Keywords: prior sale, on-sale bar

General: Activities prior to patenting that embody the claimed subject matter may trigger the on-sale bar under 35 U.S.C. § 102(b).

Leader Technologies Inc. v. Facebook Inc.
102 USPQ2d 1743 (2012)

I. Facts

Leader Technologies, Inc. ("Leader"), a software company, owns U.S. Patent No. 7,139,761 (the '761 patent). The '761 relates to a system that manages data that may be accessed and created by multiple users over a network. Michael McKibben (founder of Leader) and Jeffrey Lamb conceived the claim invention of the '761 patent in 1999. After conception, the inventors began developing software based on the invention with the goal of generating a commercial product. Leader stated that the project was completed within two to three years, probably around the "2002ish time frame." Around 2002, Leader offered the Leader2Leader® product ("the product") for sale and demonstrated the product to numerous companies. In January 2002, Leader presented a white paper to Wright Patterson Air Force Base offering 20,000 software licenses to the product. In the white paper, Leader stated it was already "commercializing the product", the platform was operational, and the software provided was "[f]ully developed." In addition, the white paper discussed the functionality of the product and its advantages over previous platforms. In November 2002, McKibben demonstrated the product to staff members at Boston Scientific, which he described as flawless. By December 8, 2002 Leader had demonstrated and offered the product to other companies, such as American Express and The Limited. Leader filed a provisional patent application on December 11, 2002. On December 10, 2003, Leader filed an application that issued as the '761 patent.

In 2008, Leader sued Facebook Inc. ("Facebook") for infringement of the '761 patent. During discovery, Facebook asked in an interrogatory for Leader to identify all products and services that practiced the claims of the '761 patent. In response, Leader asserted that the product was covered by the '761 patent. In a subsequently amended response, Leader stated that the product was "the only product which embodies, either literally or under the doctrine of equivalents, any of the asserted claims" of the '761 patent. During deposition, McKibben could not identify *any iteration* of the product that *did not* fall within the scope the claims of the '761 patent.

The interrogatory response and McKibben's deposition testimony were a focus of the trial. During the trial, McKibben testified that since the interrogatory and Leader's responses employed the present tense, they were directed at whether the product in 2009 practiced the claims of the '761 patent. Also, McKibben testified that the product powered by the engine was covered by the asserted claims in 2007 and 2010, but not prior to December 2002. In particular, McKibben stated that he "vividly remember[ed]" that the patented technology was not incorporated into the product until days before December 11, 2002.

The jury found that the '761 patent was not entitled to the priority date of the provisional application. The jury also returned a verdict that found the asserted claims of the '761 patent invalid because the invention was both subject to an invalidating sale and an invalidating public use. The district court denied Leader's post-trial motions for judgment as a matter of law or a new trial. Specifically, with regard to whether the product was embodied in the asserted claims of the '761 patent, the district court found McKibben's discredited trial testimony along with the interrogatory responses were sufficient to support the jury's verdict.

II. Issue

Does the district court err in denying Leader's motion for judgment as a matter of law or for a new trial?

III. Discussion

No. The Federal Circuit affirmed district's court's ruling that the asserted claims of the "761 patent were invalid because there was substantial evidence to support the jury's verdict. Before the Federal Circuit, Leader did not contest that the product was offered for sale and publicly used prior to the critical date of December 10, 2002 or that the product was ready for patenting prior to the critical date. Instead, Leader argued that Facebook failed to offer clear and convincing evidence that the version of the product offered for sale or used prior to the critical date fell within the scope of the asserted claims. Facebook countered that Leader's internal documents and correspondence to potential customers, interrogatory responses, and testimony of the inventors supported the jury's verdict. In addition, Facebook argued that the jury was allowed to weigh McKibben's lack of credibility against Leader in rendering the verdict.

In finding sufficient evidence to support the jury's verdict, the Federal Circuit found that Leader admitted in the interrogatory responses that the product embodied the asserted claims of the '761 patent. As to Leader's argument that they employed the present tense in the interrogatory responses and thus their admissions were limited to the product at the time it provided the responses, the Federal Circuit found Leader's responses did not provide any indication that these responses were limited to a particular date or version of the product. In support of this, the Federal Circuit noted that during the trial McKibben stated that the product powered by the engine fell within the scope of the asserted claims of the '761 patent in 2009 (when the responses were submitted), but also in 2007 before the lawsuit was initiated and in 2010 during the trial. Further, the Federal Circuit stated that McKibben's deposition testimony could not identify a single version of the product that did not fall within the scope of the asserted claims of the '761 patent. Besides Leader's admission, the Federal Circuit noted that the contemporaneous documents (e.g., white paper) linked the pre-critical date software to the software Leader admitted fell with the scope of the asserted claims of the '761 patent. The Federal Circuit also found that Lamb's trial testimony demonstrated that the product was on sale and demonstrated prior to the critical date. The Federal Circuit further found that McKibben's lack of credibility fortified the evidence that the product was on sale and in public use prior to the critical date. The Federal Circuit recognized that software code can be easily modified or changed and that multiple versions of the same software product may function differently. But the Federal Circuit found Leader failed to provide any evidence that the product that existed prior to the critical date was substantively different from the software after the critical date. Instead, the Federal Circuit found that "the evidence points in the opposite direction."

IV. Conclusion

The Federal Circuit upheld the district court's ruling that there was substantial evidence supporting the jury's verdict of invalidity of the asserted claims of the '761 patent.

V. Additional Material

Test for on-sale bar date under § 102(b) from *Pfaff v. Wells Electronics Inc.*:

- Commercial offer for sale AND
- Invention is ready for patenting
    - The ready for patenting element can be satisfied by either:
        - Actual reduction to practice OR
        - Drawings or other descriptions of the invention that are sufficiently specific to enable a person skilled in the art to practice the invention