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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

WESTERNGECO LLC,	.	4:09-CV-01827
	.	HOUSTON, TEXAS
PLAINTIFF,	.	
	.	
vs.	.	
	.	
ION GEOPHYSICAL	.	
CORPORATION, FUGRO GEOTEAM,	.	
INC., ET AL,	.	VOLUME 11
	.	AFTERNOON SESSION
DEFENDANTS	.	AUGUST 7, 2012
.....	.	12:30 P.M.

TRANSCRIPT OF JURY TRIAL
BEFORE THE HONORABLE KEITH P. ELLISON
UNITED STATES DISTRICT JUDGE

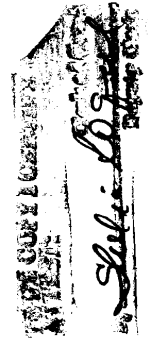
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Gilman Cross of Charles Ledet

1 (*Open court*)

2 BY MR. GILMAN:

3 Q Do you see the reference to Mr. Shotts there?

4 A Yes, I do.

5 Q And Mr. Shotts is ION's patent lawyer who is in the gallery
6 back there?

7 A Yes.

8 Q And David Roland is ION's general counsel?

9 A Yes, that's correct.

10 Q You didn't note that any ION attorney should be copied on
11 any communications with other customers, just with WesternGeco?

12 A Yes. Again, we were concerned about all the questions they
13 were asking, so we wanted to make sure that none of our
14 techniques or approaches or IP would find their way into a
15 WesternGeco product.

16 Q At this point, you hadn't actually launched the DigiFIN
17 device, right? This is 2006.

18 A That was the commercial launch in 2006 at this show.

19 Q We had heard earlier that you were still doing some
20 qualification testing in 2008 of the DigiFIN on Fugro vessels?

21 A Yes.

22 Q I would like to show you the 2006 business plan for
23 DigiFIN, which is Defendants' Exhibit 125.

24 Exhibit 125 is ION's business plan when deciding
25 to proceed with the DigiFIN project?

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1 A I'm sorry. Is that a question?

2 Q Yes.

3 A It appears to be a business plan. I haven't looked at the
4 whole thing. But typically, yeah, we would review this in
5 terms of assessing the worth or the value on a potential
6 development project.

7 Q The 2006 business plan for DigiFIN would have been
8 something you signed off on at the time?

9 A Yes.

10 Q In that executive summary on the first page, you knew in
11 2006 -- towards the bottom, the third-to-last sentence -- that
12 by using DigiFIN, existing customers will be able to compete in
13 the proprietary Q-Marine systems market space. Is that
14 correct?

15 A Yeah. The Q system was proprietary in that they did not
16 offer it to sell to other contractors. So that is why we felt
17 like we had a good -- were in a good position to offer it to
18 other contractors, because it was proprietary for WesternGeco.
19 They only used it themselves. They didn't sell it to other
20 contractors.

21 Q And your customers needed DigiFIN in order to be able to
22 compete with WesternGeco's Q-Marine system?

23 A They needed it in order to have lateral steering, which the
24 oil companies were very interested in.

25 Q If we can turn to the fifth page of the business plan --

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1 I'm sorry, the fourth page -- toward the bottom, there is a
2 section "Business Opportunities"?

3 A Yes.

4 Q And in 2006, for example, the third bullet point, you saw
5 DigiFIN as an enabler for additional sales of other products
6 like DigiRANGE and Orca?

7 A In order to do cable steering, you needed to have better
8 positioning and so better positioning can be effected through
9 additional acoustic devices. And that was our DigiRANGE
10 product, acoustic devices.

11 Q Part of your business justification for DigiFIN was that
12 you thought you would get extra sales of DigiRANGE and Orca if
13 you sold DigiFIN?

14 A Yes.

15 Q If we turn to the next page, at the top, the value to your
16 customers that you thought in 2006 was that DigiFIN provides
17 better 3D images and enables 4D time lapse seismic surveys; is
18 that correct?

19 A Yes. We did believe that, and that's what it states here.

20 Q Will you turn to the seventh page of the document. Under
21 "Competitive Assessment," you note that: Currently the only
22 competitor in the cable steering market is WesternGeco with
23 their proprietary Q system again.

24 **MR. ARNOLD:** Your Honor, I obviously don't care
25 whether the jury hears this, but the engineer has heard this

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1 over and over again and my client is not going to get a chance
2 to put its case on before everyone is exhausted if we are
3 repetitive in the testimony.

4 *THE COURT:* I have a lot more confidence in the jury
5 than that. I do understand the case has been lengthy and in
6 some particulars tedious, but a long time ago, the founders
7 decided to trust the jury and I think that choice remains
8 sound. I'm going to allow it.

9 BY MR. GILMAN:

10 Q Why don't we turn to page 13 of the document, the specific
11 financial analysis that you put into this 2006 business plan?

12 A Okay. I'm there.

13 Q If we look at that chart that is towards the bottom half of
14 the page, in 2006, you were predicting total sales revenue
15 going forward through 2011 of \$195.5 million if you could
16 proceed with DigiFIN, right?

17 A That was the projection at the time, yes.

18 Q And at the time for total R&D costs, in order to be able to
19 launch DigiFIN, it looks like you were only going to have to
20 spend \$1.9 million in research and development. Is that true?

21 A That was the estimate at the time, yes.

22 Q And then toward the bottom left-hand corner, there is
23 something that says NPV, correct?

24 A Yes.

25 Q That stands for net present value?

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