

EXHIBIT 11

E-FILED ON 9/6/05

NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

IN RE ACACIA MEDIA TECHNOLOGIES
CORPORATION

No. C05-01114 JW (HRL)

**REPORT AND RECOMMENDATION
THAT THE PROPOSED APPOINTMENT
OF RAINER SCHULZ BE MODIFIED**

On June 21, 2005, the District Court issued an "Order Clarifying the Role of the Court's Technical Advisor, Mr. Rainer Schulz," which (1) proposed terms of Schulz's appointment and (2) referred any objections to this court for a report and recommendation as to whether the appointment should be (a) made as proposed, (b) modified, or (c) not made due to the objections asserted.

Pursuant to the June 21, 2005 order, a party ("Objecting Party")¹ filed with this court an objection to the proposed appointment. Several parties filed responsive papers, and the Objecting Party filed a reply brief. This court concludes that the matter may be determined upon the papers presented without a hearing. Upon consideration of the objection, as well as the responding papers, this court recommends that the proposed terms of appointment be modified as discussed below.

¹ As per the District Court's June 21, 2005 Order, this court will not identify the party objecting to the proposed appointment.

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For the Northern District of California

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I. BACKGROUND

This is a patent infringement action involving a number of lawsuits filed against online adult entertainment, cable television, satellite television and in-room hotel entertainment companies. The actions have been consolidated in this district under the Rules for Multidistrict Litigation.

Before consolidation, the District Court held a Markman hearing in those actions which were pending in the Central District of California. Pursuant to the parties' stipulation, on April 7, 2004, the District Court issued an "Order Appointing Technical Consultant" in which Schulz was appointed as an expert consultant pursuant to Fed.R.Evid. 706. A Markman order was issued on July 12, 2004.

After consolidation, and in response to a motion for clarification of Schulz's role, on June 21, 2005, the District Court issued an order (1) withdrawing the earlier designation under Fed.R.Evid. 706 and (2) proposing terms under which Schulz would be appointed as a confidential technical advisor. Those proposed terms of appointment are as follows:

1. From time-to-time, at the request of the Court, Mr. Schulz will consult with the Court on the technology issues involved in these cases.
2. Mr. Schulz may attend any court proceedings.
3. Mr. Schulz may review any pleadings, motions or documents submitted to the Court.
4. As a technical advisor, Mr. Schulz will make no written findings of fact and will not supply any evidence to the Court. Thus, Mr. Schulz will be outside the purview of "expert witnesses" under Fed.R.Evid. 706. . . . As such, the provisions in Rule 706 for depositions and questioning of expert witnesses will be inapplicable to Mr. Schulz.
5. Mr. Schulz will have no contact with any of the parties or their counsel.
6. The parties would pay the reasonable fees charged by Mr. Schulz for his service as a technical advisor to the Court. All matters pertaining to the fees of Mr. Schulz would be referred to Magistrate Judge Lloyd.

(See June 21, 2005 Order, Docket No. 21 at p. 3). If the appointment is made, Schulz will be required to file a declaration that he will adhere to the terms of his appointment. (Id. at 4:7-8).

1 The District Court also specified the procedures to be followed if a party had any objection to
2 the proposed appointment. In particular, it wished to be advised of any objections based on the
3 following grounds:

- 4 1. That the Court lacked the authority to make the appointment, or
- 5 2. That Schulz was biased, inexperienced or lacked requisite qualification; or
- 6 3. That a party lacked funds to share the fees of the advisor.

7 (*Id.* at pp. 3-4).

8 The Objecting Party does not (1) dispute the District Court's authority to appoint a technical
9 advisor; (2) allege that Schulz is biased, inexperienced or unqualified; or (3) assert that it lacks funds to
10 pay its share of Schulz's fees. Instead, it expresses concern, based upon the description of Schulz's
11 activities in his invoices, that certain findings in the July 12, 2004 Markman order could only have been
12 based upon extra-record "evidence" provided to the court by Schulz. It argues that the terms of
13 Schulz's appointment must be modified to ensure that: (1) the court provides the parties with a
14 summary of the nature and scope of all advice given by Schulz in any *ex parte* communications with
15 the court; and (2) Schulz is subject to deposition by the parties (i.e., with a Special Master to preside
16 over the deposition to ensure that the examination does not delve into the court's mental processes
17 and impressions). In essence, the Objecting Party contends that, on account of what he did (or may
18 have done) in the past, Schulz can now serve *only* as an expert witness under Fed.R.Evid. 706, and
19 not as a technical advisor.

20 Collectively, the responding parties contend that (1) the proposed terms of Schulz's
21 appointment are consistent with and sufficient under applicable law; (2) any concerns as to the basis
22 for the court's findings in its July 12, 2004 Markman order can be adequately addressed in the court's
23 reconsideration of that order; and (3) allegations that Schulz usurped the court's role in claims
24 construction are purely speculative.

25 II. LEGAL STANDARD

26 A district court may appoint a technical advisor "to organize, advise on, and help the court
27 understand relevant scientific evidence." Federal Trade Comm'n v. Enforma Natural Products, Inc.,
28 362 F.3d 1204, 1213 (9th Cir. 2004) (citing Ass'n of Mexican American Educators v. California, 231

1 F.3d 572, 590 (9th Cir. 2000) (en banc)). "A technical advisor may not assume the role of an expert
2 witness by supplying new evidence; nor may an advisor usurp the role of the judge by making findings
3 of fact or conclusions of law." Id. (citing A&M Records, Inc. v. Napster, Inc., 284 F.3d 1091, 1097
4 (9th Cir. 2002)). "Technical advisors, acting as such, are not subject to the provisions of Rule 706,²
5 which govern court-appointed expert *witnesses*. A court-appointed expert is a witness subject to
6 Rule 706 if the expert is called to testify or if the court relies on the expert as an independent source of
7 evidence." Id.

8 **III. DISCUSSION**

9 Although the Ninth Circuit does not require strict adherence to any specific procedures
10 pertaining to technical advisors, it has endorsed the following guidelines in making such appointments:

- 11 (1) utilize a fair and open procedure for appointing a neutral
12 technical advisor;
- 13 (2) address any allegations of bias, partiality, or lack of
14 qualification;
- 15 (3) clearly define and limit the technical advisor's duties;
- 16 (4) make clear to the technical advisor that any advice he or
17 she gives to the court cannot be based on any extra-records
18 information; and
- 19 (5) make explicit, either through an expert's report or a record
20 of *ex parte* communications, the nature and content of the
21 technical advisor's advice.

22 Enforma Natural Products, Inc., 362 F.3d at 1214-15 (citing Ass'n of Mexican-American Educators,
23 231 F.3d at 611-14 (Tashima, J., dissenting)).

24 _____
25 ²Rule 706(a) of the Federal Rules of Evidence provides, in relevant part:

26 The court may appoint any expert witnesses agreed upon
27 by the parties, and may appoint expert witnesses of its own
28 selection. . . . A witness so appointed shall advise the parties
of the witness' findings, if any; the witness' deposition may
be taken by any party; and the witness may be called to testify
by the court or any party. The witness shall be subject to
cross-examination by each party, including a party calling
the witness.

FED.R.EVID. 706(a).

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1 As noted above, the crux of the asserted objection is that Schulz cannot now be appointed as
2 anything but an expert witness under Fed.R.Evid. 706 because the Objecting Party perceives that he
3 provided extra-record evidence in his past interaction with the court. It asserts that the parties
4 therefore must now have an opportunity to examine him. See Enforma Natural Products, Inc., 362
5 F.3d at 1213 (“A court-appointed expert is a witness subject to the Rule 706 if the expert is called to
6 testify or if the court relies on the expert as an independent source of evidence.”). The Objecting
7 Party further argues that reconsideration of the July 12, 2004 Markman order cannot erase the past
8 because (1) it will have no opportunity to learn the nature and scope of Schulz’s previous interaction
9 with the court, (2) the District Court has not vacated its July 12, 2004 Markman order and will likely
10 presume that its prior findings and conclusions are correct and (3) there will, therefore, be no sufficient
11 record of the basis for the court’s findings in its July 12, 2004 Markman order.

12 This court does not know what took place during the earlier claims construction proceedings
13 and is therefore unable to opine as to whether or not Schulz can now serve only as an expert witness
14 under Fed.R.Evid. 706 – i.e., whether Schulz must be subject to examination by the parties. Having
15 reviewed Schulz’s invoices submitted by the Objecting Party, however, this court finds nothing
16 improper about the fact that the District Court consulted with Schulz on an *ex parte* basis or that
17 Schulz billed his time to “claims analysis,” “claim construction review,” or “patent review.” Moreover,
18 it seems less than likely that whatever transpired between the court and Schulz in the past would
19 compromise his prospective role as a technical advisor given that (1) the District Court has agreed to
20 reconsider its July 12, 2004 Markman decision and (2) under the proposed terms of appointment,
21 Schulz will make no written findings of fact and will not supply any evidence to the Court.

22 Nevertheless, to assuage the Objecting Party’s concerns over Schulz’s past activities, the
23 court should consider making the following modifications to its proposed terms of appointment:

- 24 (1) With respect to Schulz’s duties, the proposed terms specify that he will advise the
25 court “on the technology issues involved in these cases,” and further state that he “will
26 make no written findings of fact and will not supply any evidence to the Court.”
27 However, consistent with the fourth procedural guideline, and to further clarify
28 Schulz’s duties, the proposed terms of appointment should be modified to make clear

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that any advice Schulz provides to the court will not be based on any extra-record information.

(2) As for advice provided to the court by Schulz, and consistent with the fifth procedural guideline, the District Court should modify the proposed terms of appointment to make explicit, either through an expert's report or a record of *ex parte* communications, the nature and content of that advice. It has been suggested that "some documentation is required — such as a report by the advisor, a summary of the advice given, or the court's statement on the record – of the court's interaction with the technical advisor." Ass'n of Mexican-American Educators, 231 F.3d at 613 (Tashima, J., dissenting). However, there is no specific method by which such information must be made known, and the District Court apparently has discretion to choose an appropriate method for such disclosure. See Techsearch LLC v. Intel Corp., 286 F.3d 1360, 1377 (Fed. Cir. 2002) (stating that in the Ninth Circuit, the appointment of a technical advisor is reviewed for abuse of discretion).

IV. RECOMMENDATION

1. The proposed terms of appointment should be modified to make clear that any advice Schulz provides to the court will not be based on any extra-record information.
2. The proposed terms of appointment should be modified to make explicit, either through an expert's report or a record of *ex parte* communications, the nature and content of the advice provided by Schulz.
3. The assertion by the Objecting Party that Schulz's prior service to the court under Fed.R.Evid. 706 precludes him from acting as a technical advisor is supported by little more than speculation as to the nature and extent of the previous interactions between Schulz and the District Court. It seems highly unlikely that his prior service would cause a problem either with respect to his future service or to the District Court's reconsideration of its claims construction order. However, this

1 court is unable to make a recommendation based upon the information available to it.

2 Dated: September 6, 2005

3 /s/ Howard R. Lloyd

4 HOWARD R. LLOYD
5 UNITED STATES MAGISTRATE JUDGE

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1 5:05-cv-1114 Notice will be electronically mailed to:
2 Alfredo A. Bismonte abismonte@mount.com, ceastman@mount.com;bshih@mount.com
3 Alan P. Block blocka@hbdlawyers.com,
4 bersons@hbdlawyers.com;biserm@hbdlawyers.com;effnere@hbdlawyers.com
5 Juanita R. Brooks brooks@fr.com, njohnson@fr.com
6 Jason A. Crotty jcrotty@mofocom,
7 vpooni@mofocom;RKrevans@mofocom;LSangalang@mofocom;RHarkins@mofocom
8 Annamarie A. Daley aadaley@rkmc.com, dlanderson@rkmc.com;vriley@rkmc.com
9 Jeffrey H. Dean jdean@marshallip.com, mdelach@marshallip.com
10 Roderick G. Dorman dormanr@hbdlawyers.com, spearsl@hbdlawyers.com
11 Daniel Harlan Fingerman dfingerman@mount.com, mmcmamus@mount.com
12 Paul A. Friedman pafriedman@mofocom,
13 Sean David Garrison sgarrison@lrlaw.com, pdennis@lrlaw.com
14 Kevin D. Hogg khogg@marshallip.com,
15 Jan J. Klohonatz jklohonatz@tcolaw.com,
16 Rachel Krevans rkrevans@mofocom, ggerrish@mofocom
17 Mitchell D. Lukin mitch.lukin@bakerbotts.com,
18 Bradford P. Lyerla blyerla@marshallip.com, mgreene@marshallip.com
19 Harold J. McElhinny HMcElhinny@mofocom, vmarshall@mofocom
20 Emmett J. McMahon ejmcmahon@rkmc.com, lhuck@rkmc.com
21 Michael J. McNamara michael.mcnamara@bakerbotts.com,
22 Todd Glen Miller miller@fr.com, owens@fr.com
23 Marsha Ellen Mullin memullin@jonesday.com,
24 J. Timothy Nardell EfilingJTN@cpdb.com
25 Maria K. Nelson mknelson@jonesday.com,
26 vgsavikas@jonesday.com;memullin@jonesday.com;lalucca@jonesday.com
27 William R. Overend woverend@reedsmith.com, ehaase@reedsmith.com
28 Richard R. Patch rrp@cpdb.com,
William J. Robinson wrobinson@foley.com, lsaporo@foley.com
Stephen P. Safranski spsafranski@rkmc.com, bjweiss@rkmc.com

United States District Court

For the Northern District of California

- 1 Victor George Savikas vgsavikas@jonesday.com,
- 2 Kevin I. Shenkman shenkman@hbdlawyers.com, smithm@hbdlawyers.com
- 3 David J. Silbert djs@kvn.com, aap@kvn.com;nbd@kvn.com;cac@kvn.com
- 4 Jonathan E. Singer singer@fr.com, skarboe@fr.com
- 5 James Michael Slominski jslominski@hh.com, jimslominski@verizon.net
- 6 Jeffrey D. Sullivan jeffrey.sullivan@bakerbotts.com
- 7 Stephen E. Taylor staylor@tcolaw.com,
- 8 jklohonatz@tcolaw.com;swexler@tcolaw.com;cdunbar@tcolaw.com;nfreese@tcolaw.com;rhardack
- 9 @tcolaw.com;jshang@tcolaw.com;sscoggins@tcolaw.com
- 10 Morgan William Tovey mtovey@reedsmith.com, mjmeyers@reedsmith.com
- 11 Todd R. Tucker ttucker@rennerotto.com, jcampbell@rennerotto.com
- 12 Patrick J. Whalen pwhalen@spencerfane.com, ecrank@spencerfane.com
- 13 William R. Woodford woodford@fr.com, lindner@fr.com
- 14 David A. York david.york@lw.com
- 15 Victor de Gyarfas vdegyarfas@foley.com,
- 16 Counsel are responsible for distributing copies of this document to co-counsel who have not registered
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