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March 22, 2011

BY E-FILE

The Honorable Leonard P. Stark
U.S. District Court for the District of Delaware
U.S. Courthouse
844 N. King Street
Wilmington, DE 19801-3556

Re: Leader Technologies, Inc. v. Facebook, Inc., C. A. No. 08-862-LPS

Dear Judge Stark:

The Parties submit this joint letter pursuant to the Court's oral order on March 18, 2011.

Leader's Position

Leader requests a Rule 54(b) certification of the Court's March 14th Orders and the jury verdict on July 28, 2010 so that the parties can proceed with the appeal process. At this point, only Facebook's inequitable conduct and false marking claims remain to be tried. During the meet and confer process, Facebook indicated that it is not pursuing its false marking claim, thus Leader only addresses Facebook's inequitable conduct claim in its portion of the Joint Letter.

Leader's request for certification of the Court's Orders of March 14th under Rule 54(b) should be granted because (1) it promotes judicial economy, (2) the law of inequitable conduct is not settled, and (3) proceeding with another trial on inequitable conduct is prejudicial to Leader. Additionally, the specific disposition of this case undermines Facebook's position that appeals should not be done piecemeal.

Judicial Economy: Permitting Facebook's inequitable conduct claim to go forward before allowing the parties to appeal the Court's decisions regarding infringement and validity would be a waste of judicial resources. If the Federal Circuit upholds the Court's invalidity decision, Facebook's inequitable conduct claim would be moot as there is no point in seeking unenforceability of an invalid patent. At the same time, if the Federal Circuit remands the case back to the Court for any reason, then it would be more efficient to hold a trial on Facebook's inequitable conduct claim along with any potential issues the Federal Circuit may remand, including issues of validity and damages.

Delaware courts regularly issue Rule 54(b) certifications under these circumstances. For example, in *Glaxo Wellcome Inc. v. Genentech, Inc.*, the Court sent the case to the Federal Circuit notwithstanding the defendant's outstanding inequitable conduct claim. It held that "having determined that the decision...regarding infringement, validity and damages as to all four of the patents-in-suit...is final...there is no just reason for delay of an appeal of this decision. . . ." *See Glaxo Wellcome Inc. v. Genentech, Inc.*, C.A. No. 99-335 (RRM), 2001 WL 36190114, at *1 (D. Del. July 24, 2001) (certification was granted after a jury found the patent invalid). Because the issues of infringement and validity have been determined in this case, Facebook's inequitable conduct claim does not provide a just reason to delay Leader's appeal.

Uncertain Legal Standard: The Federal Circuit's recent grant of *en banc* review on the legal standard for inequitable conduct has made it clear that it is likely going to change the current legal standards for proving inequitable conduct. *See Therasense, Inc. v. Becton, Dickinson & Co.*, No. 2008-1511, 2010 WL 1655391 (Fed. Cir. April 26, 2010). As such, any trial prior to the *en banc* decision would likely be based on a legal standard that will soon be outdated, and any trial immediately thereafter would deprive this Court of a well settled body of case law on this issue. In light of the Federal Circuit's forthcoming *en banc* decision, proceeding with a trial solely on Facebook's inequitable conduct claim would result in additional waste of judicial economy.

Prejudice to Leader: Facebook's inequitable conduct claim and its refusal to stipulate to a Rule 54(b) Certification is merely a tactic to delay Leader's right to appeal and is unduly prejudicial to Leader. Facebook was permitted to add its inequitable conduct claim less than a month before trial (D.I. 559) with absolutely no evidence of the requisite "intent to deceive." Due to the last minute nature of Facebook's claim, Leader could not file for summary judgment to remove Facebook's meritless claim from the case, as that issue was bifurcated. The only explanation for Facebook's timing in adding this claim to the case was to delay its final determination. Accordingly, it would be unfair to now allow Facebook to use this futile claim to unreasonably delay Leader's right to seek an appeal.

Accordingly, Leader requests a 54(b) certification of the Court's March 14th Orders and the jury verdict on July 28, 2010.

Facebook's Proposal For Further Proceedings in this Matter

Leader should not be permitted to seek piecemeal review of the first phase of the trial court proceedings. Leader's request for a partial judgment ignores the Court's admonition at the Final Pretrial Conference in which it advised the parties: "An issue was raised in the letters, I believe, about the timing of the second or subsequent trials if necessary. What I can tell you for sure is I intend to try the whole remainder of the case prior to any appeal." (July 16, 2010 Tr. at 77:20-24 (emphasis added).) In accordance with the Court's directions at the Pretrial Conference, there should be no final and appealable judgment until after the Court adjudicates

Facebook's pending inequitable conduct counterclaim, which Facebook believes can be tried in a two-day court trial.[1]

A court weighing a certification request under Rule 54(b) must scrutinize "the interrelationship of the claims so as to prevent piecemeal appeals in cases which should be reviewed only as single units." *Curtiss-Wright Corp. v. General Elec. Co.*, 446 U.S. 1, 10 (1980). "Where the adjudicated and unadjudicated claims share significant similarities, such as involving the same parties, the same legal issues, or the same evidence, Rule 54(b) certification is disfavored." *Ortho-McNeil Pharmaceutical, Inc. v. Kali Laboratories, Inc.*, 2007 WL 1814080, at *3 (D.N.J. June 20, 2007) (denying Rule 54(b) certification in patent case in light of pending inequitable conduct claim).

The principal facts underlying the invalidity issues Leader seeks to appeal are the same as those in the pending inequitable conduct claim, with the element of deceptive intent requiring additional facts to be found.[2] In particular, Facebook's inequitable conduct claim is based on Leader's failure to disclose to the PTO (1) the offers for sale and demonstrations of Leader2Leader that were the basis for the jury's verdict of invalidity; and (2) certain material prior art references, including iManage that was discussed at trial. (D.I. 559, at 9.) Facebook's claim will rely on the evidence supporting its § 102(b) defense pertaining to Mr. McKibben's involvement in the invalidating offers for sale and public demonstrations of Leader2Leader. Leader, for its part, has made clear that its defense will be based on the same theories it presented at trial. (See McKibben Declaration re Facebook's Motion to Add Inequitable Conduct Claim (D.I. 348), ¶ 4.)

There is no reason why the Federal Circuit should be forced to familiarize itself with these issues a second time through a duplicative appeal on the inequitable conduct claim. Leader will suffer no prejudice from having to await a short court trial on inequitable conduct. Facebook therefore respectfully requests that the Court deny Leader's request for Rule 54(b) certification and set a trial date for a court trial on inequitable conduct.

Respectfully,

/s/ Philip A. Rovner

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[1] Leader refused to show its portion of this letter to Facebook prior to filing the joint letter, effectively thwarting any meaningful meet and confer. Facebook has done its best to anticipate Leader's arguments in its portion of the joint letter to aid the Court in understanding the issues.

[2] On June 24, 2010, the Court denied Facebook's motion for leave to amend its false patent marking claim to include LeaderPhone, LeaderAlert and LeaderMeeting. (D.I. 559 at 7.) Facebook does not intend to pursue a trial on its false marking claim which, as currently pleaded, is based only on Leader2Leader.