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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

ENTRAL GROUP INTERNATIONAL, LLC,)
)
Plaintiff,)
)
vs.) CV-05-1912
)
YHCL VISION CORP., and JEFF)
CHEN,)
)
Defendants.)
-----)

(CONTAINS ATTORNEY'S EYES ONLY PORTIONS)

VIDEOTAPED DEPOSITION OF SAM CHAN
New York, New York
Thursday, May 25, 2006

Reported by:
Philip Rizzuti
JOB NO. 7393

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May 25, 2006
9:53 a.m.

Videotaped deposition of SAM
CHAN, held at the offices of Alston &
Bird, LLP, 90 Park Avenue, New York,
New York, pursuant to Notice, before
Philip Rizzuti, a Notary Public of the
State of New York

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APPEARANCES:

ALSTON & BIRD, LLP
Attorneys for Plaintiff
90 Park Avenue
New York, New York 10016
BY: ROBERT E. HANLON, ESQ.
BROOK A. CLARK, ESQ.

DAVID J. HOFFMAN, ESQ.
Attorney for Witness
29 Broadway, 27th floor
New York, New York 10006

ALSO PRESENT:

JOSH LIPSON, Videographer
STEHANIE LIU, Interpreter
NICHOLAS CHAI,

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IT IS HEREBY STIPULATED AND AGREED,
by and between counsel for the respective
parties hereto, that the filing, sealing and
certification of the within deposition shall
be and the same are hereby waived;

IT IS FURTHER STIPULATED AND AGREED
that all objections, except as to the form
of the question, shall be reserved to the
time of the trial;

IT IS FURTHER STIPULATED AND AGREED
that the within deposition may be signed
before any Notary Public with the same force
and effect as if signed and sworn to before
the Court.

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Chan
THE VIDEOGRAPHER: This is the
start of tape number 1 of the videotape
deposition of Sam Chan in the matter of
Entral Group versus YHCL. Today's date
is May 25, 2006 at approximately 9:53
a.m.

Will counsel please introduce
themselves and who they represent.

MR. HANLON: Robert E. Hanlon for
Entral Group International LLC, plaintiff
in this matter.

MS. CLARK: Brook Clark with
Alston & Bird for plaintiff Entral Group
International LLC.

MR. HOFFMAN: David Hoffman for
Sam Chan and the North American Karaoke
Works Trade Association Inc.

I should say we have the same
objection. We will permit the
videotaping subject to the same
objections that we had for Mr. Yim's
deposition, and subject to the same post
deposition application for the
destruction of the tape.

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1 Chan
 2 is ASIC design, A-S-I-C. It stands for
 3 Application Specific Integrated Circuit.
 4 And later on I moved to what is
 5 called, another area RFID technology, it is
 6 called Radio Frequency Identification
 7 Technology. At that time I was relocated to
 8 Hawthorne research. Then I started my
 9 research career right there, and that is my
 10 experience.
 11 **Q. Before 1989 when you were in your**
 12 **master's degree program were you also employed**
 13 **then?**
 14 A. No, I was a student.
 15 **Q. And before your masters program**
 16 **when you were an undergraduate were you**
 17 **employed then?**
 18 A. No. I was a student. I withdraw
 19 that.
 20 Undergraduate -- between
 21 undergraduate and graduate I was working a
 22 research project that offered from the school,
 23 working with Mount Sinai Hospital with the
 24 three dimensional reconstruction imaging
 25 system.
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1 Chan
 2 that I get involved in with right now.
 3 Actually I am learning this right now.
 4 **Q. You said it is a beer and wine**
 5 **business only?**
 6 A. Yes. Beer and wine business.
 7 **Q. What is the name of this bar?**
 8 A. Galaxy 45.
 9 **Q. Where is it located?**
 10 A. In 45 Mott Street.
 11 **Q. What is the business name or the**
 12 **corporation that operates Galaxy 45?**
 13 A. ABC Target Corporation.
 14 **Q. Are you a principal of ABC Target;**
 15 **are you -- withdrawn.**
 16 **Are you an owner of ABC Target?**
 17 A. I am one of the shareholder, not a
 18 hundred percent.
 19 **Q. Are you a majority shareholder, a**
 20 **minority shareholder?**
 21 A. I am a majority shareholder, yes.
 22 **Q. Who are the other shareholders?**
 23 MR. HOFFMAN: I think you agreed
 24 to have the answer also held attorney's
 25 eyes only yesterday to the same question,
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1 Chan
 2 **Q. Do you have any other employment**
 3 **aside from your work at IBM presently?**
 4 A. No. Just a -- it just the karaoke
 5 business that I was getting involved, and also
 6 the NAKWTA, non-profit organization that I
 7 also get involved.
 8 **Q. We will talk about those in a**
 9 **minute?**
 10 A. Okay.
 11 **Q. Is your employment at IBM**
 12 **full-time?**
 13 A. Yes.
 14 **Q. Let's just take the karaoke**
 15 **business at this point. What karaoke business**
 16 **are you involved in; I am not talking about**
 17 **NAKWTA now, I am talking about actual karaoke**
 18 **business?**
 19 A. It is an entertainment business
 20 when I am seeing it. It is a bar where we
 21 sell beer and wine, that is it, no hard
 22 liquor. And offering people to come in and
 23 drink beer and sing along with whatever they
 24 like to sing.
 25 So basically this is the business
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1 Chan
 2 or excuse me, Tuesday, with Mr. Yim.
 3 MR. HANLON: You want Mr. Chai to
 4 leave the room for that?
 5 MR. HOFFMAN: Sure.
 6 (Mr. Chai left the room).
 7 (The following portion has been
 8 deemed attorney's eyes only.)
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1 Chan - attorney's eyes only
 2 **Q. Who are the other shareholders?**
 3 A. Jing He, J-I-N-G H-E.
 4 **Q. Who else?**
 5 A. That is it.
 6 **Q. Jing He?**
 7 A. Yes.
 8 **Q. Is Jing He related to you in any**
 9 **way?**
 10 A. No, he is just my friend.
 11 (Continued in non-attorney's
 12 eyes only portion of transcript.)
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1 Chan
 2 (Mr. Chai reentered the room)
 3 **Q. Mr. Chan, are you also an employee**
 4 **of Galaxy 45, and let me and try clarify what**
 5 **I mean by that. I realize that if you are --**
 6 **if you are a shareholder you might receive**
 7 **payments in the form of dividends or something**
 8 **of the sort as a shareholder. That is not**
 9 **what I am asking, what I am asking is --**
 10 **profits and so on.**
 11 **What I am asking is are you an**
 12 **employee, meaning do you have a position that**
 13 **has some formal duties and for which you**
 14 **receive a salary, and that is usually**
 15 **evidenced by either receiving a W-2 form at**
 16 **the end of the year or a 1099 form or**
 17 **something of the sort?**
 18 A. No.
 19 **Q. So you don't receive --**
 20 A. I don't receive anything.
 21 **Q. You don't receive salary in that**
 22 **form?**
 23 A. Yes.
 24 **Q. Approximately how often do you**
 25 **visit Galaxy 45?**

1 **Chan**
 2 A. Not quite often, maybe two times a
 3 week, sometimes three times a week. Usually I
 4 stay there maybe like one or two hours, I just
 5 come to visit my employees, greeting them up,
 6 saying hey, how are you doing, make them feel
 7 better. I try to be a good boss. I try to
 8 buy them some lunch, maybe dinner.
 9 **Q. You are giving my colleagues**
 10 **ideas, then they are going to think that I am**
 11 **going to have buy them lunch or dinner and**
 12 **that is not a good thing.**
 13 A. That is a good thing.
 14 **Q. You are a better boss than I?**
 15 A. I am not quite sure on that. You
 16 are better than me on some other stuff.
 17 **Q. Approximately how many employees**
 18 **does Galaxy 45 have?**
 19 A. We have four full-time employees
 20 and two part-time. Total about six.
 21 **Q. And what do the full-time people**
 22 **do?**
 23 A. Full-time means like they work 40
 24 hours a week.
 25 **Q. I'm sorry, my question was not**

1 **Chan**
 2 **clear. What kinds of jobs do they have, that**
 3 **is what I meant?**
 4 A. Waiter or bartender. We have one
 5 bartender and three waiter.
 6 **Q. Is there a manager there other**
 7 **than yourself?**
 8 A. No.
 9 **Q. When did you first become involved**
 10 **with Galaxy 45?**
 11 A. I believe on the end of 2005.
 12 **Q. End of 2005?**
 13 A. No. End of 2004, beginning of
 14 2005, yes. Actually I think -- withdraw that.
 15 Either January or February of 2005.
 16 **Q. Before you became an owner then**
 17 **did you work in that club at any time?**
 18 A. No.
 19 **Q. Have you ever worked in a**
 20 **karaoke -- withdrawn.**
 21 **Other than this relationship of**
 22 **ownership of Galaxy 45 have you ever been**
 23 **involved with a karaoke bar?**
 24 A. No, not at all. That is what I am
 25 saying before, I am still learning how to run

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1 Chan
 2 well, it is still expensive. I said, putting
 3 this way, our club, they are trying to help
 4 everybody out, but in the legal way, not in an
 5 illegal way. So --
 6 **Q. Make sure you got that.**
 7 A. Then everybody said okay, they
 8 understand. So, you know, this karaoke
 9 business people is very, very -- they are not
 10 really highly educated people like you, Mr.
 11 Hanlon. They are very like middle class
 12 people and their mind is --
 13 **Q. I am a pretty middle class person?**
 14 A. You are very highly intelligent
 15 people. Anyway so I am saying that when you
 16 deal with these karaoke owners or managers,
 17 they are not a -- normal person that you can
 18 deal with. They say this is funny language, I
 19 don't understand sometimes. Finally I
 20 understand it, as long as we get along.
 21 So to put it in short form,
 22 finally we say okay, and then eventually I
 23 believe on June -- actually we tried to
 24 locate -- okay, supposedly EGI can -- let me
 25 withdraw, there is no suppose.

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1 Chan
 2 MR. HOFFMAN: Ask your next
 3 question. Or what; ask your next
 4 question. I am bored to tears with this.
 5 MR. HANLON: You are going to
 6 persist and not take your feet off the
 7 furniture, is that what you are telling
 8 me?
 9 MR. HOFFMAN: I don't think I am
 10 doing anything wrong.
 11 MR. HANLON: This is my office and
 12 you are here as a guest in our offices,
 13 and it is highly inappropriate and
 14 unprofessional of you to put your feet up
 15 on our furniture. In the last deposition
 16 you put your feet on the furniture with
 17 your shoes on and I asked you to take
 18 them off, and you now have your feet on
 19 the furniture again. I really don't care
 20 whether your shoes are on or off, your
 21 feet do not belong on our furniture, and
 22 I ask you to take them off.
 23 MR. HOFFMAN: If this is what you
 24 want to spend your deposition time --
 25 MR. HANLON: Are you refusing to

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1 Chan
 2 I think I tell the member if EGI
 3 can go to get those license from Hong Kong
 4 publishing company and he got seven of them by
 5 the time that we have license agreement, I
 6 believe that maybe there is some other Hong
 7 Kong publishing company that have their own
 8 artists, that EGI have no license agreement
 9 with them. So, but I don't know who and I
 10 don't know where.
 11 So we told our members, is anybody
 12 knew, anyone knew about this industry, and
 13 then somehow Ray --
 14 MR. HANLON: Excuse me,
 15 Mr. Hoffman, please take your feet off
 16 the furniture.
 17 MR. HOFFMAN: I don't have my
 18 shoes on.
 19 MR. HANLON: I really don't care.
 20 Please take your feet off our furniture,
 21 I have asked you now three times.
 22 MR. HOFFMAN: Ask your next
 23 question.
 24 MR. HANLON: Mr. Hoffman, take
 25 your feet off our furniture.

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1 Chan
 2 do that, sir?
 3 MR. HOFFMAN: I am not refusing or
 4 not refusing --
 5 MR. HANLON: But you are keeping
 6 your feet on the furniture?
 7 MR. HOFFMAN: I am not refusing
 8 or not refusing.
 9 MR. HANLON: But you are leaving
 10 your feet on the furniture.
 11 MR. HOFFMAN: I am not refusing
 12 or not refusing.
 13 MR. HANLON: I note for the record
 14 that your feet remain on the furniture
 15 and we will deal with that at a later
 16 time with the court. This is really
 17 outrageous behavior.
 18 **Q. I am sorry, Mr. Chan.**
 19 A. So that members still complaining,
 20 you know, anyway we can reduced the cost. So
 21 that is the end of our discussions in one
 22 session. Actually a couple of meeting that we
 23 have, still going around same question, how
 24 they reduce the cost for running the karaoke
 25 business. And I believe in -- I think in

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1 Chan
 2 March that Ray, around the time, timeframe,
 3 March, April, Ray Yim is our vice president
 4 and he went to Hong Kong, talk to the CASH
 5 people, the CASH is like ASCAP here, and also
 6 talk to IFPI, I believe that is Ricky Fung, I
 7 forget the name of the CASH people, so you can
 8 find in the web-site.
 9 So that he talked about how we
 10 contact other Hong Kong publishing company
 11 that have no license agreement with EGI. And
 12 then the question come back is, very briefly
 13 answer our questions, answer Ray's question
 14 is, that is Ray told me that afterward, he
 15 come back from Hong Kong, he said, you know,
 16 they don't give us any hints or point of where
 17 we can locate those Hong Kong, other Hong Kong
 18 publishing companies that have no license with
 19 EGI.
 20 So then I said okay, then we have
 21 to go -- then I said why don't we -- that is
 22 during the meeting.
 23 **Q. That is during a meeting?**
 24 A. Then I said why don't we, all the
 25 members, why don't we go to another way, maybe

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1 Chan
 2 this is hard way and maybe take a much longer
 3 time to have our own creative works, okay.
 4 The question is none of us know, none of us
 5 has expertise on that. As I said before you
 6 have to have a real specific skill to create
 7 those karaoke works.
 8 So that is why I keep asking
 9 people. I know one of our members and now his
 10 business already closed down because I don't
 11 know how he runs the business, and now he went
 12 back to China to open another karaoke business
 13 in China, and I am sure he opened up
 14 successfully or not, but that is the last I
 15 heard.
 16 Then his name is Jimmy, and he has
 17 a connection with a guy, I don't know the
 18 name, everybody called him Cheng.
 19 **Q. The name that we were, that**
 20 **Mr. Yim gave us we phonetically are writing in**
 21 **English as C-H-E-N-G, does that sound close to**
 22 **the English version?**
 23 A. Because is -- he really pronounce
 24 in Mandarin way, so I pronounce --
 25 **Q. You pronounce Cheng?**

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1 Chan
 2 A. Cheng.
 3 **Q. Cheng?**
 4 A. Like cleaning, as in my
 5 prospective, in Cantonese way we call
 6 cleaning, Cheng.
 7 **Q. If we are spelling it as C-H-E-N-G**
 8 **is how we spelling it now?**
 9 A. Yes.
 10 **Q. I think we will know who are**
 11 **talking about. We are going to use that word**
 12 **just to keep track of it.**
 13 **Let me back up and see if I**
 14 **understand. Jimmy is not Mr. Cheng; Jimmy is**
 15 **someone who new Mr. Cheng?**
 16 A. Yes. Jimmy knew Mr. Cheng.
 17 **Q. Do you know what Jimmy's last name**
 18 **is?**
 19 A. We always call him Jimmy, I don't
 20 know.
 21 **Q. Do you know what club he was**
 22 **connected with?**
 23 A. His business only run very
 24 briefly, he just closed down. He just came to
 25 the meeting a couple of times. He said oh, I

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1 Chan
 2 know this guy, maybe he help you out. I said
 3 that is great. And then he said, he said how
 4 we contact this guy and he said, well, then he
 5 contacted this guy and then talked to Ray.
 6 And then -- at same time Ray, I believe Ray
 7 also has a trip to Hong Kong and in June or
 8 July I believe, I don't remember the time
 9 frame.
 10 And then we say if you are on the
 11 way there why don't you pay a visit for this
 12 guy and see how he works. Is he -- is he
 13 capable of doing it. Then Ray called me back,
 14 he said, Sam, looks like this guy is very --
 15 had skill for that. And then I say, well, ask
 16 him can we -- what kind of stuff we can
 17 provide him so that they can willing to
 18 provide these karaoke works at minimum cost,
 19 because our owners are very, very poor. We
 20 don't have that much money.
 21 So because we were newly formed in
 22 less than a year at that time. So the guy
 23 said, well, you know, that guy has a very
 24 friendly attitude. He said oh, all they need
 25 is a hardware. And then he said, hardware,

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1 Chan
 2 what kind of hardware, specify. Well, he said
 3 any PC would be fine. I said are you sure any
 4 PC would be fine, and he said yes.
 5 Then Ray called me back, he said,
 6 Sam, you know, is anyone in our organization
 7 have any used computer, so send it back to
 8 Hong Kong now. But no one has it. And then I
 9 asked again, Jimmy, anyone in China that you
 10 have a connection. He said well, you know,
 11 there is maybe one guy in Hong Kong named
 12 Danny, and then he has, I believe a music, a
 13 certain music record store. It is like a
 14 medium size, then he tell us that -- Jimmy
 15 talked to him.
 16 **Q. Please go ahead?**
 17 A. Then Jimmy said, maybe he will
 18 help you out, I said great. Let's talk to
 19 Danny then, is any, maybe he can donate to us.
 20 And at the same time his company just changed
 21 to another new equipment, so they have a bunch
 22 of old PC equipment. And then I said, wow,
 23 that is great. We just need any PC that will
 24 run, any piece that runs, Intel based, and
 25 then can use it, yes. Can we have a good use
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1 Chan
 2 **to create a certain number of karaoke works?**
 3 MR. HOFFMAN: Objection.
 4 A. I can answer this. I didn't talk
 5 to Mr. Cheng directly because at that time it
 6 was Ray talking to him. And he just called
 7 back us to see does anybody have the used
 8 computer they can donate and for this guy to
 9 do it. But from my understanding when Ray
 10 comes back, I asked him, can he actually do it
 11 for us, he said yes, he said, quote, Ray said,
 12 Ray actually told me that he just is doing
 13 whatever he can --
 14 **Q. He is going to do whatever he can?**
 15 A. He is going to do whatever he can
 16 produce, and we never asked him how many he
 17 did or how many we want, because this is for
 18 free services, and this is a really nice guy
 19 in China who is willing to do it. But one
 20 agreement is, if he finished all this work, I
 21 don't know how many piece, maybe ten or four
 22 or 20, then he said he would keep those and
 23 use the computer for good. I said no problem,
 24 those computer, we cannot use it anyway. We
 25 cannot bring it back to the U.S., it is used
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1 Chan
 2 for this old computer. Can we have a good use
 3 for this computer, he said yes, go ahead, we
 4 donate to this organization.
 5 So then Ray going to pick up the
 6 computer and bring it over to the Cheng, and
 7 Cheng said okay.
 8 MR. HANLON: Stop there for a
 9 minute. We have a tape issue.
 10 THE VIDEOGRAPHER: Time is 11:31,
 11 we are going off the record.
 12 (Recess taken.)
 13 THE VIDEOGRAPHER: The time is
 14 11:36. This is the start of tape number
 15 2 of the videotape deposition of
 16 Mr. Chan.
 17 **Q. Mr. Chan, we were talking about**
 18 **your dealings or the organization's dealings**
 19 **with Mr. Cheng in China. Did Mr. Cheng**
 20 **then -- withdrawn.**
 21 **Did Mr. Cheng tell you -- let me**
 22 **try it one more time. I will get it right if**
 23 **I keep trying.**
 24 **Did you ask Mr. Cheng, you or**
 25 **Mr. Yim on your behalf, did you ask Mr. Cheng**
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1 Chan
 2 computer and we don't want it, keep it in
 3 China.
 4 So that is why the guy -- really
 5 nice, so we don't pressure time, take your
 6 time. Since, you know, we don't have money to
 7 give to you, but you are welcome to keep those
 8 computer in a good use, we don't like -- even
 9 old, the computer can still be used.
 10 **Q. Now, it was your understanding**
 11 **that he was going to create a few, you said**
 12 **four or ten --**
 13 A. No, I am not saying that. I
 14 saying that -- you said did we ask him how
 15 many of them?
 16 **Q. Yes.**
 17 A. I said we never asked him to do --
 18 **Q. You said as many as he could?**
 19 A. Yes.
 20 **Q. You mentioned four or ten --**
 21 A. I mentioned, I think, even though
 22 he is making some, like four or five for us,
 23 that is good, so we can see how good his
 24 quality is, how good it is. That is what I am
 25 saying. I didn't talk to him at all.
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1 Chan

2 **Q. As I understand what you are**

3 **saying is that he was going to make several,**

4 **you thought he would make several songs,**

5 **samples so you can see the quality?**

6 A. Yes.

7 **Q. And in exchange he was going to be**

8 **able to keep the computers?**

9 A. Yes.

10 **Q. Did he make samples and send them**

11 **to you?**

12 A. Yes. Actually he make samples and

13 bring it back from another guy that

14 actually -- we have a couple of friends back

15 and forth in China. They came back with a

16 disk, CD, a couple of song there. Then I

17 looked into it and I called a meeting together

18 with all the members and saying this is what

19 Cheng did that, okay, is everybody acceptable,

20 and everybody said it looks good, but still it

21 is not very good because the background is

22 scenery, not either scenery or animals, fish,

23 something like that.

24 **Q. Now, you showed the sample, CD to**

25 **the members?**

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1 Chan

2 A. Yes.

3 **Q. When you say a CD, this is not**

4 **just an audio CD, this is a VOD?**

5 A. Yes.

6 **Q. Which shows audio images as well**

7 **as audio; correct?**

8 A. Yes.

9 **Q. What happened to that CD?**

10 A. The CD I have it in one of --

11 where did I put it. I don't know, I just have

12 it and maybe it is in -- because I need to

13 show it to the members, and I have it in a CD

14 that maybe in my shelf, I am not sure --

15 sorry.

16 THE VIDEOGRAPHER: The time is

17 11:41. We are going off the record.

18 (Recess taken.)

19 THE VIDEOGRAPHER: The time is

20 11:42. We are back on the record.

21 RQ **Q. Mr. Cheng, we would ask that that**

22 **CD be produced, it was previously requested in**

23 **the document production, and we ask that it be**

24 **produced as soon as possible?**

25 A. No problem.

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1 Chan

2 **Q. You can produce either the**

3 **original CD or make a true copy so long as you**

4 **can attest to the fact that it is a true copy?**

5 A. Sure.

6 **Q. Did you then contact Mr. Cheng and**

7 **tell him that the quality was acceptable and**

8 **that you would like him to make more karaoke**

9 **videos for you?**

10 MR. HOFFMAN: Objection.

11 **Q. You can answer?**

12 A. No, I cannot answer --

13 MR. HOFFMAN: If I object you can

14 answer. I am objecting to the form. If

15 you don't understand the question you can

16 ask him to explain it.

17 A. We didn't ask him to do it. I

18 said if you have -- if you appreciate our

19 donation of the computer and if you have a

20 free time you are welcome to make more of

21 these things for us, if you can, that is what

22 we asked him. He said yes, that is what we

23 asked for. We never asked him how many of

24 them or when we can have them, we never asked

25 him.

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1 Chan

2 **Q. Did Mr. Cheng say that he would**

3 **make more?**

4 A. He didn't directly say yes or no.

5 He just said, well, he said what can he do.

6 We said okay, no problem. Then later on I

7 don't know what it is, there was a dialog with

8 Ray from Cheng, and then Ray said, Cheng

9 actually has a couple, you know, song. I said

10 a couple, I said how many, and then Ray said

11 it looks like he is able to make 8,000 song,

12 all different songs, not only Cantonese song,

13 but some Taiwanese song, a variety.

14 So I don't know how -- I never see

15 those -- let me rephrase that. He has a

16 dialog with Cheng, that Cheng told him that,

17 you know, they have some songs or that Cheng

18 makes it, uses the computer, and Ray said, you

19 know, okay, how many. And then Ray told me

20 that like 2,000 each hard drive and he said

21 probably have 8,000 songs at that moment.

22 He said, well, that is great, I

23 think the timeframe is the end -- is end of

24 the year before I take my trip to Hong Kong.

25 **Q. Now, when Mr. Cheng was going to**

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1 Chan
 2 to make it is first of all you have, take a
 3 video source, any video source like you can go
 4 out to make the video yourself like using a
 5 video recorder, or you can using existing any
 6 video pictures, okay.
 7 **Q. Okay.**
 8 A. So first of all you have a video
 9 source. You can obtain the video source from
 10 different sources. Then you have to have a
 11 song --
 12 THE VIDEOGRAPHER: The time is
 13 11:52. We are going off the record.
 14 (Recess taken.)
 15 THE VIDEOGRAPHER: The time is
 16 11:54. We are back on the record.
 17 A. Okay, saying how to make this
 18 video, MPEG 1 video, you need a video source,
 19 I tell you how to obtain the video from
 20 various way. Second of all you have to obtain
 21 a song with the singer who sings the song with
 22 the music, music code. And then second part
 23 is you need to have a lyrics.
 24 Then first of all you have to type
 25 in the lyrics into digital format on the

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1 Chan
 2 paper, turn into digital format. Then once
 3 you turn it into digital -- transfer it into
 4 digital format, then you can play your music.
 5 When you play the music and you try to
 6 synchronize now, very hard work, try to
 7 synchronize the singer singing each word and
 8 then using a color to high light which
 9 character was sung. And then once you have
 10 that, that is a very difficult part. Once you
 11 have that this would be multi irritation, you
 12 have to do it multi times --
 13 **Q. I think you mean multi iteration.**
 14 A. Yes. So you have to do sometime
 15 do it too fast, sometimes too slow and most of
 16 all is if you don't -- if you not familiar
 17 with the song that will even make it more
 18 difficult.
 19 **Q. Now, to create --**
 20 A. That is how to create the videos.
 21 **Q. About how long would you estimate**
 22 **it takes to create one of these songs?**
 23 MR. HOFFMAN: Objection.
 24 A. Because I never see a very
 25 skilled, specified skilled people to make song

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1 Chan
 2 by myself, in my own eyes, I cannot answer
 3 your questions. Because it really depends
 4 on -- if you very, very familiar with the
 5 song, you can listen to the song, you can sing
 6 along yourself. But if the song is totally
 7 not familiar, but you have to -- oh, too fast,
 8 or sometimes too slow and you think you are
 9 singing, actually not singing, pausing. Then
 10 you have to redo it again. So that is why I
 11 can't answer the question.
 12 **Q. Let's go back to the WAV files**
 13 **that are part of the materials, the samples**
 14 **that Mr. Cheng gave you. Did the samples that**
 15 **he gave you have two tracks, one with vocals**
 16 **and one without vocals?**
 17 A. Yes.
 18 **Q. Where did Mr. Cheng get the**
 19 **recordings for those samples?**
 20 A. I believe in China.
 21 **Q. Did Mr. Cheng arrange for those**
 22 **recordings to be made, or did he obtain the**
 23 **recordings from an existing source?**
 24 MR. HOFFMAN: Objection.
 25 A. Can you rephrase your question, I

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1 Chan
 2 didn't get it.
 3 **Q. Sure. Is it your understanding**
 4 **that Mr. Cheng obtained recordings that had**
 5 **already been made, or did whether Cheng**
 6 **arrange for a new recording to be made?**
 7 MR. HOFFMAN: Objection.
 8 A. I have no idea about that.
 9 **Q. Did Mr. Cheng tell you that?**
 10 A. He never told me.
 11 **Q. Did Mr. Yim tell you what**
 12 **Mr. Cheng said?**
 13 A. Not that I know.
 14 **Q. When you were told that Mr. Cheng**
 15 **had an additional 8,000 songs what was your**
 16 **response?**
 17 A. My response, well, that is great.
 18 Okay. That means like that he did a lot of
 19 progress to have these songs come out and
 20 naturally can give it to us for free so we can
 21 have a good use for it. Even though it is a
 22 very experimental, variation copy, and still
 23 is to me is acceptable.
 24 **Q. Mr. Chan, you said it was free.**
 25 **Why would Mr. Cheng create 8,000 karaoke works**

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1 Chan
 2 **and give them to you for free?**
 3 MR. HOFFMAN: Objection.
 4 A. Well, as I said, they really,
 5 because, you know, one thing I can understand
 6 is, I am not quite sure I am saying this
 7 right, but I think because, you know, they can
 8 produce this song to sell on their own, okay,
 9 using our equipment for free. You understand
 10 what --
 11 **Q. The equipment is that one used**
 12 **computer that was not worth much you said?**
 13 A. Yes.
 14 **Q. So you gave him one used computer**
 15 **that is not worth much and he then turned**
 16 **around and gave you 8,000 karaoke works that**
 17 **took him a lot of time and effort to create?**
 18 A. And don't forget, he got the
 19 master for that too, so he can sell that in
 20 China because he create that song by himself.
 21 So he has a total right for license. He can
 22 license to anyone.
 23 **Q. Mr. Chan, it seems as if Mr. Cheng**
 24 **didn't need you to create the 8,000 works?**
 25 MR. HOFFMAN: Objection.

1 Chan
 2 MR. HANLON: Can I finish my
 3 question?
 4 MR. HOFFMAN: It is an argument,
 5 it is argumentative. Ask him what he
 6 did, where he went, who he talked to.
 7 **Q. Mr. Chan, it seems that Mr. Cheng**
 8 **didn't need you to create the 8,000 works,**
 9 **that he -- that once he had the computer he**
 10 **could have created them himself and then sold**
 11 **them to whoever he wanted; why wouldn't he**
 12 **charge you a fee like he would charge other**
 13 **people a fee?**
 14 MR. HOFFMAN: Objection.
 15 A. I can answer. Because at the
 16 beginning we say if you can have a good use of
 17 computer and produce songs, and then you can
 18 keep the computer, and just give whatever you
 19 guys have, that is it.
 20 **Q. What do you estimate the computer**
 21 **was worth?**
 22 MR. HOFFMAN: Objection.
 23 A. I didn't look at the computer
 24 myself, so I cannot tell you.
 25 **Q. Was it a standard PC?**

1 Chan
 2 A. I have no idea.
 3 MR. HOFFMAN: Objection.
 4 A. What I said was an PC Intel based
 5 PC.
 6 **Q. You can buy an Intel based PC**
 7 **brand new down at CompUSA for \$400?**
 8 MR. HOFFMAN: Objection.
 9 A. For my knowledge I never see the
 10 used computer myself. I have no idea how much
 11 it cost.
 12 **Q. Was it worth more than a few**
 13 **hundred dollars?**
 14 A. I already said I don't know.
 15 MR. HOFFMAN: He already said he
 16 doesn't know.
 17 **Q. Did Mr. Cheng deliver the 8,000**
 18 **songs to you?**
 19 A. Yes. At the time that I was, when
 20 they have a dialog with Ray, I think it is
 21 almost the end of the year, as I told you
 22 before that my trip is going to Hong Kong in
 23 December, and so when I get down there, so I
 24 talk to Danny, because I don't how to speak
 25 Mandarin, I am not familiar with Cheng. So I

1 Chan
 2 need someone to show me where Cheng is located
 3 and where this -- where the restaurant is that
 4 I can pick up the drive.
 5 So that I talked with Danny.
 6 Danny bring me -- when I was in Hong Kong, and
 7 so I took the hard drive out from there and
 8 without inspection, so I didn't know, I didn't
 9 know what was inside the hard drive, but I
 10 know it is all data. That is what he told me.
 11 I took it from him because I have no reason
 12 not to believe him.
 13 **Q. Let's stop there for a moment.**
 14 **This was in Hong Kong?**
 15 A. No, this is -- Danny bring me to
 16 Cheng.
 17 **Q. Did he take you to Guong Zhou?**
 18 A. I don't know -- because I don't
 19 know.
 20 **Q. He took you somewhere into --**
 21 A. Train.
 22 **Q. In PRC though?**
 23 A. Yes.
 24 **Q. You met Mr. Cheng then?**
 25 A. Yes.

1 Chan
 2 you guys have the right, that what Cheng's
 3 work is for playing in public. That is what I
 4 relate Cheng's work, that is -- but, okay,
 5 make sure go out to find, okay, go out to find
 6 out if any license that have to be complied
 7 before you guys play commercially.
 8 **Q. Did you tell them that they needed**
 9 **a separate license for Cheng's work?**
 10 A. Yes. ASCAP.
 11 **Q. Did you tell them that ASCAP was**
 12 **the only license that they needed for Cheng's**
 13 **work?**
 14 A. No. I said you guys -- besides
 15 ASCAP you guys have to go out to find any
 16 other license compliance, to comply to play
 17 the video in the public.
 18 **Q. Did you make copies of the hard**
 19 **drives to give to members?**
 20 A. Yes, based on their request, yes.
 21 **Q. How many members did you make**
 22 **copies for?**
 23 A. I believe 100 Fun, Melody and what
 24 is it, I believe there is one more. What is
 25 this guy's name. I have to look at the
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1 Chan
 2 record.
 3 **Q. Was it YHLC?**
 4 A. Yes.
 5 **Q. Black Swan?**
 6 A. Yes, thanks for reminding me.
 7 **Q. Is there another club beyond those**
 8 **three?**
 9 A. I believe that is it.
 10 **Q. Did you install Cheng's content --**
 11 A. We never installed --
 12 **Q. Let me finish the question. Did**
 13 **you install Cheng's content in Galaxy 45?**
 14 A. No.
 15 **Q. Do you believe that these clubs**
 16 **needed additional licenses from other sources**
 17 **aside from ASCAP to use Cheng's work?**
 18 MR. HOFFMAN: Objection.
 19 A. I am still in the discovery period
 20 for my club -- for this non-profit
 21 organization. And I am -- that is why I have
 22 Mr. Hoffman, our legal consultant to see, you
 23 know, if any license right that we need
 24 besides ASCAP to play in public. But for our
 25 club we never using it for any public use. In
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1 Chan
 2 our club just like a repository. We just
 3 collect it, put it in the basement and sit
 4 there. We never use it.
 5 **Q. Do you copy it?**
 6 A. What?
 7 **Q. Have you copied it?**
 8 MR. HOFFMAN: Objection.
 9 A. We have one master copy.
 10 **Q. Have you ever made copies from**
 11 **that master copy?**
 12 A. Yes. We copy it to, as I said, A
 13 100 Fun, YHLC and Melody.
 14 **Q. So you made copies and you**
 15 **distributed it to these three companies?**
 16 A. Based on the request, yes.
 17 **Q. But you have never, you meaning**
 18 **you, Sam Chan, nor NAKWTA has ever obtained a**
 19 **license from any other source authorizing you**
 20 **to make copies or distribute these works; is**
 21 **that correct?**
 22 A. Yes. You are correct.
 23 **Q. When did you give YHCL copies of**
 24 **the work?**
 25 A. I believe it is beginning of --
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1 Chan
 2 beginning of this year.
 3 **Q. Mr. Chan, I missed something, let**
 4 **me back up. I want to make sure we are not**
 5 **confused about the time. This trip that you**
 6 **made to Hong Kong and then to meet Mr. Cheng,**
 7 **when was that trip?**
 8 A. I think it was mid December to end
 9 of December, in that timeframe.
 10 **Q. Did you come back during that**
 11 **period as well, back to the United States?**
 12 A. Yes.
 13 **Q. And when did you tell the club**
 14 **members -- the NAKWTA members that you now**
 15 **have these works for distribution?**
 16 A. I am not saying that we have for
 17 distribution. I said we obtained this -- we
 18 have this four hard drive on hand. I said it
 19 was after I come back, I think a couple of
 20 days later I called a meeting. Usually a
 21 response to my members when I have new news, I
 22 call a meeting to say I have the hard drive.
 23 I told them I have not looked at
 24 the quality yet, but I believe based on the
 25 demo that that may be good, that is it. Next
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1 Chan
 2 on a CD or is it in some other format?
 3 A. Digital format.
 4 Q. Can you make a CD or can you
 5 deliver the hard drive that has it on it?
 6 A. I can send it to your E-mail,
 7 is your E-mail big enough to hold it; it is
 8 probably like seven megabyte.
 9 MR. HOFFMAN: I can take seven.
 10 Q. We need the material delivered to
 11 Mr. Hoffman in some form or other. We have to
 12 be certain that Mr. Hoffman has received it no
 13 later than 10 o'clock tomorrow when the
 14 technicians are coming to take copies of the
 15 hard drives?
 16 A. Okay.
 17 Q. If you are going to send
 18 electronic copy you have to give us a
 19 representation, a statement that this is a
 20 true copy of whatever the database is?
 21 A. Okay.
 22 Q. We are about to run out of time
 23 today, and we have a few questions to cover
 24 that are not in any order, forgive me if we
 25 are going to jump around a bit.

1 Chan
 2 Does NAKWTA have any officers
 3 other than Mr. Yim and yourself?
 4 A. No, only me and Yim.
 5 Q. What is your role at NAKWTA, what
 6 is your title?
 7 A. I am a president and also the
 8 secretary.
 9 Q. Do you keep -- the forms that
 10 NAKWTA members fill out to apply, are they
 11 retained by you, are they kept by you?
 12 A. Yes.
 13 RQ MR. HANLON: We would ask that a
 14 copy of each of the NAKWTA membership
 15 forms be delivered.
 16 MR. HOFFMAN: We are not going to
 17 do that.
 18 MR. HANLON: Those forms have to
 19 do with the distribution of --
 20 MR. HOFFMAN: No, they don't. You
 21 can make an application to the court for
 22 that.
 23 MR. HANLON: We made an
 24 application to you. If you want a
 25 protective order, you can ask for it.

1 Chan
 2 Q. Can you tell me how you first
 3 contacted YHCL?
 4 A. Actually through friends that
 5 would know YHCL, and then he introduced me
 6 to -- I am not sure -- introduced both at the
 7 same time I believe, I am not sure which one
 8 is.
 9 Q. Who did you first meet at YHCL?
 10 A. I believe it was Li --
 11 Q. Shao Feng Li?
 12 A. Yes.
 13 Q. Did you meet also Jeff Chen?
 14 A. Later on, not at the same time.
 15 Q. Did you visit YHCL at the club?
 16 A. What?
 17 Q. Did you visit YHCL at their club,
 18 at the Black Swan?
 19 A. Do I visit them?
 20 Q. Yes.
 21 A. Yes.
 22 Q. Did you discuss copyright problems
 23 with them at that time?
 24 A. Yes.
 25 Q. What did you tell them?

1 Chan
 2 A. I told them all your songs have to
 3 be complied any needed license right before
 4 you play in the public.
 5 Q. Did you tell them that there
 6 was -- that you had a problem with the
 7 copyright arrangements that EGI was enforcing?
 8 A. Can you repeat the question.
 9 Q. I will phrase it more clearly.
 10 Did you tell Mr. Li or Mr. Jeff
 11 Chen that there was a problem with EGI's
 12 licensing arrangement?
 13 A. When you say problem with EGI
 14 licensing; infringement?
 15 Q. No. Did you tell them that EGI's
 16 licensing arrangement was a problem for the
 17 karaoke clubs?
 18 A. No. I said that EGI is certainly
 19 a legitimate to collect all these license
 20 right. I myself, my club also signed a
 21 contract with EGI.
 22 Q. Did you tell Mr. Li that if the
 23 clubs work together they could oppose EGI?
 24 A. I never said that.
 25 MR. HANLON: We have obviously