EXHIBIT 11

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United States District Court,
C.D. California.
In re KATZ INTERACTIVE CALL PROCESSING PATENT LITIGATION.
No. 07-ML-01816-B-RGK (FFMx).
Relates to Nos. 07-2196 RGK (FFMx), 07-2299 RGK (FFMx), 07-2322 RGK (FFMx), 07-2360 RGK (FFMx).

March 11, 2009.

Named Expert: Edward G. Fiorito

Proceedings: (In Chambers) ORDER GRANTING IN PART Certain Defendants' Memorandum In Support of Motion To Strike Edward G. Fiorito's Expert Reports and to Exclude His Expert Testimony (DE 4939)

R. GARY KLAUSNER, District Judge.

***1** Sharon L. Williams Deputy Clerk

In several different cases in this multi-district litigation, plaintiff Ronald A. Katz Technology Licensing, L.P. ("Katz") has offered the expert testimony of Edward Fiorito to testify on the subject of willful infringement. In several different individual summary judgment motions, various defendants argued that Mr. Fiorito's testimony was inadmissible. To help evaluate these arguments, this Court invited the parties to jointly brief the issue. As a result, The DIRECTV defendants ("DIRECTV") and joining Defendants U.S. Bank, Cox, FedEx, American Airlines, Humana and related entities (collectively, "Defendants") moved to strike the expert reports and exclude the corresponding testimony of Edward G. Fiorito ("Fiorito") under Fed. R. Civ. Evid. 702 and 403.

A. Willfulness

The Federal Circuit recently revised the law of willful infringement by setting forth a new test. *See In Re Seagate*, 497 F.3d 1360 (Fed.Cir.2007) (*en banc*). Under *Seagate*, willful infringement can only be shown by "... clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent...." *Id.* at 1371. If this first objective test is met, the patent owner must also, "demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer." *Id.*

B. Mr. Fiorito's Testimony

Mr. Fiorito is a registered patent attorney with over 30 years of experience. He has served as a Special Master in patent cases in the federal court system and was Chairman of the Intellectual Property Sections of the American Bar Association and Texas Bar Associations. The expert reports Mr. Fiorito prepared in the different cases are substantially similar. They all include a detailed description of the law prior to *Seagate*. (Reports at ¶¶ 14-16.) Specifically, Mr. Fiorito discusses the duty of care and the requirement to obtain advice of counsel that a patent was invalid or not infringed.

The expert reports also attempt to demonstrate that the first prong of the Seagate test is satisfied-*i.e.* that there was an objective likelihood that each defendants' actions constituted infringement of a valid patent. Although the Federal Circuit said that it "would leave it to future cases to further develop the application of this standard" (*Id.* at 1371), the Court stated that it "would expect ... that the standards of commerce would be among the factors that

courts might consider." *Id.* at fn.5.

By couching his testimony in term of the "standards of commerce," Mr. Fiorito purports to explain the factors companies typically consider when confronted by potential infringement of another's patents. Specifically, all the expert reports list factors A-S that supposedly provide an objective indication of whether a patent is valid. Mr. Fiorito evaluates these factors and concludes that there is an objective likelihood that some claims from some Katz patents are valid. The factors include determining whether the patent has been involved in litigation (factor A), or whether the patent holder has been persistent (factor R). Presumably, patent holders tend to litigate and be persistent when a patent is valid. The report performs a similar analysis with respect to infringement. In each report, Mr. Fiorito concludes that there is an objectively high likelihood that some claims of the Katz patent portfolio are infringed and that some claims are also valid.

***2** Notably, Mr. Fiorito's reports never discuss the specific claims at issue in each case. He does not compare the claims at issue to the prior art. Nor does he compare the claims to the accused services. Instead, Mr Fiorito provides opinions about the portfolio as a whole.

C. Legal Standard for Admissibility of Expert Testimony

Expert testimony is governed by both Fed.R.Evid. 702 and 403. Rule 702 requires an expert to have "knowledge, skill, experience, training or education" pertaining to the issues that go beyond "subjective belief or unsupported speculation." *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 588-90 (1993). "Without more than credentials and a subjective opinion, an expert's testimony that 'it is so' is not admissible." *Edmonds v. Illinois Central Gulf Railroad Co.*, 910 F.2d 1284, 1287 (5th Cir.1990). "[I]f an opinion is fundamentally unsupported, then it offers no expert assistance to the jury." *Id.* at 1287. Expert testimony that is based on an erroneous understanding or application of the law cannot meet the requirements of Rule 702 because it cannot logically assist the trier of fact. *See Mercado v. Ahmed*, 974 F.2d 863, 869-70 (7th Cir.1992).

However, Rule 702 does not apply to challenges to the weight that should be accorded to an expert's opinions. As the Supreme Court has held, a court's "gatekeeping" responsibility is limited to ensuring an expert's testimony rests on a reliable foundation. *See, e.g.*, *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 141 (1999).

Rule 403 also guides our analysis. Under Rule 403, evidence that is relevant "may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence."

D. Decision

Defendants argue that Mr. Fiorito's opinions should be excluded for three reasons. First, Defendants complain that Mr. Fiorito fails to show objective recklessness for any one patent or claim because he cannot say that any single claim is both valid and infringed. Second, Defendants argue that Mr. Fiorito's reports improperly describe pre-*Seagate* law. Finally, Defendants argue that the Firorito reports improperly draw negative inferences based on the failure to obtain an opinion of counsel contrary to Federal Circuit law. We address each of these arguments in turn.

1. Validity and Infringement Factors

Mr. Fiorito testifies about the factors that a company considers when attempting to determine the likelihood that some valid claims in a patent portfolio are infringed. This Court is persuaded that Mr. Fiorito is an expert and qualified to testify about these factors. However, these factors are not relev-

ant to the willfulness inquiry set forth by the Federal Circuit.

In *Seagate* the objective inquiry was characterized in terms of an "objectively high likelihood that [the defendants'] actions constituted infringement of a valid patent." *Seagate*, 497 F.3d at 1371. Of course the defendant can only be found to willfully infringe the specific patent or patents successfully asserted against it by the plaintiff. Thus, the willfulness inquiry must focus on the specific patents in dispute. However, Mr. Fiorito's reports improperly confuse the likelihood that some unidentified claim of some unidentified Katz patent is valid and infringed with the likelihood that the specific claims being asserted in each case is valid and infringed. Such testimony is not likely to assist the trier of fact to understand the evidence. Instead, Mr. Fiorito's opinions are likely to confuse and mislead the jury. Accordingly, this Court GRANTS Defendants' motion to strike those sections of Mr. Fiorito's report that discusses "objective indicia" of validity and infringement.

2. The Standard Before *Seagate*

***3** Mr. Fiorito's reports also provide a discussion of the duty of care prior to *Seagate.* The reports explain that: "[u]nder the legal standard before August 20, 2007, the duty of care required obtaining the advice of competent patent counsel before the initiation of infringing activity. The advice rendered by competent patent counsel must be reasonably relied upon by the infringer" (Fiorito Reports at ¶ 15) Plaintiff argues that the description is relevant because it aids in the examination of Defendants' "historical businesses and legal practices." Defendants argue that the opinions are contrary to the law under *Seagate.*

Although Defendants' businesses and legal practices are relevant to willfulness (*i.e.* what they did when they learned of Katz's patents), their conduct must still be measured against the rules outlined by *Seagate*, and not the prior law. *See Voda v. Cordis Corp.*, 536 F.3d 1311, 1328 n. 10 (Fed.Cir.2008) (stating that *Seagate* applies retroactively.) Since Mr. Fiorito appears to be using the discussion of the prior law to show that Defendants somehow failed to satisfy the duty that existed at that time, his testimony is contrary to *Voda.* Accordingly, this Court GRANTS Defendants' motion to strike those sections of Mr. Fiorito's reports that discuss the legal standard prior to *Seagate.*

3. Opinions of Counsel

Finally, Defendants argue that Mr. Fiorito improperly drew negative inferences from the failure to obtain opinion of counsel. Under previous law, such adverse inferences were drawn. However, The Federal Circuit reversed that position in *Knorr-Bremse SystemeFuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345-46 (Fed.Cir.2004) (*en banc*). That decision stated that no such adverse inference may be drawn. *Id.* It is important to note that despite the lack of adverse inference, the Federal Circuit still allows a jury to consider the absence of an opinion. *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed.Cir.2008). In reviewing the cited portions of Mr. Fiorito's report and testimony, this Court does not find that Mr. Fiorito opinions are inconsistent with the rule against adverse inferences. He is permitted to consider whether advice of counsel was obtained in the context of the totality of circumstances. Therefore, this Court DENIES Defendants' motion to the extent is seeks to strike sections of Mr. Fiorito's report that discuss obtaining opinion of counsel. (*e.g.* Ex. 1, ¶¶ 59-101) Of course Mr. Fiorito may not discuss the pre-*Seagate* law in this context.

Based on the foregoing,

1. This Court STRIKES those passages in PART II (legal understanding) of Mr. Fiorito's reports that describe pre-*Seagate* law.

2. This Court STRIKES those passages in PART III (willful infringement objective standards) that re-

late to objective indicia of validity and infringement.

3. This Court STRIKES those passages in PART V (facts related to willfulness) that describe the Katz patent portfolio generally. To the extent, that PART V describes specific facts as they relate to the specific claims still at issue in the relevant case, those passages are not stricken.

***4** 4. This Court STRIKES Parts VI and VII of Mr. Fiorito's reports in their entirety (evaluation of objective factors for invalidity and non-infringement).

All corresponding testimony is excluded.

In determining which PARTS to strike, the Court used Mr. Fiorito's report in the U.S. Bank case as an exemplar. (Ex. 1) To the extent that the other reports are not organized differently, the Court trusts the parties can agree on the proper passages to strike.

IT IS SO ORDERED.

C.D.Cal.,2009.
In re Katz Interactive Call Processing Patent Litigation
Not Reported in F.Supp.2d, 2009 WL 3698470 (C.D.Cal.)

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