

EXHIBIT B

OMNIBUS BROWN DECLARATION

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION

IN RE: HIGH-TECH EMPLOYEE)
ANTITRUST LITIGATION) No. 11-CV-2509-LHK

HIGHLY CONFIDENTIAL

VIDEOTAPED DEPOSITION OF EDWARD LEAMER
San Francisco, California
Friday, October 26, 2012
Volume I

Reported by:
ASHLEY SOEVYN
CSR No. 12019
Job No. 1545691

PAGES 1 - 476

1 Q. Compensation for job titles. 12:35:14

2 A. But there are title indicators in here, so 12:35:15

3 that's going to absorb everything that's title 12:35:19

4 specific. So the thing about that coefficient on 12:35:21

5 that title indicator, it's going to be likely the 12:35:23

6 average compensation within that title adjusted for 12:35:24

7 these other variables. 12:35:24

8 Q. Are the coefficients in your analysis the 12:35:31

9 same year to year? 12:35:33

10 A. No, they are not. 12:35:35

11 Q. So what conclusion do you draw from that? 12:35:37

12 A. Well, their conclusion is that they're 12:35:40

13 similar. 12:35:43

14 Q. By -- 12:35:46

15 A. Similar enough to suggest that there's a 12:35:47

16 fairly rigid salary structure in place on a 12:35:49

17 year-by-year basis. 12:35:52

18 Q. Similar in a statistic -- statistically 12:35:55

19 significant way? 12:35:57

20 A. I have not explored that possibility. 12:35:59

21 Q. Haven't tested that, have you? 12:36:01

22 A. No. 12:36:02

23 Q. So you just eyeballed it? 12:36:03

24 A. I guess that's correct. 12:36:14

25 Q. Now, there is a way to test that, isn't 12:36:18

1	there?	12:36:20
2	A. You're using the word "testing." The word	12:36:20
3	"statistical testing" is talking about measurability	12:36:24
4	and we're really here about a consequence -- we	12:36:26
5	really should be talking about consequentiality.	12:36:30
6	There are meaningful differences in the wage	12:36:31
7	structures over time. So you're -- you're	12:36:34
8	suggesting I should do a formal hypothesis test	12:36:36
9	using econometric power and accept or reject this	12:36:41
10	idea that there isn't any change. That isn't what I	12:36:43
11	consider relevant. What's relevant is whether the	12:36:43
12	changes are consequential, and the consequential	12:36:50
13	changes that are statistically reliable.	12:36:54
14	So I -- I haven't carried out that	12:36:54
15	exercise, but I would object to what I think would	12:37:00
16	be the target of your hypothesis testing.	12:37:05
17	Q. Let me ask you, please, to look at	12:37:07
18	paragraph 130 on page 55.	12:37:08
19	A. Okay.	12:37:10
20	Q. The third sentence of that paragraph	12:37:10
21	states, "Furthermore, the fact that the coefficients	12:37:12
22	and the regressions did not vary substantially over	12:37:14
23	time, suggests the compensation structures were	12:37:17
24	relatively stable over time."	12:37:20
25	Now, you did not do a statistical test to	12:37:23

1 draw that conclusion, correct? 12:37:28

2 A. I'm -- I'm -- what paragraph are you 12:37:30

3 referring to? 12:37:31

4 Q. 130. 12:37:32

5 A. Yeah. 12:37:34

6 Q. Third sentence. 12:37:34

7 A. I -- I -- I did not make any formal attempt 12:37:39

8 to determine their instability over time. I used my 12:37:42

9 wisdom to explore the coefficients and came to the 12:37:45

10 conclusion that variability was not consequential. 12:37:53

11 Q. You eye -- you eyeballed it? 12:37:56

12 MR. GLACKIN: I'm sorry, he wasn't 12:37:57

13 finished. 12:37:57

14 THE WITNESS: And that additional test were 12:37:59

15 carried out in this hypothesis testing that you 12:38:01

16 described, unless it's done in a way that deals with 12:38:05

17 consequentiality, it's not going to be informative 12:38:09

18 to the task that I was assigned. 12:38:15

19 BY MR. PICKETT: 12:38:18

20 Q. Right. So -- so you eyeballed them, 12:38:18

21 correct? 12:38:19

22 MR. GLACKIN: Objection. 12:38:19

23 THE WITNESS: I examined the coefficients 12:38:20

24 to see if they were what I regarded to be major 12:38:22

25 changes in the structure over time. And in order to 12:38:26

1 which one clusters their observations. 15:31:22

2 Q. And do you think that your analysis is 15:31:25

3 subject to that criticism? 15:31:27

4 MR. GLACKIN: Objection. 15:31:30

5 THE WITNESS: Well, maybe I misunderstood. 15:31:31

6 I'm not sure what clustering standard -- clustering 15:31:32

7 standard errors are. 15:31:34

8 BY MR. PICKETT: 15:31:35

9 Q. So you -- you don't think -- well, let me 15:31:35

10 go back. I'll reask the question. Are you familiar 15:31:37

11 with the term "clustering standard error"? 15:31:41

12 A. Well, I know what clustering is. 15:31:44

13 Q. Uh-huh. 15:31:46

14 A. And I know what standard of errors are in 15:31:46

15 the context of your question, which I thought is 15:31:49

16 what we were talking about. But I think you're 15:31:52

17 talking about some kind of standard of errors that 15:31:54

18 apply to the Figure 23 that you're calling 15:31:57

19 clustering standard of errors, which is something 15:31:59

20 that I'm not familiar with. 15:32:01

21 Q. Would it be appropriate to use clustering 15:32:02

22 in performing your regression analysis? 15:32:05

23 A. I don't see why. I don't see why. It's 15:32:18

24 possible that some argument can be made that it 15:32:22

25 doesn't come to the front of my brain, but off the 15:32:24

1 top of my head -- by "clustering," I think you mean 15:32:27
 2 using subsets of the data. And I think that's a 15:32:32
 3 consequence of nothing in the air that would rather 15:32:34
 4 be built into the model, rather than during 15:32:37
 5 progression of subsets. 15:32:39
 6 Q. Are any of the data series you used 15:32:42
 7 correlated? 15:32:43
 8 A. Every one of these variables is correlated. 15:32:44
 9 Every variable in the equation has some degree of 15:32:46
 10 correlation. 15:32:52
 11 Q. Well, why -- okay. And -- did your conduct 15:33:16
 12 regression pick up any lawful agreement -- by 15:33:16
 13 "lawful," I mean talking about that unilateral 15:33:20
 14 policy, for example, or some joint corroboration 15:33:23
 15 that started in 2005? 15:33:26
 16 A. Yes, it will pick up anything that is 15:33:32
 17 applicable to that period of time when the thing is 15:33:34
 18 turned on. So it's turned on for 2005, 2009, a 15:33:37
 19 little different for Pixar and Lucasfilm. But -- 15:33:41
 20 but unless you have controls in this equation to 15:33:43
 21 eliminate the effects of these other material 15:33:48
 22 issues -- 15:33:51
 23 Q. Okay. 15:33:51
 24 A. -- they are going to be picked up by that 15:33:51
 25 conduct variable. 15:33:53

1 Q. And you haven't eliminated those effects, 15:33:54
2 have you? 15:33:56

3 A. I think I have. I've got quite a few 15:33:56
4 controls in the equation and -- 15:33:58

5 Q. But the -- 15:33:58

6 A. -- you'll have to suggest to me exactly 15:33:58
7 what is not included. 15:34:01

8 Q. If the Google arrangement, vis-a-vis, 15:34:02
9 Intel, turns out to be unilateral, how have you 15:34:07
10 controlled for that in 2005? 15:34:10

11 A. Yeah, I have not done that. 15:34:18

12 Q. Are you assuming that the error terms in 15:34:20
13 your conduct equation are independent across 15:34:25
14 individuals? 15:34:27

15 A. Independent across individuals? I think -- 15:34:36
16 are you thinking about intertemporal dependence? 15:34:55
17 I'm not sure -- so there's two -- maybe there's a 15:34:56
18 clustering that you're getting at or maybe it's 15:35:00
19 intertemporal dependence. 15:35:02

20 Let me interpret your equation as -- your 15:35:02
21 -- your question, as if you were referring to 15:35:04
22 intertemporal -- inter -- inter -- inter -- 15:35:08
23 intertemporal dependence. I know what to answer. 15:35:08
24 Intertemporal dependence. 15:35:13
25 So if you look at these live variables, 15:35:13

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1 agreements. And these other variables are meant to 15:55:04
2 control for things that are going on during that 15:55:08
3 period of time. 15:55:10
4 BY MR. PICKETT: 15:55:10
5 Q. But the attribution to the cold calls is 15:55:10
6 not supported by any data, correct? 15:55:15
7 MR. GLACKIN: Objection, vague. 15:55:18
8 THE WITNESS: I disagree with that -- 15:55:20
9 BY MR. PICKETT: 15:55:22
10 Q. What data do you have -- (Cross-talking.) 15:55:22
11 MR. GLACKIN: Let him finish his answer. 15:55:23
12 THE WITNESS: The contact variable is being 15:55:26
13 turned on during the period of time which the 15:55:28
14 anti-cold calling agreements were in place and 15:55:31
15 turned off when those anti-cold calling agreements 15:55:33
16 were not in place. 15:55:36
17 And that's a sense of it picking up the 15:55:37
18 impact of the anti-cold calling agreements. 15:55:39
19 BY MR. PICKETT: 15:55:44
20 Q. Without reference to the actual number of 15:55:44
21 cold calls, without reference to the actual 15:55:46
22 information flow that's informing the price 15:55:48
23 discovery process? 15:55:52
24 MR. GLACKIN: Objection, compound and 15:55:53
25 vague. 15:55:54

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1 THE WITNESS: The answer -- already, we 15:55:56
2 obviously -- if we had the cold calling data, it 15:55:57
3 would be very useful, very interesting, and we could 15:56:00
4 pursue the price discovery model in an interesting 15:56:02
5 and intervening way. Absent that, we've done the 15:56:06
6 very best that can be possibly be done, which is to 15:56:08
7 use the conduct variable. 15:56:10
8 BY MR. PICKETT: 15:56:13
9 Q. And so your conduct regression would pick 15:56:13
10 up any unilateral agreements -- I'm sorry, any 15:56:15
11 unilateral policies that started in 2005 not to cold 15:56:20
12 call, correct? 15:56:24
13 MR. GLACKIN: Objection, asked and answered 15:56:26
14 again. 15:56:27
15 THE WITNESS: To the extent that those 15:56:28
16 unilateral agreements suppress wages, the answer is 15:56:29
17 yes. 15:56:33
18 BY MR. PICKETT: 15:56:33
19 Q. Well, wouldn't they, by your hypothesis? 15:56:33
20 A. Well, you had this hypothesis that the cold 15:56:36
21 call would be going to somebody else. 15:56:38
22 Q. I do, yes. 15:56:40
23 A. So the point is that -- (Cross-talking.) 15:56:42
24 Q. In your world, wouldn't your conduct 15:56:44
25 regression pick up unilateral policies starting in 15:56:47

1	2005?	15:56:52
2	A. I'll repeat my answer, which is it picks up	15:56:53
3	suppression of compensation during the period of	15:56:58
4	time which the cold call dummy -- the conduct	15:57:01
5	dummies turn it on.	15:57:03
6	Q. And if Google had a unilateral policy not	15:57:05
7	to cold call Oracle employees, it would pick that	15:57:08
8	up, too?	15:57:11
9	A. To the extent that these are coincident in	15:57:12
10	time with the agreements that they had, these	15:57:14
11	bilateral agreements they had, and to the extent	15:57:17
12	that they suppress wages during that period of time,	15:57:20
13	it's going to be picked up by the conduct variable	15:57:21
14	unless there's some other control in the equation	15:57:25
15	that accounts for that availability.	15:57:28
16	Q. So do you know how much of this unilateral	15:57:30
17	activity within the defendants -- or outside of the	15:57:32
18	group of seven defendants is being picked up or	15:57:35
19	not?	15:57:38
20	A. I do not know how much. I've indicated	15:57:41
21	that unless that -- that unilateral -- what you're	15:57:45
22	calling unilateral websites is put in place exactly	15:57:49
23	the same period of time that the bilateral	15:57:53
24	agreements were put in place, called off the same	15:57:54
25	time, if it satisfied that requirement, it's going	15:57:57

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1	A. Well, these --	16:00:00
2	Q. -- during the class periods?	16:00:00
3	A. Those would be anecdotes, rather than a	16:00:00
4	general statement, but --	16:00:00
5	Q. It's relevant data, isn't it?	16:00:00
6	MR. GLACKIN: Please finish your answer.	16:00:00
7	THE WITNESS: It's relevant, but not	16:00:00
8	decisive.	16:00:00
9	BY MR. PICKETT:	16:00:00
10	Q. Do you have decisive data?	16:00:00
11	A. No, I do not.	16:00:00
12	Q. Let me ask you about paragraph 76 on page	16:00:00
13	32 of the --	16:00:00
14	THE REPORTER: One more time, off the	16:00:00
15	record. Sorry.	16:00:00
16	THE VIDEOGRAPHER: Okay. Off the record.	16:00:00
17	It's 5:47.	16:00:00
18	(Recess taken.)	17:49:52
19	THE VIDEOGRAPHER: Back on the record.	17:49:52
20	It's 5:50.	17:50:08
21	BY MR. PICKETT:	17:50:14
22	Q. So looking at paragraph 76, you state that	17:50:14
23	"Agreements that reduce the number of bilateral	17:50:18
24	bargains further slow the price discovery process	17:50:21
25	and effect the whole sequence of actual	17:50:24

Page 412

1	transactions."	17:50:26
2	Is your opinion that the challenged	17:50:27
3	agreements reduced the number of bilateral bargains	17:50:29
4	during the class period?	17:50:32
5	A. Well, I include bargains, conduct in	17:50:35
6	general. And my opinion is that the anti-cold	17:50:38
7	calling agreements did reduce the number of	17:50:43
8	contacts.	17:50:45
9	Q. So a bargain is not an agreement, it's a --	17:50:46
10	it's a discussion about potential agreements?	17:50:49
11	MR. GLACKIN: Objection, argumentative,	17:50:54
12	mischaracterizes.	17:50:55
13	THE WITNESS: It's a communication -- I	17:50:57
14	want it to be defined as a communication that	17:50:57
15	reveals information about possibilities.	17:51:00
16	BY MR. PICKETT:	17:51:04
17	Q. And --	17:51:04
18	A. And the more that that goes on, the more	17:51:08
19	rapidly will be the finding of the equilibrium	17:51:09
20	market.	17:51:12
21	Q. How do you know that other cold calls to	17:51:12
22	other employers and employees didn't substitute?	17:51:16
23	A. This one we've been on before, too. So the	17:51:23
24	answer is, I -- I don't have evidence on that.	17:51:26
25	Q. So you don't know whether the price	17:51:30

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1 discovery process was further slowed or not? 17:51:34

2 A. But we will leave that to the regression. 17:51:37

3 This is -- lays all down the framework, the same 17:51:39

4 thing we've been saying over and over. It's to set 17:51:44

5 the framework that suggests that there will be an 17:51:46

6 impact on price formation and will go to the data to 17:51:47

7 decide whether it's actually there. 17:51:52

8 MR. GLACKIN: So I -- since you seem to be 17:51:54

9 moving on, I want to raise something that came up 17:51:56

10 over the break, which is hat Dr. Leamer needs to 17:51:59

11 leave here at 7:00 o'clock, to go on an airplane and 17:52:02

12 go. And I don't think this deposition needs to go 17:52:05

13 beyond 7:00. 17:52:07

14 MR. PICKETT: I'll try, but I can't 17:52:07

15 guaranty. And if we need to adjourn, we can 17:52:09

16 reconvene. 17:52:10

17 MR. GLACKIN: I just want to be clear, 17:52:11

18 we're going to oppose reconvening after that. 17:52:13

19 MR. PICKETT: I want to tell you that if I 17:52:15

20 have questions, I'll go to court to try and get the 17:52:17

21 right to do that. (Cross-talking.) 17:52:20

22 MR. GLACKIN: Well, we made -- 17:52:21

23 (Cross-talking.) 17:52:21

24 MR. PICKETT: Let's not waste the time now. 17:52:22

25 MR. GLACKIN: We made him available for 17:52:22

1 more than seven hours as a courtesy, okay, to try to 17:52:24
2 accommodate you. We gave you the option of doing 17:52:26
3 this over two days -- (Cross-talking.) 17:52:29
4 MR. PICKETT: Let's not argue on the 17:52:30
5 record. (Cross-talking.) The longer you argue, the 17:52:30
6 less likely I finish. 17:52:30
7 BY MR. PICKETT: 17:52:30
8 Q. Paragraph 77 of your report is my next 17:52:30
9 series of questions. There you state that, "A new 17:52:38
10 employer" -- it's really in paragraph 78, the point 17:52:48
11 I need. You state about five lines down that, "If 17:53:25
12 neither party to the new employment contract is 17:53:29
13 incented to worry about the destruction," and you 17:53:31
14 talk about a form of creative destruction, "there 17:53:34
15 will be too much destruction, the consequence of 17:53:37
16 which is too little creation." Do you see that 17:53:38
17 statement? 17:53:40
18 A. I do see that. 17:53:41
19 Q. Do you agree that a new employer would be 17:53:44
20 concerned about the destruction of a partner's 17:53:47
21 asset, if they are a partner in a joint 17:53:49
22 collaboration? 17:53:53
23 A. It could be, yes. 17:53:54
24 Q. And if they were collaborating on a 17:53:55
25 project, the destruction of the partner's asset 17:53:57

1 STATE OF CALIFORNIA) ss:
2 COUNTY OF MARIN)

3

4 I, ASHLEY SOEVYN, CSR No. 12019, do hereby
5 certify:

6 That the foregoing deposition testimony was
7 taken before me at the time and place therein set
8 forth and at which time the witness was administered
9 the oath;

10 That the testimony of the witness and all
11 objections made by counsel at the time of the
12 examination were recorded stenographically by me,
13 and were thereafter transcribed under my direction
14 and supervision, and that the foregoing pages
15 contain a full, true and accurate record of all
16 proceedings and testimony to the best of my skill
17 and ability.

18 I further certify that I am neither counsel for
19 any party to said action, nor am I related to any
20 party to said action, nor am I in any way interested
21 in the outcome thereof.

22 IN THE WITNESS WHEREOF, I have transcribed my
name this 29th day of October, 2012.

23
24

25 _____
ASHLEY SOEVYN, CSR No. 12019

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION

IN RE: HIGH-TECH EMPLOYEE No. 11-CV-2509-LHK
ANTITRUST LITIGATION

CONFIDENTIAL PORTIONS DESIGNATED

Continued Videotaped Deposition of EDWARD E.
LEAMER, PH.D., Volume 3, taken at the offices
of O'Melvey & Myers LLP, Two Embarcadero Center,
Suite 2800, San Francisco, California commencing
at 9:03 a.m., on Monday, November 18, 2013,
before Leslie Rockwood, RPR, CSR No. 3462.

JOB No. 1765129
PAGES 857 - 1169

1 Adobe employees?

2 A. Well, that's a different question than the one I
3 was trying to answer.

4 Q. Since I couldn't get an answer to that one, I
5 changed the question. 13:43:17

6 A. So the question I was trying to answer, and in
7 order to answer it, I need more information, is my damage
8 estimate inappropriately dependent upon the legal
9 decision on the part of the firm X. And in order to
10 answer that, I need to know what the hypothetical has to 13:43:34
11 say about the before-and-after period.

12 You gave me explicit hypothetical for the during
13 period, but the statistics is a way of contrasting what
14 happened to the during period with the before and after.

15 In other words, if there were agreements in 13:43:51
16 play, legal agreements at play before and after as well
17 as during, then the during effect of that legal agreement
18 is going to be absorbed by the statistical analysis.

19 What you're identifying is what's different in that
20 period of time. 13:44:06

21 Q. Right.

22 A. So if the hypothetical that you're imagining is
23 magically there was one other agreement that started on
24 exactly that day and ended that day, and absent other
25 agreements, legal or otherwise, that were impacting 13:44:20

1 information flow, then yes, that's going to be absorbed
2 by the conduct variable.

3 Q. So just to back off then, your model cannot
4 distinguish the impact of a do not cold-call agreement
5 from a unilateral decision by a company not to cold-call 13:44:38
6 a defendant?

7 MR. GLACKIN: Object to the form.

8 THE WITNESS: I don't agree with that for the
9 reasons I indicated, which is that if there are similar
10 agreements put in place before and after, that 13:44:49
11 establishes the comparison that you're going to use for
12 deciding whether the conspiracy period is abnormal or
13 not.

14 Q. BY MR. RILEY: Okay. Let's go back --

15 A. If your hypothetical I agree, but your 13:45:03
16 hypothetical's a very strange one in which there were no
17 other agreements before, after, or during, except for
18 this one that happened to be exactly coterminous with all
19 the other agreements.

20 Q. Well, let's not make it exactly coterminous. 13:45:15
21 And again, I'm trying to understand your theory here.

22 The Apple-Adobe agreement, for purposes of your
23 analysis, was in effect from 2005 to 2009, I think.

24 A. That's correct.

25 Q. Okay? So during that period, I want you just to 13:45:29

1 assume that from 2007 to 2008, another company,
2 company X, made a unilateral decision not to cold-call
3 Adobe employees.

4 In your model, the impact of that decision by
5 company X not to cold-call Adobe employees would be 13:45:58
6 reflected in the conduct variable that you associate with
7 the agreement between Apple and Adobe.

8 A. I tried to explain why that's not necessarily
9 the case. It is the case if you have absolutely that one
10 agreement. If you hypothetically have a single agreement 13:46:17
11 that's not quite coterminous but almost coterminous with
12 the period from 2005 to 2009.

13 But if there were other agreements that were
14 present in the before and after period, that's going to
15 be absorbed within the analysis in which you compare the 13:46:32
16 during period with the before and after.

17 So if we're going to go down that route, we're
18 going to have to collect all the legal agreements, not
19 just ones that happen to be in the midst of the
20 conspiracy period from 2005 to 2009. 13:46:46

21 Q. You keep saying we will have to collect all the
22 legal agreements. And what do you mean? I'm referring
23 to a unilateral decision.

24 A. I'm sorry, I didn't mean an agreement.
25 Unilateral decisions. 13:46:57

1 Q. And you made no effort to control for the
2 unilateral decisions of firms not to cold-call a
3 defendant company?

4 A. Well, I think the better way of saying it is the
5 assumption that underlies my regression is that the 13:47:10
6 activity of unilateral actions was present in the before
7 period, present in the during, and present in the after
8 period at about the same frequency, except in the sense
9 of the variables that are controlling for differences in
10 market conditions. 13:47:28

11 Q. But you didn't critically examine that
12 assumption that there was similar activity before,
13 during, and after the conduct period?

14 MR. GLACKIN: Object to the form.

15 THE WITNESS: I was provided no information with 13:47:43
16 regard to these other agreements or other unilateral
17 actions.

18 Q. BY MR. RILEY: So you didn't receive any
19 material about other unilateral decisions not to
20 cold-call into defendant companies? 13:47:56

21 A. I -- I saw what I would consider to be anecdotes
22 and what I need -- what I would need is a data set, not a
23 couple of anecdotes.

24 Q. Are you aware that during this period, there
25 were alleged agreements, for example, between Intel and 13:48:16

1 Apple which are not being challenged in this case?

2 A. Yes, I am aware.

3 Q. And those agreements occurred during the conduct
4 period; correct?

5 A. That's correct. 13:48:34

6 Q. But your model makes no allowance for the fact
7 that there may have been an agreement between Apple and
8 Intel that had an impact on the flow of information to
9 Apple employees?

10 MR. GLACKIN: Object to the form. 13:48:50

11 THE WITNESS: Except in the sense that I've
12 already indicated, which is if there were comparable
13 agreements struck in place prior to the conspiracy period
14 and after the conspiracy, then that's all absorbed in the
15 statistical analysis. 13:49:04

16 Q. BY MR. RILEY: But as between Intel and Apple, I
17 want you to assume that that agreement didn't come into
18 effect until during the conduct period.

19 A. No, I didn't mean the specific agreement. I
20 meant the sets of agreement that are not captured in my 13:49:15
21 model. Not agreements, but unilateral decisions that
22 were present before and after. In other words, I'm just
23 saying that what you want to do is to somehow make the
24 comment that the model inappropriately absorbs these
25 legal actions. And I'm saying that might be, but it 13:49:36

1 might not be, because you'd have to look at the before
2 and after periods.

3 Q. And that's something you didn't do. You didn't
4 look at the before and after periods with regard to other
5 legal actions that may have restricted the flow of 13:49:53
6 information to these companies.

7 A. Well, I didn't see any evidence that these other
8 agreements were specific to the periods of -- in which
9 the conspiracy occurred.

10 Q. In your report, your first report, you actually 13:50:09
11 include a diagram that shows this agreement between Apple
12 and Intel.

13 A. That's correct.

14 Q. And that's at page 10, Figure 2.

15 A. I'm aware that that was part of that display. 13:50:30

16 Q. Why did you put that in there if, in fact, there
17 is no challenge to the agreement between Apple and Intel?

18 A. Say that again? Why did I put it in if there's
19 no challenge to that agreement?

20 Q. Yes.

21 A. Well, this is attorneys telling me what they
22 wanted me to study. This chart didn't come from me. I
23 think it came from the Department of Justice, but perhaps
24 not. But anyway, this is what the attorneys told me to
25 consider. 13:50:58

1 Q. And so when you constructed your model, you
2 assumed a contract between Apple -- a no cold-call
3 agreement between Apple and Intel?

4 A. No, I would not have done anything differently
5 because I've got -- I still have got the chain. If you 13:51:10
6 break the chain, then maybe there's an issue. As long as
7 there's a chain of interlinked firms, then this thing is
8 going to leak out to all the firms involved in that
9 conspiracy.

10 Q. So, for example, one could eliminate several of 13:51:26
11 the actual bilateral agreements, and in your view, the
12 impact would be the same --

13 A. No.

14 Q. -- of the class?

15 A. No, the impact would be less because the 13:51:36
16 information flow is -- is not being -- it's being legally
17 reduced, not illegally reduced, according to your
18 hypothetical.

19 Q. But if you, for example, were to eliminate the
20 agreement between Intel and Pixar, that would have no 13:51:58
21 impact on your damages analysis?

22 A. Well, the damage analysis that I've made doesn't
23 refer at all to this bilateral relationships. It treats
24 the conspiracy as a single overriding fact, and I'm just
25 making a presumption that that overriding fact requires 13:52:23

1 STATE OF CALIFORNIA) ss:
2 COUNTY OF MARIN)
3

4 I, LESLIE ROCKWOOD, CSR NO. 3452, do hereby
5 certify:

6 That the foregoing deposition testimony was
7 taken before me at the time and place therein set forth
8 and at which time the witness was administered the oath;

9 That testimony of the witness and all objections
10 made by counsel at the time of the examination were
11 recorded stenographically by me, and were thereafter
12 transcribed under my direction and supervision, and that
13 the foregoing pages contain a full, true and accurate
14 record of all proceedings and testimony to the best of my
15 skill and ability.

16 I further certify that I am neither counsel for
17 any party to said action, nor am I related to any party
18 to said action, nor am I in any way interested in the
19 outcome thereof.

20 IN WITNESS WHEREOF, I have subscribed my name
21 this 20th day of November, 2013.

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LESLIE ROCKWOOD, RPR, CSR NO. 3462

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

IN RE: HIGH-TECH EMPLOYEE)
) No. 11-CV-2509-LHK
ANTITRUST LITIGATION)
-----)

VIDEOTAPED DEPOSITION OF EDWARD E. LEAMER Ph.D.
San Francisco, California
Thursday, December 19, 2013
Volume IV

Reported by:
CARLA SOARES
CSR No. 5908
Job No. 1784254

Pages 1170 - 1489

1 reflection of employment by the firm that she's 07:54:06
2 studying?

3 MR. GLACKIN: Object to the form.

4 BY MR. RILEY:

5 Q Is that right? 07:54:11

6 A That is not entirely right because there's
7 another variable, but it's a share available and an
8 absent variable.

9 Q Which variable is that?

10 A So we'll look at Exhibit 3. Row 27 has a 07:54:27
11 variable that represents the rate of hiring by this
12 particular employer, which is the number of new
13 hires in the firm divided by the number of employees
14 in the previous year.

15 Q And that's variable 27 which is in the 07:54:48
16 original Leamer model, correct?

17 A That's correct.

18 Q Now, you criticized Dr. Stiroh for
19 misunderstanding your new hire variable, which is
20 the total hiring by the seven defendants, as 07:55:12
21 reflecting an industry effect as opposed to an
22 employer effect, right?

23 A I guess that's correct, yes.

24 Q Well, let's not guess. Let's turn to
25 paragraph 121. You say, "Dr. Stiroh admitted at 07:55:26

1 deposition that she has made a fundamental error by 07:55:43
2 believing that the total new hires variable controls
3 for effects of the industry on compensation when, in
4 fact, it only contains data from the defendants and
5 is identified in my prior work as an employer effect 07:55:58
6 variable."

7 So again, you're saying that in your prior
8 work, variable 28, the total number of new hires,
9 was identified as an employer effect variable; is
10 that right? 07:56:14

11 A Well, it's between the two obviously.
12 It's not an industry effect because it's specific to
13 the seven defendants, but it's not a defendant
14 effect because it applies to all seven defendants.

15 Q That's not my question. 07:56:29

16 My question is, you're claiming that in
17 your prior work, you identified the total new hire
18 variable as an employer effect variable. That's
19 what you say in that sentence, correct?

20 A That's correct. That's what it says in 07:56:46
21 the sentence, yes.

22 Q But, in fact, you identified the total
23 number of new hires in your October report as an
24 industry effect, didn't you?

25 A I don't recall exactly the answer to that 07:56:59

1 question. It says what it says here in the -- in 07:57:01
2 paragraph 121.

3 Q Are you not comfortable with what it says
4 in that paragraph?

5 A Well, as I said before, there are three 07:57:08
6 different kinds of variables. I think we ought to
7 be careful in using the word "employer" to -- in a
8 way which distinguishes the seven employers from the
9 individual employers. So the language is a little
10 ambiguous here. 07:57:29

11 Q But this is your language.

12 A Correct.

13 Q You wrote this.

14 A Yeah. As I reread this, I saw the
15 ambiguity in that sentence. 07:57:38

16 Q In fact, that sentence is false because in
17 your October 2013 reply report, you identified the
18 hiring variable, the total new hiring variable, as
19 an industry effect, didn't you?

20 A Are we talking about language or -- 07:57:56

21 Q Yes, language. Language you used in your
22 report.

23 A I don't recall the specific language. But
24 the reality is there are three different kinds of
25 variables. 07:58:04

1 disruptive cold calls can be. 08:49:44

2 BY MR. RILEY:

3 Q Dr. Leamer, you rely on your conduct

4 regression to show that the alleged do-not-cold-call

5 agreements had an impact on the price discovery 08:50:38

6 process and therefore compensation, correct?

7 A I think that's correct, although you

8 are -- you're describing kind of a chain of logic

9 that I'm not sure that I need to agree to.

10 So I'm using the regression to identify 08:51:05

11 the amount of undercompensation that occurred during

12 the period of time when these agreements were in

13 place.

14 Q But you're using the regression to show

15 that the do-not-cold-call agreements had an impact 08:51:23

16 on compensation, correct?

17 A I'm using it to measure the impact.

18 That's correct.

19 Q You're using your regression to show that

20 the agreements in your view, in fact, had an impact? 08:51:37

21 A Well, I tried to make clear in my

22 discussion that there's a distinction between

23 hypothesis testing and estimation.

24 And I don't know if that's where you're

25 going with this question, but I think of my job as 08:51:50

1 primarily an estimation job, which is to determine 08:51:54
2 to the best of my ability the amount of
3 undercompensation that has occurred here and to rely
4 primarily on the documentary evidence that suggests
5 that these agreements were in place and intended to 08:52:06
6 have an impact on compensation, and that the
7 hypothesis that there was absolutely no impact on
8 compensation with these secret agreements had -- let
9 me put it back. The hypothesis that these secret
10 agreements had absolutely no impact on compensation, 08:52:31
11 I don't regard that as a very plausible thing.

12 So my job is not to use the data to make a
13 determination of innocence or guilt but rather to
14 estimate the amount of damages that were created by
15 these illegal agreements. 08:52:47

16 Q So you're testifying you do not rely on
17 your conduct regression to show that these
18 agreements had an impact on compensation?

19 A Well, that's an overstatement. I'm just
20 trying to say I pursued both of these tasks, both 08:53:00
21 the hypothesis testing task that you're referring to
22 now and the estimation task. But I think of my task
23 as primarily an estimation task.

24 On the other hand, I've done -- studied
25 the hypothesis testing as well and have a lengthy 08:53:15

1 discussion of that in my report, suggesting that 08:53:17
2 even if you had no other evidence about the
3 existence of these agreements, that still the data
4 would be supportive of the conclusion that the
5 agreements had a suppressive effect on compensation. 08:53:31

6 Q In your prior deposition at page 413, line
7 21, through 414, line 7, you were asked the
8 following questions:

9 "Question: How do you know that other
10 cold calls to other employers and employees 08:53:49
11 didn't substitute?

12 "Answer: This one we've been on before,
13 too. So the answer is I -- I don't have
14 evidence on that.

15 "Question: So you don't know whether the 08:54:03
16 price discovery process was further slowed
17 down or not.

18 "Answer: But we will leave that to the
19 regression. This is -- lays all down the
20 framework. The same thing we've been saying 08:54:18
21 over and over. It is to set the framework
22 that suggests that there will be an impact on
23 price formation, and we'll go to the data to
24 decide whether it's actually there."

25 Is that your testimony? 08:54:33

1 A That sounds like what I might have said, 08:54:34
2 yes.

3 Q So in that testimony, you're saying you
4 will go to the data in your regression analysis to
5 determine whether there was an actual impact on 08:54:43
6 compensation?

7 A That sentence sounds like hypothesis
8 testing. I would admit that, yes.

9 Q So you, in fact, used your regression, at
10 least originally used your regression to do a 08:54:55
11 hypothesis testing?

12 A Well, I still do use the regression in
13 support of the conclusion that there are damages
14 here. So I'm doing both the hypothesis testing
15 exercise and the estimation exercise. 08:55:10

16 Q But in your reply report, you testified
17 that, in fact, there is no hypothesis testing
18 problem presented by this case, correct?

19 A Well, I don't think that hypothesis
20 testing is a critical issue here. That's correct. 08:55:28

21 Q So on the one hand you're saying you used
22 the regression to do hypothesis testing, and then on
23 the other hand you're saying there really is no
24 hypothesis testing problem here.

25 A So the -- by the words "hypothesis 08:55:42

1 testing," let's be clear what that's a reference to. 08:55:45
2 It's exploring the hypothetical that these
3 agreements had absolutely no impact on compensation.
4 Exactly zero coefficients in the regression.

5 And there are some settings in which that 08:55:56
6 very simple hypothesis makes sense, but it doesn't
7 make sense in this setting.

8 So the issue isn't whether the number is
9 zero. The number (sic) is whether it's a small
10 positive, a large positive, or maybe a small 08:56:13
11 negative.

12 Your side would like to think that somehow
13 these agreements had the opposite effect of actually
14 making the employees better off.

15 So the data is primarily -- if you want to 08:56:25
16 talk about a hypothesis that would be relevant, it's
17 that the impact is so small that it can be treated
18 as if it were zero. Say whatever that number was,
19 less than a tenth of a tenth percent perhaps.

20 Q Dr. Leamer, in your deposition testimony, 08:56:43
21 your first deposition that I quoted, you implied
22 that you were using the regression -- conduct
23 regression to do hypothesis testing, correct?

24 MR. GLACKIN: Object to the form.

25 THE WITNESS: Well, if you're referring to 08:56:55

1 seems so implausible that we don't need to entertain 08:58:04
2 that.

3 Q So you begin your data analysis with the
4 presumption that the agreements had an impact on
5 compensation? 08:58:14

6 A That actually is not the case. I begin
7 with an open mind -- when you say "have an impact,"
8 it could be either positive or negative. There's no
9 restriction on the sign. I'll let the data help me
10 determine what the number is. 08:58:27

11 Q So you actually begin your data analysis,
12 as you say, with an open mind. You haven't
13 prejudged the issue about whether these agreements
14 had an impact one way or the other, correct?

15 A Well, make sure you say "one way or the 08:58:39
16 other," because I think positive or negative makes
17 sense to me. If you want to test a hypothesis that
18 the impact is positive and not negative, that's an
19 appropriate hypothesis. But the hypothesis that
20 it's exactly zero, that's pretty farfetched. It's 08:58:52
21 inappropriate to the circumstance.

22 Q In this case, Dr. Leamer, you reject the
23 use of statistical significance, correct?

24 A That's not correct.

25 Q You embrace the use of statistical 08:59:19

1 significance in this case? 08:59:21

2 A I describe how it should be done

3 correctly.

4 Q In your reports, you repeatedly use the

5 conventional 5 percent statistical significance 08:59:29

6 level, correct?

7 A Well --

8 MR. GLACKIN: Object to the form.

9 THE WITNESS: What do you mean by "used"?

10 BY MR. RILEY: 08:59:39

11 Q You report it, correct?

12 A They are the standard things that come

13 rolling out of computer packages. But that table

14 that you're referring to is a whole bunch of

15 numbers. Every one of those numbers has to be 08:59:50

16 interpreted with some wisdom.

17 So the fact that a coefficient is

18 statistically significant, that means something to

19 me, and it's appropriate to have that in the

20 printout. 09:00:02

21 Q In fact, you relied on statistical

22 significance in your critique of various issues in

23 this case.

24 A A variable with a large T value estimated

25 with accuracy is different from a variable that 09:00:13

1 doesn't have that feature. 09:00:17

2 In particular, the variable that we were
3 talking about before, the fact that it has a very
4 high T value makes me very reluctant to take it out
5 of the equation. 09:00:27

6 Q So I think the answer to my question is
7 yes, you did, in various aspects of your work in
8 this case, rely on statistical significance,
9 correct?

10 A But let's make sure that we get exactly 09:00:39
11 clear what we mean by that.

12 One is it determines whether a coefficient
13 is exactly zero or not. That's a hypothesis
14 testing.

15 To me, the word "statistically 09:00:53
16 significance" isn't about hypothesis testing. It's
17 about the measurability of an effect. A highly
18 significant -- statistically significant coefficient
19 doesn't mean that variable is important, which is
20 what you and I think what the word "significant" 09:01:06
21 must mean. It means its effect is measurable.

22 I'll use that word always to signify that
23 comment -- that interpretation, not to suggest
24 hypothesis testing.

25 Q But in that sense, you have reported and 09:01:20

1 relied on statistically significant variables 09:01:22
2 throughout your work in this case, correct?

3 A Well, certainly in a relative sense. I
4 indicated that because I've got that old result
5 which says the variable with the biggest T is the 09:01:33
6 most resistant variable in the sense of if you
7 change the model, it's not going to have a big
8 impact on that variable.

9 So in a relative sense, there's no
10 question that the T values mean something. In an 09:01:45
11 absolute sense, it has to be interpreted very
12 carefully.

13 Q Let's go back to your December 2012 reply
14 report at paragraph 107.

15 MR. GLACKIN: This would be Tab B. 09:02:03

16 THE WITNESS: Which tab?

17 MR. GLACKIN: Tab B.

18 THE WITNESS: I don't have a Tab B.

19 MR. GLACKIN: Sorry. It should be the
20 fourth document. 09:02:10

21 THE WITNESS: I see that, yes.

22 MR. GLACKIN: Sorry, George. Which
23 paragraph?

24 MR. RILEY: Paragraph 107 in the
25 December 10th, 2012, reply brief of Dr. Leamer -- 09:02:23

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I, the undersigned, a Certified Shorthand Reporter of the State of California, do hereby certify:

That the foregoing proceedings were taken before me at the time and place herein set forth; that any witnesses in the foregoing proceedings, prior to testifying, were placed under oath; that a verbatim record of the proceedings was made by me using machine shorthand which was thereafter transcribed under my direction; that the foregoing is an accurate transcription thereof; that before completion of the deposition, review of the transcript was not requested. If requested, any changes made by the deponent (and provided to the reporter) during the period allowed are appended hereto.

I further certify that I am neither financially interested in the action nor a relative or employee of any attorney or party to this action.

IN WITNESS WHEREOF, I have this date subscribed my name.

Dated: January 3, 2014



CARLA SOARES
CSR No. 5908