2011-1366

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

LEADER TECHNOLOGIES, INC.,
Plaintiff-Appellant,

v.

FACEBOOK, INC.,
Defendant-Appellee.

Appeal From The United States District Court
For The District Of Delaware
In Case No. 08-CV-0862, Judge Leonard P. Stark.

BRIEF FOR DEFENDANT-APPELLEE FACEBOOK, INC.

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Claim 1

1. A computer-implemented network-based system that facilitates management of data, comprising:

a computer-implemented context component of the network-based system for capturing context information associated with user-defined data created by user interaction of a user in a first context of the network-based system, the context component dynamically storing the context information in metadata associated with the user-defined data, the user-defined data and metadata stored on a storage component of the network-based system; and

a computer-implemented tracking component of the network-based system for tracking a change of the user from the first context to a second context of the network-based system and dynamically updating the stored metadata based on the change, wherein the user accesses the data from the second context.

J.A.256-57 (emphasis added).

CERTIFICATE OF INTEREST

Counsel for Defendant-Appellee Facebook, Inc. certifies the following:

1. The full name of every party or amicus represented by me is:

   Facebook, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   The party named in the caption, Facebook, Inc., is the real party in interest.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

   There are no such corporations or companies.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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October 24, 2011
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STATEMENT OF RELATED CASES

No appeal in or from this civil action was previously before this or any other appellate court. *See* Fed. Cir. R. 47.5(a). Facebook, Inc. ("Facebook") is unaware of any case that will be directly affected by this Court's opinion in the present appeal. Facebook is aware, however, of one currently pending en banc case, *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 2009-1372, -1380, -1416, -1417, 629 F.3d 1311 (Fed. Cir. Dec. 20, 2010) (vacated, pending en banc), that may affect Facebook's alternative ground for affirmance based on Leader's failure to establish joint infringement. *See* Fed. Cir. R. 47.5(b). *McKesson Technologies Inc. v. Epic Systems Corp.*, No. 2010-1291, 2011 U.S. App. LEXIS 7531 (Fed. Cir. Apr. 12, 2011) (vacated, pending en banc), the companion case to *Akamai*, is unlikely to affect this case because the district court granted Facebook's motion for judgment as a matter of law ("JMOL") of no indirect infringement and Leader Technologies, Inc. ("Leader") has not appealed that holding. J.A.21-22.

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BRIEF FOR DEFENDANT-APPELLEE FACEBOOK, INC.

STATEMENT OF THE ISSUES

Leader sued Facebook for patent infringement. The patent lists two inventors, Michael McKibben (Leader's CEO) and Jeffery Lamb. McKibben and Lamb invented a software tool to address a data-burden problem they perceived to be common to computer users in modern businesses, and implemented the invention in their Leader2Leader software. They applied for the patent on December 10, 2003, more than four years after conceiving of the invention and more than one year after Leader put Leader2Leader on sale and in public use. McKibben admitted that Leader2Leader embodied the asserted claims, that the invention was the

"underlying engine" of Leader2Leader, and that the invention was ready for patenting before the critical date (December 10, 2002). The issues are:

1. Does substantial evidence support the jury's findings that the invention was offered for sale and in public use before the critical date?

If those findings are upheld, no other issues need be resolved. If not, the Court must address Facebook's alternative grounds for affirmance:

2. Each asserted non-method claim requires "the user" to perform an action, *e.g.*, "the user accesses the data." The district court construed these limitations as "functional" and held that the claims were not indefinite. Was the court's ruling on indefiniteness incorrect?

3. Each asserted method claim requires the creation of data "by a user using an application," and further requires that "the user employ[] at least one of the application and the data." The jury found that Facebook did not control or direct the accused actions of any user, but the district court held that the claims did not require user action. Was the court's claim construction incorrect?

4. Every asserted claim requires that the accused system or method "dynamically" update or change metadata following user movement about an accused website. The district court properly interpreted "dynamically" to mean "automatically and in response to the preceding event," *i.e.*, automatically in response to the preceding event in the claim (the user movement). But at trial, Leader improperly

argued that the "preceding event" could be any event in the technology (not the preceding event in the claim) and based its infringement theory on that incorrect construction. Facebook sought a clarifying instruction, under which Facebook could not infringe, but the district court refused, and allowed Leader to argue claim construction to the jury. Did the court err?

STATEMENT OF THE CASE

Leader sued Facebook for infringement of U.S. Patent No. 7,139,761 (the "'761 patent") (J.A.228-58) in November 2008. J.A.259-62. Facebook moved for summary judgment that the asserted non-method claims were indefinite for reciting method steps. J.A.9782-83. At trial, the jury found Leader's patent invalid for violating the on-sale and public-use bars. J.A.74. The jury also found that Facebook did not control or direct any of the third-party actions required by the method claims, but that Facebook literally infringed all the asserted claims. J.A.72-73. The district court denied both parties' JMOL motions (except Facebook's motion on indirect infringement), and Facebook's summary-judgment motion on indefiniteness. J.A.30-37; *Leader Techs., Inc. v. Facebook, Inc.*, 770 F. Supp. 2d 686 (D. Del. 2011); 692 F. Supp. 2d 425 (D. Del. 2010).

STATEMENT OF FACTS

Leader disregards the principle that, on review of a jury verdict, the evidence must be viewed in the light most favorable to the prevailing party. Accordingly, Facebook provides an accurate statement of facts.

A. Leader Incorporated Its '761 Technology Into Leader2Leader From The Beginning

In the late 1990s, McKibben and Lamb began work on a solution to a "business problem" allegedly faced by modern computer users. J.A.24822:11-24823:7.[1] "[T]he problem [they] were trying to solve" involved the growth of data produced by "more and more people" communicating by way of "online databases" and similar technology, which made "keeping that data organized" a "lot of work." J.A.24826:9-24827:7. "[W]hat [they] invented" (and later claimed in the '761 patent) was a system that they thought took the "burden of organizing that data off of the user." *Id.* They fully conceived of the invention that they thought solved this data-burden problem no later than 1999. J.A.24771:2-8; J.A.24825:6-13.

The inventors implemented their perceived solution to the data-burden problem in Leader2Leader, a software tool based on an "underlying technology concept" that included "the big thing" that "solved the data burden issue."

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1 Facebook does not believe that the '761 patent reflects a significant advance or solves any significant problem. The terms "inventor" and "invention" are used merely for convenience.

J.A.24853:11-16. The essence of "Leader2Leader," according to McKibben, is that it "enables people to collaborate in a more streamlined manner." J.A.25582:3-10, 15-18. Other applications furthering that end, such as "an email tool," were added later. J.A.24853:17-24854:5.

Implementation of the invention in Leader2Leader occurred by 2001 or 2002. McKibben and Lamb worked on "the idea that [they] had," *i.e.*, the invention that solved the data-burden problem, until it was "actually implemented" in code by 2001 or 2002. J.A.24826:9-24829:19. Not coincidentally, "Leader2Leader" also "was created" in the "2001/2002 timeframe" and, indeed, was ready to be demonstrated in August 2002. J.A.25582:19-20; J.A.25584:6-17; J.A.25552:4-16. During that time, Lamb was the "primary architect" who "wrote code" for "Leader2Leader" and, not coincidentally, the "primary author" "writing code" to "get to an implemented version of the idea that we had," *i.e.*, the patented invention. J.A.25547:23-25548:15; J.A.24829:5-8; J.A.24831:2-5; J.A.24836:18-24837:8.

That "implemented version" of the invention was the "underlying engine" of "Leader2Leader." J.A.25585:22-25586:6. The brand name for that "engine" was "Digital Leaderboard." *See, e.g.*, J.A.34946. Lamb pinpointed the invention's conception based on the date of a design document and email discussing Leaderboard, thus equating the invention with Leaderboard. J.A.24825:6-13; J.A.26969-

26996. The email states that "Digital Leaderboard™ is the focal point technology." J.A.26995. "Leader2Leader™ software licenses" with "Leaderboard™" were on sale as early as January 2002 "under the brand name Leader2Leader™." J.A.27202-06.

B. Leader Offered To Sell And Publicly Used The "Fully Developed" And "Operational" Leader2Leader Product Well Before The Critical Date

Leader offered to sell and publicly used its implemented invention before the critical date of December 10, 2002, in connection with Wright Patterson Air Force Base, Boston Scientific, and The Limited.[2]

On January 9, 2002, Leader as "offeror" proposed to sell Wright Patterson 20,000 Leader2Leader software licenses, to be "fully implemented" in the first quarter of 2002 for $8,400,000. J.A.27199; J.A.27206; J.A.27207. That offer included "Digital Leaderboard™" supplied "under the brand name Leader2Leader™" (J.A.27202-04), which was "fully developed" and "operational now" (J.A.27204; J.A.27207) and which "Leader [wa]s already commercializing" (J.A.27203). McKibben also demonstrated Leader2Leader to Wright Patterson be-

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2 At trial, Leader attempted to push back the critical date by relying on a provisional filing dated December 11, 2002. The jury found the provisional filing inadequate, J.A.74, and Leader does not contest that finding here.

fore the critical date (J.A.25642:1-8), without a Non-Disclosure Agreement ("NDA") in place.

Leader also offered to sell Leader2Leader to Boston Scientific before the critical date. In a December 8, 2002, email, McKibben reported the "sales front" "development[]" that Leader was "well down the path toward a contract for [it] to supply Leader2Leader®" to Boston Scientific. J.A.34692. An internal email reported that Leader had "verbally committed" to that sale even earlier, in October 2002. J.A.27218; J.A.25680.

McKibben also publicly used Leader2Leader at Boston Scientific before the critical date, "demo'ing L2L functionality for senior staff members" in a way that "'was flawless, not one glitch,'" on November 25, 2002. J.A.34694. The only relevant NDA in evidence explicitly stated that it was effective November 26, 2002, one day after the demonstration. J.A.25683:7-19; J.A.34687-34689.

Leader also offered to sell Leader2Leader to The Limited before the critical date. McKibben reported "a phenomenal selling week" on November 3, 2002, in part because The Limited "just committed to contracting with Leader for Leader-Phone(r) and Leader2Leader(tm)." J.A.27223. McKibben subsequently specified the details of that "offer": a "sweetheart deal" consisting of a "$1.5 million license of Leader2Leader®" for "2,000 Leader2Leader® user-seats." J.A.27221. On December 8, 2002, McKibben reported "confirmation" from The Limited that Leader

"will acquire a significant contract in January for their implementation of Leader2Leader®." J.A.34692.

C. McKibben Admitted That Leader2Leader Embodied The Invention But Changed His Story At Trial

In discovery, Leader admitted that Leader2Leader practiced each of the asserted claims of the '761 patent. J.A.34952. In Leader's own words: "Leader2Leader® powered by the Digital Leaderboard® engine embodies" the "asserted claims of the '761 Patent." *Id*. Similarly, McKibben directly equated Leader2Leader and the '761 patent at his deposition, admitting that "Leader2Leader" "implements" and "us[es]" the invention of the '761 patent. J.A.25585:12-21. When McKibben was asked to "identify any iteration of the Leader2Leader product" that "did not implement what's claimed in the '761 patent," he could not point to a single version at any point in time that did not implement the patented invention. J.A.25761:14-19. All of these admissions were presented to the jury at trial.

At trial, however, McKibben's story changed dramatically. He "vividly remember[ed]" that the invention was not completed and ready to be plugged into Leader2Leader until "days before" or "a few days before" a provisional filing on December 11, 2002, making that a few days before the critical date (December 10, 2002). J.A.25708:23-25709:17; J.A.25711:9-10; J.A.25766:17-22; J.A.25745:8-12. Thus, McKibben claimed at trial that he could pinpoint within a few days an event that he had not been able to recall at all during his deposition. J.A.25761:14-

19. McKibben did not explain the source of his new-found recollections, nor did he explain how Leader2Leader, on sale and publicly demonstrated throughout 2002, had solved the data-burden problem without implementing the invention.

D. The Jury Rejected McKibben's Fabricated Story And Found The Patent Invalid

The jury was given a special verdict form that asked whether "the alleged invention was the subject of an invalidating offer of sale" or "an invalidating public use." J.A.74; *see* J.A.133-36 (jury instructions). The jury found for Facebook on both grounds. J.A.74.

After trial, Leader moved for JMOL on both invalidity findings, but the district court upheld them because "substantial evidence supports the jury's verdict that Leader publicly used and offered for sale a product embodying the invention claimed in the '761 patent." J.A.65; *see* J.A.51-52, 58 n.16, 63-64.

E. The District Court Ruled On Two Claim Construction Issues After The Jury Found Facebook To Have Infringed The Patent

These facts relate to Facebook's alternative grounds for affirmance:

Before trial, Facebook moved for summary judgment on indefiniteness grounds. J.A.9778-79. Facebook argued that Leader's non-method claims are indefinite because each includes a method step specifically requiring that "the user" take some affirmative action, *e.g.*, "wherein the user accesses the data." J.A.256-57 (claim 1, reproduced inside front cover). Facebook incorporated its still-

pending summary-judgment arguments into its JMOL motions. J.A.21184-85; J.A.9782-83. After trial, the district court rejected Facebook's indefiniteness claims. J.A.30-37.

Also before trial, Facebook argued that, properly construed, claim 9 (the only asserted independent method claim) could be infringed only through the combined actions of Facebook and a third party under its control or direction, because claim 9 requires the creation of data "by a user using an application," and then requires that "the user employ[] at least one of the application and the data from the second environment." J.A.257. The district court, over Facebook's objection, J.A.20578, submitted the question of claim construction to the jury, J.A.122, instructing the jury to consider "whether the claims at issue require those third parties to take action for the claims to be performed." *Id.* The jury found that Facebook did not control or direct its users, J.A.73, but also found that Facebook infringed the method claim, J.A.72. After trial, the district court ruled that "there is no requirement of user interaction recited in the claim," and therefore denied JMOL. J.A.9.

F. The District Court Allowed Leader To Argue Claim Construction To The Jury

Each of Leader's independent asserted claims requires the system to "dynamically" change previously recited metadata following user movement in the accused network-based system. *See, e.g.*, J.A.257, col. 21:7-11. The district court

properly interpreted "dynamically" to mean "automatically and in response to the preceding event." J.A.6730. At the claim construction hearing, Judge Farnan presiding, the court and the parties understood this to refer to the preceding event in the claim, *i.e.*, the user movement. J.A.6730-31; J.A.3319; J.A.10082-85.

At trial, Judge Stark presiding, Leader undermined the district court's construction by arguing that the "preceding event" could be any event in the technology, rather than the preceding event identified in the claims. J.A.26350:5-9. Facebook requested a clarifying instruction, J.A.20577, but the district court refused, allowing Leader effectively to argue claim construction to the jury. Under Judge Farnan's correct construction of the claim, the jury's infringement finding cannot stand.

SUMMARY OF ARGUMENT

I. The jury found Leader's patent invalid under the on-sale and public-use bars. Substantial evidence supports those findings.

In 1999, McKibben and Lamb conceived of a software invention that they believed would solve the data-burden problem faced by computer users in modern businesses. They implemented this invention in Leader2Leader, a software tool that included "the big thing" that "solved" the "data burden issue."

Lamb wrote the code for Leader2Leader implementing the invention. The invention as implemented was the "engine" of Leader2Leader. The brand name

for the Leader2Leader "engine" was Digital Leaderboard, which Lamb equated with the invention. Leader2Leader with Digital Leaderboard was operational and offered for sale to Wright Patterson in January 2002. Throughout 2002, Leader was commercializing Leader2Leader, and by December 8, 2002, McKibben had publicly demonstrated and offered to sell Leader2Leader multiple times.

Leader did not file the patent application that matured into the '761 patent until December 10, 2003. Thus, the patent's priority filing was almost two years after the first offer to Wright Patterson and more than a year after the other offers and public demonstrations.

After the patent issued, Leader sued Facebook. In the course of discovery, McKibben, Leader's CEO, admitted that Leader2Leader practiced every asserted claim of the '761 patent and that he could not identify any version of Leader2Leader that did not practice the invention. At trial, however, McKibben changed his story, "vividly remember[ing]" that Leader2Leader did not include the patented invention until a few days before the critical date. McKibben relied on his conveniently rejuvenated memory to claim that none of the offers to sell or uses of Leader2Leader in 2002 included the invention. He further testified that his offers to sell Leader2Leader were not offers at all and that his public demonstrations were covered by never-produced NDAs.

The jury saw through McKibben's lies and found that the claimed invention was on sale and in public use before the critical date. Those findings—supported by more-than-substantial evidence—were bolstered by McKibben's desperate attempts to conceal the offers and public uses by offering patently false testimony. That false testimony was plainly motivated by McKibben's guilty knowledge that Leader2Leader, as offered and used throughout 2002, embodied the invention.

II. If the Court upholds the jury verdict, that resolves the appeal. In the alternative, the district court made several errors of claim construction which, when corrected, would likewise resolve the appeal in Facebook's favor.

Leader's non-method claims are all invalid as indefinite. Each contains a method step that recites an actor, "the user," taking an action, *e.g.*, "the user accesses the data." The language and context are indistinguishable from the claims invalidated as indefinite in *IPXL v. Amazon* and *In re Katz*.

III. Leader's method claims require third-party action, *e.g.*, the creation of data "by a user using an application." The jury found that Facebook did not control or direct any alleged third-party action. Therefore, Facebook cannot be liable for any infringement of the method claims as properly construed.

IV. Each of Leader's claims requires that the accused infringer "dynamically" update or change metadata following user movement from a first context, workspace, or environment to a second, *i.e.*, between two parts of a website. The

district court properly interpreted "dynamically" to mean "automatically and in response to the preceding event." The court and the parties understood the "preceding event" to refer to the preceding event recited in the claim, *i.e.*, the user movement. At trial, however, Leader undermined the court's construction by arguing that the "preceding event" could be any event. Despite Facebook's objection, the district court did not clarify its construction. This was reversible error. Under the correct construction, Facebook cannot infringe any claim of the patent.

STANDARD OF REVIEW

Leader challenges the sufficiency of the evidence supporting the jury's verdict that Leader's patent is invalid under the on-sale and public-use bars. This court applies regional circuit law in reviewing JMOL rulings. *Seachange Int'l, Inc. v. C-Cor, Inc.*, 413 F.3d 1361, 1367-68 (Fed. Cir. 2005). The Third Circuit reviews decisions on JMOL and new trial motions *de novo*. *Id.* JMOL "is only appropriate where, viewing all reasonable inferences in the light most favorable to the non-moving party, there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue." *Caver v. City of Trenton*, 420 F.3d 243, 262 (3d Cir. 2005) (citations omitted). In reviewing the evidence, the Third Circuit "assumes that the jury found the disputed facts favorably toward" the verdict winner. *Kelly v. Matlack, Inc.*, 903 F.2d 978, 980 (3d Cir. 1980).

The on-sale and public-use bars present questions of law based on underlying questions of fact. *Netscape Commc'ns Corp. v. Konrad*, 295 F.3d 1315, 1321 (Fed. Cir. 2002). On questions of fact, the Third Circuit reviews "the evidence in the light most favorable to the verdict" and determines "whether a reasonable jury could have found all the facts necessary to support the verdict," *i.e.*, "whether substantial evidence supports the verdict." *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1360 (Fed. Cir. 2007) (citing *Caver*, 420 F.3d at 262).

Leader incorrectly seeks "review[] for clear error." Br.14. "Clear error" review is to applied a judge's fact-finding; jury findings are reviewed with greater deference. *Haines v. Liggett Grp., Inc*., 975 F.2d 81, 92 (3d Cir. 1992).

Whether a patent claim is invalid for indefiniteness is a legal question reviewed *de novo*. *Young v. Lumenis, Inc.*, 492 F.3d 1336, 1345 (Fed. Cir. 2007). "[I]nfringement is a question of fact." *Intellectual Prop. Dev., Inc. v. UA-Columbia Cablevision of Westchester, Inc*., 336 F.3d 1308, 1318 (Fed. Cir. 2003). But "infringement analysis involves two steps. First, the court determines the scope and meaning of the patent claims asserted, and then the properly construed claims are compared to the allegedly infringing device." *Cybor Corp. v. FAS Techs., Inc*., 138 F.3d 1448, 1454 (Fed. Cir. 1998) (en banc). Claim construction, the first step, is a question of law reviewed *de novo*. *Id.* at 1456.

ARGUMENT

I. Substantial Evidence Supports The Jury's Findings That Leader Put Its Invention On Sale And In Public Use Before The Critical Date

If the invention claimed in Leader's '761 patent was on sale or in public use before December 10, 2002, the inventors (McKibben and Lamb) had no right to patent it. 35 U.S.C. § 102(b); *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 57-58 (1998). An invention is on sale if, before the critical date, two conditions are satisfied. "First, the product must be the subject of a commercial offer for sale"; and "[s]econd, the invention must be ready for patenting." *Id.* at 67. The invention need not have been reduced to practice; in *Pfaff*, the invention was first reduced to practice months after the critical date, but the bar still applied. *Id.* at 58, 68.

The jury found that Leader's invention was on sale and in public use before the critical date. J.A.74. Based on the evidence at trial, the jury necessarily found that (1) the Leader2Leader product was offered for sale and publicly used before the critical date; (2) Leader2Leader, as offered or used, included the patented invention; and (3) the invention was ready for patenting and reduced to practice before the critical date. *See Scaltech, Inc. v. Retec/Tetra, LLC*, 269 F.3d 1321, 1328 (Fed. Cir. 2001) (first *Pfaff* step has "two sub-parts").

On appeal, Leader challenges only the sufficiency of the evidence supporting the jury's fact finding that Leader2Leader—as admittedly offered for sale and

publicly used before the critical date—included the patented invention. On this question, Leader argues that "no evidence" supports the jury verdict. Br.15. Leader is mistaken.

More than substantial evidence to support the jury findings was adduced at trial. First, Leader and McKibben admitted multiple times that the invention was embodied in Leader2Leader and that Leader2Leader practiced every asserted claim; McKibben even admitted that he could not identify any version of Leader2Leader that did not implement the claimed invention (Section I.A.1). Second, the inventors' testimony shows that Leader2Leader always included "the big thing" that solved the data-burden issue (*i.e.*, the invention of the '761 patent), the invention was readied for patenting as part of Leader2Leader, and the invention was "the engine" of Leader2Leader from before the critical date (Sections I.A.2-I.A.4). Third, even McKibben admitted at trial that the invention was completed "as a plug-in to Leader2Leader" before the critical date, and it is now undisputed that Leader2Leader was offered for sale multiple times before the critical date (Section I.A.5). And finally, McKibben offered false testimony at trial regarding the sales and public uses of Leader2Leader. The obvious motivation for those repeated falsehoods was McKibben's guilty knowledge that Leader2Leader, as offered and used before the critical date, embodied the invention (Sections I.B., I.C).

In response to this overwhelming evidence, as its last resort, Leader argues that Facebook was required to conduct an element-by-element comparison of Leader2Leader against the claims of the '761 patent. In *RCA*, this Court rejected that idea: "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." *RCA Corp. v. Data Gen. Corp.*, 887 F.2d 1056, 1060 (Fed. Cir. 1989) (emphasis added). *RCA* sustained a district court's on-sale bar holding (after a bench trial) while rejecting the argument that the district court must perform an element-by-element analysis. 887 F.2d at 1059-1060. The evidence in *RCA* included a bid to supply certain equipment to the FAA. RCA, the patent holder, argued that the bid itself "must disclose the invention with respect to all claim elements." *Id.* at 1060. This Court rejected that proposition and relied instead on the bid documents in combination with testimony regarding the intent to offer the invention to uphold the district court's conclusion that the invention was on sale before the critical date. *Id.*; *see also Enzo Biochem, Inc. v. Gen-Probe, Inc.*, 424 F.3d 1276, 1280 (Fed. Cir. 2005) (affirming summary judgment where material offered for sale was shown to be the invention through "laboratory notebooks" and testimony that "did not distinguish" between the product offered and the invention).

Furthermore, this Court 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. In *Delaware Valley*, for example, the Court affirmed summary judgment based on the inventor's deposition testimony showing violation of the on-sale bar. *Del. Valley Floral Grp., Inc. v. Shaw Rose Nets, LLC*, 597 F.3d 1374, 1379, 1384 (Fed. Cir. 2010); s*ee also Vanmoor v. Wal-Mart Stores, Inc.*, 201 F.3d 1363, 1366 (Fed. Cir. 2000).

Here, the jury considered the on-sale bar in view of Leader's admissions as well as the inventors' testimony and documentary evidence. The evidence, as in *RCA* and *Delaware Valley*, was fully sufficient without an element-by-element analysis. Moreover, the jury's findings here are reviewed more deferentially than the findings in either *RCA* (bench trial) or *Delaware Valley* (summary judgment).

In addition, the jury's verdict rests on overwhelming evidence that Leader was selling and publicly using the operational Leader2Leader product throughout 2002. Even McKibben admitted that the invention was "done" as a "plug-in" to Leader2Leader a "few days" before December 11, 2002. Given the evidence that Leader2Leader incorporated the invention well before the critical date—and the absence of any plausible alternative explanation for what Leader was offering and

demonstrating to customers—the jury was entitled to believe that these were offers and uses of the patented invention.

Finally, Leader and McKibben, after all their admissions, were unable to identify any version of Leader2Leader that did not practice the claimed invention. Given their failure to identify any such alleged version throughout discovery, which is designed to narrow issues for trial, they are in no position to assert that only an element-by-element analysis could prove that which they have already admitted.

A. Facebook Presented Substantial Direct Evidence That Leader2Leader Embodied The Invention Well Before The Critical Date

Both Leader and its CEO McKibben admitted that Leader2Leader practiced the invention and, when asked at deposition, McKibben was unable to identify any prior version of Leader2Leader that did not practice the invention. Only at trial did McKibben change his story and attempt to claim otherwise. The jury, discounting McKibben's fabricated new story, found the patent invalid for violation of both the on-sale and public-use bars. Those findings are amply supported by Leader's and McKibben's direct admissions and the other record evidence.

The record evidence independently establishes that: the inventors conceived of the invention claimed in the '761 patent as a solution to the data-burden problem, the same problem solved by their Leader2Leader product; the invention was

reduced to practice or made ready for patenting as part of the development of the Leader2Leader product; the invention was at all times the "engine" for the Leader2Leader product; Leader2Leader embodied the invention well before the critical date; and Leader2Leader was being offered for sale and publicly used by Leader well before the critical date. Those facts provide ample evidence to support the jury's finding that Leader's now-undisputed offers to sell and public uses of Leader2Leader were offers and uses of the invention, which was the key innovation reflected in Leader2Leader.

1. McKibben Admitted That Leader2Leader Embodied The Claimed Invention

McKibben directly equated Leader2Leader and the invention at his videotaped deposition, which was played to the jury. McKibben admitted that "Leader2Leader" "implements" and "us[es]" the invention of the '761 patent. J.A.25585:12-18 ("Q. What technology of Leader, if any, implements what's being claimed in the '761 patent?" A. "[A]s far as I'm concerned, that is what Leader2Leader is using."). Moreover, McKibben could not identify <u>any</u> version of Leader2Leader that did <u>not</u> implement the claimed invention. ("Q. Can you identify any iteration of the Leader2Leader product that, in your opinion, did not im-

plement what's claimed in the '761 patent? A. That was a long time ago. I – I can't point back to a specific point."). J.A.25761:14-19.[3]

At trial, by contrast, McKibben claimed he "vividly remember[ed]" that the invention was not completed and ready to be plugged into Leader2Leader until "days before" the critical date. J.A.25708:23-25709:17 ("[T]hat technology wasn't done until days before the December 11, 2002, [provisional] filing. . . . I vividly remember that.") (emphasis added); *see also* J.A.25711:9-10 ("a few days before"). McKibben's miraculously rejuvenated recollection was both highly implausible (especially given his contrary deposition testimony) and suspiciously convenient: Had McKibben claimed that the invention was not ready for patenting until after the critical date, he would have scuttled Leader's provisional-application argument (now abandoned); but had he admitted that the prior sales and public uses included the invention, he would have been entirely dependent on the provisional-application argument, which the jury rejected and Leader no longer presses. J.A.74. Thus, McKibben's new story allowed Leader to contend that the December 11, 2002 provisional application embodied the invention, while Lead-

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3 This was no temporary lapse. McKibben was Leader's Rule 30(b)(6) designee. Both Leader and McKibben knew that he would be deposed on "[t]he identity of each version" of Leader2Leader that Leader "contends practices one or more asserted claims of the '761 Patent." J.A.23696, ¶ 14.

er2Leader—which was offered for sale and demonstrated in late November 2002—did not. Given the implausibility of McKibben's newfound "vivid" recollection, the jury was entitled to find that McKibben lied to avoid Facebook's on-sale and public-use defenses.

Like McKibben's deposition testimony, Leader's interrogatory responses expressly admitted that Leader2Leader practiced the invention of the '761 patent. J.A.34951-52; J.A.34952 ("Leader2Leader® powered by the Digital Leaderboard® engine is the only product or service provided by Leader which embodies" "any of the asserted claims of the '761 patent. 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."). Thus, Leader admitted that Leader2Leader "embodies" each of the asserted claims. Leader did not qualify its interrogatory responses or otherwise suggest that any particular version of Leader2Leader did not embody the asserted claims.

At trial, of course, McKibben for the first time denied that Leader2Leader incorporated the patented technology before the critical date. *E.g.*, J.A.25708:23-25709:17. He claimed that Leader's interrogatory responses were qualified by their context. J.A.25714:4-25716:19. But none of those "qualifications" was put forth until after Leader realized that they would assist in the litigation (Br.33), and the jury rightly rejected them.

2. The Inventors Solved The Data-Burden Problem And Incorporated That Solution Into Leader2Leader Before The Critical Date

The inventors began work when McKibben approached Lamb with "an idea for a business problem that needed to be solved." J.A.24822:11-24823:7. Together, they came to the idea for the '761 patent as a way to "solve those types of business problems." *Id.* According to Lamb, "the problem [they] were trying to solve" and "what [they] invented" in the '761 patent concerned the increasing data burden on users; theirs was "the first system" that took the "burden of organizing that data off of the user." J.A.24826:18-21; J.A.24826:9-248277:6 (describing "the invention" claimed "in the '761 patent" as follows: "[T]his is the problem we were trying to solve [with the invention]. As more and more data was being pushed to the web, there was a greater and greater need for help for users to organize that data. So what we invented was . . . the first system that allowed a computer to take some of the burden of organizing that data off of the user" and "make the computer do that work for the user.").

The undisputed fact that the invention claimed in the '761 patent "solve[d]" the data-burden problem is highly significant, because Lamb also testified that "Leader2Leader" "solved" the data-burden problem. Lamb testified that "Leader2Leader" was a "collection of technologies" that "had an underlying technology concept" that "was kind of the big thing" that "solved the data burden issue."

J.A.24853:8-16 ("Q. You mentioned [Leader2Leader] was a collection of technologies. What are you referring to? A. So we had an underlying technology concept that was kind of the big thing that solved it, solved the data-burden issue, but then we felt like we had to come to specific applications the users were going to need as an entry point to have it be useful."). Thus, the inventors' method for solving the data-burden problem—*i.e.*, the patented invention—was the "underlying technology concept" at the very core of Leader2Leader. Other applications were subsequently added to that core data-burden solution, rather than the other way around. *Id.*; J.A.24854:1-5. McKibben testified similarly, stating that "Leader2Leader," the "product," "enables people to collaborate in a more streamlined manner." J.A.25582:3-10, 15-18.

Lamb also made clear that when he used "Leader2Leader" to refer to the "collection of technologies," J.A.24853:8-14, he was referencing the time period beginning the "moment" that "the term Leader2Leader first came into existence," J.A.24852:22-24853:4. It is now undisputed that "Leader2Leader" was in existence (and offered for sale) well before December 10, 2002. Lamb's testimony, therefore, independently constitutes substantial evidence that Leader2Leader incorporated the invention before the critical date, because from its inception Leader2Leader included the "big thing that solved the data burden issue," and the pa-

tented invention is that same "big thing"—the inventors' solution to the data-burden problem.

3. The Invention Was Readied For Patenting And Reduced To Practice, As Part Of Leader2Leader Before The Critical Date

McKibben and Lamb worked on implementing the invention from its complete conception, in 1999, until it was "actually implemented." J.A.24771:2-8; J.A.24825:6-13; J.A.24829:13-19.

The invention and Leader2Leader were implemented in code by 2001 or 2002. Lamb testified that he and McKibben worked on creating the "implemented version of the idea that [they] had" from the "'99 to 2002ish time frame." J.A.24829:9-19. The "idea that [they] had" was the solution to the data-burden problem, *i.e.*, the invention. J.A.24826:9-24827:8; J.A.24828:16-24829:17.

McKibben testified in his deposition that "the first version of Leader2Leader" was coded during that same time frame. J.A.25582:19-20; J.A.25584:6-17. The product was implemented and they had achieved "a fairly stable collaborative environment," which was "working by I'm going to say 2001/2002 timeframe." J.A.25584:6-17. Lamb similarly testified in his deposition that Leader2Leader was ready to be demonstrated in August of 2002. J.A.25552:4-16.

Thus, the first version of Leader2Leader was "working" and the invention was reduced to "an implemented version" at the same time by the same two individuals. In particular, Lamb testified that he was the "primary architect" of Leader2Leader. J.A.25548:12-15. He also "wrote code," assigned "who was going to write what components in what order," and was "involved even in the business decision[s]" for "Leader2Leader" during this time period. J.A.25547:23-25548:21. Likewise, he testified that he "stayed up a lot of nights" while "writing a lot of code" to "get to an implemented version of the idea that we had." J.A.24829:5-16. Tracing Lamb's testimony, it is clear that the "idea that we had," J.A.24829:9-19, refers back to the "new technology that [the inventors] came up with," J.A.24827:23-24, which was "what we invented" to take "the burden of organizing the data off of the user," J.A.24826:18-21, *i.e.*, the patented invention, J.A.24826:9-11. *See also* J.A.24831:2-5. Plainly, therefore, Lamb was working on one integrated project as the "primary" coder during the relevant time frame—namely, implementation of the invention in Leader2Leader—and not two separate and unrelated projects, one being the unimplemented invention and the other being Leader2Leader.

No evidence (other than McKibben's fabricated story) weighs against this finding. Leader presented no evidence that any product besides Leader2Leader ever contained or was ever contemplated to implement the '761 technology. In-

deed, when asked point-blank "[a]re there any other products of Leader that implement[ ] what's claimed in the '761 patent," J.A. 25585:22-24, McKibben claimed he could not understand the question, J.A.25586:7-8. Nor has Leader shown that Leader2Leader was ever a working product without the '761 technology. The only logical conclusion from the evidence is that Leader2Leader, as offered for sale and publicly used, always embodied the invention.

That conclusion is further confirmed by McKibben's activities throughout 2002. He admitted that the invention was complete as "a plug-in to Leader2Leader" before the critical date. J.A.25708:23-25709:5. And he devoted an enormous portion of his time during 2002 (before the critical date) to selling and demonstrating the "operational" and "fully developed" Leader2Leader product to customers, including offers to Wright Patterson (January 9, 2002) and The Limited (November 21, 2002), and a "flawless" demonstration to Boston Scientific on November 25, 2002, shortly before the critical date. J.A.27199-27210; J.A.27221; J.A.34694-95; J.A.25675:9-17; *see infra* Parts I.B, IC. Especially when combined with McKibben's admission that the invention was ready for patenting before the critical date (J.A.25708:23-25709:5), this evidence provides ample basis for concluding that the demonstrated product included the invention (particularly given the absence of any plausible explanation for what the "fully developed" Leader2Leader supposedly accomplished if it did not incorporate the invention).

4. The Invention Is The "Engine" Of Leader2Leader And Has Been Since Before The Critical Date

Leader admitted in its interrogatory responses that "Leader2Leader® powered by the Digital Leaderboard® engine" embodies all the asserted claims of the '761 patent. J.A.34952. Leader now asserts that the version of Leader2Leader offered before the critical date was different from the "Leader2Leader®" that was "powered by the Digital Leaderboard®" and embodied the invention. Br.34 n.2. But the record establishes that Digital Leaderboard, the "engine" that embodies the invention, was part of Leader2Leader as used and offered for sale before the critical date.

In January 2002, Leader offered 20,000 Leader2Leader software licenses to Wright Patterson. J.A.27206. That offer included "Digital Leaderboard™" supplied "under the brand name Leader2Leader™." J.A.27204; J.A.27202. Thus, Digital Leaderboard was part of Leader2Leader long before the critical date.

The record also reveals that Leader2Leader with the Leaderboard "engine" has always meant Leader2Leader with the patented invention. McKibben admitted that the invention "claimed in the '761 patent" is the "underlying engine" of "Leader2Leader." J.A.25585:22-25586:6 (emphasis added). And Lamb's recollection of when they "had come up with the solution that's in the '761 patent" was refreshed by a design document and accompanying August 1999 email for "Digital

Leaderboard™." J.A.24825:6-13; J.A.26995. The design document details the Leaderboard concept, J.A.26969-26994, and the email states that "Digital Leaderboard™ is the focal point technology," J.A.26995.

Thus, the record clearly establishes that Digital Leaderboard was always synonymous with the claimed invention and was the "engine" for Leader2Leader well before the critical date. Accordingly, when Leader offered "Leader2Leader™" with "Digital Leaderboard™" to Wright Patterson in January 2002 (J.A.27204; J.A.27202), it was offering Leader2Leader as it embodied the invention. The Leaderboard evidence thus provides independent substantial evidence that the patented invention was the very heart of the Leader2Leader product, and hence that Leader2Leader as publicly used and offered for sale before the critical date embodied the invention.

5. The Invention Was Both Complete And On Sale Before The Critical Date

As the district court recognized, moreover, even if McKibben's self-serving testimony regarding the development of the invention and Leader2Leader could be believed, McKibben's own admissions would be sufficient to show that the patent was invalid for violating the on-sale bar. J.A.58 n.16.

McKibben admitted that "the '761 technology that's a plug-in to Leader2Leader" was completed "days before" December 11, 2002, and hence before the critical date (December 10, 2002). J.A.25708:23-25709:5; J.A.25711:9-10 ("a few

days before" December 11, 2002); J.A.25766:17-22 (same). This admission, coupled with McKibben's own email, dated December 8, 2002, detailing "numerous developments on the sales front," shows a completed invention being offered for sale before the critical date. J.A.58 n.16 (citing J.A.34692). In that email, McKibben wrote: "[W]e 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®." J.A.58 n.16 (citing J.A.34692 (adding emphasis), J.A.25688:1-25690:21). McKibben also wrote that Leader was "well down the path toward a contract for us to supply Leader2Leader" to Boston Scientific. J.A.34692.

December 8, 2002 is a "few days" before December 11, 2002. Thus, even if the jury credited McKibben's testimony regarding the date the invention was completed, it could have reasonably found that Leader offered to sell the patented technology during the few days immediately before the critical date. J.A.58 n.16. This conclusion is bolstered by McKibben's earlier testimony that when Leader was "commercializing" Leader2Leader in January 2002, he was selling what he was then in the process of building. J.A.25597:20-25599:5 (discussing J.A.27203).

Thus, even leaving aside the substantial evidence that Leader2Leader incorporated the invention <u>well before</u> the critical date, the verdict is amply supported by Leader's admission that the invention was ready for patenting <u>a few days</u> before

the critical date, the documents showing multiple offers immediately before the critical date, and McKibben's testimony that, "with any R & D," "sell[ing]" takes place at the same time as "build[ing]." J.A.25597:20-25599:5 (discussing J.A.27203). The jury was entitled to find that the offers detailed in the December 8, 2002, email were offers to sell Leader2Leader incorporating the invention, which was, even by McKibben's admission, "done" and ready for patenting at that time. J.A.25708:23-25709:17

Indeed, the on-sale bar attaches even if an invention is not ready for patenting at the time the offer is made, as long as the invention is ready for patenting by the critical date. *August Tech. Corp. v. Camtek, Ltd*., 2011 WL 3659357 (Fed. Cir. Aug. 22, 2011) (citing *Robotic Vision Sys. Inc. v. View Eng'g, Inc.*, 249 F.3d 1307, 1313 (Fed. Cir. 2001)). As *August Technology* explains, "[u]nder *Pfaff*, the invention must be ready for patenting prior to the critical date. But to conclude that it must also be ready for patenting at the time of the offer would render the second prong of the *Pfaff* test superfluous." 2011 WL 3659357 at * 8; *see also Robotic*, 249 F.3d at 1313 (on-sale bar triggered by commercial offer and subsequent demonstration that the invention was "ready for patenting prior to the critical date.") (emphasis added). Under any view, therefore, McKibben's admissions are substantial evidence supporting the jury's verdict.

6. Leader's Other Arguments Are Unfounded

a. Leader Cannot Rely On Its Trademark Registration

Leader tries to qualify its damaging interrogatory responses by highlighting their use of the federal registration symbol, ®, which was not legally available to Leader before July 29, 2003. Br.33-34. This argument, never presented to the jury, has been waived. In any event, McKibben, who verified the interrogatory responses, J.A.34948, J.A.34952, used the ® for "Leader2Leader®" well before the critical date, J.A.27221 ("May I suggest that Limited purchase the licenses for 2,000 Leader2Leader® user seats for 3 years.") (November 21 2002, email); J.A.34692 ¶ 1 (reporting "a significant contract in January for their implementation of Leader2Leader®") (December 8, 2002, email). *See also* J.A.34692-93, ¶¶ 2-7.

b. Facebook's Defenses Were Timely Asserted

Leader implies that Facebook should not have been allowed to assert its on-sale and public-use defenses. Br.9-10, 21, 33. But the district court denied Leader's motion to exclude these defenses, J.A.225; Leader does not challenge that ruling here (Br.3). The issue is therefore waived. *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319-20 (Fed. Cir. 2006). Furthermore, Facebook repeatedly put Leader on notice of its defenses. J.A.14464-67 (detailing various points of notice); J.A.11380 (summary judgment motion). Even Leader admits

that it had notice three months before trial (Br.9), far more than the statutory 30-day minimum. *See* 35 U.S.C. § 282.

Ultimately, Leader complains that when Facebook learned the facts about Leader2Leader during discovery, Facebook responded by asserting an appropriate defense. That is not "flip-flop[ping]." Br.21, 33.

c. Leader Is Not Entitled To A New Trial

Leader also challenges the district court's denial of its new-trial motion based on the weight of the evidence. Br.38. But new trials of this type "are proper only when the record shows" that the verdict is a "miscarriage of justice" or "shocks our conscience." *Greenleaf v. Garlock, Inc.*, 174 F.3d 352, 366 (3d Cir. 1999); *see also Bhaya v. Westinghouse Elec. Corp.*, 922 F.2d 184, 187 (3d Cir. 1990) ("When the granting or denial of a new trial is contested on appeal, substantial deference must generally be given to the decision of the trial judge"). In light of the foregoing evidence, Leader cannot show that the district court abused its discretion in concluding that "the jury's verdict does not shock the conscience or result in a miscarriage of justice." J.A.67.

d. Leader Is Not Entitled To The Relief Requested

Even if this Court ruled in Leader's favor on every issue (which it plainly should not do), Leader's request for a "remand for entry of judgment as a matter of law" (Br.40) would be meritless. Facebook has multiple motions for new trial out-

standing that would preclude judgment for Leader even in these circumstances. After winning the jury verdict, Facebook conditionally moved for new trial on several infringement issues, including improper arguments by Leader's counsel and expert. J.A.21150-56. Facebook also requested a new validity trial because Leader improperly and prejudicially argued that a key reference was considered by the PTO during prosecution of the '761 patent. J.A.21185-86. Because the district court upheld the jury verdict in favor of Facebook, it denied Facebook's conditional new-trial motions as moot. J.A.20; J.A.30.

Thus, if Leader somehow prevailed, the result would be to revive Facebook's now-mooted new-trial motions. This Court would then instruct the district court to consider those motions in the first instance. *Singleton v. Wulff*, 428 U.S. 106, 120 (1976) ("[A] federal appellate court does not consider an issue not passed upon below."); *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 137 F.3d 1475, 1480-83 (Fed. Cir. 2004).

B. McKibben's Attempts To Conceal Leader's Offers To Sell Leader2Leader Show That He Knew Leader Was Offering To Sell The Completed Invention

Leader no longer disputes that Leader2Leader was offered for sale before the critical date. But those offers—and McKibben's demonstrable falsehoods told to disguise them—further support the jury's finding that Leader2Leader incorporated the invention before the critical date.

1. The Invention Was Offered To Wright Patterson In January 2002

As shown above, there is substantial evidence that Leader2Leader incorporated the invention when it was offered to Wright Patterson in January 2002 (well before the critical date). J.A.27199-27210. When confronted with that offer, McKibben claimed that it was a referencing "prospective work" because "Leader2Leader was not finished." J.A.25598:4-25599:5 *see also* J.A.25675:12-18 (testifying that before December 2002 "we couldn't have sold Leader2Leader because it wasn't ready yet."). McKibben's attempted backpedaling is refuted by the offer itself, which establishes that Leader2Leader was "fully developed," J.A.27204, and "operational now with low user volumes," J.A.27207, and offered 20,000 "Leader2Leader™ software licenses" as "deliverables," J.A.27206, to be "fully implemented" in the first quarter of 2002, J.A.27206, at a price of $8,400,000 for the first twelve months, J.A.27208. *See also* J.A.25600:23-25602:7, J.A.27199-7210. Indeed, McKibben himself gave hopelessly inconsistent testimony on this point, later admitting that Leader2Leader "was working," J.A.25601:20, and that he actually "installed" Leader2Leader at Wright Patterson, J.A.25634:15-17.

2. The Invention Was Offered To Boston Scientific Before December 8, 2002

Leader likewise offered to sell Leader2Leader to Boston Scientific before the critical date. Steve Hanna, a Leader vice president (J.A.25680), reported in an

October 10, 2002, email, "L2L [Leader2Leader]: we have verbally committed to selling a system to Boston Scientific." J.A.27218. McKibben, in a December 8, 2002, email to a shareholder and supplier (J.A.25693), stated "[w]e are well down the path toward a contract for us to supply Leader2Leader® and LeaderPhone® services to support [Boston Scientific's] clinical trials communications." J.A.34692-93.

At trial, however, McKibben denied that the Hanna email disclosed an offer to sell Leader2Leader. Instead, McKibben claimed that the "reference to L2L [Leader2Leader] references a Smart Camera discussion," J.A.25678:2-6, and the offer was only to "sell[] the SmartCamera technology plug-in aspect of Leader2Leader." J.A.25679:3-9. But the email itself, as McKibben was forced to admit, does not reference SmartCamera. J.A.25679:10-12. Nor does McKibben explain how SmartCamera, a perimeter-security technology (J.A.25749:4-12), could displace Boston Scientific's "paper and fedex" clinical-trials-communication system, as Leader2Leader was to accomplish. J.A.34692.

3. The Invention Was Offered To The Limited Before December 8, 2002

McKibben reported in a November 3, 2002, email that Leader "had a phenomenal selling week" and The Limited "just committed to contracting with Leader for LeaderPhone(r) and Leader2Leader(tm)." J.A.27223. That commitment was soon followed by a McKibben email on November 21, 2002, detailing terms

of an "offer," a "sweetheart deal," for The Limited. J.A.27221; *see also* J.A.34692 (December 8, 2002, email reporting "confirmation" of a "significant contract" with The Limited).

When asked at his deposition about The Limited's contract, McKibben claimed that he had not been truthful. J.A.25615:17-25616:7 ("Q. So the sentence that says, 'The Limited just committed to contracting with Leader for LeaderPhone and Leader2Leader,' was that sentence accurate when it was written on November 3rd, 2002? A. I would say accurate in the sense it was hyperbole. Q. Which portion of it was hyperbole? A. The entire statement.") (emphases added). At trial, with his earlier explanations exposed for what they were, McKibben simply denied that an offer to sell Leader2Leader to The Limited was possible. J.A.25690:13-17 ("That would have been impossible. We didn't have it done yet.").

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This record demonstrates that McKibben lied when he claimed that Leader2Leader was not on sale before the critical date. The jury could reasonably find that the contemporaneous documents detailing Leader's offers to sell Leader2Leader before the critical date were entirely accurate, and that the only plausible reason for McKibben's false denials was his knowledge that Leader2Leader embodied the '761 invention at that time. Thus, McKibben's evident motivation for

testifying falsely revealed his guilty knowledge, further confirming that Leader2Leader embodied the invention before the critical date.

C. McKibben's Attempts To Conceal Leader's Public Demonstrations Of Leader2Leader Show That He Knew Leader Was Publicly Using The Completed Invention

Leader no longer disputes that Leader2Leader was in public use before the critical date. But those public uses—and McKibben's demonstrable falsehoods told to disguise them—further support the jury's finding that Leader2Leader incorporated the invention before the critical date.

1. The Invention Was Publicly Demonstrated To Boston Scientific In November 2002

McKibben demonstrated Leader2Leader to Boston Scientific on November 25, 2002. As Steve Hanna reported in a November 26, 2002 email, "yesterday" McKibben "had a meeting with Boston Scientific; he was demo'ing L2L [Leader2Leader] functionality for senior staff members" and reported that the "'demo was flawless, not one glitch.'" J.A.34694-95; *see also* J.A.58 n.16.

The only NDA with Boston Scientific that was presented to the jury was effective November 26, 2002, one day after the demonstration, but McKibben testified that the demonstration was confidential under an earlier, never-produced, NDA. J.A.25683:7-25684:4. McKibben's tale was fatally undermined both by Leader's failure to produce any such NDA and by an email that McKibben sent to

his wife on December 3, 2002, telling her to "stop the presses" because the NDA from Boston Scientific (back-dated to November 26, 2002) had "just arrived for my signature." J.A.25685:17-25687:22 (discussing J.A.27215-17).

2. The Invention Was Publicly Demonstrated To Wright Patterson In April 2001

McKibben also demonstrated Leader2Leader to representatives of Wright Patterson before the critical date without a signed NDA. McKibben testified that on April 2, 2001, "we demoed a few screen shots of Leader2Leader" at a meeting with Wright Patterson officials. J.A.25642:1-8; *see also* J.A.35160 (April 3, 2001, Hanna report on meeting: "Overall the demos were very successful.").

As with Boston Scientific, there was no NDA between Leader2Leader and Wright Patterson covering this April 2, 2001, demonstration. The only Wright Patterson NDA presented to the jury was dated April 10, 2001, eight days after the demonstration. J.A.25643:24-25646:4; J.A.34678-86. At trial, McKibben echoed his Boston Scientific tale, claiming that he had an earlier NDA with Wright Patterson that applied on April 2, 2001. J.A.25643:15-25646:1. But Leader never produced that phantom NDA.

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From the public-use evidence, the jury was free to find a clear pattern: Leader obtained NDAs after demonstrations, but McKibben falsely claimed that earlier undisclosed NDAs existed. *Id.*; J.A.25679:1-25687:20. The jury could rea-

sonably conclude that McKibben was inventing NDAs to conceal his knowledge that Leader2Leader, as demonstrated before the critical date, embodied the invention.

D. The Jury Is Permitted To Weigh McKibben's False Statements Against Leader

Leader charges the district court with error in relying on McKibben's false statements as evidence supporting the verdict. For the reasons set forth in Sections I.A.1-I.A.5 above, there was substantial evidence to support the jury verdict even without considering the implications of McKibben's falsehoods. But Leader misstates the law when it says categorically that "a finding that a witness is not credible" is "not affirmative evidence." Br.23. The "general principle," as the Supreme Court has observed, is that "the factfinder is entitled to consider a party's dishonesty about a material fact as 'affirmative evidence of guilt.'" *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 147 (2000) (emphasis added, citation omitted).

Here, the jury saw McKibben's trial testimony for what it was—a series of self-serving fabrications intended to salvage an invalid patent. On this record, the jury's rejection of McKibben's testimony cannot be second-guessed. *See Lightning Lube, Inc. v. Witco Corp.*, 4 F.3d 1153, 1166 (3d Cir. 1993) ("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."). The substantial affirmative evidence establishing that Leader2Leader incorporated the claimed invention before the critical date is legitimately bolstered by McKibben's lack of credibility when he testified to the contrary. As the Third Circuit has stated, it is "proper" to consider false testimony as evidence of "consciousness of guilt." *United States v. Kemp*, 500 F.3d 257, 296-97 (3d Cir. 2007).

Leader's reliance (Br.24) on *Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485, 512 (1984), is misplaced. *Bose*, as the Third Circuit has explained, held merely that "discredited testimony is not considered a sufficient basis for drawing a contrary conclusion." *United States v. Urban*, 404 F.3d 754, 782 (3d Cir. 2005) (quoting *Bose*, 466 U.S. at 512). As the district court explained here, "neither the jury, the Court, nor Facebook, is treating Mr. McKibben's testimony, alone, as 'sufficient' to draw this conclusion." J.A.54. The district court went on to detail substantial additional evidence that, bolstered by McKibben's falsehoods, is more than sufficient to support the verdict. J.A.54-58. Furthermore, *Bose* involved "First Amendment questions of 'constitutional fact,'" which "compel[led]" the Court to apply "*de novo*" review. 466 U.S. at 508 n.27. Here, by contrast, the substantial-evidence standard governs.

Leader mistakenly argues that the clear-and-convincing-evidence standard insulates it from McKibben's falsehoods. Br.37-38. Leader is incorrect. Even

when faced with the highest standard—proof beyond a reasonable doubt—"there is no question 'that the factfinder is entitled to consider a party's dishonesty about a material fact as 'affirmative evidence of guilt.'" *Urban*, 404 F.3d at 782 (citing *Reeves*, 530 U.S. at 147). This rule of evidence is well-established, *United States v. Villarreal*, 324 F.3d 319, 325 (5th Cir. 2003) ("[I]nconsistent statements and implausible explanations have been recognized as evidence of guilty knowledge."); *United States v. Burgos*, 94 F.3d 849, 867-68 (4th Cir. 1996) (en banc), and longstanding, *Wilson v. United States*, 162 U.S. 613, 620-21 (1896); 2 J. Wigmore Evidence § 278(2), at 133 (1979).

Finally, it does not matter if the jury accepted some portions of McKibben's testimony. A jury is free to reject testimony that it does not believe while accepting other testimony from the same witness. J.A.104-05; *United States v. Barber*, 442 F.2d 517, 522 n.4 (3d Cir. 1971); *see also RCA*, 887 F.2d at 1059 (district court's decision to accept particular portion of testimony was "well within its discretion").

E. The District Court Properly Determined That Substantial Evidence Supported The Jury's Finding

In view of the evidence recounted above, the jury had more than substantial evidence to support its finding that Leader2Leader embodied the asserted claims. In *Sonoscan, Inc. v. Sonotek, Inc.*, for example, this Court affirmed a district court's decision, after a bench trial, holding a patent invalid under the on-sale bar

based on the testimony of three witnesses, each from the patent-holder company. 936 F.2d 1261, 1263 (Fed. Cir. 1991). On its face, the offer in *Sonoscan* "did not provide clear and convincing evidence" that the patented invention was offered. *Id.* The only documentary evidence of note was a schematic, dated just six days before the critical date. *Id.* The district court found, however, that the schematic was based on a working prototype that practiced the claimed invention. *Id.* This Court concluded that the *Sonoscan* district court "did not clearly err" in its fact-finding and affirmed under a less deferential standard than the jury is entitled to here. *Id.* at 1264.

Not only is the standard of review more deferential here than in *Sonoscan*, the evidence is stronger: (1) Leader and McKibben admitted that Leader2Leader practiced each of the asserted claims and could not identify any version of Leader2Leader that did not practice the invention; (2) Leader2Leader with Leaderboard was offered to Wright Patterson months before the critical date, and Leaderboard implemented the '761 technology (both were described interchangeably as the "engine" of Leader2Leader); (3) the inventors' testimony shows that Leader2Leader always included "the big thing" that solved the "data burden issue," *i.e.*, the invention; (4) McKibben admitted that the invention was "done" and implemented in code before the critical date and that he was selling what he was building; (5) McKibben falsely testified—regarding phantom NDAs, the "hyperbol[ic]"

email, and the no-deal "sweetheart deal"—demonstrating his guilty knowledge that Leader2Leader included the invention; and (6) McKibben "vividly remember[ed]" a chronology that flatly contradicted his prior inability to identify any version of Leader2Leader that did not incorporate the invention, confirming his lack of credibility and guilty knowledge. *Sonoscan* did not involve equivalent evidence or evident fabrications as blatant and probative as McKibben's.

Leader relies on a snippet from *Sonoscan* to argue that "even 'conflicting testimony as to what [a] quotation actually included' prevents a finding of invalidity." Br.35-36. But read in full, Leader's citation supports Facebook: "Moreover, there was conflicting testimony as to what this quotation actually included. This quotation by itself therefore did not provide clear and convincing evidence that Sonoscan offered the patented invention before the critical date." 936 F.2d at 1263 (emphasis added). Here, Facebook offered far more than McKibben's lack of credibility "by itself" to carry the substantial-evidence burden. His multiple lies (and the guilty knowledge that supplied the motivation for them) simply confirm the testimony, documents, and interrogatory responses that independently support the verdict.

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If the Court affirms the jury verdict of invalidity, the appeal is resolved. If not, the Court must consider Facebook's alternative grounds for affirmance.

II. Leader's Non-Method Claims Are Indefinite Under *IPXL* Because They Recite Method Steps

A patentee may claim an invention as a "process, machine, manufacture, or composition of matter." 35 U.S.C. § 101. But hybrid claims reciting a process or method step within a claim to one of the other statutory classes are invalid as indefinite. *IPXL Holdings LLC v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005). Here, each of Leader's non-method claims recites an invalidating method step.

A comparison of Leader's claims with similar claims held invalid in this Court's prior cases demonstrates that Leader's non-method claims are indefinite, because each identifies an actor, "the user," taking an action. In *IPXL*, for example, a "system" claim was rendered indefinite by the limitation "wherein . . . the user uses the input means to [perform specified actions]." 430 F.3d at 1384. In *Katz*, similarly, the indefinite claims recited a "system" comprising "means for providing automated voice messages . . . wherein said certain of said individual callers digitally enter data." *In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1318 (Fed. Cir. 2011). In both cases, the indefinite system claim recited an individual taking an action, making it unclear whether infringement would occur when the system was made or when an individual performed the recited action. *IPXL*, 430 F.3d at 1384; *Katz*, 639 F.3d at 1318.

No meaningful distinction can be drawn between the *Katz* and *IPXL* claims and Leader's independent non-method claims, which each recite an actor, "the user," taking an action, *e.g.*, "the user accesses the data." Leader's claim 1 recites a "system" comprising a "tracking component" for "tracking a change of the user from the first context to a second context . . . wherein the user accesses the data from the second context." J.A.257, col. 21:7-11 (emphasis added). Claim 21 similarly recites a "medium" for storing instructions comprising "dynamically associating the data . . . such that the user employs the application and data from the second user workspace." J.A.257, col. 22:60-63 (emphasis added). Claim 23 similarly recites a "system" comprising a "tracking component . . . wherein the user accesses the data from the second user workspace." J.A.258, col. 23:31-37 (emphasis added).

The district court ruled that the language "wherein the user accesses the data" was "purely functional in nature," relying on *In re Schreiber*, 128 F.3d 1473, 1478 (Fed. Cir. 1997). J.A.37. To be sure, truly functional language—which describes a system by what it does, not by what it is, MPEP § 2173.05(g)—does not render a claim indefinite. But Leader's claim language is not functional under this Court's precedents. Indeed, a similar argument was rejected in *IPXL*, where the invalidating language ("the user uses the input means") was indistinguishable from

Leader's language. Brief of Appellant at 50, *IPXL*, No. 2005-1009 (arguing that the language at issue described "specific characteristics of the system").

The *Katz* Court addressed similar language in Katz's system claim—"wherein . . . callers digitally enter data"—which Katz argued "defines a functional capability." 639 F.3d at 1318. This Court squarely held that such language "is directed to user actions, not system capabilities." *Katz*, 639 F.3d at 1318. Here, Leader's claim 1 ("wherein the user accesses the data") is likewise directed to user actions. J.A.257, col. 21:7-11. The same analysis applies whether the claim recites "the user employs the application and data" (claim 21) or "the user accesses the data" (claim 23). J.A.257, col. 22:60-63; J.A.258, col. 23:36-37.

The difference between the asserted claims and the patent's other claims confirms that the cited language is not functional. "There is presumed to be a difference in meaning and scope when different words or phrases are used in separate claims." *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 1023 (Fed. Cir. 1987). Claim 22 (unasserted) recites a "system" with means-plus-function limitations corresponding to limitations in the asserted claims. J.A.258. But claim 22 concludes with the limitation "such that the user can employ the application and data from the second user workspace." *Id.* col. 23:17-19 (emphasis added). This language describes the capability of the system, unlike the asserted claims, which

recite user action ("the user accesses" or "the user employs"). The latter practice renders the asserted indefinite under *IPXL*.

The prosecution history likewise confirms that Leader's asserted non-method claims recite impermissible method steps. Claim 21, originally claim 40, recited "such that the user can employ the application and data," J.A.24024 (emphasis added), but Leader amended "the user can employ the application" to claim only "the user employs the application," *id.*, in order to "more clearly recite the invention," J.A.24026. Thus, Leader replaced language that may have described the capability of the claimed invention with language requiring that the user take action. Claim 21 further evinces this distinction when it later recites "a plurality of different users can access the data." *See* J.A.257, col. 22:64-66 (emphasis added). Consequently, the method steps in Leader's non-method claims cannot be construed as functional.

Nothing in this Court's decision in *Schreiber* justifies the district court's rejection of *IPXL* and *Katz*. Schreiber claimed a "dispensing top" that "allows several kernels of popcorn to pass through at the same time." 128 F.3d at 1475. This claim, in context, does not require any action, or any user. Furthermore, the *Schreiber* claims were rejected as anticipated and the case never addressed any § 112 issue. *Id.* at 1479.

Finally, the district court correctly rejected Leader's argument that Facebook's proffer of constructions for certain claim terms barred Facebook from asserting indefiniteness under *IPXL*. J.A.33. Leader's waiver argument is particularly inapt here because the basis for indefiniteness is not the meaning of any particular word in the claim, but rather the failure of the claim as a whole to indicate when infringement would occur. This Court has recognized that "[e]ven if a claim term's definition can be reduced to words, the claim is still indefinite if a person of ordinary skill in the art cannot translate the definition into meaningfully precise claim scope." *Halliburton Energy Servs., Inc. v. M-I LLC*, 514 F.3d 1244, 1251 (Fed. Cir. 2008). That is precisely the case here. It is the claim as a whole that is indefinite, because its hybrid nature makes it impossible to determine when infringement occurs. *See Harrah's Ent'mt, Inc. v. Station Casinos, Inc.,* 321 F. Supp. 2d 1173, 1176 (D. Nev. 2004) (submission of proposed claim construction not an admission that claim was definite), *aff'd without opinion*, 154 F. App'x 928 (Fed. Cir. 2005) (unpublished); *see also* J.A.9778-79.

III. Leader's Method Claims Cannot Be Infringed By Facebook Alone, And Facebook Cannot Be Liable For Joint Infringement

A. The District Court Erroneously Left The Construction Of Leader's Method Claims To The Jury

The district court instructed the jury that Facebook could be liable for direct infringement if it performed all the steps of the method either "by itself or in combination with a third party" that "Facebook controls or directs." J.A.122. The court then instructed that:

> In making this determination, factors you may consider include: whether the claims at issue require those third parties to take action for the claims to be performed, or, alternatively, whether the third parties merely activate functions already present in the underlying invention.

Id. (emphasis added). Whether the method claims "require those third parties to take action" is a question of claim construction for the court, not the jury. Facebook raised a timely objection, arguing that "what the claims require is a pure question of law for the Court that should not be submitted to the jury" and that the method claims do "require third parties to perform at least two claim steps." J.A.20578.

After trial, the district court ruled, with respect to the only independent method claim (claim 9), that "there is no requirement of user interaction recited in the claim." J.A.9. This Court reviews that claim-construction holding *de novo*.

Claim 9 covers a method of managing data that includes steps that must be performed, if at all, by at least two distinct parties. Claim 9 reads:

> A computer-implemented method of managing data, comprising computer-executable acts of:
>
> [1] creating data within a user environment of a web-based computing platform via user interaction with the user environment by a user using an application, the data in the form of at least files and documents;
>
> [2] dynamically associating metadata with the data, the data and metadata stored on a storage component of the web-based computing platform, the metadata includes information related to the user, the data, the application, and the user environment;
>
> [3] tracking movement of the user from the user environment of the web-based computing platform to a second user environment of the web-based computing platform; and
>
> [4] dynamically updating the stored metadata with an association of the data, the application, and the second user environment wherein the user employs at least one of the application and the data from the second environment.

J.A.257 (emphases and numerals added).

At least two of the elements of claim 9 must be performed by "the user." In particular, element [1] recites "creating data . . . by a user using an application." This plain language requires action by a user and not merely by the "web-based computing platform." Likewise, element [4] specifies action that must be performed by the user, *i.e.*, "the user employs at least one of the application and the data from the second environment." By contrast, elements [2] and [3], and the first

part of element [4], describe operations that are performed by the "web-based computing platform." The plain language of the claim thus makes clear that two distinct actors are required to infringe claim 9, both a "user" and the entity controlling the "web-based computing platform." Under the proper claim construction, therefore, Leader's only viable theory is one of joint infringement.

Leader's claim 9 is indistinguishable from many claims in this Court's joint infringement cases. *E.g.*, *McKesson*, 2011 U.S. App. LEXIS 7531, *4 ("initiating a communication by one of the plurality of users to the provider"); *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1376 (Fed. Cir. 2007) ("the accessed remote payment network determining, during the session, whether sufficient available credit or funds exist"). In both *BMC* and *McKesson*, the claim identified a third-party actor and an action just as the claims do here. In particular, claim 9's first element ("creating data . . . by a user using an application") runs parallel to the claim in *McKesson* ("initiating a communication by one of the plurality of users"). In neither *BMC* nor *McKesson*, however, did the patentee argue that infringement was possible without third-party action.

For additional guidance, the Court may look to *Desenberg v. Google, Inc.*, 392 F. App'x 868 (Fed. Cir. 2010) (non-precedential), which held that claims to a method of using a communications network to provide leads between users and service providers required action by multiple parties. *Id.* at 869, 871. In particular,

the limitation "wherein a service is performed by the user or the provider" required action by a third party; that requirement, combined with Google's lack of control or direction of the users and providers, barred liability. *Id.* at 871. The "wherein" clause in *Desenberg* is no different in substance from the "wherein" clause in claim 9's fourth element. Thus, claim 9 cannot be infringed by Facebook acting alone.

In rejecting Facebook's joint infringement argument, the district court assumed that claim 9's preamble limits the method to "computer-executable acts," J.A.9, and, therefore, all the limitations refer to the "back-end process performed by the source code." *Id.* The court's view cannot be reconciled with the plain language of claim 9, which begins with "a user using an application" to "creat[e] data" and concludes with "the user employ[ing] at least one of the application and the data from the second environment." The only plausible reading is that certain steps of the claimed method must be performed by the user.

Moreover, the preamble cannot limit a claim unless "it recites essential structure or steps, or if it is necessary to give life, meaning, and vitality to the claim." *Am. Med. Sys., Inc. v. Biolitec, Inc.*, 618 F.3d 1354, 1358 (Fed. Cir. 2010) (internal punctuation omitted). Thus, the preamble is non-limiting if the claimed invention would be complete without it. *Id.* at 1358-59. Claim 9, without preamble, recites the complete inventive method. The claim elements alone describe a user creating data within a web-based computer platform; associating metadata

with the data; tracking movement of the user; and updating the metadata wherein the user performs additional actions. None of those elements refers back to the preamble or is performed by anything recited in the preamble. The two actors—the web-based computing platform and the user—are introduced in the claims, as is every component of the method. In any event, and even if the claim reflects computer-executable acts, the claimed method would still require that the user execute certain steps by using a computer.

Finally, Leader's theory at trial was joint infringement, precisely tracking the division of steps between Facebook and Facebook users described above. Leader's expert, Dr. Vigna, testified that the user creates data within the scope of element [1] of claim 9 when the user selects and uploads a photo to the Facebook website. *See* J.A.25064:13-25065:17 ("[W]hen the users go to" Facebook "they go through the steps of this method to" "creat[e] this data."). With respect to the elements [2] and [3], Vigna testified that Facebook performs those steps. *See* J.A.25066:9-25068:9; J.A.25068:23-25069:19. But regarding the user portion of element [4], Vigna testified that the user performs this step when the user uploads a picture from a photo album to a new album. *See* J.A.25071:21-25072:19. Thus, Leader's own expert described the claim in terms that unquestionably require proof of joint infringement, but Leader failed to meet its burden of proof on that theory. J.A.73.

B. Under The Proper Claim Construction Facebook Cannot Be Found To Infringe The Method Claims

If Leader's claim 9 is construed (as it should be) to require third parties to perform either "user" step, then Facebook cannot infringe alone. And because the jury found that Leader failed to prove that "Facebook controls or directs the accused actions" of third parties, J.A.72-73, Facebook cannot be liable as a joint infringer. *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1380 (Fed. Cir. 2010) (citing *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008)). There can likewise be no infringement of asserted dependent claims 11 and 16. *Muniauction*, 532 F.3d at 1328 n.5.

To prevail, Leader must show that no reasonable jury could have found that Facebook does not control or direct the accused actions of its users or employees. Leader cannot show that for Facebook's users who are under no contractual or agency obligations to Facebook. *Akamai*, 629 F.3d at 1319-20.

Nor can Leader overcome the jury verdict with respect to Facebook employees. Admittedly, a company's employees are classically its agents and the law on joint infringement has recognized principal liability for agents. *Akamai*, 629 F.3d at 1319-20 (vacated, pending en banc). But here, the district court required the jury to determine "whether Facebook controls or directs the activity of those parties who perform the steps of the method claims." J.A.122 (emphasis added). And the verdict form asked whether Leader had shown that "Facebook controls or directs

the accused actions" of "Facebook employees." J.A.73 (emphasis added). Thus, the jury verdict establishes that Leader failed to prove that Facebook's employees performed the accused actions, *i.e.*, the "user" steps of the method.

Leader presented no proof that any employee performed the user steps in the method claimed or did so within the scope of employment. The only evidence presented was an expert's opinion that Facebook's engineers "bang on" code related to "new functionality." J.A.25061:12-25062:4; J.A.25205. Thus, Leader cannot overcome the jury verdict.

IV. Leader Presented No Evidence Of Infringement Under The Proper Construction Of "Dynamically"

Each of the asserted independent claims requires that previously identified metadata be changed "dynamically." For example, claim 1 recites a tracking component for "tracking a change of the user from the first context to a second context of the network-based system and dynamically updating the stored metadata based on the change." J.A.257, col. 21:7-11 (emphasis added).

After a *Markman* hearing, the district court properly construed the term "dynamically" to mean "automatically and in response to the preceding event." J.A.6738. At that time, both the district court and Leader understood that the "preceding event" was the preceding event in the claim, *i.e.*, the user movement specified in the limitation preceding the dynamic action. At trial, however, Leader was

permitted to argue to the jury that the "preceding event" need not be the preceding event in the claim. This was error.

A. The District Court Allowed Leader To Argue An Improper Construction Of "Dynamically" To The Jury

The district court's *Markman* memorandum relied on the plain language of the claims and the specification to define "dynamically" as "automatically and in response to the preceding event." J.A.6730-31. The court made clear that the "preceding event" was the preceding event in the claim: "[I]n each of the Claims, the actions identified as taking place 'dynamically' only occur after some identified action by the user." J.A.6730. The district court found further support in the patent's "Summary of the Invention" section: "As a user creates a context, or moves from one context to at least one other context, the data created and applications used previously by the user automatically follows the user to the next context. The change in user context is captured dynamically." J.A.6730-31 (quoting J.A.248, col. 3:1-5); s*ee also* J.A.230 (Fig. 2); J.A.250, col. 7:23-35 ("At [step] 200, a user is associated with a first context. . . . At 206, the user changes context from the first context to a second context. At 208, the data and application(s) are then automatically associated with the second context.").

"Thus," the court reasoned, "a change in context is captured 'automatically,' but it is only automatic upon the user creating a context or moving from one con-

text to another." J.A.6731. Under the court's claim construction, therefore, "the preceding event" was the preceding event in the claims, *i.e.*, "some identified action by the user." J.A.6730. Specifically, for purposes of the "dynamically updating" (claims 1, 9), "dynamically associating" (claim 21), and "dynamically storing" (claim 23) element of the asserted claims, the only identified action that could correspond to "the preceding event" was the user's movement from a first context to a second.

Leader's *Markman* briefing indicates that it likewise understood that "Facebook's proposed construction requires that one must look to the preceding limitation as the 'preceding event.'" J.A.3319 (emphasis added). Facebook's summary judgment motion on direct infringement, which was still pending at the time of trial, specifically relied on the user movement recited in each claim, *e.g.*, claim 1 ("a change of the user from a first context to a second context"), as the "preceding event in the claim." JA10082-85. Reviewing Leader's expert report, Facebook demonstrated that each of Leader's scenarios failed to show infringement because the stored metadata was never updated or changed "dynamically," *i.e.*, it was never updated or changed automatically in response to the preceding user movement. *See, e.g.*, J.A.10086-90.

At trial, however, Leader argued that "the preceding event" could be any event, not only the preceding event specified in the claims. Facebook sought to

clarify the court's jury instruction (J.A.118), objecting that it failed to "inform[] the jury that a temporal sequence is required by Judge Farnan's claim construction of 'dynamically,' and the identity of the 'preceding event.'" J.A.20577 (incorporating trial arguments at J.A.26003:17-20 ("dynamically, means automatically responding to the preceding event, moving from the first context to the second context"), J.A.26107:15-24). But the court did not clarify the scope of the claims for the jury.

In the absence of a clarifying instruction, Leader argued claim construction to the jury: "[T]he preceding event" happens "in the technology. That's what the claims are about. It's not a preceding event in the sentence." J.A.26350:5-9. In other words, Leader argued that the phrase "the preceding event" did not refer to the preceding event (or any event) in the claim, but could encompass any preceding event taking place in the accused system. J.A.26349:22-26350:13. Facebook was thus compelled to argue that the "preceding event" was the preceding event in the claim, *i.e.*, the user movement. J.A.26403. The jury was left to resolve this issue of claim construction for itself.

In its JMOL motion, Facebook again asserted that the construction argued by Leader was incorrect, and pointed out that there was no evidence supporting an infringement finding under the correct construction. J.A.21143-46. The district

court held that Facebook was "estopped" from raising this issue. J.A.18. That ruling was plainly incorrect.

While a party that prevailed on claim construction cannot argue for a different construction after an adverse jury verdict, nothing prevents that party from "seeking to clarify or defend the original scope of its claim construction" during trial. *Cordis Corp. v. Boston Scientific Corp.*, No. 2010-1311, slip op. at 12 (Fed. Cir. Sept. 28, 2011). And the district court is free to "clarify[] its previous construction of the term." *Id.*

Facebook prevailed on claim construction and asked the court to clarify that construction at trial. J.A.20577; J.A.20586. Facebook raised this issue before any adverse jury verdict, and "nothing prevented the district court from clarifying its previous construction" before the case was submitted to the jury. *Id.* at 12 (citation omitted).

The district court erred in basing its estoppel ruling on *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323 (Fed. Cir. 2001) ("*IGE*"). In *IGE*, the appellant was barred from raising on appeal a new claim construction that "changes the scope of the claim construction positions it advanced" in the district court. *Id.* at 1347-48. Here, by contrast, Facebook urged the very same claim construction at every point—at *Markman*, on summary judgment, throughout trial, an on JMOL. Thus, the issue was preserved. As *IGE* recognized, the waiver doctrine

does not "prevent a party from clarifying or defending the original scope of its claim construction." *Id.* at 1346.

Finally, even if some form of estoppel applied, Facebook is still entitled to defend the original scope of the claim construction by arguing the meaning of "the preceding event" as a jury instruction. *Cordis*, slip op. at 12. And, for all the reasons cited above, "the preceding event" refers to the preceding event recited in the claims, *i.e.*, the user movement.

B. Leader Failed To Present Evidence Establishing That Any Updating, Associating, Or Storing Of Metadata Occurs "Dynamically" On Facebook As Required By The Asserted Claims[4]

Under the proper claim construction, Leader failed to present any evidence that when a Facebook user moves to a second context, user environment, or user workspace, the stored metadata is updated automatically and in response to that movement, *i.e.*, the preceding event in the claim. This sequence or an analogous one is required by claim 1 and the other three independent claims asserted by Leader at trial. *See* J.A.257, col. 21:49-51, claim 9 ("tracking movement of the user from the user environment . . . to a second user environment," followed by "dynamically updating the stored metadata,"); *id.* col. 22:60-62, claim 21 ("dynamical-

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4 The trial was based on the Facebook website as disclosed in technical documents produced before April 2010. J.A.19926. Facebook today functions differently.

ly associating the data and the application with the second user workspace in the metadata"); J.A.258, col. 23:35-36, claim 23 ("dynamically storing the change information on the storage component as part of the metadata").

Leader's expert, Vigna, did not present any evidence of Facebook's accused website "dynamically" updating stored metadata in response to the preceding event in the claim (*i.e.*, user movement). Each infringement scenario Vigna presented relied upon four steps:

> (1) a user uploads a photo or otherwise creates data on a Facebook page,
> (2) the user moves to a "second context," another Facebook page,
> (3) the user takes an explicit action in that second context, and
> (4) Facebook creates new metadata, in response to the user's action in the second context.

Leader contended that step (1) corresponds to the "context component" of claim 1, and that steps (2)-(4) correspond to the "tracking component." This cannot show infringement, because the creation of new metadata in step (4), which Leader alleged constitutes "dynamically updating the stored metadata," takes place only in response to the user's action in (3). It does not take place automatically and in response to the user's movement between contexts in (2), which is the "preceding event" in each of the independent claims.

For example, Dr. Vigna showed "John Vineyard" performing the following actions on Facebook:

(1) uploading a photo to his Facebook page (J.A.27058; J.A.25043:12-17),

(2) moving to "Mary Smith's" Facebook page (J.A.27059; J.A.25045:13-19), and
(3) typing "How are you?" on her page and clicking the "Share" button, which publishes the text on Mary Smith's page (J.A.27060-61; J.A.25045:20-25046:1).

After the share button is clicked, according to Leader's expert, Facebook updates the stored metadata. J.A.25046:2-15. Vigna explicitly relied on clicking the share button as the preceding event needed to show infringement. J.A.25048:12-17 ("Dynamically means automatically and in response to the preceding event." "[T]he moment the users share in the how are you message in response to that event, automatically a story is created in the metadata.").

Vigna did not identify any instance in which the user's mere movement (or "change") to a "second context" resulted in automatic updating of metadata, as required by the claims. Each of Vigna's scenarios relied on metadata being updated in response to some subsequent action by a user who had already moved onto a second page. *See* J.A.25015:12-25016:10 (metadata updated only after user chooses to "fan" a page); J.A.25024:3-12 (metadata updated only after user publishes picture in an album).

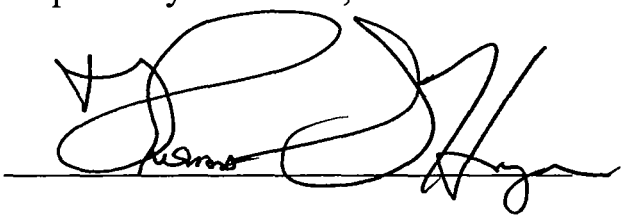
On JMOL, Leader argued that Facebook's website satisfies the "dynamically" claim limitation (even under the correct construction) because Facebook logs the activities of its users. J.A.22115-16. But Leader's infringement expert never presented that theory to the jury or connected the activity logs to the claim limita-

tions. Nor did Leader explain how an activity log could be part of the tracking component that updates stored metadata associated with user-defined data in response to user movement. These logs are simply disconnected from (and Leader never connected them to) the separate claim elements addressing the storage and updating of metadata. *See* J.A.24614:10-13 ("It's our [Leader's] position" that "metadata gets updated when a user accesses information from the second page."); J.A.26361:21-26362:11. Accordingly, the record compels the conclusion that Facebook did not infringe under a proper claim construction.

CONCLUSION

The judgment of the district court should be affirmed.

Respectfully submitted,



October 24, 2011

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CERTIFICATE OF SERVICE

I, William G. Jenks, hereby certify that on October 24, 2011, I caused two copies of the foregoing brief for Facebook, Inc. to be served via overnight courier on the following counsel:

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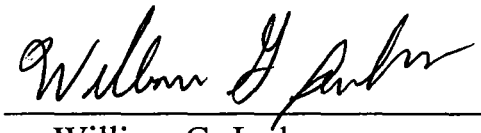

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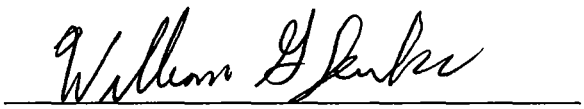
CERTIFICATE OF COMPLIANCE

In accordance with Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned certifies that this brief complies with the applicable type-volume limitations. Exclusive of the portions exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b), this brief contains 13,998 words. This certificate was prepared in reliance on the word count of the word-processing system (Microsoft Word 2010) used to prepare the brief.



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