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## Federal Circuit Upholds Jury's Verdict Invalidating a Software Patent Under the On-Sale Bar of 35 U.S.C. §102(b)

### Intellectual Property Client Alert

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In *Leader Technologies, Inc. v. Facebook, Inc.*, No. 11-1366 (Fed. Cir. May. 8, 2012), the Court of Appeals for the Federal Circuit recently affirmed a District Court jury's verdict that a software patent was invalid as anticipated under [35 U.S.C. § 102\(b\)](#) because the claimed invention was offered for sale and publicly demonstrated more than one year before the date that the patent application was filed (critical date). The decision is available [here](#).

Leader Technologies owns U.S. Patent No. 7,139,761 ('761 patent) related to software that allows users on a network to communicate and collaborate on a large scale. Prior to filing the application, which issued into the '761 patent, Leader developed a product referred to as Leader2Leader® with the underlying engine Digital Leaderboard® (Leader Products) starting in 1999. Around 2002, Leader presented a white paper describing the Leader Products as fully complete products and offered them for sale to various commercial entities and a Federal entity. Leader subsequently filed suit against Facebook, Inc. in 2008 in the U.S. District Court for the District of Delaware for infringement of the '761 patent. The jury in this trial returned a verdict against Leader, finding that the asserted claims of the '761 patent were invalid because the invention was subject to an invalidating sale and public use.

On appeal, the Federal Circuit found that the jury's finding was supported by substantial evidence that Leader offered for sale and publicly demonstrated the claimed invention before the critical date. Because an issued patent is presumed valid, the party challenging the validity of a patent must prove by clear and convincing evidence that the product was used or on sale prior to when the critical date was embodied by the claimed invention. Leader contended that Facebook failed to offer clear and convincing evidence, such as expert testimony, source code, or schematics, to prove that the version of Leader2Leader® offered for sale or used prior to December 10, 2002 fell within the scope of the asserted claims. The Court disagreed. First, Leader admitted in its interrogatory responses that Leader2Leader® powered by the Digital Leaderboard® engine "embodies" the asserted claims of the '761 patent and these responses did not specify any date ranges nor did they identify versions or builds of the software. Second, an inventor testified during his deposition that he could not identify a single instance of Leader2Leader® that did not fall within the scope of the '761 patent's claims before the lawsuit was filed and during the lawsuit. Finally, although a computer scientist could easily modify and change software code, and two versions of the same software product may function differently, Leader failed to point to any evidence that the product that existed prior to the critical date was substantively different from the post-critical date software.

The best way to avoid invalidity of a patent under §102(b) is to refrain from selling or publicly using an invention before the critical date. Additionally, software companies should also maintain adequate records to distinguish versions of software claimed in a patent application from previous versions of the software that may have been publicly displayed or sold.

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