. 2005) (disclosure of invention to two individuals who were under no obligation of secrecy could constitute public use under § 102(b)). Mr. McKibben testified at trial that he had *more than a thousand* meetings with third parties, before filing the patent application, during which Leader2Leader was discussed. Ex. A at 1289:3-1291:17. The jury only needed to find a single unprotected disclosure of Leader2Leader to reach its verdict of invalidity based on public use. D.I. 601 at 39, Jury Instruction 4.6.

Facebook submitted evidence that Mr. McKibben provided a demonstration of Leader2Leader to Boston Scientific on November 25, 2002, but did not have a signed NDA from Boston Scientific until the next day. Ex. A at 1297:6-1299:19; Ex. M (DTX0736); Ex. N (DTX0776). The only signed NDA with Boston Scientific in evidence was provided by Boston Scientific (not Leader), and said nothing about protecting the earlier demonstration of Leader2Leader. *See* Ex. M (DTX0736). Mr. McKibben attempted to explain this discrepancy by claiming that other individuals with Boston Scientific had signed earlier NDAs, but he never identified those NDAs during trial. Ex. A at 1363:20-1364:7. This failure was particularly

telling given that Leader entered thousands of NDAs into evidence (DTX0725), yet could not identify a single one that covers the November 25 demonstration to Boston Scientific. A reasonable jury could have properly concluded, based on just the demonstration to Boston Scientific, that the asserted claims were invalid based on public use. Moreover, given the pervasive credibility problems with Mr. McKibben's testimony as discussed above, the jury could have simply discredited his testimony that the thousands of disclosures of Leader2Leader were all made under NDAs.

3. Substantial Evidence Supported the Jury's Rejection of Leader's "Experimental Use" Defense

The jury's verdict in favor of Facebook on the on-sale bar and public use defenses necessarily means that the jury rejected Leader's argument that its offers for sale and public disclosures were experimental uses. The jury was properly instructed that once Facebook satisfied its burden of establishing an offer for sale or public use, the burden shifted to Leader to show that any such offers or public displays were made for experimental purposes. D.I. 601 at 43, Jury Instruction 4.8. The jury's instruction noted in relevant part that:

The experimentation must relate to the features of the claimed invention, and it must be for the purpose of technological improvement, not commercial exploitation. A test done primarily for marketing, and only incidentally for technological improvement, is not an experimental use, but a public use. If any commercial exploitation does occur, it must be merely incidental to the primary purpose of experimentation.

Id. (emphasis added).

The jury reasonably concluded that the primary purpose of the offers for sale and public disclosures of Leader2Leader was commercial exploitation. The evidence on this point was overwhelming. Leader's offer to Wright Patterson required a payment to Leader of \$8,400,000 for Leader2Leader licenses (Ex. D (DTX0179) at LTI_048204) and the offer to The Limited required payment of \$1.5 million (Ex. G (DTX0185)). Moreover, Leader's employees characterized the offer to Boston Scientific as being commercial in nature by admitting that

Leader had committed to “selling” Leader2Leader. Ex. H (DTX0184). With so many millions at stake, it is hard to imagine that the jury could have concluded that these offers and disclosures had anything other than commercial purposes. *See Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1355 (Fed. Cir. 2002) (holding that amounts to be paid is a factor in determining whether use was experimental or commercial).

The references to “beta testing” in some of Leader’s offers do not render them “experimental uses” under the law. Federal Circuit law is clear that “[e]xperimentation conducted to determine whether [a product] would suit a particular customer’s purposes does not fall within the experimental use exception.” *Id.* at 1355 (citing *In re Theis*, 610 F.2d 786, 792 (C.C.P.A. 1979)). Leader admits in its motion that the purpose of its offer to Wright-Patterson was directed to tailor a product to Wright Patterson’s needs rather than as part of an internal testing program: “the whole point of the project was to jointly *develop* solutions to allow intelligence agencies to share data more easily.” D.I. 626 at 12 (emphasis in original). The dollar amounts and other details included in the offers to The Limited and Boston Scientific, as well as Leader’s numerous demonstrations to potential customers (including Boston Scientific), provide a sufficient basis for a reasonable jury to have concluded that Leader failed to carry its burden on the experimental use exception.

C. A Reasonable Jury Could Have Found That Leader Failed To Carry Its Burden on Control or Direction

With respect to Leader’s assertion that Facebook infringed claims 9, 11 and 16, the jury found that Leader failed to show that Facebook controls or directs the actions of its users and employees. This verdict is supported by substantial evidence. With respect to Facebook users, the only evidence offered by Leader to show control or direction consisted of the existence of Facebook’s terms of service – terms that in no way require users to interact with the site. *See, e.g.*, Ex. O (PTX-628) at LTI_000722 (“Although we provide rules for user conduct and postings, we do not control and are not responsible for what users post, transmit or share on the

Site The Company is not responsible for the conduct, whether online or offline, of any user of the Site or Service.”). To show control or direction over Facebook employees, Leader offered documents and testimony suggesting, at best, that Facebook employees test the website’s functionality from time to time. D.I. 626 at 19. Leader offered no evidence that Facebook employees actually perform any of the specific method steps of the asserted claims, nor any evidence that Facebook requires its employees to do so. In light of this failure, there is no basis for disregarding the jury’s determination that Leader failed to carry its burden of proof on this issue.

Leader’s motion for JMOL on the “control or direction” relies on evidence so weak that it actually supports JMOL in favor of *Facebook*. As explained in Facebook’s pending motion for JMOL of Non-Infringement (Motion No. 1), Leader’s evidence is insufficient as a matter of law under controlling law. *See Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1330 (Fed. Cir. 2008) (“That [defendant] controls access to its system and instructs bidders on its use is not sufficient to incur liability for direct infringement.”); *see* D.I. 632, Facebook’s JMOL No. 1 at 7-10. The jury’s verdict on this issue should therefore be left undisturbed.

D. Leader Provides No Basis for A New Trial

Motions for a new trial are governed by Fed. R. Civ. P. 59. Leader has limited its new trial motion to a single unsupportable ground: that “the jury’s verdict is against the clear weight of the evidence, and a new trial must be granted to prevent a miscarriage of justice[.]” *Lucent Techs., Inc. v. Newbridge Networks Corp.*, 168 F. Supp. 2d 181, 251 (D. Del. 2001) (Farnan, J.). In that very case, however, the court noted that “the court should proceed cautiously, because such a ruling would necessarily substitute the court’s judgment for that of the jury.” *Id.* (citing *Klein v. Hollings*, 992 F.2d 1285, 1290 (3d Cir. 1993)). Judge Farnan further cautioned “a new trial should only be granted where ‘a miscarriage of justice would result if the verdict were to stand,’ the verdict ‘cries out to be overturned,’ or where the verdict ‘shocks our conscience.’” *Id.* (quoting *Williamson v. Consol. Rail Corp.*, 926 F.2d 1344, 1352 (3d Cir. 1991)); *see also Price v. Delaware Dept. of Correction*, 40 F. Supp. 2d 544, 550 (D. Del. 1999)).

Leader's alternative new trial motion is premised entirely on two faulty premises. First, Leader relies on the *Lucent* case for the proposition that the Court need not view the evidence in light most favorable to the prevailing party when deciding whether to grant the motion. D.I. 626 at 20. As discussed above, Judge Farnan in *Lucent* cautioned against granting a new trial when doing so would require the court to substitute its own judgment for that of the jury's. *Lucent*, 168 F. Supp. 2d at 251. As discussed in greater detail above, the jury's verdict on the on-sale bar and public use defenses turned largely on the jury's determination of Mr. McKibben's credibility and its assessment of conflicting evidence. These determinations present classic jury questions, and the jury's reasonable findings do not meet the high "shock the conscience" standard necessary to obtain a new trial.

Leader's second argument, that the jury's verdict "rests entirely on speculative inferences[,]" is simply false. D.I. 626 at 20. Leader does not specify which inferences it claims warrant a new trial, and none are apparent from the face of Leader's motion. As discussed above, Facebook relied on sworn admissions and extensive documentary evidence in support of each element of Facebook's on-sale bar and public disclosure defenses. Leader's unsupported claim that the jury made unreasonable inferences provides no basis for a new trial.

III. CONCLUSION

For the foregoing reasons, Leader's motion should be denied.

Dated: September 15, 2010

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