

**IN THE UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

WESTERNGECO L.L.C.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. 4:13 cv 02725
	)	
PETROLEUM GEO-SERVICES, INC., et al.,	)	JURY TRIAL DEMANDED
	)	
Defendants.	)	

**GEO’S MOTION TO STAY WESTERN’S CLAIMS PENDING  
FINAL JUDGMENT IN RELATED LITIGATION, AND  
PENDING PATENT OFFICE REVIEW PROCEEDINGS**

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Dated: April 23, 2014

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The Court should stay Western’s lawsuit for two independent but cumulative reasons. *First*, a pending judgment in Western’s prior lawsuit concerning the same patents and the same accused technology (“DigiFIN”) will fully compensate Western such that the present suit could only give Western a double recovery.<sup>1</sup> *Second*, the United States Patent Office’s Patent Trial and Appeals Board will rapidly resolve whether Western’s patents are invalid through *inter-partes* review (“Patent Review”) proceedings. A decision from *either* tribunal will decisively impact Western’s ability to assert its patents, thereby simplifying or even terminating the present suit. Thus, it would be most efficient and economical to stay Western’s claims until one—or both—of these tribunals issues a final ruling.

## I. FACTUAL BACKGROUND

### A. The *ION* Litigation

Western has asserted its patents before and is already set to be paid for any infringement based on DigiFIN or its use. Nearly five years ago, Western accused DigiFIN’s manufacturer, ION Geophysical, of infringing the very same patents that Western is presently asserting against Geo. Ex. A, *WesternGeco L.L.C. v. ION Geophysical Corp.*, 4:09-cv-01827, Dkt. No. 1 (Complaint) (S.D. Tex. June 12, 2009) [hereinafter *ION Litigation*]. In the *ION Litigation*, Western asserted that ION’s customers, which are Western’s competitors, use DigiFIN to conduct marine seismic surveys in which they tow and laterally steer long streamer cables behind their ships. Companies with a corporate relationship to Geo or Geo Norway have performed surveys outside the United States using DigiFIN.

Western’s ongoing patent litigation against ION culminated in a 3-week trial in mid-2012. The jury found that ION infringed the patents, and awarded Western \$105.9 million in

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<sup>1</sup> Even if the *ION* judgment is appealed, the result would simplify this case. Affirmance of Western’s recovery against ION would render the recovery sought against Geo in this case to be duplicative. Alternatively, reversal or remand on substantive patent grounds would curtail or extinguish Western’s patent claims against ION, and by extension, Geo.

damages. That award included \$93.4 million to compensate Western for its lost profits due to the surveys that Western argued it lost because ION made DigiFIN available to Western's competitors. *See* Ex. B, *ION Litigation*, Dkt. No. 536 (Verdict Form) (Aug. 16, 2012); Ex. C., *id.*, Trial Demonstratives of Raymond Sims,<sup>2</sup> at 64 (showing that, in the *ION Litigation*, Western was seeking \$159.1 million, of which \$93.4 million represented profits allegedly lost due to surveys conducted by Western's competitors other than Fugro). These competitors include corporate siblings of Geo, which conducted six of the ten surveys upon which Western received lost profits damages. *See id.* at 34, 46. The remaining \$12.5 million represents a royalty to Western for patent infringement based on *all* of ION's DigiFIN sales not already accounted for in the lost profits award. Ex. B, *ION Litigation*, Dkt. No. 536 (Verdict Form) (Aug. 16, 2012), at 8.<sup>3</sup> The comprehensive award is consistent with the jury's charge to "put WesternGeco in approximately the same financial position that it would have been in had the infringement not occurred." *Id.*

More recently, ION was ordered to pay an additional \$73 million in supplemental damages for DigiFIN sales made since May of 2011. Ex. D, *ION Litigation*, Dkt. No. 664 at 9 (Memorandum & Order) (Oct. 24, 2013). These additional damages "extrapolate the jury's award of lost profit damages and reasonable royalty to ensure consistency with the jury's verdict and adequate compensation for WesternGeco." *Id.*

## **B. The Present Litigation**

Western filed the present litigation on September 16, 2013. No trial date has been set, and as recently as April 7, 2014, Western was still adding "new" parties, and new infringement theories, to the case via an amended complaint. Dkt. No. 79. By agreement of the parties, the

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<sup>2</sup> Mr. Sims provided expert testimony on Western's behalf at the *ION* trial regarding damages.

<sup>3</sup> Instruction 20 of Ex. B directs the jury to award "a reasonable royalty for *all* infringing sales for which it has not been awarded lost profits damages" (emphasis added).

named Geo entities will respond by May 30, 2014. The Court directed Western to amend its pleadings on March 18, 2014, and Western waited for over three weeks—over six months since filing its suit—before adding PGS Geophysical AS (“Geo AS”) to its complaint. Relatively little case-specific discovery has occurred. Geo has produced a number of technical, marketing, and operational documents, and Western, for its part, regurgitated the voluminous record of the *ION* litigation. Western has also produced a handful of technical and operations documents, most of which are publicly available.

### C. The Patent Review Proceedings

Geo is filing Patent Review petitions with the U.S. Patent Office’s Patent Trials and Appeals Board asserting that claims of every Western patent in the present lawsuit are invalid. In fact, Patent Review petitions relating to all four of Western’s asserted patents have already been filed. Within about 18 months, Geo expects that all of Western’s asserted patent claims will have been found invalid or will have been modified or cancelled as a result of the Patent Reviews.<sup>4</sup> Even if the Patent Reviews leave any claims undisturbed, the issues in this case will have been significantly altered and narrowed as will be further explained in Section III.C.2 below. Notably, with only two exceptions, every Patent Review decided to date has resulted in patent claims being cancelled by the patent office. *See* Ex. E, Ryan Davis, *In Rare Feat, 2 Patents Emerge Unscathed From AIA Reviews*, LAW360 (Apr. 15, 2014) (“In an apparent first for the new [Patent Review] proceedings, the U.S. Patent and Trademark Office on Friday affirmed every claim of two motion control patents . . . . The decision is notable because in nearly every one of the 40 or so final written decisions issued in the AIA proceedings known as

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<sup>4</sup> The Patent Reviews that have already been filed include every claim that Western asserted against DigiFIN at trial in the *ION Litigation*. Western has repeatedly stated that those claims are what the present suit is all about. If, contrary to its prior representations, Western intends to assert new claims at trial in the present suit, and if Western is allowed to do so, Geo will initiate further Patent Reviews encompassing those claims, and the Patent Office will resolve those reviews in the same, swift statutory timeframe.

inter partes review and covered business method patent review, the board has canceled many or all of the claims.”).

Geo would have filed these petitions earlier had Western cooperated with Geo’s requests concerning documents from the *ION* litigation, but it took two Court orders to obtain these documents and the permission needed to submit them to the Patent Office. On January 10, 2014, before the first case management conference, Geo requested specific categories of documents from the *ION Litigation* to use in support of its Patent Reviews. *See* Ex. F (documenting repeated attempts by Geo’s counsel to obtain documents from Western, including Jan. 10, 2014). Even after the Court ordered production of the entire *ION* record over any potential third-party objections, Western delayed for almost a month, by insisting on seeking the very third-party permissions obviated by the Court’s order. *See* Dkt. No. 36 (Management Order) (Jan. 14, 2014) (ordering disclosure of *ION* documents); Ex. H (Western’s counsel soliciting objections from third parties on Jan. 28, 2014); *see also* Ex. G, Tr. 1/13/2014 at 20: 23-25 (“Because you’ve burned bridges with everybody in the Western Hemisphere, I’ll just order it disclosed . . .”).

Even after Western finally complied with that order and produced the *ION* documents, it refused to grant Geo permission to use them in its Patent Reviews. *See, e.g.*, Ex. I, E-mail from Timothy K. Gilman to Ellisen Turner (Jan. 29, 2014, 2:48 PM PST) (refusing permission). Instead, Western claimed to be confused about what was being asked, expressing befuddlement as to what “specific documents” could belong to categories such as inventor deposition transcripts, invalidity expert reports, and invalidity trial testimony. *Id.* In an effort to resolve these concerns, Geo provided greater specificity in late February after reviewing Western’s belated productions, but received no response. Ex. J (identifying with Bates numbers the precise pages sought for submission to the Patent Reviews). It was ultimately the Court that, in a second intervention, granted the reasonable permissions that Western for so long withheld. *See* Dkt. No.

60 (Order Compelling Discovery) (March 7, 2014) (“If the parties have not agreed which papers may be submitted to the United States Patent and Trademark Office, the Court will resolve this matter at the hearing on March 18, 2014.”); Dkt. No. 73 (Mgmt. Order) (March 18, 2014) (granting Geo permission to submit the documents to the Patent Office because Western still had not done so).

## II. LEGAL STANDARD

In considering whether to grant a stay, the Court evaluates whether the stay (1) prejudices or tactically disadvantages the non-movant, (2) delays a case in which considerable work has already been done, and (3) simplifies the issues in the case. *E.g., Emtel, Inc. v. Lipidlabs, Inc.*, No. H-07-1798, 2013 WL 1707678, at \*5 (S.D. Tex. Apr. 19, 2013) (Rosenthal, J.) (citing *Soverain Software LLC v. Amazon, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005)); *E-Watch, Inc. v. Lorex Canada, Inc.*, No. H-12-3314, 2013 WL 5425298, at \*1 (S.D. Tex. Sept. 26, 2013) (Miller, J.).

## III. ARGUMENT

### A. A Stay Will Not Prejudice Western.

Western would not be prejudiced if this litigation were stayed. Mere delay caused by a stay is not in itself prejudicial.<sup>5</sup> Moreover, Western has not shown any urgency in pursuing these infringement claims against Geo or any of its affiliated companies. Even though Western has been aware since as early as 2007 that at least one of Geo’s corporate siblings purchased DigiFIN equipment,<sup>6</sup> it nonetheless waited *over six years* to bring this lawsuit. Moreover,

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<sup>5</sup> See, e.g., *E-Watch, Inc.*, 2013 WL 5425298 at \*2 (“[T]he mere fact of a delay alone does not constitute prejudice sufficient to deny a request for stay.”); Ex. K, *One StockDug Holdings, LLC v. Becton, Dickson & Co.*, No. 2:12-cv-03037-JPM-tmp, Dkt. No. 85 at 10 (W.D. Tenn. Nov. 12, 2013) (“[D]elay based on the inter partes review process alone is not sufficient to demonstrate undue prejudice . . .”).

<sup>6</sup> For example, Western’s Complaint references a 2007 press release on the PGS.com Website indicating that at least one of Geo’s corporate siblings was involved in discussions with ION to test DigiFIN. Dkt. No. 1 at ¶ 14 (Complaint).

Western sought discovery of Geo's involvement with DigiFIN in connection with the *ION Litigation* almost four years before bringing this lawsuit.<sup>7</sup> In the course of that and other discovery in the *ION Litigation*, Western learned of Geo AS's involvement in the purchase of DigiFIN.<sup>8</sup> Yet, Western inexplicably did not name that company in its Complaint—and then waited over six months to add it. Western's own delay in bringing and prosecuting this case, combined with its choice to not seek a preliminary injunction against the defendants, undermines any argument that the delay caused by a stay would be unduly prejudicial or irreparably harmful. *Cf., QPSX Developments 5 Pty Ltd. v. Ciena Corp.*, No. 2:07-CV-118-CE, 2009 WL 8590964, at \*2 (E.D. Tex. Aug. 27, 2009) (“QPSX will not suffer undue prejudice—QPSX has not sought a preliminary injunction in this case, and the evidence suggests that QPSX would not suffer irreparable harm.”).

**B. The Present Litigation Remains In Its Early Stages With Relevant Parties Only Recently Added.**

The infancy of this matter weighs in favor of a stay. This litigation has only just commenced, no trial date has been set, and very little discovery or case scheduling activity has occurred.<sup>9</sup> The parties exchanged initial disclosures in October, and Geo supplemented its disclosures in early December. No substantive depositions have yet been scheduled, and even

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<sup>7</sup> For example, Western subpoenaed Geo as a third party on January 22, 2010, and Geo produced numerous documents in response. *Ex. L, ION Litigation, Subpoena to Produce Documents, Information, or Objects or to Permit Inspection of Premises in a Civil Action*, issued to Petroleum Geo-Services, Inc. (S.D. Tex. Jan. 22, 2010). Western later sought to compel production of documents from overseas entities related to Geo, but the motion was denied. *Ex. M, ION Litigation, Dkt. No. 105 at 4-5 (Memorandum & Order) (Jun. 2, 2010)*.

<sup>8</sup> For example, Western has long possessed Master Purchase Agreements between Geo AS and ION concerning the sale of DigiFIN. Many were produced in connection with Western's revelation of the *ION Litigation* trial record. *See, e.g., Ex. N*.

<sup>9</sup> *See Tesco Corp. v. Weatherford Int'l, Inc.*, 599 F. Supp. 2d 848, 853 (S.D. Tex. 2009) (Ellison, J.) (“Here, the case has just begun, no trial date has been set, and the Court delayed entry of a scheduling order until this motion to stay was decided. This factor weighs in favor of a stay.”) (stay denied on other grounds).

the pleadings are not yet settled, let alone the parties. The Court is still considering Geo Norway's motion to dismiss on jurisdictional grounds, and none of the parties has yet answered Western's amended complaint. Further, case-specific discovery has been modest, with the overwhelming majority of documents being recycled from the *ION Litigation*. In light of the substantial, extremely expensive work that lies ahead, and the fact that decisions from the Patent Office or in the *ION Litigation* are likely to fully resolve, or at least tremendously simplify, all aspects of this matter well before it is ready for trial, it makes no sense to wastefully litigate those aspects here. See, e.g., *SoftView LLC v. Apple Inc.*, No. 12-989-LPS, 2013 WL 4757831, at \*2 (D. Del. Sept. 4, 2013) (“[I]t is appropriate to allow the *inter partes* review a reasonable period to conclude before launching the parties into the expense of expert discovery.”).

**C. During A Stay, The Pending Proceedings Will Independently And Cumulatively Simplify Or End The Present Disputes.**

**1. Judgment In The *ION Litigation* Will Exhaust Western's Ability To Seek A Double Recovery.**

The *ION Litigation* before Judge Ellison concerns the same patents and technologies at issue here, and judgment in the *ION Litigation* will fully satisfy Western for all alleged infringements involving DigiFIN. A court may stay proceedings that substantially overlap with those being adjudicated in another court. E.g., *Wolf Designs, Inc. v. Donald McEvoy Ltd.*, 341 F. Supp. 2d 639, 642 (N.D. Tex. 2004) (“The Fifth Circuit has specifically recognized that district courts have inherent power to stay or dismiss an action where the issues presented can be resolved in an earlier filed action pending in another federal district court.” (citing *West Gulf Maritime Assoc. v. ILA Deep Sea Local 24*, 751 F.2d 721, 728-29 (5th Cir. 1985))). Parties and issues in substantially overlapping proceedings need not be identical, so long as both actions involve closely related questions or common subject matter. *Excentus Corp. v. Kroger Co.*, No. 3:10-CV-0483-B, 2010 WL 3606016, at \*2 (N.D. Tex. Sept. 16, 2010). “The concern manifestly



is to avoid the waste of duplication, to avoid rulings which may trench upon the authority of sister courts, and to avoid piecemeal resolution of issues that call for a uniform result.” *West Gulf*, 751 F.2d at 729.

The fundamental question in the present suit is whether Western is entitled to patent infringement damages against Geo or its sister companies based on their purchase of DigiFIN. Thus, even if infringement were found, the damages for any such infringement by that time would already have been addressed and provided for in the *ION Litigation*, where the pending final judgment will cover each and every DigiFIN sold to Geo by ION.

Western may want another bite at the DigiFIN apple by filing suits against ION’s customers, but the law does not permit this kind of double-dipping. Western’s erroneous reasoning was rejected in *Glenayre Electronics, Inc. v. Jackson*, wherein the plaintiff pursued infringement damages against an infringer’s customers. *See* 443 F.3d 851, 860 (Fed. Cir. 2006) (turning away a patentee who sought “additional damages . . . based on [defendant’s] customers’ use of infringing products . . . even though [the plaintiff had] already collected compensation for direct infringement by [defendant] because of the same sales”). The Court barred this second recovery from customers, noting that, “[plaintiff] presented evidence and arguments regarding customer use to the jury and judge,” and that the plaintiff had conceded that the ultimate award included benefits accruing to those customers. *Id.*

*Glenayre* squarely applies here, and teaches that entry of a final judgment against ION, accompanied by ION’s payment or surety that it will satisfy that judgment, will fully address any harm caused by the defendants’ use of DigiFIN.<sup>10</sup> In determining whether a plaintiff has been fully compensated by a prior award, courts consider whether (1) a second suit re-litigates the

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<sup>10</sup> Compensation occurs when the defendant promises to pay the awarded damages, *even if* the case is appealed. *See, e.g., Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1549 (Fed. Cir. 1987) (“Under the circumstances of this case, the filing of a corporate guarantee is sufficiently equivalent to compensation.”)



same facts at issue in the first suit; (2) a patentee introduced and relied on evidence of the benefits received by an infringer's customers in the first suit; and (3) a patentee accepted an actual damages award. *See Glenayre*, 443 F.3d at 853-54, 856, 860-61, 872-73.

The *Glenayre* factors show that Western is seeking an improper double recovery through this litigation against an ION customer. As in *Glenayre*, the patents and products at issue in the present suit have been addressed at length in the *ION Litigation*. Further, in building its damages case against ION, Western presented evidence of benefits accruing to Geo and other ION customers. For example, in its trial demonstratives, Western identified \$93.4 million in lost profits based upon ten surveys.<sup>11</sup> A Geo corporate sibling performed six of those surveys. Ex. C, *ION Litigation*, Trial Demonstratives of Raymond Sims, at 33, 34, 36. Notably, ION did not perform any surveys at all, but the jury nonetheless found that it owed Western *all* of the profits allegedly lost on those surveys. Ex. B, *id.*, Dkt. No. 536 at 8 (Verdict Form) (Aug. 16, 2012). Hence, the verdict against ION accounts for harm allegedly caused by ION's customers.

Western has fully embraced this result, insisting throughout its post-trial briefing that such a full recovery from ION was appropriate.<sup>12</sup> Indeed, it accused ION of causing the very same harm that ION's customers (*e.g.*, Geo) might allegedly cause, such as "los[ing] surveys,

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<sup>11</sup> *See, e.g.*, Ex. O, *ION Litigation*, Dkt. No. 572 at 10 (WesternGeco's Opp'n to ION's Post-Trial Damages Mot.) (Oct. 26, 2012) ("As Mr. Sims testified, each of the ten lost profit jobs required lateral steering as demonstrated by explicit customer requirements, the technical demands of the survey, and other record evidence."); Ex. C, *id.*, Trial Demonstratives of Raymond Sims, at 34, 46, and 63.

<sup>12</sup> *See, e.g.*, Ex. O, *ION Litigation*, Dkt. No. 572 at 12 (WesternGeco's Opp'n to ION's Post-Trial Damages Mot.) (Oct. 26, 2012) ("There is substantial evidence that ION knew its *customers* would use its DigiFIN lateral steering systems to perform surveys that competed with WesternGeco—indeed, ION intended such a result. WesternGeco's lost profits flowed directly from ION's infringement, and ION is accordingly responsible for compensating WesternGeco for this harm.") (emphasis added) (citations omitted); *id.* at 13 ("Moreover, where, as here, the patentee derives revenue generated from its exclusive use of the patented product, the patentee may recover damages against a manufacturer for the manufacturer's customers' use of the invention.")

revenue and market share, and [being] forced to accept lower prices for [Western's] patented technology.” Ex. P, *ION Litigation*, Dkt. No. 558 at 11 (WesternGeco's Mot. for Perm. Injunction or Ongoing Royalty) (Sept. 28, 2012). Western is not entitled to such duplicative recovery against customers like Geo, because the jury verdict<sup>13</sup> and supplemental damages award in the *ION Litigation* already compensate Western for that harm. Ex. D, *id.*, Dkt. No. 664 at 8 (Memorandum & Order) (Oct. 24, 2013).

Finally, Western has confirmed through its arguments to the Court in the *ION Litigation* that the *ION* award fully addresses all harm caused by any DigiFIN infringement. Western acknowledged the completeness of its recovery in, for example, its motion for permanent injunction and ongoing royalty. Western successfully argued in that motion that the per-unit damages rate, as determined by the jury, must be applied to future DigiFIN sales in order to “account for the *entirety* of the harm caused by ION's continued infringement as determined by the jury.” Ex. P, *ION Litigation*, Dkt. No. 558 at 18 (WesternGeco's Mot. for Perm. Injunction or Ongoing Royalty) (Sept. 28, 2012) (emphasis added). Hence, Western recognizes that the jury award fully addresses *all* past harm caused by ION's DigiFIN, *including use by customers*. As a result, Western “adopts the sales as though made by [itself], and therefore, necessarily licenses the use of the devices, and frees them from the monopoly of the patent.” *Union Tool Co. v. Wilson*, 259 U.S. 107, 113 (1922). Western cannot seek a double recovery against Geo because ION will soon have fully compensated Western on all matters related to DigiFIN.

**2. The Patent Reviews Will Terminate Or Simplify This Matter For Trial And Will Reduce The Burden Of Litigation On The Parties And The Court.**

A stay of this litigation is also warranted because the Patent Trial and Appeal Board's decisions on Geo's pending Patent Review petitions will undoubtedly simplify the present suit,

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<sup>13</sup> See, e.g., Ex. B, *id.*, Dkt. No. 536 (Verdict Form) (Aug. 16, 2012); Ex. Q, *id.*, Dkt. No. 634 at 3 (Memorandum & Order) (Jun. 19, 2013) (denying new trial or remittitur on damages).

regardless of how they turn out. A Patent Review, like its predecessor the “*inter partes* re-examination,” allows Geo to petition the Patent Office to determine whether some or all claims of an issued patent are invalid. 35 U.S.C. § 311(b). The Patent Office institutes a Patent Review only after the petitioner (here, Geo) establishes that there is a reasonable likelihood that it will prevail on at least one claim. 35 U.S.C. § 314(a). The Patent Office has instituted the overwhelming majority of submitted petitions,<sup>14</sup> and the decision to do so must occur less than three months after Western’s response to them. *See* 35 U.S.C. § 314. Hence, there is very high likelihood that the Patent Office will consider Geo’s petition, and Western can speed up the process by not delaying its own response.

Once instituted, a panel of three administrative patent judges will determine, within 12-18 months, whether the challenged claims are invalid. 35 U.S.C. § 316(A)(11). If history is any guide, the Patent Review is very likely to change the scope of Western’s claims. The Patent Review’s predecessor proceeding, the *inter partes* re-examination, resulted in amendment, limitation, or elimination of over 70 percent of claims examined. *Spa Syspatronic, AG v. Verifone, Inc.*, C.A. No. 2:07-cv-416, 2008 WL 1886020, at \*3 (E.D. Tex. Apr. 25, 2008). And Patent Reviews have had an even more pronounced impact; not only have they resulted in the elimination of an even higher percentage of claims, they have also remarkably encouraged settlement by the parties. *See, e.g.*, Ex. S, Cyrus Morton & David Prange, *Patent owners beware, your patent has a 15 percent chance (or less) of surviving the PTAB*, INSIDE COUNSEL (Mar. 19, 2014) (“[O]f the first 20 patents taken to a final decision by the Patent Trial and Appeal Board (PTAB), 17 went down in flames.”); Ex. T, Bryan Wheelock & Matthew Cutler, *A Look At 1st Year Stats on Inter Partes Review*, LAW360 (Oct. 15, 2013) (noting that 22% of

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<sup>14</sup> As of September, 2013, “96 percent of petitions seeking *inter partes* review had been granted in the first six months.” Ex. R, David O’Dell & Thomas King, *Inter Partes Review – How Is It Going So Far?* INTELLECTUAL PROPERTY TODAY (September 2013).

petitions were ultimately settled); Ex. U, Michelle Carniaux & Michael E. Sander, *Claims Can Survive Inter Partes and Covered Business Method Review (But Few Do)*, IPR BLOG (Apr. 7, 2014) (reporting “approximately a 13% Patent Owner success rate” in IPR proceedings).

As a result, many courts have chosen to stay cases pending the completion of such reviews—even where an earlier stay had previously been denied in connection with the Patent Review’s less speedy predecessor. *E.g.*, *SoftView LLC v. Apple, Inc.*, No. 1:10-cv-00389-LPS, 2013 WL 4757831, at \*2 (D. Del. Sep. 4, 2013) (granting a stay pending Patent Review where a stay had previously been denied in connection with a slower reexamination proceeding in part because “the [Patent Review] promises to be a more expeditious process than reexamination”); *see also Bonutti Skeletal Innovations, LLC v. Zimmer Holdings, Inc.*, No. 12-cv-1107, 2014 U.S. Dist. LEXIS 47430, at \*18 (D. Del. Apr. 7, 2014) (finding persuasive the defendants’ argument that “statistics indicate a high probability that the PTO will indeed cancel or amend these claims” and staying patent litigation pending Patent Review); Ex. V, *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, No. 13-02980, Dkt. No. 42 at 3-5 (N.D. Cal. Mar. 14, 2014) (finding that all three discretionary stay factors were met in a motion to stay pending Patent Review and furthermore noting that “[t]he fact that the PTAB has not yet determined whether it will grant the requests for [Patent Review] does not alter the Court’s findings”). If an original patent claim is “cancelled or amended<sup>15</sup> to cure invalidity” during the Patent Office’s proceedings, “the patentee’s cause of action is extinguished and the suit [filed in the district court] fails.” *Fresenius USA, Inc., v. Baxter Int’l Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013). Hence, the Patent Review may do much

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<sup>15</sup> Although it is technically possible for a patentee to amend its claims in an *inter partes* review to avoid cancellation, the patentee must secure the Patent Trial and Appeal Board’s leave to do so. The Board has not at all been generous with such requests. *See* Ex. S, Cyrus Morton & David Prange, *Patent owners beware, your patent has a 15 percent chance (or less) of surviving the PTAB*, INSIDE COUNSEL (Mar. 19, 2014) (reporting that all 12 motions to amend were denied in the first 20 completed Patent Reviews). Further, even if such amendment occurs, it will extinguish all past damages. 35 U.S.C. § 318(c).

more than simplify the present lawsuit—it may completely and conclusively resolve Western’s claims.

That said, even if the Patent Office upholds some or all of Western’s patent claims, the Patent Review will simplify the issues in the present suit. In the unlikely event that patents emerge from an instituted Patent Review completely unchanged, Geo is estopped from arguing that an examined claim is “invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” 35 U.S.C. § 315(e). This estoppel would be effective when the Patent Review decision issues and would eliminate numerous invalidity issues that would otherwise need to be re-litigated here. *Id.* Hence, no matter how the Patent Review turns out, the litigation will at the very least be simplified.

Moreover, the Patent Office *must* rapidly institute and decide the Patent Review. The shortened statutory deadlines, part and parcel of Congress’s effort to design Patent Review as a cost-effective and non-duplicative alternative to civil litigation,<sup>16</sup> ensure that a stay will be brief and efficient.<sup>17</sup> The new Patent Review procedure compels the Patent Trial and Appeals Board to respond promptly and predictably,<sup>18</sup> and no matter how it rules, this litigation is unquestionably simplified.

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<sup>16</sup> Ex. W., 77 Fed. Reg. 157 at 48721 (“[T]he AIA provides more coordination between district court infringement litigation and *inter partes* review to reduce duplication of efforts and costs. . . . [B]y providing shorter timelines for *inter partes* review compared with reexamination, it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.”).

<sup>17</sup> See, e.g., *Software Rights Archive, LLC v. Facebook, Inc.*, Nos. C-12-3970, 3971, 3972 RMW, 2013 WL 5225522, at \*2 (N.D. Cal. Sept. 17, 2013) (remarking that “such a promise of shorter proceedings may convince even skeptical judges to exercise their inherent discretion to stay cases pending IPR proceedings at the PTO” (emphasis omitted) (quotations omitted) (citing *Pi-Net Int’l, Inc. v. Focus Business Bank*, Nos. C-12-4958-PSG, 4959 PSG, 4962-PSG, 2013 WL 4475940, at \*1 (N.D. Cal. Aug. 16, 2013))).

<sup>18</sup> *E-Watch, Inc. v. Lorex Canada, Inc.*, No. H-12-3314, 2013 WL 5425298 (Sep. 26, 2013) (“Furthermore, the IPR process was specifically established under the Leahy–Smith America Invents Act (‘AIA’) to proceed in a timely fashion.”).

#### IV. CONCLUSION

Resolution of the *ION Litigation* and the pending Patent Review may entirely resolve, and at the very least will significantly streamline, the issues to be litigated here. Thus, it would be most efficient to stay Western's claims until these overlapping proceedings are resolved.

Dated: April 23, 2014

By: /s/ David Beck  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing instrument has been forwarded to all counsel of record pursuant to Federal Rules of Civil Procedure on April 23, 2014.

/s/ Dominik Slusarczyk  
Dominik Slusarczyk

**CERTIFICATE OF CONFERENCE**

Counsel for Geo has notified Western regarding Geo's intention to move for a stay of this case numerous times, including at the March 18, 2014 hearing, thereafter, and again shortly before filing the present motion. Western has repeatedly indicated that it opposes a stay.

/s/ Dominik Slusarczyk  
Dominik Slusarczyk

# EXHIBIT A



**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

WESTERNGECO L.L.C.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. _____
	)	
ION GEOPHYSICAL CORPORATION,	)	
	)	
Defendant.	)	

**COMPLAINT**

**DEMAND FOR JURY TRIAL**

Plaintiff WesternGeco L.L.C., for its Complaint against Defendant ION Geophysical Corporation, hereby alleges as follows and demands a jury trial on all issues so triable.

**THE PARTIES**

1. Plaintiff WesternGeco L.L.C. (“WesternGeco”) is a Delaware corporation having a principal place of business at 10001 Richmond Avenue, Houston, Texas 77042-4299.
2. Upon information and belief, Defendant ION Geophysical Corporation (“ION”) is a Delaware corporation having a place of business at 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839.

**NATURE OF THE ACTION**

3. This is a civil action for the willful infringement of United States Patents No. 6,691,038 (“the ‘038 patent”), 6,932,017 (“the ‘017 patent”), 7,080,607 (“the ‘607 patent”), 7,162,967 (“the ‘967 patent”), and 7,293,520 (“the ‘520 patent”). This action arises under the Patent Laws of the United States, 35 U.S.C. § 1 *et seq.*

### **JURISDICTION AND VENUE**

4. This Court has subject matter jurisdiction over the infringement action pursuant to 28 U.S.C. §§ 1331 and 1338(a).

5. ION is subject to personal jurisdiction in this Court as evidenced by, *inter alia*, its presence in Texas and its systematic and continuous contacts with the State of Texas.

6. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391 and 1400(b).

### **THE PATENTS**

7. On February 10, 2004, the '038 patent, titled "Active Separation Tracking And Positioning System For Towed Seismic Arrays," was duly and legally issued to WesternGeco as assignee. WesternGeco is the current assignee of the '038 patent, and is the owner of the right to sue and to recover for any current or past infringement of that patent. A copy of the '038 patent is attached hereto as Exhibit A.

8. On August 23, 2005, the '017 patent, titled "Control System For Positioning Of Marine Seismic Streamers," was duly and legally issued to WesternGeco as assignee. WesternGeco is the current assignee of the '017 patent, and is the owner of the right to sue and to recover for any current or past infringement of that patent. A copy of the '017 patent is attached hereto as Exhibit B.

9. On July 25, 2006, the '607 patent, titled "Seismic Data Acquisition Equipment Control System," was duly and legally issued to WesternGeco as assignee. WesternGeco is the current assignee of the '607 patent, and is the owner of the right to sue and to recover for any current or past infringement of that patent. A copy of the '607 patent is attached hereto as Exhibit C.

10. On January 16, 2007, the '967 patent, titled "Control System For Positioning Of Marine Seismic Streamers," was duly and legally issued to WesternGeco as assignee. WesternGeco is the current assignee of the '967 patent, and is the owner of the right to sue and to recover for any current or past infringement of that patent. A copy of the '967 patent is attached hereto as Exhibit D.

11. On November 13, 2007, the '520 patent, titled "Control System For Positioning Of A Marine Seismic Streamers," was duly and legally issued to WesternGeco as assignee. WesternGeco is the current assignee of the '520 patent, and is the owner of the right to sue and to recover for any current or past infringement of that patent. A copy of the '520 patent is attached hereto as Exhibit E.

**COUNT I – INFRINGEMENT OF THE '038 PATENT**

12. WesternGeco repeats and incorporates by reference the allegations set forth in paragraphs 1-11 above.

13. ION has infringed the '038 patent, literally and/or under the doctrine of equivalents, by making, using, offering to sell, selling and/or supplying in or from the United States products and services relating to steerable streamers (including but not limited to DigiFIN and ORCA products and services) and/or inducing and/or contributing to such conduct by ION's customers or other persons or entities, without authority and in violation of 35 U.S.C. § 271(a), (b), (c) and/or (f).

14. ION does not have any license or other authority from WesternGeco or any other person or entity to practice the subject matter claimed by the '038 patent.

15. WesternGeco has, at all relevant times, complied with the notice provisions of 35 U.S.C. § 287(a) with respect to the '038 patent.

16. Upon information and belief, ION has been aware of the '038 patent at all relevant times.

17. Upon information and belief, ION has willfully infringed the '038 patent. ION's willful infringement of the '038 patent renders this an exceptional case pursuant to 35 U.S.C. § 285.

### **COUNT II – INFRINGEMENT OF THE '017 PATENT**

18. WesternGeco repeats and incorporates by reference the allegations set forth in paragraphs 1-17 above.

19. ION has infringed the '017 patent, literally and/or under the doctrine of equivalents, by making, using, offering to sell, selling and/or supplying in or from the United States products and services relating to steerable streamers (including but not limited to DigiFIN and ORCA products and services) and/or inducing and/or contributing to such conduct by ION's customers or other persons or entities, without authority and in violation of 35 U.S.C. § 271(a), (b), (c) and/or (f).

20. ION does not have any license or other authority from WesternGeco or any other person or entity to practice the subject matter claimed by the '017 patent.

21. WesternGeco has, at all relevant times, complied with the notice provisions of 35 U.S.C. § 287(a) with respect to the '017 patent.

22. Upon information and belief, ION has been aware of the '017 patent at all relevant times.

23. Upon information and belief, ION has willfully infringed the '017 patent. ION's willful infringement of the '017 patent renders this an exceptional case pursuant to 35 U.S.C. § 285.

**COUNT III – INFRINGEMENT OF THE ‘607 PATENT**

24. WesternGeco repeats and incorporates by reference the allegations set forth in paragraphs 1-23 above.

25. ION has infringed the ‘607 patent, literally and/or under the doctrine of equivalents, by making, using, offering to sell, selling and/or supplying in or from the United States products and services relating to steerable streamers (including but not limited to DigiFIN and ORCA products and services) and/or inducing and/or contributing to such conduct by ION’s customers or other persons or entities, without authority and in violation of 35 U.S.C. § 271(a), (b), (c) and/or (f).

26. ION does not have any license or other authority from WesternGeco or any other person or entity to practice the subject matter claimed by the ‘607 patent.

27. WesternGeco, has at all relevant times, complied with the notice provisions of 35 U.S.C. § 287(a) with respect to the ‘607 patent.

28. Upon information and belief, ION has been aware of the ‘607 patent at all relevant times.

29. Upon information and belief, ION has willfully infringed the ‘607 patent. ION’s willful infringement of the ‘607 patent renders this an exceptional case pursuant to 35 U.S.C. § 285.

**COUNT IV – INFRINGEMENT OF THE ‘967 PATENT**

30. WesternGeco repeats and incorporates by reference the allegations set forth in paragraphs 1-29 above.

31. ION has infringed the ‘967 patent, literally and/or under the doctrine of equivalents, by making, using, offering to sell, selling and/or supplying in or from the United

States products and services relating to steerable streamers (including but not limited to DigiFIN and ORCA products and services) and/or inducing and/or contributing to such conduct by ION's customers or other persons or entities, without authority and in violation of 35 U.S.C. § 271(a), (b), (c) and/or (f).

32. ION does not have any license or other authority from WesternGeco or any other person or entity to practice the subject matter claimed by the '967 patent.

33. WesternGeco, has at all relevant times, complied with the notice provisions of 35 U.S.C. § 287(a) with respect to the '967 patent.

34. Upon information and belief, ION has been aware of the '967 patent at all relevant times.

35. Upon information and belief, ION has willfully infringed the '967 patent. ION's willful infringement of the '967 patent renders this an exceptional case pursuant to 35 U.S.C. § 285.

#### **COUNT V – INFRINGEMENT OF THE '520 PATENT**

36. WesternGeco repeats and incorporates by reference the allegations set forth in paragraphs 1-35 above.

37. ION has infringed the '520 patent, literally and/or under the doctrine of equivalents, by making, using, offering to sell, selling and/or supplying in or from the United States products and services relating to steerable streamers (including but not limited to DigiFIN and ORCA products and services) and/or inducing and/or contributing to such conduct by ION's customers or other persons or entities, without authority and in violation of 35 U.S.C. § 271(a), (b), (c) and/or (f).

38. ION does not have any license or other authority from WesternGeco or any other person or entity to practice the subject matter claimed by the '520 patent.

39. WesternGeco has, at all relevant times, complied with the notice provisions of 35 U.S.C. § 287(a) with respect to the '520 patent.

40. Upon information and belief, ION has been aware of the '520 patent at all relevant times.

41. Upon information and belief, ION has willfully infringed the '520 patent. ION's willful infringement of the '520 patent renders this an exceptional case pursuant to 35 U.S.C. § 285.

#### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff WesternGeco prays for judgment:

- A. Adjudging that Defendant ION has infringed the '038 patent;
- B. Adjudging that Defendant ION has infringed the '017 patent;
- C. Adjudging that Defendant ION has infringed the '607 patent;
- D. Adjudging that Defendant ION has infringed the '967 patent;
- E. Adjudging that Defendant ION has infringed the '520 patent;
- F. Awarding WesternGeco damages adequate to compensate for ION's infringement of the '038 patent, the '017 patent, the '607 patent, the '967 patent, and the '520 patent, together with interest and costs as fixed by the Court;
- G. Adjudging that ION's infringement of the '038 patent, the '017 patent, the '607 patent, the '967 patent, and the '520 patent has been willful and trebling all damages awarded to WesternGeco for such infringement pursuant to 35 U.S.C. § 284;

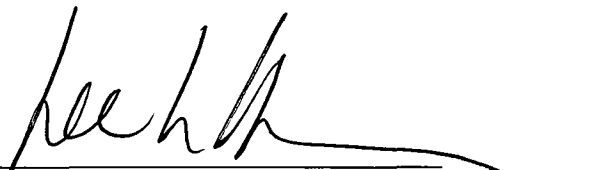
- H. Enjoining ION or any of its agents or related entities from making, using, offering to sell, selling and/or supplying in or from the United States products and services that practice the subject matter of the '038 patent, the '017 patent, the '607 patent, the '967 patent, and the '520 patent pursuant to 35 U.S.C. § 283;
- I. Enjoining ION or any of its agents or related entities from making, using, offering to sell, selling and/or supplying in or from the United States components of systems or methods that practice, or otherwise aiding or inducing ION's customers or other persons or entities to practice, the subject matter of the '038 patent, the '017 patent, the '607 patent, the '967 patent, and the '520 patent pursuant to 35 U.S.C. § 283;
- J. Declaring this case to be exceptional within the meaning of 35 U.S.C. § 285 and awarding WesternGeco the attorney fees, costs and expenses it incurs in this action; and
- K. Awarding WesternGeco such other and further relief as the Court deems just and proper.



**DEMAND FOR JURY TRIAL**

Pursuant to Federal Rule of Civil Procedure 38, Plaintiff WesternGeco hereby demands a trial by jury for all the issues so triable.

Dated: June 12, 2009

By:   
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Federal ID No. 1840  
Attorney-in-Charge  
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*Attorneys for Plaintiff  
WesternGeco L.L.C.*

# EXHIBIT B

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO L.L.C.,

Plaintiff,

v.

ION GEOPHYSICAL CORPORATION,

Defendant.

§  
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§  
§

CIVIL ACTION NO. 4:09-cv-1827

Judge Keith P. Ellison

VERDICT FORM

QUESTION 1 – INFRINGEMENT UNDER 35 U.S.C. § 271(f)(1)

Did WesternGeco prove by a preponderance of the evidence that ION infringed any of the patent claims listed below pursuant to Section 271(f)(1)?

Answer “Yes” or “No” for each of the listed claims in the spaces provided below.

‘520 Patent:

Claim 19: YES

Claim 23: YES

‘967 Patent:

Claim 15: YES

‘607 Patent:

Claim 15: YES

‘038 Patent:

Claim 14: YES

**QUESTION 2 – INFRINGEMENT UNDER 35 U.S.C. § 271(f)(2)**

**Did WesternGeco prove by a preponderance of the evidence that ION infringed any of the patent claims listed below pursuant to Section 271(f)(2)?**

Answer “Yes” or “No” for each of the listed claims in the spaces provided.

**‘520 Patent:**

Claim 18: YES

Claim 19: YES

Claim 23: YES

**‘967 Patent:**

Claim 15: YES

**‘607 Patent:**

Claim 15: YES

**‘038 Patent:**

Claim 14: YES

**QUESTION 3 – INVALIDITY**

**(A) '520 PATENT**

**Anticipation of the '520 Patent**

Did ION prove by clear and convincing evidence that U.S. Patent No. 5,790,472 (“Workman Patent”) anticipates Claim 18 of the '520 Patent?

Answer “Yes” or “No” in the space provided: NO

**Non-enablement of the '520 Patent**

Did ION prove by clear and convincing evidence any of the following claims of the '520 patent are *not* enabled?

Answer “Yes” or “No” for each of the listed claims in the spaces provided:

Claim 18 of the '520 Patent NO

Claim 19 of the '520 Patent NO

Claim 23 of the '520 Patent NO

**(B) '967 PATENT**

**Obviousness of the '967 Patent**

Did ION prove by clear and convincing evidence that that the combination of U.S. Patent No. 5,790,472 ("Workman Patent") and International Application WO 98/28636 ("'636 Patent Publication") renders Claim 15 of the '967 Patent obvious?

Answer "Yes" or "No" in the space provided: NO

**Non-enablement of the '967 Patent**

Did ION prove by clear and convincing evidence that Claim 15 of the '967 Patent is *not* enabled?

Answer "Yes" or "No" in the space provided: NO

**(C) '607 PATENT**

**Anticipation of the '607 Patent**

Did ION prove by clear and convincing evidence that U.S. Patent No. 5,790,472 (the "Workman Patent") anticipates Claim 15 of the '607 Patent?

Answer "Yes" or "No" in the space provided: NO

**Obviousness of the '607 Patent**

Did ION prove by clear and convincing evidence that the combination of U.S. Patent No. 5,790,472 (referred to as the "Workman Patent") and International Application WO 98/28636 (referred to as the "636 Patent Publication") renders Claim 15 of the '607 Patent obvious?

Answer "Yes" or "No" in the space provided: NO

**Non-Enablement of the '607 Patent**

Did ION prove by clear and convincing evidence that Claim 15 of the '607 Patent is *not* enabled?

Answer "Yes" or "No" in the space provided: NO

**(D) '038 PATENT**

**Anticipation of the '038 Patent**

Did ION prove by clear and convincing evidence that International Application WO 00/20895 ("Hillesund '895 Application) anticipates Claim 14 of the '038 patent?

Answer "Yes" or "No" in the space provided: NO

**Obviousness of the '038 Patent**

Did ION prove by clear and convincing evidence that International Application WO 00/20895 ("Hillesund '895 Application) renders Claim 14 of the '038 patent obvious?

Answer "Yes" or "No" in the space provided: NO

**Non-Enablement of the '038 Patent**

Did ION prove by clear and convincing evidence that Claim 14 of the '038 Patent is *not* enabled?

Answer "Yes" or "No" in the space provided: NO



**QUESTION 4 – WILLFUL INFRINGEMENT**

**Did WesternGeco prove by clear and convincing evidence that ION actually knew, or it was so obvious that ION should have known, that its actions constituted infringement of a valid patent claim?**

Answer “Yes” or “No” in the space provided:

YES

**QUESTION 5 – DAMAGES**

If any claim is infringed and not invalid, what damages do you find WesternGeco has proven by a preponderance of the evidence that it suffered as a result of ION's infringement? Any amount found should be written in dollars and cents.

Lost Profits \$ 93,400,000.

Reasonable Royalty \$ 12,500,000.

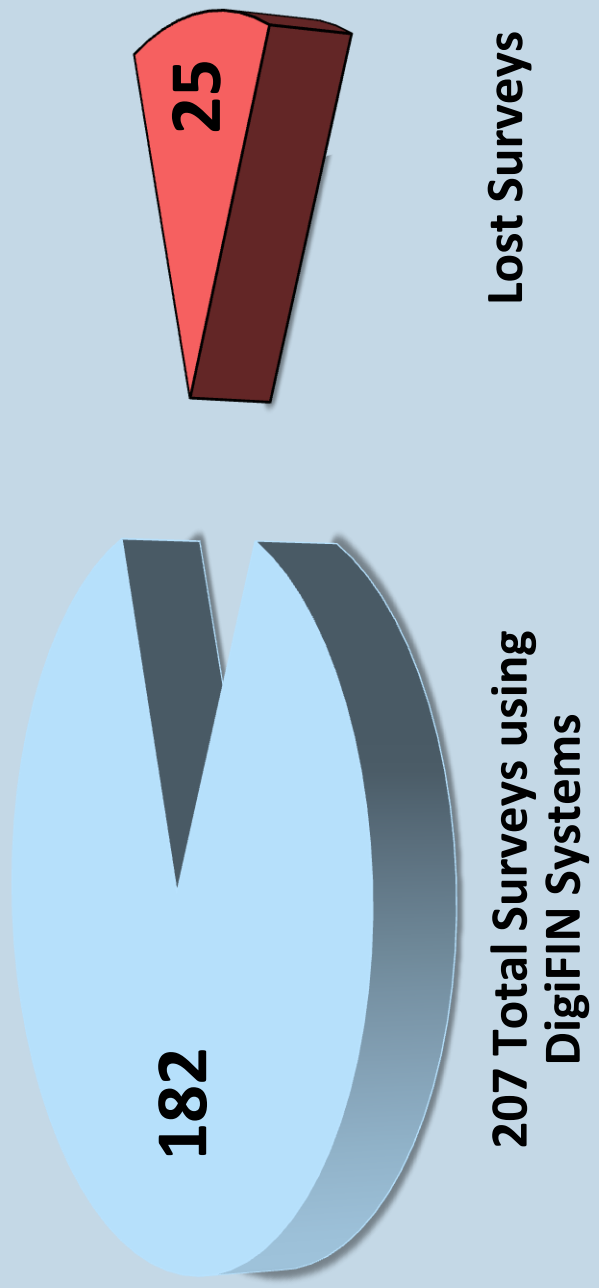
For the Jury:

By: \_\_\_\_\_  
Foreperson

Date: 16 AUGUST 2012

# EXHIBIT C

- 1. 4D Surveys for Statoil, Total, and BP (6)
- 2. All Apache Surveys done by Fugro (9)
- 3. Other Surveys that required Lateral Steering (10)



# 4D Surveys For Statoil, Total, And BP

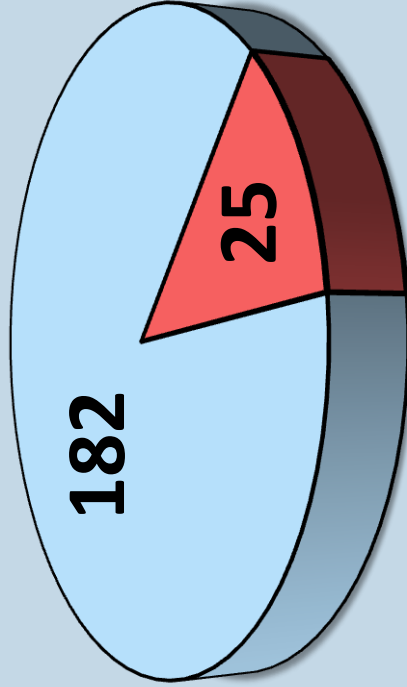
Survey	Winning Contractor	Revenue
Statoil Norway 4D 	Polarcus	\$6,100,000
Statoil Norway 4D 	PGS	\$11,800,000
Statoil Norway 4D 	PGS	\$13,000,000
Total Angola 4D 	PGS	\$15,808,540
Total Nigeria 4D 	Polarcus	\$7,249,300
BP Angola 4D 	PGS	\$18,000,000

# Other Surveys That Required Lateral Steering Systems

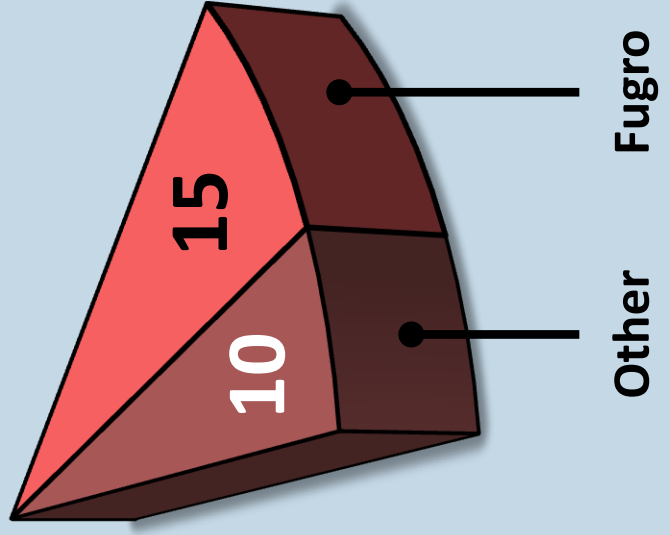
Survey	Winning Contractor	Revenue
ConocoPhillips Australia	CGGV	\$24,500,000
Tullow French Guiana	Fugro	\$25,580,935
Tullow Ivory Coast	Fugro	\$7,634,967
Anadarko Ivory Coast	Fugro	\$6,188,252
ExxonMobil Angola	PGS	\$10,000,000
Petronas Malaysia	CGGV	\$13,000,000
Statoil Alaska	Fugro	\$21,206,982
BP Australia	PGS	\$45,000,000
Eni Togo	Fugro	\$15,475,820
TGS-NOPEC Australia	Fugro	\$17,476,250

# Lost Profits Summary

## 207 Total Surveys Using DigiFIN Systems

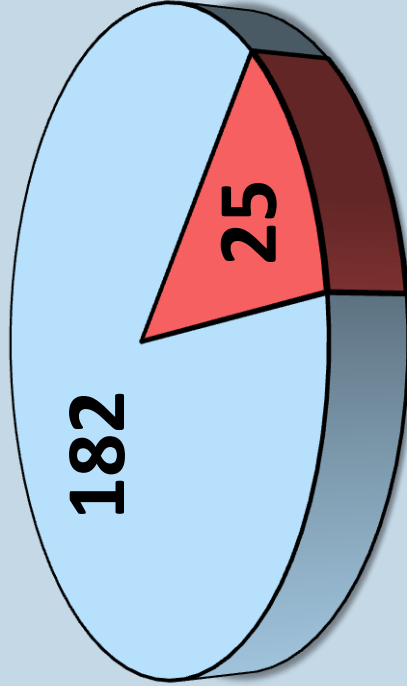


## 25 Lost Profits Surveys



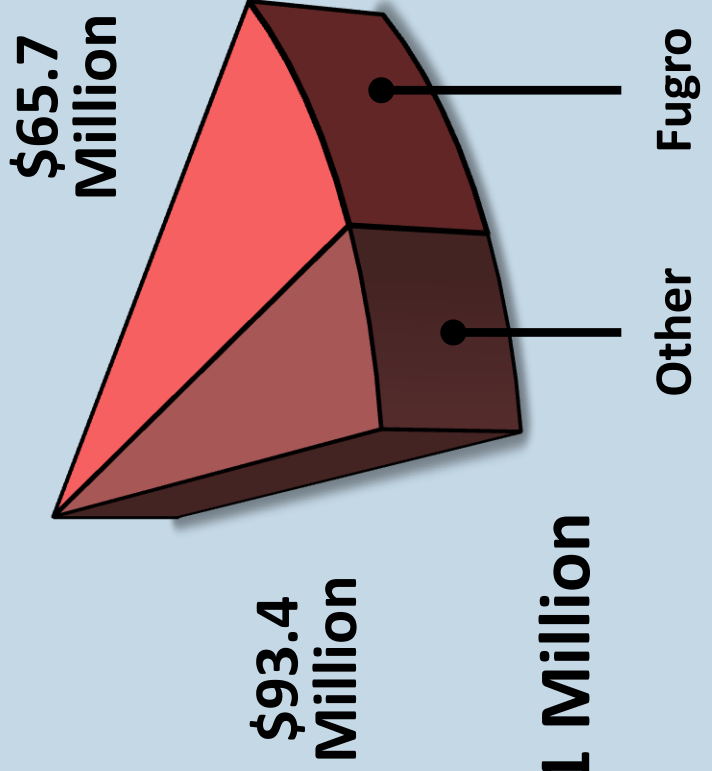
# Lost Profits Summary

## 207 Total Surveys Using DigiFIN Systems



## 25 Lost Profits Surveys

**Total Lost Profits = \$159.1 Million**





# EXHIBIT D

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO LLC, <i>et al</i> ,	§	
	§	
<b>Plaintiffs,</b>	§	
	§	
VS.	§	CIVIL ACTION NO. 4:09-CV-1827
	§	
ION GEOPHYSICAL CORPORATION, <i>et</i>	§	
<i>al</i> ,	§	
	§	
<b>Defendants.</b>	§	

**MEMORANDUM AND ORDER**

Pending before the Court is WesternGeco L.L.C.’s Motion for Supplemental Damages (Doc. No. 636), ION Geophysical Corporation’s Motion to Compel (Doc. No. 658), and WesternGeco L.L.C.’s Motion to Strike (Doc. No. 659). After considering the motions, all responses thereto, and the applicable law, the Court finds that WesternGeco L.L.C.’s Motion for Supplemental Damages must be **GRANTED**. WesternGeco L.L.C.’s Motion to Strike must be **DENIED** and ION Geophysical Corporation’s Motion to Compel must be **GRANTED**.

**I. BACKGROUND**

This is a patent infringement case originally brought by WesternGeco L.L.C. (“WesternGeco”) against ION Geophysical Corporation (“ION”). WesternGeco alleged that ION had infringed certain claims of U.S. Patent Nos. 7,293,520 (the “520 Patent”), 7,162,967 (the “967 Patent”), 7,080,607 (the “607 Patent”), and 6,691,038 (the “038 Patent”). These patents all pertain to streamer positioning devices used in marine seismic surveys. Streamers, essentially long cables deployed behind boats, create three-dimensional maps of the subsurface of the ocean floor with acoustic signals and sensors. Streamer positioning devices control the position of the streamer as it is towed in order to achieve optimal imagery from the signals and to

maneuver around obstacles.

In a ruling on a summary judgment motion on June 29, 2012, the Court decided that ION had infringed claim 18 of WesternGeco's '520 Patent under 35 U.S.C. § 271(f)(1). (Doc. No. 372.) On August 16, 2012, the jury returned a verdict in favor of WesternGeco after finding that ION infringed claim 18 of the '520 Patent under Section 271(f)(2); claim 19 and claim 23 of the '520 Patent under Section 271(f)(1) and (f)(2); claim 15 of the '967 Patent under Section 271(f)(1) and (f)(2); claim 15 of the '607 Patent under Section 271(f)(1) and (f)(2); and claim 14 of the '038 Patent under Section 271(f)(1) and (f)(2). The jury did not find anticipation or non-enablement of the '520 Patent or the '967 Patent, nor anticipation, obviousness or non-enablement of the '607 or the '038 Patent. The jury found that ION willfully infringed. The jury awarded WesternGeco \$93,400,000 in lost profits and \$12,500,000 as reasonable royalty. (Doc. No. 536.)

ION's CEO, Robert Peebler, testified under oath at trial that ION stopped selling the DigiFIN after the Court's June 29, 2012 entry of summary judgment. On February 21, 2013, ION admitted that ION Dubai, a foreign subsidiary, had in fact continued sales. (*See* Doc No. 634 at 38.) Based on this information, the Court ordered ION to submit post-trial accounting, which revealed that "[t]he last sales information provided to [WesternGeco] prior to trial was for sales *through May 2011.*" (Doc. No. 620 at 3 (emphasis in original.))<sup>1</sup> In its post-trial accounting, ION identified 1,353 sales since May 2011, some of which occurred before trial but were not presented to the jury and some of which occurred after trial. (*Id.* at 5-6.) The Court found that WesternGeco was entitled to supplemental damages for sales since May 2011, and ordered briefing. (Doc. No. 634 at 39.)

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<sup>1</sup> ION later amended this statement and alleged that the last update was provided in May, 2012 rather than May, 2011. ION claimed that WesternGeco had nevertheless chosen to not include any sales data since May, 2011 in its presentation at trial. (Doc. No. 644 at 1 & n.1.)

## II. SUPPLEMENTAL DAMAGES

To assess supplemental damages, the Court must resolve (1) how many additional units infringed WesternGeco's patents, (2) how to apply the jury's award to those units, and (3) whether to impose an enhancement for willful conduct.

### A. Additional Infringement

ION's liability for any additional infringement must satisfy the requirements of 35 U.S.C. § 271(f)(1) or (f)(2). Section 271(f) of the Patent Act provides a limited exception to the general rule that United States patent law has no application outside of the United States. *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441 (2007). Prior to this legislation, a manufacturer could escape liability by manufacturing the components of a patented product here, but then shipping the components overseas to be assembled beyond the reach of United States patent laws. *See Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972); *Microsoft*, 550 U.S. at 442-45. Responding to this "loophole," Congress enacted Section 271(f) in 1984. *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113, 1116 (Fed. Cir. 2004).

Section 271(f) imposes liability on manufacturers who supply a patented invention's components abroad. *Microsoft*, 550 U.S. at 444-45. Specifically, Section 271(f) imposes liability on:

- (1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States... [and]
- (2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending

that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States . . .

35 U.S.C. § 271(f). The differences between the two sections are subtle. *See T.D. Williamson, Inc. v. Laymon*, 723 F.Supp. 587, 592 (N.D. Okla. 1989) (citing the legislative history). Section 271(f)(1) requires a manufacturer to supply “all or a substantial portion of the components,” whereas the supply of “any component” satisfies Section 271(f)(2) so long as it is “especially made or especially adapted for use in the invention.” The two sections also require different mental states. A prior Order explained the difference between “actively induc[ing]” and “intending” the combination of components while “knowing” the components are especially suited for use in the patented invention. (*See* Doc. No. 372.)

In this case, the parties agree on ION’s liability for 1,140 DigiFIN units, but another 617 units remain in dispute. These DigiFIN units can be subdivided into two helpful categories – those that were manufactured in the United States and those that were manufactured in Dubai.

### **1. DigiFINs Manufactured in the United States**

ION sold and delivered 1,014 finished DigiFIN units prior to this Court’s entry of summary judgment that were nevertheless not included in the jury award. ION concedes liability for these units. (Doc. No. 644 at 11.)

In addition, ION shipped 483 finished DigiFIN units to itself in Norway on July 6, 2012. (Doc. No. 620 at 9.) ION transferred the DigiFIN units once more in September – this time to its facility in Dubai. (*Id.* at 10.) From Dubai, ION shipped 126 of these units to SOPGC, a buyer in China, according to a pre-existing contract. (*Id.*) After relocation, ION entered into a contract with BGP, another foreign buyer, for 70 units. (*Id.* at 11.) The remaining 287 units sit, unsold, in a warehouse in Dubai.<sup>2</sup> (Doc. No. 644 at 5.) ION concedes that supplemental damages

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<sup>2</sup> WesternGeco offered not to pursue supplemental damages on these 287 units if ION agreed to destroy them. (Doc.

should be assessed for the 126 units transferred to Dubai in anticipation of a sale to SOPGC, but contests the imposition of any liability for the 70 units sold abroad and the 287 units that remain unsold. (*Id.* at 12-13.)

ION argues that Section 271(f) is inapplicable to the finished units shipped abroad without a buyer in mind. Section 271(f), according to ION, requires “a specific intent to supply goods to be combined, by another,” as judged at the time of export. (Doc. No. 644 at 16.) As such, “there is no liability for supplying with the intent for components to be combined until there is a shipment to the buyer who will combine the parts.” (Doc. No. 620 at 11; *see also* Doc. No. 644 at 16.) Except for the 126 units sold to SOPGC, the finished DigiFIN units “were not destined for or committed to any customer” when they were relocated. (Doc. No. 620 at 12.) ION alleges that its only immediate intent was to warehouse, not combine, the DigiFIN units. (Doc. No. 644 at 16.) ION argues that any “hope” for a future sale falls short of the specific intent required under Section 271(f) at the time of export. (Doc. No. 644 at 16-17.) An overseas sale made after relocation, such as that which committed 70 units to BGP, would then be entirely extraterritorial: “This contract was entered into by ION S.à r.l outside of the United States, for inventory that was at the time outside of the United States (and not previously committed for sale), to a buyer for delivery outside of the United States.” (*Id.* at 13.) As such, ION claims that supplemental damages cannot be imposed for the relocation of inventory or the subsequent overseas sale. (*Id.* at 16-18.)

ION has misinterpreted Section 271(f) to require the components to be supplied abroad pursuant to a contemporaneous sale. The plain language of Section 271(f)(2) requires only that the defendant supply a component, especially made for the patented invention, with the intent for

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No. 636 at 10 n.3.) Since ION refused to do so (Doc. No. 644 at 16 n.7), this Court must determine ION’s liability.

overseas combination.<sup>3</sup> An exportation, rather than a sale, suffices. In *Pellegrini v. Analog Devices, Inc.*, the Federal Circuit found that “the language of § 271(f) clearly contemplates that there must be an intervening sale *or exportation*.” 375 F.3d at 1117 (emphasis added). In his dissenting opinion in *Microsoft Corporation v. AT&T Corporation*, Justice Stevens considered the application of Section 271(f)(2) to an exportation of components:

Under [Section 271(f)(2)], the export of a specially designed knife that has no use other than as a part of a patented deveining machine would constitute infringement. It follows that § 271(f)(2) would cover the export of an inventory of such knives to be warehoused until used to complete the assembly of an infringing machine.

550 U.S. at 463 (Stevens, J., dissenting). The majority changed the facts of Justice Stevens’ explanation slightly to warehousing copies of the knife, but did not disagree with the premise that Section 271(f)(2) could be satisfied by the “export of an inventory of [components] to be warehoused.” *Id.* at 453 n.15.

ION is therefore liable under Section 271(f)(2) for its supply of finished DigiFINs to Dubai to be warehoused until a later sale. The DigiFINs were manufactured in the United States and shipped abroad with the admitted “hope” of eventual sale. (*See* Doc. No. 620 at 7, 12.) ION’s plan to warehouse the units first does not relieve the company of liability. Nor does the fact that some of the units remain unsold. The Federal Circuit made clear that “[a] party can intend that a shipped component will ultimately be included in an assembled product even if the combination never occurs.” *Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1368 (Fed. Cir. 2001). ION’s intent to warehouse the exported DigiFINs until later sale satisfies the requirements for liability under Section 271(f)(2).

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<sup>3</sup> Since a finding of liability under Section 271(f)(2) is sufficient for the imposition of supplemental damages, the Court does not reach the question of whether ION’s actions establish liability under Section 271(f)(1) as well.

## 2. DigiFINs Manufactured in Dubai from American Parts

Another 260 units were manufactured, to some degree, in Dubai and subsequently sold to Turkey and Cyprus.<sup>4</sup> ION claims that these DigiFINs were manufactured and sold overseas, beyond the reach of United States patent laws. (Doc. No. 644 at 18.) ION admits, however, that these units were made in Dubai from parts, “all of [which] directly or indirectly came from the United States.” (*Id.* at 13.) Some of these parts were common to other non-infringing products, while some were unique to the DigiFIN. (*Id.*) None of these parts, according to ION, satisfies the “substantial portion” language of Section 271(f)(1) or the “component” language of Section 271(f)(2). (*Id.* at 20.) ION argues that WesternGeco cannot recover damages for these units since the supply of these parts did not constitute an act of infringement. (*Id.*)

WesternGeco disagrees. First, WesternGeco disputes the evidence of overseas manufacturing: “[n]o credible evidence exists that ION has actually moved its manufacturing to Dubai.” (Doc. No. 649 at 4.) WesternGeco points, for example, to ION’s own admission on March 1, 2013 that its facility in Dubai “is presently being renovated to permit the manufacture of DigiFINs,” suggesting that the facility is not operational. (Doc. No. 620 at 9; Doc. No. 636 at 7.) Second, WesternGeco argues that ION’s actions constitute infringement even if the finished DigiFINs are manufactured in Dubai. (Doc. No. 649 at 5.) WesternGeco claims that ION “merely accelerated its supply to predate its sale contracts.” (*Id.* at 6.) ION continues to infringe since it “supplied all of the components for its newest DigiFIN from the United States, including components ‘unique to the device.’” (*Id.*)

Based on the jury’s findings, as well as ION’s own admissions, liability is proper for the shipment of parts from the United States that are unique to the DigiFIN. Under Section

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<sup>4</sup> WesternGeco’s original Motion for Supplemental Damages included 200 units manufactured abroad. (Doc. No. 636 at 10.) WesternGeco’s reply, dated July 29, 2013, increased this number to 260 units based on an ION disclosure of July 26, 2013. (Doc. No. 649 at 4.)



271(f)(2), ION is liable for “any component . . . that is especially made or especially adapted for use in the invention.” 35 U.S.C. § 271(f)(2) (emphasis added). A component is “a constituent part, element or ingredient” of the patented invention. *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1363 (Fed. Cir. 2009) (internal quotation marks omitted). ION acknowledges that at least two parts that it ships from the United States – the “ASSY PC DIGIFIN CONTROLLER” and the yellow plastic wings – are unique to the DigiFIN. (Doc. No. 651-1 at 4.) ION does not dispute, and the jury must have found, that the DigiFIN is especially made or especially adapted for use in WesternGeco’s patented invention. (See Doc. No. 634 at 21.) Parts unique to the DigiFIN must therefore be components especially made or especially adapted for use in the patented invention. As such, the supply of parts unique to the DigiFIN from the United States violates Section 271(f)(2).

#### **B. Calculation of Damages**

Supplemental damages for ION’s continued infringement must be calculated consistently with the jury’s verdict. See *Apple, Inc. v. Samsung Elec. Co., Ltd.*, 926 F. Supp. 2d 1100, 1106 (N.D. Cal. 2013). In this case, the jury awarded WesternGeco \$93,400,000 for lost profits and \$12,500,000 as reasonable royalty for 2,547 infringing DigiFINs. (Doc. No. 536 at 8.) The parties disagree over how to calculate the relevant rate of damages to be applied to the additional units of infringement. WesternGeco argues that the Court should use the ratio of the total damages to sales, totaling \$41,578 per DigiFIN. (Doc. No. 636 at 11.) ION argues that the Court should use the ratio of the reasonable royalty award to sales, totaling \$4,907.73 per unit. (Doc. No. 644 at 21.)

ION’s proposed solution of considering only the reasonable royalty would insufficiently compensate WesternGeco. Section 284 mandates “damages adequate to compensate for the

infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.” 35 U.S.C. § 284. Not only does ION’s ratio ignore completely the jury’s finding of lost profits for some acts of infringement, but it dilutes the rate of reasonable royalty by improperly assuming its application to all 2,547 units.

The Court finds that using the total amount of damages is more consistent with the jury’s award. WesternGeco’s approach of taking the average of the damages assessed by the jury (Doc. No. 649 at 7) is reasonable since the jury awarded lost profits for some acts of infringement and reasonable royalty for others (*see* Doc. No. 530 at 24). Most courts confronting supplemental damages are faced with only one form of damages. *See, e.g., August Tech. Corp. v. Camtek, Ltd.*, 2010 WL 5560088 at \*3-4 (D. Minn. Nov. 17 2010) (lost profits); *Mondis Tech. Ltd. v. Chimei InnoLux Corp.*, 822 F. Supp. 2d 639, 643 (E.D. Tex. 2011) (royalty rate); *Stryker Corp. v. Davol, Inc.*, 75 F. Supp. 2d 746, 747 (W.D. Mich. 1999) (royalty rate); *Apple*, 926 F. Supp. 2d at 1106 (lost profit or reasonable royalty depending on the product). In this case, the Court must extrapolate the jury’s award of lost profit damages and reasonable royalty to ensure consistency with the jury’s verdict and adequate compensation for WesternGeco. The jury’s award of \$105,900,000 for 2,547 DigiFIN units suggests a reasonable supplemental damages award of \$73,052,546 for 1,757 additional units.

### **C. Enhancement for Willful Violation**

WesternGeco requests enhanced damages based on ION’s continued infringement. In a prior Order, this Court refused to impose enhanced damages after finding that ION reasonably relied on defenses presented at trial. (Doc. No. 634 at 24-28.) WesternGeco highlights 396 DigiFINs that were sold after the verdict – 126 units sold post-verdict to SOPGC, 70 units sold post-verdict to BGP, and 200 (now 260) units manufactured in Dubai from American parts and

sold post-verdict – for which it requests treble damages. (Doc. No. 636 at 9, 10, 15.)

WesternGeco argues that ION was objectively reckless when it continued to infringe after the jury’s verdict against it. (Doc. No. 636 at 14.)

To prove objective recklessness, WesternGeco must show by clear and convincing evidence that “[ION] acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assoc., Inc.*, 682 F.3d 1003, 1005 (Fed. Cir. 2012). As discussed above, ION’s liability under Section 271(f) for these additional units arose when it supplied components abroad with the intent of future combination. When examining ION’s recklessness, the Court therefore considers the timing of the export rather than the timing of the sale.

ION exported all of the finished DigiFIN units in July 2012, after the summary judgment order but prior to the verdict. (Doc. No. 620 at 9.) At exportation, ION reasonably relied on the defenses that it would later present to the jury. (*See* Doc. No. 634 at 24-28.) The only question is whether its actions were objectively reckless on the heels of the Court’s summary judgment ruling that it had infringed claim 18 of the ‘520 patent. (*See* Doc. No. 372.) ION’s export of 70 units, subsequently sold to BGP, was not objectively reckless. ION reasonably relied on its argument that the relocation of inventory abroad, without a committed buyer in mind, is not an infringement. Although mistaken, this argument is not unreasonable. ION’s export of 126 units, subsequently delivered to SOPGC pursuant to a pre-existing contract, is more troubling to the Court. ION noted the arguments that it would have made but for their litigation decision to concede liability: “ION took the position it would not argue either that these units sold by ION INTERNATIONAL or their movement outside of the United States as part of ION INTERNATIONAL’s overall inventory relocation exempted them from an accounting.” (Doc.

No. 626 at 3.) The Court finds that these arguments are not objectively unreasonable in light of the summary judgment order.

ION exported DigiFIN parts before and after the verdict. (*See* Doc. No. 623-3.) Neither the summary judgment order nor the verdict considered the supply of parts, rather than finished DigiFIN units. The Court now decides that the supply of parts unique to the DigiFIN satisfies Section 271(f)(2)'s requirements, but ION's contrary belief was not objectively baseless. As such, the shipment of unique DigiFIN parts after the verdict also does not support enhanced damages.

### **III. PERMANENT INJUNCTION**

In light of the circumstances necessitating this Order, WesternGeco requests that the Court clarify the existing permanent injunction. The Court issued a permanent injunction in this case on June 19, 2013 based on the revelation after trial that ION continued to make and sell DigiFIN units. (Doc. No. 634 at 46.) The Court found that the "deeply troubling" misstatements at trial, the shipment of inventory abroad, and the SOPGC sale after trial weighed in favor of a permanent injunction. (*Id.*) WesternGeco now asks that the Court clarify that the injunction applies to "ION's supply of DigiFIN components from the United States for assembly abroad" in order to target ION's current practice of shipping DigiFIN parts to Dubai for manufacture and sale. (Doc. No. 636 at 16.) As explained above, the supply abroad of parts unique to the DigiFIN with the intent for future combination is an infringement under Section 271(f)(2). As such, ION's supply of parts unique to the DigiFIN from the United States is hereby enjoined.

### **IV. MOTION TO COMPEL**

WesternGeco brought a separate lawsuit against one of ION's customers, Polarcus, for infringing the same patents at issue in this case. (Doc. No. 658, Ex. A.) WesternGeco alleged

that Polarcus “executed a fleet-wide contract with ION for streamer positioning and control systems including ION’s DigiFIN and Lateral Controller.” (*Id.* at 6.) The parties settled the case on October 3, 2013, by agreeing to a \$40 million license fee. (Doc. No. 658, Ex. B.) [REDACTED]

[REDACTED] ION moves to compel production of the complete agreement. (Doc. No. 658.) WesternGeco moves to strike ION’s Motion to Compel as repetitive of a prior post-trial motion. (Doc. No. 659.)

The Court finds that ION’s present Motion to Compel is distinct from its prior Motion to Compel. (*Compare* Doc. No. 609 *with* Doc. No. 658.) The two motions sought different documents pursuant to different rationales. Although the prior Motion to Compel was denied (Doc. No. 634 at 44), the Court considers the present Motion on its own merits. As such, WesternGeco’s Motion to Strike is denied.

ION argues that the Polarcus agreement should be discoverable as relevant to the number of infringing units. (Doc. No. 658 at 5.) Polarcus bought DigiFINs and Lateral Controllers from ION. (Doc. No. 658, Ex. A at 6.) In its complaint against Polarcus, WesternGeco claimed that it “was not compensated for *some* or all of [Polarcus’s] infringement as a result of the ION litigation.” (*Id.* at 7 (emphasis added.)) ION highlights the potential overlap between infringements covered by the ION verdict and the Polarcus agreement: “It appears from public information that WesternGeco is likely getting a double recovery in some respect because its

license to Polarcus ultimately resolved a lawsuit over the same devices and same patent claims at issue here.” (Doc. No. 660 at 3.) [REDACTED]

[REDACTED] The Court agrees with ION that the effect of the agreement on the number of infringing units is far from clear and warrants discovery.

While the agreement is relevant to the number of DigiFINs requiring supplemental damages, it is not relevant to the rate of supplemental damages. ION argues that “the Polarcus license is directly relevant to WesternGeco’s request for supplemental damages, both for the number of DigiFINs subject to royalties, *as well as the rate.*” (Doc. No. 658 at 5 (emphasis in original.)) To the contrary, the Court’s assessment of supplemental damages applies the known jury verdict to the number of additional infringing units. The agreement has no relevance in this calculation beyond determining the number of units that warrant supplemental damages.

Accordingly, the Court orders production of the Polarcus agreement to outside counsel by Tuesday, October 29, 2013, for the limited purpose of determining whether the agreement includes a past release for infringements adjudicated at trial or included in the base for supplemental damages. ION must file any motion for a credit or remittitur, if necessary, within seven days of production. WesternGeco’s response will be due seven days after the submission of ION’s motion.

### **CONCLUSION**

ION’s supply of an additional 1,757 infringing DigiFIN units from the United States, as both its finished form and its essential components, infringed WesternGeco’s patents. These acts of infringement were not before the jury, and require supplemental damages consistent with the jury’s verdict. The Court hereby awards WesternGeco \$73,052,546 in supplemental damages.

In addition, the Court clarifies that the permanent injunction applies with equal force to the supply of parts unique to the DigiFIN as to the supply of finished DigiFIN units. Lastly, WesternGeco's Motion to Strike ION's Motion to Compel is denied. ION's Motion to Compel is granted for the limited purpose of determining if the agreement includes a past release for infringements already adjudicated at trial or included in the base for supplemental damages.

**IT IS SO ORDERED.**

**SIGNED** at Houston, Texas, on this the 24th day of October, 2013.

A handwritten signature in black ink, appearing to read "Keith P. Ellison". The signature is written in a cursive style with some capital letters.

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KEITH P. ELLISON  
UNITED STATES DISTRICT JUDGE

# EXHIBIT E





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## In Rare Feat, 2 Patents Emerge Unscathed From AIA Reviews

By **Ryan Davis**

Law360, New York (April 15, 2014, 9:44 PM ET) -- In an apparent first for the new America Invents Act review proceedings, the U.S. Patent and Trademark Office on Friday affirmed every claim of two motion control software patents owned by Roy-G-Biv Corp. after completing an inter partes review.

The USPTO's Patent Trial and Appeal Board ruled that engineering company ABB Inc., which sought review of the patents after being **sued in 2011** for infringement in the Eastern District of Texas, had failed to show that any of the 39 claims of the two patents it challenged were obvious in view of the prior art.

"We determine that petitioner has not met its burden to prove by a preponderance of the evidence that claims ... are unpatentable," the board ruled.

The decision is notable because in nearly every one of the 40 or so final written decisions issued in the AIA proceedings known as inter partes review and covered business method patent review, the board has canceled many or all of the claims.

A decision in February **attracted attention** because while the board canceled 11 claims of the challenged patent, one of the claims survived scrutiny intact.

At a roundtable discussion about the AIA proceedings at USPTO headquarters Tuesday, PTAB Acting Vice Chief Judge Scott Boalick mentioned the Roy-G-Biv decisions as a significant example of a case in which all of the claims survived.

Since Roy-G-Biv's patents emerged unscathed from inter partes review, "I would submit they have much stronger patents as a result," said Judge Boalick, who was not a member of the PTAB panels that heard the cases.

"The PTAB's decisions confirm Roy-G-Biv's status as a pioneer in the field of motion control software," Roy-G-Biv's attorney, Richard Black of Foster Pepper PLLC, said Tuesday. "In addition, we expect that the PTAB's wholesale rejection of ABB's invalidity challenges to the two Roy-G-Biv patents at issue will substantially streamline the parties' upcoming patent infringement trial."

The underlying infringement case, which also involves patents that were not subject to the reviews, remains pending. Roy-G-Biv claims that several of ABB's industrial information technology products infringe its patents.

In the inter partes reviews, which were filed in 2012, ABB argued that Roy-G-Biv's patents were obvious in view of several pieces of prior art.

However, the board agreed with Roy-G-Biv's expert that certain elements of the patent claims were not present in the prior art on which ABB relied.

ABB "does not provide sufficient evidence to rebut this testimony" and did not show that the prior art references included the functions covered in the patents, the board ruled.

An attorney for ABB could not immediately be reached for comment Tuesday.

The patents-in-suit are U.S. Patent Numbers 8,073,557 and 6,516,236.

ABB is represented by Richard McLeod, John Vandenberg and Michael Jones of Klarquist Sparkman LLP and Steven Auvil of Squire Sanders.

Roy-G-Biv is represented by Richard Black of Foster Pepper PLLC, Richard Meyer of Boies Schiller & Flexner LLP and Douglas Wilson of Heim Payne & Chorush LLP.

The cases are ABB Inc. v. Roy-G-Biv Corp., case numbers IPR2013-00062, IPR2013-00282, IPR2013-00074 and IPR2013-00286, before the Patent Trial and Appeal Board.

The underlying case is Roy-G-Biv Corp. v. ABB Inc. et al., case number 6:11-cv-00622, in the U.S. District Court for the Eastern District of Texas.

--Editing by Kat Laskowski.

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# EXHIBIT F

**From:** Turner, Ellisen  
**Sent:** Tuesday, January 28, 2014 8:14 AM  
**To:** Gilman, Timothy K.  
**Subject:** RE: WG v PGS: Prior Litigation Materials

Dear Tim,

The Court ordered Western to produce the materials from the *ION* litigation weeks ago. Please produce them by tomorrow. Western should not have decided for itself to delay producing them for a month. The Court also entered a protective order governing production of those materials and rejected Western's request to use the model order. All materials produced in this case should now be treated under the Court's Protective Order entered on January 13, 2014. Attempting to cross reference that to the model order in the way Western has now suggested would not be workable. We do agree that to avoid the costs of re-designating previously produced documents:

1. Materials previously produced that have a "Confidential Information" (or substantially similar) designation will be treated as "Access Restricted - USDC SDTX" under the Court's Protective Order.
2. Materials previously produced that have a "Highly Confidential Information" or "Highly Confidential – Outside Attorney's Eyes Only" (or substantially similar) designation will be treated as "Access Restricted – Attorneys Only - USDC SDTX" under the Court's Protective Order

If ION or Fugro have any specific issues regarding our treatment of their confidentiality information please give them my contact information and ask them to contact me directly. But that is not any reason to delay the Court-ordered production. We will limit any review of materials that contains their confidential information to outside counsel until February 7 and, absent motion or other resolution, will treat it under the Court's protective order thereafter.

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- B. Deposition transcripts of the inventors named on the patents-in-suit, including exhibits.

Warmest regards,

Ellisen

Ellisen S. Turner, Esq.  
*eturner@irell.com*  
*Irell & Manella LLP*  
*1800 Avenue of the Stars, Suite 900*  
*Los Angeles, CA 90067-4276*  
*T: 310.203.7901*  
*F: 310.556.5262*

---

**From:** Gilman, Timothy K. [mailto:tgilman@kirkland.com]  
**Sent:** Tuesday, January 28, 2014 7:29 AM  
**To:** Turner, Ellisen  
**Subject:** RE: WG v PGS: Prior Litigation Materials

Ellisen,

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- tim

Timothy K. Gilman  
Kirkland & Ellis LLP  
212-446-4689  
212-446-4900  
601 Lexington Avenue  
New York, NY 10022-4675  
[timothy.gilman@kirkland.com](mailto:timothy.gilman@kirkland.com)

---

**From:** Turner, Ellisen [<mailto:ETurner@irell.com>]  
**Sent:** Monday, January 27, 2014 12:13 PM  
**To:** Gilman, Timothy K.  
**Subject:** RE: WG v PGS: Prior Litigation Materials

Dear Tim,

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Thank you,

Ellisen

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**Sent:** Friday, January 10, 2014 10:40 AM  
**To:** [tgilman@kirkland.com](mailto:tgilman@kirkland.com)  
**Subject:** WG v PGS: Prior Litigation Materials

Dear Tim,

Will WesternGeco consent to PGS submitting the prior litigation materials listed below (to the extent designated confidential) to the USPTO in *inter partes* review (IPR) proceedings for the patents asserted against PGS? Please

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Thank you,

Ellisen

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# EXHIBIT G

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO \* 13-CV-2725  
\* Houston, Texas  
VS. \*  
\* 10:58 a.m.  
PETROLEUM GEO-SERVICES, \*  
INC., ET AL January 13, 2014

INITIAL CONFERENCE

BEFORE THE HONORABLE LYNN N. HUGHES  
UNITED STATES DISTRICT JUDGE

**APPEARANCES:**

**FOR THE PLAINTIFF:**

Lee L. Kaplan  
**SMYSER, KAPLAN & VESELKA, LLP**  
700 Louisiana, Suite 2300  
Houston, Texas  
713.221.2300

And

Greg LoCascio  
**KIRKLAND & ELLIS, LLP**  
655 Fifteenth Street NW  
Washington, DC 20005  
202.879.5290

And

Timothy K. Gilman and Sarah K. Tsou  
**KIRKLAND & ELLIS, LLP**  
601 Lexington Ave, Suite 3600  
New York, NY 10022  
212.446.4689



1 agree to that so you can have everything we have that's  
2 confidential?"

3                   Until last week, PGS wouldn't agree to an  
4 interim protective order. And we said, "Well, we can't  
11:19:30 5 give you things until you at least agree to some interim."

6                   THE COURT: We'll do one for you.

7                   MR. LoCASCIO: Great. And that is all -- we've  
8 gone to Ion and Fugro. So, for the record, we've given  
9 them our entire production from the years of litigation  
11:19:45 10 with Ion. We've given them every single pleading.

11                   THE COURT: He wants this stuff you didn't give  
12 them and it's good?

13                   MR. LoCASCIO: Understood. And by no means is  
14 there in a selection of things by good or bad. We've  
11:19:55 15 raised this with Fugro and with Ion: "Can we give them  
16 everything that has your confidential information in it  
17 because that's the holdup." And because they haven't  
18 agreed to a protective order, not that surprisingly,  
19 despite our otherwise not great relationships, they said,  
11:20:08 20 "We can't agree that you can hand our stuff off until we  
21 know what the terms are." So that's the issue on the  
22 documents, Your Honor.

23                   THE COURT: Because you've burned bridges with  
24 everybody in the western hemisphere, I'll just order it  
11:20:22 25 disclosed, but we'll do a rather simpler, I think,

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(Recessed at 11:58 a.m.)

**COURT REPORTER'S CERTIFICATE**

I, Johnny C. Sanchez, certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

/s/  
Johnny C. Sanchez, CRR, RMR

# EXHIBIT H

**From:** Papacostas, Simeon G. <spapacostas@kirkland.com>  
**Sent:** Tuesday, January 28, 2014 12:50 PM  
**To:** David Healey; dburgert@jonesday.com; ~Arnold, Gordon; Phillip Aurentz; \*tstevenson@mckoolsmith.com; McQuay, Mardson  
**Cc:** Hattenbach, Ben; Turner, Ellisen; Chatterjee, Arka; Gilman, Timothy K.; Tsou, Sarah Kao-Yen; Kaplan, Lee  
**Subject:** WesternGeco v. PGS - Prior litigation materials

Counsel--

As you can see from the email thread below, despite WesternGeco's agreement to do so, counsel for PGS has refused to treat materials from the ION litigation with the same level of confidentiality they were given in the prior case, and has invited you to contact them directly.

Under the Court's 1/14/14 order in the PGS case we previously provided, WesternGeco plans to move forward with our production of those materials on February 7th, designating confidential documents according to the designations in the Court's 1/13/14 protective order. Please let us know before then if ION, Fugro, or CGG plan to intervene with the Court.

Best,  
-Simeon

**Simeon Papacostas** | Associate | Kirkland & Ellis LLP  
601 Lexington Avenue | New York, NY 10022  
(212) 446-4815 Direct | (212) 446-6460 Fax  
[simeon.papacostas@kirkland.com](mailto:simeon.papacostas@kirkland.com)

---

**From:** Turner, Ellisen [<mailto:ETurner@irell.com>]  
**Sent:** Tuesday, January 28, 2014 11:13 AM  
**To:** Gilman, Timothy K.  
**Subject:** RE: WG v PGS: Prior Litigation Materials

Dear Tim,

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Warmest regards,

Ellisen

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Ellisen,

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- tim

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[timothy.gilman@kirkland.com](mailto:timothy.gilman@kirkland.com)

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Thank you,

Ellisen

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# EXHIBIT I



**From:** Gilman, Timothy K. <tgilman@kirkland.com>  
**Sent:** Wednesday, January 29, 2014 2:48 PM  
**To:** Turner, Ellisen  
**Subject:** RE: WG v PGS: Prior Litigation Materials

Ellisen,

Thanks for agreeing to treat the prior-marked materials as being designated under the new protective order. As you've seen from the correspondence, we've invited ION and Fugro to work directly with Geo to address any remaining concerns about their confidential information. Geo's been involved in the correspondence about the timing of these productions and the confidentiality issues since before the 1/13 hearing, so I'm unclear why you're suddenly trying to unilaterally accelerate that schedule. In any event, ION and Fugro have confidentiality concerns, we've tried to address them with Geo, and Geo can now work directly with ION and Fugro to resolve them. If any disputes remain, Western has ensured that ION and Fugro will expeditiously raise them with the Court.

We remain available to discuss the use of specific documents in other proceedings. Your broad categories below are not specific documents,. They likely comprise tens of thousands of pages, if not more, of confidential material. Nor do you identify any specific proceeding in which you will use those tens of thousands of pages. (It's questionable whether such confidential material would have any place in PTO proceedings, which would focus on public art.) Please let us know if you have a specific document, and for what specific proceeding, you would like us to consider.

- tim

Timothy K. Gilman  
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**Subject:** RE: WG v PGS: Prior Litigation Materials

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# EXHIBIT J

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[dslusarczyk@irell.com](mailto:dslusarczyk@irell.com)

February 27, 2014

**VIA E-MAIL**

Simeon Papacostas, Esq.  
Kirkland & Ellis LLP  
601 Lexington Ave.  
New York, NY 10022

Re: WesternGeco v. PGS, No. 4:13-cv-02725 (S.D. Tex.)

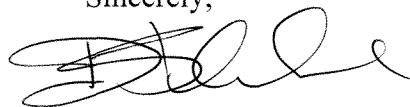
Dear Simeon:

Geo is preparing *inter partes* review (IPR) petitions concerning the invalidity of Western's asserted patents. We have discussed this issue with Western multiple times, including during the January 13, 2014 hearing. Again, in connection with these IPR proceedings, Geo plans to submit to the patent office certain materials from Western's February 10, 2014 production that are designated "Access Restricted – Attorneys Only – USDC SDTX." We also expect to provide some of these materials to consulting and testifying experts to assist with the IPR proceeding. Any such expert will sign the Court's "Acknowledgment of Order on Confidentiality."

The attached table lists materials (by Bates numbers) that we request consent to use in the IPR and to provide to the IPR experts. These materials generally fall into three categories: 1) expert reports and discovery responses; 2) fact and expert deposition testimony; and 3) sealed pleadings filed with the court in the *ION* litigation. We also request permission to use any exhibits to the expert reports, discovery responses, deposition transcripts, or sealed filings identified in the attached table.

We are providing you the attached table for your convenience, in an effort to resolve this issue without seeking Court intervention. We have repeatedly asked whether Western objects to the patent office receiving such materials in an IPR, but it has not responded. If Western objects to Geo's intended use of any of the materials referenced in the attached table, please let us know the basis for your objections by March 3, 2014.

Sincerely,



Dominik Slusarczyk

DBS

**I R E L L & M A N E L L A L L P**

A REGISTERED LIMITED LIABILITY LAW PARTNERSHIP  
INCLUDING PROFESSIONAL CORPORATIONS

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**Experts and Discovery**

- WG-PGS00040170 - 221
- WG-PGS00043988 – 44137
- WG-PGS00044235 – 44364
- WG-PGS00040491 - 622
- WG-PGS00041494 - 579
- WG-PGS00042083 – 42188
- WG-PGS00042549 – 42616
- WG-PGS00042712 – 42821
- WG-PGS00043034 – 43152
- WG-PGS00044420 – 44551
- WG-PGS00044552 - 44713
- WG-PGS00079119 - 9170
- WG-PGS00079215 - 9255
- WG-PGS00079429 - 9493
- WG-PGS00097736 - 891
- WG-PGS00098325 - 480
- WG-PGS00101887 - 2026
- WG-PGS00038878 - 8993
- WG-PGS00040670 - 0790
- WG-PGS00043885 – 3987
- WG-PGS00041759 - 2082
- WG-PGS00053494 - 508
- WG-PGS00057202 - 219
- WG-PGS00066304 - 339
- WG-PGS00070426 - 433
- WG-PGS00072545 - 645
- WG-PGS00072646 - 652
- WG-PGS00072710 - 736
- WG-PGS00072737 - 754
- WG-PGS00073081 - 087
- WG-PGS00073252 - 259
- WG-PGS00073504 - 527
- WG-PGS00073548 - 747
- WG-PGS00073883 - 909
- WG-PGS00073910 - 925
- WG-PGS00073971 - 4341
- WG-PGS00074342 - 353
- WG-PGS00074417 - 746
- WG-PGS00074747 - 5108
- WG-PGS00076014 - 021
- WG-PGS00076022 - 038
- WG-PGS00076157 - 199
- WG-PGS00076245 - 253
- WG-PGS00076254 - 308
- WG-PGS00076378 - 397
- WG-PGS00076398 - 426
- WG-PGS00076491 - 496
- WG-PGS00076612 - 656
- WG-PGS00076715 - 731
- WG-PGS00076732 - 757
- WG-PGS00077295 - 688

**Fact Testimony**

- WG-PGS00061761 - 1897
- WG-PGS00064793 - 4890
- WG-PGS00070490 - 0576
- WG-PGS00070771 - 0872
- WG-PGS00071051 - 1160
- WG-PGS00072250 - 2294
- WG-PGS00059457 - 9523
- WG-PGS00062494 - 2576
- WG-PGS00063591 - 3658
- WG-PGS00066094 - 6182
- WG-PGS00066628 - 6708
- WG-PGS00068137 - 8236
- WG-PGS00069073 - 9104
- WG-PGS00069443 – 9530



**I R E L L & M A N E L L A L L P**

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**Sealed Filings**

- WG-PGS00085382 - 392
- WG-PGS00080132 - 0173
- WG-PGS00080174 - 381
- WG-PGS00080815 - 1009
- WG-PGS00080794 - 0814
- WG-PGS00081010 - 157
- WG-PGS00083010 - 173
- WG-PGS00066709 - 763
- WG-PGS00087340 - 608
- WG-PGS00087609 - 87761
- WG-PGS00087762 - 88284
- WG-PGS00088285 - 89770
- WG-PGS00089786 - 90413
- WG-PGS00090414 - 91689
- WG-PGS00091690 - 93063
- WG-PGS00093064 - 94483
- WG-PGS00094484 - 95202
- WG-PGS00095203 - 95848
- WG-PGS00096013 - 96397
- WG-PGS00096455 - 96545
- WG-PGS00096550 - 96589



# EXHIBIT K

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

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ONE STOCKDUQ HOLDINGS, LLC, )  
 )  
 Plaintiff/Counter-Defendant )  
 )  
 v. ) No. 2:12-cv-03037-JPM-tmp  
 )  
 BECTON, DICKINSON AND COMPANY, )  
 )  
 Defendant/Counter-Claimant. )

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ORDER GRANTING DEFENDANT’S RENEWED MOTION TO STAY

Before the Court is Defendant Becton, Dickinson and Company’s (“Defendant”) Renewed Motion to Stay Litigation Pending Inter Partes Review, filed October 4, 2013. (ECF No. 74.)

For the following reasons, Defendant’s Motion is GRANTED.

**I. BACKGROUND**

This case concerns the alleged infringement by Defendant of Plaintiff One Stockduq Holdings, LLC’s (“Plaintiff”) patent. (See ECF No. 1.) On December 3, 2012, Plaintiff filed a Complaint against Defendant (id.), alleging that two of Defendant’s products, the Nexiva catheter and the Insyte AutoGuard catheter (the “Accused Products”), infringe United States Patent No. 5,704,914 (the “’914 patent”) – an IV catheter placement assembly – owned by Plaintiff (id. ¶¶ 28-31). Defendant filed its Answer and Counterclaims on January 23, 2013

(ECF No. 13), asserting that the "claims of the '914 patent are invalid for failure to comply with the conditions of patentability specified by 35 U.S.C. § 101 et seq." (Id. at 5.) After receiving Defendant's Answer, Plaintiff served Defendant with its First Set of Interrogatories and First Set of Requests for Production of Documents. (See ECF Nos. 16-5, 16-6, 47-1.) On February 19, 2013, Plaintiff filed its Answer to Defendant's counterclaims, denying every allegation. (ECF No. 28.)

On January 23, 2013, Defendant filed a Motion to transfer this action to the United States District Court for the District of Utah, pursuant to 28 U.S.C. § 1404(a). (ECF No. 14). On February 11, 2013, Plaintiff filed its Response in Opposition. (ECF No. 24.) On February 13, 2013, Defendant filed a Motion for Leave to File a Reply (ECF No. 26), which the Court granted on February 14, 2013 (ECF No. 27).

On January 30, 2013, Defendant filed a Motion to Stay Discovery and Automatic Deadlines pending the resolution of the Motion to Transfer Venue. (ECF No. 16.) Plaintiff opposed both Motions. (See Certificate of Consultation, ECF No. 16-2; Pl.'s Resp. in Opp'n, ECF No. 24.) Prior to the Court's Order on the Motion to Stay, Plaintiff served Defendant with its Initial Infringement Contentions. (See ECF No. 47-2.) On February 13, 2013, the Court granted Defendant's Motion to Stay. (ECF No. 25.)

On March 18, 2013, the Court denied Defendant's Motion to Change Venue and lifted the stay. (ECF No. 31.) On April 1, 2013, Defendant provided Plaintiff with responses to the First Set of Interrogatories and First Set of Requests for Production of Documents. (See ECF No. 47-3.) On April 4, 2013, Defendant served Plaintiff with its Initial Non-Infringement Contentions. (See ECF No. 47-4.)

On April 4, 2013, Defendant filed a Petition for inter partes review (the "Petition") with the United States Patent and Trademark Office (the "PTO") challenging "the validity of all the asserted claims" of the '914 patent. (Def.'s Mot. at 1, ECF No. 36; Petition for Inter Partes Review, ECF No. 36-4.) In the Petition, Defendant asserted that grounds for challenging the validity of the '914 patent rests on "prior art that was not before the PTO during the initial examination of the '914 [p]atent." (Def.'s Mem. at 2, ECF No. 36-1; see also ECF No. 36-4 at PageID 279-80.)

On April 5, 2013, Defendant filed a Motion to Stay the instant litigation pending the decision of the PTO on the Petition for inter partes review. (ECF No. 36.) Defendant asserted that the instant litigation would be moot should the PTO grant Defendant's requested relief. (Id. at 1.) On April 22, 2013, Plaintiff filed its Response in Opposition, arguing, *inter alia*, that Defendant's "request for a stay is

premature.” (Pl.’s Resp. at 2, ECF No. 47.) At that time, the PTO had not yet granted Defendant’s petition for inter partes review. (Id.) On May 6, 2013, the Court entered an Order denying Defendant’s Motion to Stay as premature because (1) “the PTO has not yet granted Defendant’s Petition for reexamination and it is possible that the PTO will never grant Defendant’s Petition,” (2) “staying the case at this juncture could result in an unnecessary delay . . . if the PTO does not grant reexamination,” and (3) “this case is at an early stage of litigation and, as a result, there is little risk of overlap between the instant litigation and the PTO reexamination process.” (ECF No. 53 at 3-4.)

On May 2, 2013, the parties exchanged initial disclosures. (ECF Nos. 80 at 4; 80-1.) On May 27, 2013, Defendant served its Initial Invalidity and Unenforceability Contentions. (ECF Nos. 80 at 4; 80-2.) On June 3, 2013, the parties exchanged their Preliminary Identification of Claim Terms to be Construed. (ECF Nos. 80 at 4; 80-3.) On June 19, 2013, Defendant served Plaintiff with its First Set of Interrogatories and Requests for Production of Documents. (ECF Nos. 80 at 4; 80-4.) On June 20, 2013, Plaintiff served its Initial Validity and Enforceability Contentions. (ECF Nos. 80 at 5; 80-5.) On the same day, the Court held a Patent Scheduling Conference, which included a

technology tutorial. (Minute Entry, ECF No. 67; ECF No. 80 at 4.)

On June 27, 2013, Defendant amended its Preliminary Identification of Claim Terms to be Construed. (ECF Nos. 80 at 5; 80-6.) On June 28, 2013, the parties held a meet-and-confer regarding their Final Identification of Claim Terms to be Construed. (ECF Nos. 80 at 5; 80-7.) On July 16, 2013, the parties exchanged their Preliminary Claim Constructions and Supporting Materials. (ECF Nos. 80 at 5; 80-8.) On July 22, 2013, Plaintiff served its Responses to Defendant's First Set of Interrogatories and Requests for Production of Documents. (ECF Nos. 80 at 5; 80-9.) On August 30, 2013, the parties exchanged their Final Constructions of the Claim Terms in Dispute and Supporting Materials. (ECF Nos. 80 at 5; 80-10.) On September 13, 2013, the parties filed their Opening Claim Construction Briefs. (ECF Nos. 72, 73, 80 at 5.)

On October 1, 2013, the PTO granted Defendant's petition and instituted inter partes review of the '914 patent. (Decision - Institution of Inter Partes Review, ECF No. 74-3.) On October 4, 2013, Defendant filed the instant Renewed Motion to Stay Litigation Pending Inter Partes Review. (ECF No. 74.) On October 21, 2013, Plaintiff filed its Response in Opposition. (ECF No. 80.) On October 28, 2013, Defendant filed a Motion for Leave to File a Reply (ECF No. 81), which the Court granted on

October 28, 2013 (ECF No. 82.) On October 29, 2013, Defendant filed its Reply. (ECF No. 83.) On October 30, 2013, a telephonic hearing was held on Defendant's Motion, at which both parties were represented. (ECF No. 84.)

## II. STANDARD

"The decision whether to grant a stay of a particular action is within the inherent power of the Court and is discretionary." Ellis v. Merck & Co., Inc., No. 06-1005-T/AN, 2006 WL 448694 (W.D. Tenn. Feb. 19, 2006) (citation omitted). "[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." Gray v. Bush, 628 F.3d 779, 785 (6th Cir. 2010) (alteration in original) (quoting Landis v. North American Co., 299 U.S. 248, 254 (1936)) (internal quotation marks omitted).

"To determine whether a stay pending inter partes review is appropriate, courts apply the same factors as determining whether to stay a case pending reexamination." Regents of Univ. of Michigan v. St. Jude Med., Inc., No. 12-12908, 2013 WL 2393340, at \*2 (E.D. Mich. May 31, 2013) (citation omitted). In determining whether to stay litigation pending patent reexamination by the PTO, courts generally consider the following three factors: "(1) whether a stay would unduly

prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.” Procter & Gamble Co. v. Team Techs., Inc., No. 1:12-cv-552, 2013 WL 4830950, at \*2 (S.D. Ohio Sept. 10, 2013) (quoting Tdata Inc. v. Aircraft Technical Publishers, Nos. 2:03-cv-264, 2:04-cv-1072 (S.D. Ohio Jan. 4, 2008)). “Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.” Ethicon Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citation omitted).

### III. ANALYSIS

Defendant argues that all three factors favor staying this case pending the outcome of the PTO inter partes review. These three factors are addressed in turn.

#### A. Undue Prejudice or Clear Tactical Disadvantage

Defendant argues that the inter partes review process will not prejudice Plaintiff. (Def’s Mem. at 8, ECF No. 74-1.) First, Defendant asserts that Plaintiff “cannot credibly claim any undue prejudice from the delay of an [inter partes review] proceeding because of its own delay in seeking to enforce its patent rights.” (Id.) Defendant asserts that Plaintiff has already caused delay by waiting until December 2012 to file an



infringement suit against Defendant because the '914 patent was issued in 1998 and Defendant began manufacturing the accused Nexiva catheter in approximately 2006. (Id.) Defendant argues that although the inter partes review "may cause some predictable delay, [that] in and of itself, is not reason to deny a stay pending PTO review." (Id.) Defendant asserts that delay from the inter partes review alone is not itself a reason to find prejudice against Plaintiff. (Id. (citing DSW Inc. v. Shoe Show, Inc., No. 1:11 CV 1797, 2012 WL 2994193, at \*2 (N.D. Ohio July 20, 2012)) (internal quotation marks omitted).)

Second, Defendant contends that Plaintiff cannot "credibly claim undue prejudice from [Defendant's] continuing to sell the accused products during a period of stay." (Id.) According to Defendant, Plaintiff does not manufacture a product that competes with the Accused Products and has not sought a preliminary injunction in this case. (Id.) In support of this proposition, Defendant cites Semiconductor Energy Lab. Co., Ltd. v. Chimei Innolux Corp., No. SACV 12-21-JST(JPRx), 2012 WL 7170593, at \*4 (C.D. Cal. Dec. 19, 2012), which held that there was no undue prejudice to the non-moving party in part because the non-moving party did not seek a preliminary injunction and the parties were not direct competitors. Moreover, Defendant argues that the fact that Plaintiff "seeks to license the '914

patent militates against any undue prejudice from granting a stay.” (Def.’s Mem. at 9, ECF No. 74-1.)

Finally, Defendant argues that the inter partes review process will not prejudice Plaintiff and instead will promote litigation efficiency because if the asserted claims of the ‘914 patent are found invalid by the PTO, “then there is no infringement to adjudicate.” (Id.)

Plaintiff argues that Defendant has “failed to provide a good reason for its significant delay in requesting an [inter partes review], which militates toward a finding that [Defendant] is seeking a tactical advantage in this case.” (Pl.’s Resp. at 9, ECF No. 80.) Plaintiff asserts that Defendant’s reason for “trying to remove this case from this Court for the third time is to gain a tactical advantage in this litigation.” (Id. (citation omitted).)

If the case is stayed pending PTO review of the ‘914 patent, Plaintiff asserts that the delay inherent in the PTO process will cause Plaintiff undue prejudice. (Id. at 10.) In support of this assertion, Plaintiff states that the “tactical advantage” that Defendant seeks will cause prejudice to Plaintiff by “causing further delay, increasing costs, and jeopardizing the integrity of evidence and witness testimony.” (Id.) Plaintiff contends that, “[a]t a minimum, Defendant should have filed its petition for [inter partes review] before

seeking a transfer to the District of Utah, a court where the median time for a case to proceed to trial is 41.9 months.” (Id.) In support of this assertion, Plaintiff contends that “[c]ourts have found that ‘[a] request for reexamination made well after the onset of litigation followed by a subsequent request to stay may lead to an inference that the moving party is seeking an inappropriate tactical advantage.’” (Id. (quoting Belden Techs. Inc. v. Superior Essex Commc’ns. LP, No. 08-63-SLR, 2010 WL 3522327, at \*4 (D. Del. Sept. 2, 2010) (denying a defendant’s motion to stay pending inter partes reexamination)).) Plaintiff also relies on Imagevision.net, Inc. v. Internet Payment Exchange, Inc. in support of this assertion. (Id. (citing Imagevision.net, Inc. v. Internet Payment Exchange, Inc., No. 12-054-GMS-MPT, 2013 WL 663535, at \*5, 2013 WL 663535 (D. Del. Feb. 25, 2013) (report and recommendation from magistrate judge).)

Given that the Petition is granted, the PTO must complete its review within twelve to eighteen months. See 35 U.S.C. § 316(a)(11); 37 C.F.R. § 42.100(c). While a stay to allow the inter partes review to proceed will undeniably delay the instant litigation, delay based on the inter partes review process alone is not sufficient to demonstrate undue prejudice to the non-moving party. See DSW Inc., 2012 WL 2994193, at \*2 (citing Allied Erecting & Dismantling Co., Inc. v. Genesis Equip. &

Mfg., Inc., No. 4:08CV589, 2010 WL 3239001, at \*2 (N.D. Ohio Aug. 16, 2010)) (discussing delay due to inter partes reexamination). To the extent that Plaintiff suffers any prejudice as a result of the delay, the prejudice is outweighed by the benefits of the stay, including the benefit of the Court having the record of the inter partes review proceeding, which will assist the Court in "reducing the complexity and length of the litigation." Lectrolarm Custom Servs., Inc. v. Vicon Indus., Inc., No. 03-2330 MA/A, 2005 WL 2175436, at \*2 (W.D. Tenn. Sept. 1, 2005). Finally, while Plaintiff asserts that the delay will increase the "risk of certain evidence being lost and will put additional strain on the memories of potential witnesses with relevant knowledge" (Pl.'s Resp. at 11, ECF No. 80), Plaintiff has not demonstrated that this is more of a concern in this case than in other cases.

The Court finds Plaintiff's reliance on Belden Technologies Inc. and Imagevision.net, Inc. inapposite. In Belden Technologies Inc., the court found that petitions for inter partes reexamination were requested seventeen to twenty months after the plaintiff filed suit for patent infringement and that the defendant had reveal its desire to stay litigation "a mere eleven days before trial." 2010 WL 3522327, at \*2. In contrast, Defendant in the instant case has filed a petition for inter partes review four months after commencement of the

instant action, and trial is currently set for August 2014. In Imagevision.net, Inc., the defendant requested inter partes reexamination almost five months after plaintiff initiated the action and filed a motion to stay three months after it answered the complaint. The Imagevision court found that “[d]espite the timing of the reexamination and stay requests, they do not indicate an attempt to gain a tactical advantage, particularly in light of the average time of approximately four to six months for a scheduling order to be issued in patent matters.” 2013 WL 663535, at \*5. Similarly, this Court finds that the timing of Defendant’s petition four months after the filing of the Complaint and timing of Defendant’s stay requests does not indicate an attempt to gain a tactical advantage.

Accordingly, the Court finds that this factor weighs in favor of granting a stay.

**B. Simplification of Issues**

Defendant argues that staying this case pending a final written decision of the '914 patent from the Patent Trial and Appeal Board will simplify the issues at trial and preserve judicial resources. (Def.’s Mem. at 10, ECF No. 74-1.) Defendant states that the “PTO granted [Defendant’s] [inter partes review] petition as to each and every one of [Plaintiff’s] asserted claims.” (Id.) As such, “a stay will avoid wasting the Court’s (and parties’) resources in the event

that the Patent Trial and Appeals Board ("PTAB") invalidates the asserted claims." (Id.) Moreover, Defendant contends "the PTAB's findings will simplify any subsequent litigation regardless of whether the asserted claims are ultimately invalidated." (Id.)

Defendant argues that "there is a strong likelihood that at least some of the '914 patent claims subject to [inter partes review] will be invalidated or amended." (Id. at 11) In support of this hypothesis, Defendant asserts that under the old inter partes reexamination process, claims were "cancelled or narrowed . . . in 82% of the reexaminations" as of September 30, 2012. (Id. at 11 (citing U.S. Patent & Trademark Office, Inter Partes Reexamination Filing Data - Sept. 30, 2012, available at [http://www.uspto.gov/patents/stats/inter\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY2012.pdf](http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2012.pdf))). Defendant also cites to one district court's discussion finding that "[i]f the PTO cancelled at least some of the challenged claims in 89% of inter partes reexaminations, it seems likely that this percentage will be higher in inter partes reviews, because the inter partes review requests granted by the PTO must satisfy a more restrictive standard.'" (Id. at 11-12 (quoting Universal Elecs., Inc. v. Univ. Remote Control, Inc., No. SACV 12-00329 AG(JPRx) 2013 WL 1876459, at \*4 (C.D. Cal. May 2, 2013)).)

Finally, Defendants assert that the stay will preserve judicial resources because Defendants will not be able to offer any argument to this Court that "it raised or reasonably could have raised" in the inter partes review, thus narrowing the scope of this litigation. (Id. at 12.)

Plaintiff argues that inter partes review will not simplify the issues in this case because the following issues in this case cannot be addressed by the PTO process: "(1) [Plaintiff's] claim for infringement and damages; (2) [Defendant's] defenses under 35 U.S.C. §§ 101 and 112; and (3) [Defendant's] equitable defenses, such as laches, estoppel, license and waiver." (Pl.'s Resp. at 12, ECF No. 80.) Plaintiff further argues that Defendant's claim that "at least some of the '914 patent claims . . . will be invalidated or amended" is highly speculative and does not demonstrate that the issues before the Court will be simplified. (Id. at 13 (quoting ECF No. 74-1 at 11).)

Plaintiff's argument is unavailing. Given that review is granted, the fact that some "claims may survive without amendment does not mean that the issues will not be significantly streamlined." Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill., Nos. 1:10CV01370, 1:11CV00082, 1:12CV01068, 1:12CV01070, 2013 WL 1662952, at \*5 (N.D. Ohio Apr. 17, 2013). Amendment of any claim could impact the litigation presently before the Court, and a "majority of patents which have been

reexamined have either had all claims canceled or changes made to the claims.” DSW Inc., 2012 WL 2994193, at \*2. Even if all claims are confirmed by the PTO, the record of the inter partes review will assist this Court in reducing the length and complexity of this litigation and will limit what issues are left to be resolved by this Court. See Lectrolarm, 2005 WL 2175436, at \*2-3; Ralph Gonnocci Revocable Living Trust v. Three M Tool & Mach., Inc., No. 02-74796, 2003 WL 22870902, at \*2 (E.D. Mich. Oct. 7, 2003).

Accordingly, the Court finds that this factor weighs in favor of granting a stay.

### **C. Stage of Litigation**

Defendant argues that staying this case pending a final determination of the '914 patent by the PTAB is warranted because “there is considerable risk of overlap between the litigation and the PTO proceedings if the case is not stayed.” (Def.’s Mem. at 13, ECF No. 74-1.) Defendant states that “the PTO provided claim constructions of select terms, which overlap with terms proposed to the Court for construction.” (Id.) According to Defendant, the inter partes review proceeding “will create important file history evidence to be considered by the Court if the asserted claims remain viable after [inter partes review] and the Court engages in claim construction.” (Id.) Defendant asserts that the “PTO will likely render a decision on



the validity of the asserted claims shortly after trial, which, if the claims were held invalid in the [inter partes review], could moot the results of the trial.” (Id.)

As to the status of the case, Defendant argues, inter alia, that “the parties have engaged in some discovery” and that “[n]o depositions have yet been noticed.” (Id.) Defendant asserts that courts have granted stays pending inter partes review in cases at later stages of litigation than the present case. (Id. at 13-14); see, e.g., Software Rights Archive, LLC v. Facebook, Inc., Nos. C-12-3970 RMW, C-12-3971 RMW, C-12-3972 RMW, 2013 WL 5225522, at \*3 (N.D. Cal. Sept. 17, 2013) (granting stay where the plaintiff had produced over 150,000 pages of documents, propounded interrogatories, and served preliminary infringement contentions and invalidity contentions); Semiconductor Energy, 2012 WL 7170593, at \*3 (granting a motion to stay pending inter partes review, where the inter partes review petition was filed ten months after the complaint was filed and three to four months after infringement contentions were filed).

Plaintiff argues that the stage of this proceeding weighs against a stay because “[t]his case has been heavily litigated.” (Pl.’s Resp. at 14, ECF No. 80.) In support of its position, Plaintiff argues that “[c]ourts have denied requests for a stay when, as in this case, the litigation has progressed

significantly toward trial, particularly when claim construction efforts are well underway.” (Id. (citations omitted).)

Plaintiff states that “[t]he parties have been litigating for over ten months.” (Id. at 15.) During that time, the parties have exchanged significant discovery; nearly 15,000 pages of documents have been produced. (Id. at 14-15.) The parties have also exchanged Initial Infringement Contentions, Initial Non-Infringement Contentions, Validity and Enforceability Contentions, and Invalidity and Unenforceability Contentions. (Id. at 15.)

Plaintiff states that the parties have held their Rule 26(f) Scheduling Conference and their Local Patent Rule 2.1(b) Planning Meeting. (Id.) Plaintiff also notes that the Court has held a Patent Scheduling Conference, which included a technology tutorial. (Id.) Moreover, “claim construction is fully briefed and set for resolution.” (Id. at 14-15 (citing ECF Nos. 72, 73, 77, 78).)

The Court does not agree with Plaintiff that a stay in this case is inappropriate. First, Defendant has asserted specific prior art that it says was not considered by the PTO when it originally assessed the '914 patent application. If it is true that this prior art was not previously considered by the PTO, Defendant has a reasonable likelihood of success on either invalidating or amending Plaintiff's claims. Second, the PTO

must issue a final determination, at the latest, within twelve months granting the petition for inter partes review. See 35 U.S.C. § 316(a)(11); 37 C.F.R. § 42.100(c). Accordingly, the Court finds that a stay would not be inappropriate in this case.

In summary, all of the relevant factors favor staying this case pending a final written decision on the inter partes review of the '914 patent.

**IV. CONCLUSION**

For the foregoing reasons, Defendant's Motion to Stay (ECF No. 74) is GRANTED. All proceedings are hereby STAYED pending a final written decision from the PTAB. The parties are also ORDERED to file the final written decision of the PTAB within three (3) days of issuance, and the parties are further ORDERED to submit a proposed amended expedited scheduling order within ten (10) days of the PTAB's final written decision.

The parties may move for a lift of the stay for good cause prior to the completion of inter partes review by the PTO.

**IT IS SO ORDERED** this 12th day of November, 2013.

/s/ Jon P. McCalla  
\_\_\_\_\_  
JON P. McCALLA  
U.S. DISTRICT JUDGE

# EXHIBIT L

AO 88B (Rev. 06/09) Subpoena to Produce Documents, Information, or Objects or to Permit Inspection of Premises in a Civil Action

UNITED STATES DISTRICT COURT

for the

Southern District of Texas

WesternGeco L.L.C.

*Plaintiff*

v.

ION Geophysical Corporation

*Defendant*

Civil Action No. 4:09-cv-01827

(If the action is pending in another district, state where: )

SUBPOENA TO PRODUCE DOCUMENTS, INFORMATION, OR OBJECTS  
OR TO PERMIT INSPECTION OF PREMISES IN A CIVIL ACTION

To: Petroleum Geo-Services, Inc.  
15150 Memorial Dr., Houston, TX 77079

**Production:** YOU ARE COMMANDED to produce at the time, date, and place set forth below the following documents, electronically stored information, or objects, and permit their inspection, copying, testing, or sampling of the material: See Schedule A.

Place: Smyser Kaplan & Veselka, L.L.P. 700 Louisiana, Suite 2300 Houston, TX 77002	Date and Time:  02/08/2010 9:00 am
--	--

**Inspection of Premises:** YOU ARE COMMANDED to permit entry onto the designated premises, land, or other property possessed or controlled by you at the time, date, and location set forth below, so that the requesting party may inspect, measure, survey, photograph, test, or sample the property or any designated object or operation on it.

Place:	Date and Time:
--------	----------------

The provisions of Fed. R. Civ. P. 45(c), relating to your protection as a person subject to a subpoena, and Rule 45 (d) and (e), relating to your duty to respond to this subpoena and the potential consequences of not doing so, are attached.

Date: 01/22/2010

CLERK OF COURT

OR

\_\_\_\_\_  
*Signature of Clerk or Deputy Clerk*

\_\_\_\_\_  
*Attorney's signature*

The name, address, e-mail, and telephone number of the attorney representing (*name of party*) WesternGeco L.L.C., who issues or requests this subpoena, are:

Ameet A. Modi, KIRKLAND & ELLIS LLP, 601 Lexington Avenue, New York, NY 10022  
(212) 446-4800  
amodi@kirkland.com

AO 88B (Rev. 06/09) Subpoena to Produce Documents, Information, or Objects or to Permit Inspection of Premises in a Civil Action (Page 2)

Civil Action No. 4:09-cv-01827

**PROOF OF SERVICE**

*(This section should not be filed with the court unless required by Fed. R. Civ. P. 45.)*

This subpoena for *(name of individual and title, if any)* Petroleum Geo-Services, Inc.  
was received by me on *(date)* \_\_\_\_\_ .

I served the subpoena by delivering a copy to the named person as follows: Petroleum Geo-Services, Inc.  
15150 Memorial Dr., Houston, TX 77079  
\_\_\_\_\_ on *(date)* \_\_\_\_\_ ; or

I returned the subpoena unexecuted because: \_\_\_\_\_  
\_\_\_\_\_ .

Unless the subpoena was issued on behalf of the United States, or one of its officers or agents, I have also  
tendered to the witness fees for one day's attendance, and the mileage allowed by law, in the amount of  
\$ \_\_\_\_\_ .

My fees are \$ \_\_\_\_\_ for travel and \$ \_\_\_\_\_ for services, for a total of \$ 0.00 .

I declare under penalty of perjury that this information is true.

Date: \_\_\_\_\_  
\_\_\_\_\_ *Server's signature*

\_\_\_\_\_ *Printed name and title*

\_\_\_\_\_ *Server's address*

Additional information regarding attempted service, etc:

**Federal Rule of Civil Procedure 45 (c), (d), and (e) (Effective 12/1/07)****(c) Protecting a Person Subject to a Subpoena.**

**(1) Avoiding Undue Burden or Expense; Sanctions.** A party or attorney responsible for issuing and serving a subpoena must take reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena. The issuing court must enforce this duty and impose an appropriate sanction — which may include lost earnings and reasonable attorney’s fees — on a party or attorney who fails to comply.

**(2) Command to Produce Materials or Permit Inspection.**

**(A) Appearance Not Required.** A person commanded to produce documents, electronically stored information, or tangible things, or to permit the inspection of premises, need not appear in person at the place of production or inspection unless also commanded to appear for a deposition, hearing, or trial.

**(B) Objections.** A person commanded to produce documents or tangible things or to permit inspection may serve on the party or attorney designated in the subpoena a written objection to inspecting, copying, testing or sampling any or all of the materials or to inspecting the premises — or to producing electronically stored information in the form or forms requested. The objection must be served before the earlier of the time specified for compliance or 14 days after the subpoena is served. If an objection is made, the following rules apply:

**(i)** At any time, on notice to the commanded person, the serving party may move the issuing court for an order compelling production or inspection.

**(ii)** These acts may be required only as directed in the order, and the order must protect a person who is neither a party nor a party’s officer from significant expense resulting from compliance.

**(3) Quashing or Modifying a Subpoena.**

**(A) When Required.** On timely motion, the issuing court must quash or modify a subpoena that:

**(i)** fails to allow a reasonable time to comply;

**(ii)** requires a person who is neither a party nor a party’s officer to travel more than 100 miles from where that person resides, is employed, or regularly transacts business in person — except that, subject to Rule 45(c)(3)(B)(iii), the person may be commanded to attend a trial by traveling from any such place within the state where the trial is held;

**(iii)** requires disclosure of privileged or other protected matter, if no exception or waiver applies; or

**(iv)** subjects a person to undue burden.

**(B) When Permitted.** To protect a person subject to or affected by a subpoena, the issuing court may, on motion, quash or modify the subpoena if it requires:

**(i)** disclosing a trade secret or other confidential research, development, or commercial information;

**(ii)** disclosing an unretained expert’s opinion or information that does not describe specific occurrences in dispute and results from the expert’s study that was not requested by a party; or

**(iii)** a person who is neither a party nor a party’s officer to incur substantial expense to travel more than 100 miles to attend trial.

**(C) Specifying Conditions as an Alternative.** In the circumstances described in Rule 45(c)(3)(B), the court may, instead of quashing or modifying a subpoena, order appearance or production under specified conditions if the serving party:

**(i)** shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship; and

**(ii)** ensures that the subpoenaed person will be reasonably compensated.

**(d) Duties in Responding to a Subpoena.**

**(1) Producing Documents or Electronically Stored Information.** These procedures apply to producing documents or electronically stored information:

**(A) Documents.** A person responding to a subpoena to produce documents must produce them as they are kept in the ordinary course of business or must organize and label them to correspond to the categories in the demand.

**(B) Form for Producing Electronically Stored Information Not Specified.** If a subpoena does not specify a form for producing electronically stored information, the person responding must produce it in a form or forms in which it is ordinarily maintained or in a reasonably usable form or forms.

**(C) Electronically Stored Information Produced in Only One Form.** The person responding need not produce the same electronically stored information in more than one form.

**(D) Inaccessible Electronically Stored Information.** The person responding need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order, the person responding must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.

**(2) Claiming Privilege or Protection.**

**(A) Information Withheld.** A person withholding subpoenaed information under a claim that it is privileged or subject to protection as trial-preparation material must:

**(i)** expressly make the claim; and

**(ii)** describe the nature of the withheld documents, communications, or tangible things in a manner that, without revealing information itself privileged or protected, will enable the parties to assess the claim.

**(B) Information Produced.** If information produced in response to a subpoena is subject to a claim of privilege or of protection as trial-preparation material, the person making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim. The person who produced the information must preserve the information until the claim is resolved.

**(e) Contempt.** The issuing court may hold in contempt a person who, having been served, fails without adequate excuse to obey the subpoena. A nonparty’s failure to obey must be excused if the subpoena purports to require the nonparty to attend or produce at a place outside the limits of Rule 45(c)(3)(A)(ii).

## SCHEDULE A

### DEFINITIONS AND INSTRUCTIONS

1. As used herein, "PGS" means Petroleum Geo-Services, Inc. and all its predecessors (merged, acquired, or otherwise), successors, subsidiaries, parents, sisters, partnerships and affiliates thereof (including, but not limited to, Petroleum Geo-Services ASA, Petroleum Geo-Services (U.S.), Inc., PGS Onshore do Brasil, PGS Onshore Inc., PGS Mexicana, PGS Onshore Peru, PGS de Venezuela, PGS Geophysical AS, PGS Technology (Sweden) AB, PGS Reservoir Ltd., PGS - Kazakhstan LLP, PGS CIS LLP, PGS Data Processing Middle East, PGS Angola Ltd., PGS Exploration (UK) Ltd., PGS Exploration (Nigeria) Ltd., Petroleum Geo-Services Asia Pacific Pte. Ltd., PGS Australia Pty. Ltd., PGS Japan K.K., Petroleum Geo-Services Exploration, PGS Data Processing & Technology Sdn. Bhd., and PT. Petroprima Geo Servis Nusantara), and all directors, officers, agents, employees, attorneys and other persons acting on their behalf.
2. As used herein, "ION" means ION Geophysical Corporation and all its predecessors (merged, acquired, or otherwise), successors, subsidiaries, parents, sisters, partnerships and affiliates thereof, and all directors, officers, agents, employees, attorneys and other persons acting on their behalf.
3. As used herein, "Bird" means any device with one or more control surfaces, used for positioning of seismic streamers, e.g., for depth and/or lateral positioning, including but not limited to DigiFIN and DigiBIRD.
4. As used herein, "Streamer Control Device(s)" means any technology, apparatus, system, component, software, or method that is capable of taking any part in vertical and/or horizontal control, steering, positioning and/or monitoring of any towed seismic streamer and/or Bird.
5. As used herein, "Asserted WesternGeco Claims" means all patent claims asserted at any time by WesternGeco against ION in Civil Action No. 4:09-CV-01827, including without limitation:
  - A. United States Patent No. 6,691,038 claims 1-7, 10-11, 13-17, 20-32, 35-36, 38-42, and 45-50;
  - B. United States Patent No. 6,932,017 claims 1-9, and 16;
  - C. United States Patent No. 7,080,607 claims 1-9, and 15;
  - D. United States Patent No. 7,162,967 claims 1, 4-10 and 15; and
  - E. United States Patent No. 7,293,520 claims 1-3, 6-20, and 23-34.
6. As used herein, "ION Accused Product" means any product or method made, used, offered for sale, imported, licensed, distributed, or otherwise disposed of by or for ION, that WesternGeco accuses at any time during the course of Civil Action No. 4:09-CV-01827 of infringing any of the Asserted WesternGeco Claims directly (either literally or under the doctrine of equivalents) or indirectly (either by inducement or contributory infringement) including



without limitation: products and services including, in-whole or in part, ORCA, the lateral controller, DigiFIN and/or DigiBIRD.

7. As used herein, "communication" means any transmission of information by one or more persons and/or between two or more persons by any means including telephone conversations, letters, telegrams, teletypes, telexes, telecopies, electronic mail, other computer linkups, written memoranda, and face-to-face conversations.

8. As used herein, "and" and "or" shall be construed conjunctively and disjunctively so as to acquire the broadest meaning possible.

9. As used herein, "any" and "all" shall each be construed to mean "each and every," so as to acquire the broadest possible meaning.

10. As used herein, "include" and "including" shall be construed to mean "without limitation," so as to acquire the broadest meaning possible.

11. The singular and masculine form of a noun or pronoun shall embrace, and shall be read and applied as, the plural or the feminine or neuter, as the particular context makes appropriate and to give the noun or pronoun the broadest meaning possible.

12. As used herein, "document" has the same broad meaning as in Rule 34 of the Federal Rules of Civil Procedure. The term "document" also encompasses tangible things.

13. As used herein, "person" means any natural person or any business, legal or governmental entity or association.

14. As used herein, "relating to" means, without limitation, identifying, describing, discussing, concerning, assessing, stating, reflecting, constituting, containing, embodying, tending to support or refute, or referring directly or indirectly to, in any way, the particular subject matter identified.

15. As used herein, the terms "Complaint," "Answer," "Affirmative Defense," "Counterclaim," and "Reply" shall mean the pleadings as originally filed or as amended or supplemented throughout the progression of the case.

16. The document requests herein shall be deemed to include any and all relevant documents within the possession, custody or control of PGS, including documents located in the personal files of any and all past and present directors, officers, agents, representatives, employees, attorneys and accountants of PGS.

17. Documents from any single file should be produced in the same order as they were found in such file, including any labels, files, folders and/or containers in which such documents are located in or associated with. If copies of documents are produced in lieu of the originals, such copies should be legible and bound or stapled, or with similar breaks and groupings if produced electronically, in the same manner as the originals.

18. Discovery in this action is subject to the Court's August 28, 2009 Protective Order, a copy of which is attached hereto. PGS may designate documents and things produced pursuant to this subpoena confidential in accordance with the Protective Order.

## DOCUMENTS TO BE PRODUCED

1. Documents sufficient to show the quantity and type of all Streamer Control Devices (including the manufacturer, trade name, model, number, part number, catalog number, and each other designation known to PGS) made, used, licensed, distributed, supplied, purchased, sold, or offered for sale by PGS, including but not limited to any ION Accused Product, on a monthly basis since February 25, 2003 (in electronic form to the extent such electronic files exist), whether made, used, licensed, distributed, supplied, purchased, sold, or offered for sale separately or as part of any other product or service.
2. All documents related to PGS's purchase, use, operation, and/or offer for sale of any ION Accused Product, including but not limited to DigiBIRD, DigiFIN, and ORCA, and systems or services incorporating or including any or all of these products.
3. All communications between PGS and ION relating to DigiBIRD, DigiFIN, ORCA or any other Streamer Control Device or Bird.
4. All documents related to bids, tenders, requests for proposals, or offers for sale PGS has received, transmitted, solicited or responded to which include or relate to Streamer Control Devices, including but not limited to any ION Accused Product.
5. All documents relating to the benefits, advantages, value, or importance of Streamer Control Devices, both in general and as relating to any specific Streamer Control Device.
6. All documents relating to the benefits, disadvantages, value, or importance of purchasing or not purchasing any products or services from ION, including but not limited to Streamer Control Devices.
7. All documents, including but not limited to studies and tests conducted by PGS, regarding the benefits and deficiencies of any Streamer Control Device, including but not limited to any ION product.
8. All documents relating to the benefits, advantages, value, or importance of any ION products, including but not limited to Streamer Control Devices, used, licensed, purchased, sold, or offered for sale by PGS.
9. All documents related to PGS's past, present, or future market share for seismic surveys, including but not limited to those including or involving Streamer Control Devices.
10. All documents sufficient to identify all PGS competitors with respect to seismic surveys, including but not limited to those involving Streamer Control Devices.

# EXHIBIT M

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO LLC,	§	
	§	
<b>Plaintiff,</b>	§	
<b>VS.</b>	§	<b>CIVIL ACTION NO. H-09-1827</b>
	§	
<b>ION GEOPHYSICAL CORPORATION,</b>	§	
<i>et al,</i>	§	
	§	
<b>Defendants.</b>	§	

**MEMORANDUM AND ORDER**

Before the Court is the Motion to Compel Third-Party Production by Plaintiff WesternGeco L.L.C. ("Plaintiff") (Doc. No. 81). In its Motion to Compel, Plaintiff seeks production of documents from Fugro-Geostream, Inc. ("FGI"), Petroleum Geo-Services, Inc. ("PGSI"), and Polarcus Limited ("PL"). Plaintiff alleges that each of the third-parties uses products manufactured by Defendant Ion Geophysical Corporation ("Defendant"), whom Plaintiff is suing for patent infringement. Plaintiff further alleges that the documents sought are relevant to the counterclaims that Defendant is pursuing against Plaintiff for, among other things, tortious interference with Defendant's business relations and antitrust violations. FGI, PGSI, and PL object on various grounds, and argue that the documents requested are in the possession and control of overseas entities from whom no documents have been sought.

The arguments of Plaintiff and each of these third-parties will be considered in turn.

**I. FGI**

As to FGI, there appears to be no dispute that the documents Plaintiff seeks do not belong to FGI. But the relevant issue is whether the documents sought are within the "possession,

custody, or control" of the subpoenaed party. F.R.Civ.P. 45(a)(1)(A)(iii). FGI has attached to its response to the Motion to Compel an affidavit from Mr. Hans Christian Vaage, the President of FGI. (FGI Resp., Doc. No. 92, Ex. A.) In that affidavit, Mr. Vaage denies that FGI is in possession of any of the requested documents and also denies that FGI is "housing" those documents. (*Id.* ¶ 12.) Mr. Vaage further denies that FGI owns or charters the particular vessels about which Plaintiff seeks documents. (*Id.* ¶ 13.) He attests that FGI was incorporated only two years ago, and, along with other affiliates, operates under the ultimate ownership of a holding company, Fugro N.V., which is a Netherlands limited liability company. (*Id.* ¶ 8.)

Plaintiff argues, however, that FGI cannot distance itself from three other "Fugro-Geoteam" entities. Plaintiff contends that all four entities are wholly-owned subsidiaries of the same parent company, have overlapping management personnel, and use a single brand name. Plaintiff also makes sound arguments that the various affiliates of FGI hold themselves out as being "highly centralized, but cohesive," and that a recent annual report of Fugro N.V., the holding company, states "Capacity utilisation and cooperation are optimised through the exchange of equipment, employees and expertise between various activities."

In *Wiwa v. Royal Dutch Petroleum Co.*, the Fifth Circuit considered a subpoena that required a non-party former employee of the defendant in Nigeria to produce documents belonging to the defendant even though the party subject to the subpoena then lived in Texas. 392 F.3d 812 (5th Cir. 2004). The Court held that the language of the subpoena that required the third party to produce documents "to which he had access" was too broad. *Id.* at 821. In particular, the Court believed that the request went beyond the Federal Rules of Civil Procedure limitation to documents under his "possession, custody, or control." The case is not identical to

this one, of course, because the third party was an individual rather than an affiliated entity of the entity that allegedly had access. But, the case does stand for the proposition that “access,” as a standard for document production, is too broad.

Plaintiff relies on authority from outside the Fifth Circuit, including authority interpreting Federal Rule of Civil Procedure 34(a), which uses the same "possession, custody, or control" language as Rule 45. *See e.g., Camden Iron and Metal, Inc. v. Marubeni Am. Corp.*, 138 F.R.D. 438, 442 (D.N.J. 1991) (noting that "Rule 34(a) does not require plaintiff to demonstrate an alter ego relationship in order to show that a litigant 'controls' documents or things that are possessed by a parent corporation"); *Halliburton Energy Servs., Inc. v. M-I LLC*, 1:06MC001, 2006 WL 3085622, at \*1 (S.D. Ohio Oct. 27, 2006) (holding that control means "the ability to obtain and . . . is derived from the closeness, connection and practical interaction" between the various related entities).

The Court is entirely sympathetic to Plaintiff's desire to obtain documents from third parties without going through the expensive and time-consuming effort implicit in trying to reach a foreign corporation. The Court also acknowledges that Fifth Circuit authority is surprisingly sparse. Nonetheless, the *Wiwa* decision, a recent and unanimous opinion, does counsel that—even assuming FGI does have access to documents in the possession of its affiliates—this is insufficient to establish possession, custody, or control as required under the Federal Rules. Plaintiff's Motion to Compel must accordingly be denied as to FGI .

## **II. PGSI**

PGSI has produced documents that it acknowledges are within its control. It objects to further production on various grounds. The affidavit of Mr. James Brasher, Vice President and Senior Legal Counsel of PGSI, avers that Petroleum Geo-Services ASA, a public limited liability

company in Norway, is the parent of PGSI. (PGSI Resp., Doc. No. 93, Ex. 1 ¶ 3.) Mr. Brasher also says that PGSI "has no legal right, contractual or otherwise, to access the documents of" its parent. (*Id.* ¶ 6.) Indeed, he attests that PGSI approached its parent about gaining access to the documents sought in Plaintiff's subpoena and was refused. (*Id.* ¶ 8.)

Mr. Brasher also makes a passing reference to the law of Norway, the law applicable to FGSi's parent, and notes that "Norwegian privacy laws could inhibit access to the file and document of" PGSI's employees. (*Id.* ¶ 12.) Because personal information is not being sought, the Court cannot accord this concern any weight. Mr. Brasher also refers to proprietary information that might be implicated in the requested production. (*Id.* ¶ 15.) PGSI would, however, be able to take advantage of the Protective Order in place in this case. Without any suggestion from PGSI that this protection would be inadequate, the concern as to divulging proprietary information seems also to deserve little weight.

In response to PGSI's objections to production, Plaintiff argues that PGSI and Petroleum Geo-Services ASA share officers, company reports, email domains and websites, and have financial reports that consolidate revenue from both entities in a single statement. In sum, Plaintiff contends that the various entities operate as a single, world-wide integrated company with substantial contacts in Houston. Plaintiff cites *First Nat'l City Bank v. IRS*, 271 F.2d 616, 618 (2d Cir. 1959) (holding that, where a branch or subsidiary has access to the documents in another branch when the need arises in the ordinary course of business, there is sufficient control over such documents).

As with FGI, however, although Plaintiff's arguments are substantial ones, Plaintiff has not established that PGSI has control over the relevant documents in the sense that the Fifth



Circuit appears to contemplate because, as discussed above, access to documents is not sufficient. The Motion to Compel as to PGSA must be denied.

### III. PL

PL's initial objection to Plaintiff's subpoena is that it was served on an employee of PL who is not "an officer, a managing or general agent, or any other agent authorized by appointment or by law to receive service of process." FED. R. CIV. P. 4(h)(1)(B). A party vested with general powers involving the exercise of independent judgment and discretion is such an agent. *Jim Fox Enterprises, Inc. v. Air France*, 664 F.2d 63, 64 (5th Cir. 1981). The person served should at least be "responsible for any substantial aspect of the corporation's operations, i.e. was a managing or general agent." *Fyfee v. Bumbo Ltd.*, 2009 WL 2996885, at \*3 (S.D. Tex. Sept. 16, 2009). Indeed, the Fifth Circuit has taken an even more restrictive view of service of process rules, holding that the corporate entity sought to be served must have actually authorized the agent to accept service of process on its behalf. *See Lisson v. ING Groep*, 262 Fed. Appx. 567, 569 (5th Cir. 2007) (unpublished) (per curiam).

As PL correctly notes, "When service of process is challenged, the serving party bears the burden of proving its validity." *Sys. Signs Supplies v. United States Dep't of Justice*, 903 F.2d 1011, 1013 (5th Cir. 1990). Plaintiff has not carried this burden here. PL attaches to its brief the Declaration of C. Richard Price, the individual upon whom process was served in this case. In his declaration, Mr. Price states that he does not have the authority to enter into sales contracts on behalf of PL, that he is not an officer, director, or managing agent of PL, and that he is not authorized to accept service of process for PL. (PL Resp, Doc. No. 90, Ex. B ¶ 3.) Plaintiff offers no persuasive evidence that Mr. Price actually has sufficient authority to qualify as an officer, general agent, or managing agent. Thus, it is evident that Mr. Price is not a managing or general

agent as contemplated by Rule 4(h)(1)(B). Accordingly, the Court is unable to order relief against PL.

**IV. CONCLUSION**

For the reasons stated above, Plaintiff's Motion to Compel (Doc. No. 81) is **DENIED**.

**IT IS SO ORDERED.**

Signed at Houston, Texas on this 2nd day of June, 2010.

A handwritten signature in black ink, appearing to read "Keith P. Ellison", is written above a horizontal line.

KEITH P. ELLISON  
UNITED STATES DISTRICT JUDGE

**Exhibit N**  
**FILED UNDER SEAL**

Exhibit N  
FILED UNDER SEAL



**2008  
Master Purchase Agreement**

between

**PGS Geophysical AS**

and

**ION Geophysical Corporation**

Final -- 28-Mar-08

Handwritten initials, possibly "M" and "J", in the bottom right corner.

## MASTER PURCHASE AGREEMENT

This Agreement, with effective date as of the 1<sup>st</sup> of JAN 2008 and valid until 31st December 2008 is between PGS Geophysical Inc., a Company incorporated and organised under the laws of Texas with registered office at:

15150 Memorial Drive  
TX 77079  
Houston

Hereinafter referred to as "Purchaser" on the one hand, and ION Geophysical Corporation a company incorporated and organised under the laws of the state of Delaware, The United States of America, with registered office at:

2105 City West Blvd  
Building III, Suite 400  
Houston, TX 77042

Hereinafter referred to as "Supplier" on the other hand

and together the Parties, each alone a Party.

Final - 28-Mar-08



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(PART 1) COMMERCIAL PRODUCTS PERCENTAGE DISCOUNT LIST

APPENDIX A

(PART 2) 2008 PRICING SCHEDULE

APPENDIX B - SUPPLIER SPECIFICATIONS

APPENDIX C - WARRANTY

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WHEREAS Purchaser is a company providing seismic data acquisition and data processing services (hereinafter referred to as "the Services") to the Oilfield Industry on a world-wide basis;

WHEREAS Supplier is a company manufacturing and selling various specialised products meeting the highest industry standards related to the Services; and

WHEREAS Purchaser and Supplier are willing to enter into a Master Purchase Agreement for the purchase by Purchaser of the products manufactured by Supplier (hereinafter referred to as "the Agreement").

Now therefore, in consideration of the mutual covenants herein, the Parties agree as follows:

1 OBJECT

1.1 The object of this Agreement is for Purchaser to pre-commit to purchase a quantity of the Supplier's equipment during the term of the Agreement. Purchaser will in turn receive a discount on the total purchase volume, in 2008, of the products detailed in Appendix A. Appendix A also shows the discounting structure agreed upon by the Purchaser and the Supplier. Supplier will strive to develop cost effective solutions to improve Purchaser's operations. For equipment purchases for major vessel upgrades and new build systems, both parties have the option to negotiate prices and terms outside of this agreement.

1.2 Supplier shall be entitled to request, on a quarterly basis, a twelve (12) month forecast from Purchaser for the items listed in Appendix A. Purchaser will endeavor to respond to such request within 10 working days.

1.3 Supplier agrees to sell its products (listed in Appendix A attached hereto and hereinafter referred to as "the Products") to Purchaser under the terms of this Agreement, specified by an Order (as set out in Article 2 hereinafter referred to as "the Order") In the event of manufacturing restriction, Supplier's priority of shipment is based on date when Orders are issued.

1.4 In the absence of special technical specifications in the Order, the commercial Products and any related spare parts shall meet Supplier specifications as defined in Appendix B attached hereto.

Purchaser shall be notified in writing about any proposed deviation or changes from Product specifications as soon as deviations are decided or become apparent to the Supplier but no later than thirty (30) days prior to the scheduled delivery of Products incorporating such deviation. Supplier shall not deliver deviating Products without Purchaser's prior written authorisation.

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1.5 All purchases of the Products and spare parts shall take place upon the terms and conditions of this Agreement. Any other terms and conditions including those appearing on pre-printed forms or terms and conditions of sale or purchase issued by Supplier or previously agreed by the Parties shall be null and void.

1.6 By entering into this Agreement, Supplier shall be classified as a preferred supplier to Purchaser. Preferred supplier status shall carry the following benefits:

- a. Purchaser will purchase the majority of product types listed in Appendix A from Supplier for similar pricing of equivalent products.
- b. Purchaser will not enter into a preferred supplier agreement with any competitor of Supplier for the listed products and services in Appendix A
- c. Supplier will be given the opportunity to respond to any pricing or technical issues regarding competitive products

1.7 Based on the relative size of the total spend, Purchaser expects Supplier to treat Purchaser as a high priority client at all times and to be given equal or better rates than any other contractor in the 3D marine geophysical industry, for similar volume and timing.

## 2 ACCEPTANCE OF ORDERS

2.1 Purchaser may from time to time issue a request for specific purchase and delivery (herein referred to as the Order). The Order shall be binding only if signed by a duly authorized signatory of Purchaser and accepted by return of an Order Acknowledgement by Supplier.

A request for the confirmation of prices and/or delivery dates and/or specifications is conditional and is not binding until an Order is issued and accepted as set out in 2.1 above.

Such confirmation of price and delivery from Supplier shall be submitted without undue delay and not later than 10 business days after the request. Purchaser shall, at its own discretion, accept or reject any confirmation without having to explain or document its decision.

All Orders should be sent out with a request for acknowledgement of receipt by Supplier. This form shall be returned to Purchaser within five (5) calendar days of receipt with the confirmation of the quantities requested and the delivery date. Failure to do so will entitle Purchaser to cancel its Order.

## 3 QUALITY ASSURANCE BY SUPPLIER

3.1 Supplier agrees that the Products, when delivered, will have been inspected and tested by or under control of Supplier to ensure that the Products are in proper working condition and comply with all provisions of this Agreement.

3.2 Supplier warrants that all laws, decrees, regulations, rules or orders of all applicable national or local governments/authorities related to the place where the

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Product is manufactured by Supplier have been complied with. Export laws must be complied with.

3.3 Subject to reasonable notice, Supplier authorizes a representative of Purchaser, the cost of which is borne solely by Purchaser, to enter its premises to inspect the Products or the Orders being prepared by Supplier. The Supplier shall give Purchaser all assistance in carrying out such inspection and tests. Furthermore, Supplier shall be obliged to submit its standard test reports, material certificates and product manuals to Purchasers representative at no additional cost to Purchaser.

3.4 The waiver by Purchaser of any specifications, conditions or covenants comprising part or all of an Order shall not be construed as a waiver or relinquishment of Purchasers future exercise of its rights on subsequent deliveries or Orders.

#### 4 DELIVERY

4.1 Supplier warrants that deliveries shall be made on the date, at the place and at the time of reception provided for in the Order Acknowledgement and shall be accompanied by a delivery note bearing the number of the Order and the number of packages and Products delivered and any specific document and information required to import the Products into the country of use. Delivery shall be Ex-Works as defined by the International Chamber of Commerce 2000 Incoterms.

4.2 Supplier will package or cause to be packaged all Products in a satisfactory manner and as agreed upon by the Parties. Supplier will use standard packaging materials containing markings and information specified or approved by Purchaser, such as, and without being limited to certificate of origin, bill of lading, and/or total value of the Products.

4.3 Standard packaging materials, typically cardboard boxes, will be included in the cost. Special requirements (ie wooden or metal section reels etc.) will be charged to Purchaser at cost plus Supplier standard handling fee. Containers required for sea freight will be rented or purchased and charged to Purchaser, only after prior agreement with Purchaser. Alternatively, Purchaser has the option to provide suitable sea freight containers.

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5 DELAY IN DELIVERY

5.1 Supplier is fully aware that time is of the essence for the delivery of the Products.

5.2 If at any time, Supplier foresees that there will be a delay in meeting a scheduled shipment or delivery, Supplier shall notify Purchaser within 5 business days and shall thereafter keep Purchaser fully informed from time to time as to the status of such delayed Order.

5.3 Any delay in agreed delivery date in excess of 4 weeks gives Purchaser the right to terminate the Order, unless the delay arises from a force majeure (as defined in Clause 15 thereof).

5.4 Supplier recognizes that some orders may have a critical impact on the Purchasers operation if not delivered by the agreed date. In these cases where the Purchaser provides written notice at the time of the order and if the order is over US\$ 250,000, then the Supplier will agree to accept a penalty clause tied to late delivery except where delay arises from a force majeure (as defined in Clause 15 of this Agreement). The penalty shall be assessed by the Purchaser and the Supplier at the time that the order is placed.

6 WARRANTY AND CLAIMS

6.1 The Supplier warrants new Products against any defects in design, workmanship, materials and manufacture as per our standard warranty terms shown in Appendix C. Products are produced and delivered to meet the highest industry standards.

7 PARTS SUPPORT

7.1 For the term of this Agreement, and for a period of one year beyond the term of the agreement, except for products that have been declared obsolete by announcement from the Supplier (in which case support will be maintained for a period of one year from the notification), Supplier shall maintain and keep available for delivery to Purchaser sufficient quantities of the Product's spare parts. Purchaser and Supplier shall agree as to what constitutes sufficient quantities.

7.2 In the event that a commercialized product covered by this Agreement is classified as obsolete, the Supplier agrees to make available for purchase by the Purchaser parts supplies for such products for a time period equal to the normal expected lifetime of such obsolete product.

8 TRAINING

8.1 Supplier will provide training sessions in Supplier's factories for one or several engineers or technicians of Purchaser. Supplier shall define the period and details of such training sessions (length of course, dates, number of participants, etc.) as well as the content of such courses.

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8.2 Each Party shall be responsible for all costs relating to its own personnel with the exception of the organization of the training sessions, the costs of which shall be borne exclusively by Supplier. The training session will be charged to Purchaser at a rate to be agreed at the time of organization.

8.3 In the event of the above training sessions taking place at Purchaser's premises, then Purchaser will also be responsible for the travel, accommodation and out of pocket costs of Supplier's instruction engineers plus 12% handling fee.

8.4 Training sessions shall be in the English language.

## 9 PAYMENT

9.1 In consideration of Supplier's fulfillment of its contractual obligations defined in this Agreement, Purchaser shall pay Supplier's original invoices within thirty (30) days after correctly issued invoice received by Purchaser in accordance with the price list defined in Appendix A attached hereto. To minimize payment delays, Supplier has the option to issue an electronic copy of the invoice to Purchaser (TO: [Wenche.Knudsmoen@pgs.com](mailto:Wenche.Knudsmoen@pgs.com); CC: [Farida.Nilsen@pgs.com](mailto:Farida.Nilsen@pgs.com)), the date of receipt of which will start the 30 day period. In either case, the original invoice will also be sent to Purchaser.

The prices of the Products and the spare Parts shall be firm for the first contractual period as per Clause 10.1 and shall, in the continuation only be adjusted, if needed, at the annual renewal date, if any.

9.2 At the end of each calendar month period Supplier shall calculate the total amounts invoiced to Purchaser during that month and calculate the discounts applicable in accordance with the schedule detailed in Appendix A (Part 1). Supplier shall provide Purchaser with details of the discount calculation and shall issue a Credit Note in the value of this amount to the Purchaser.

9.3 In the event of termination by either party as defined in 10.2 below, the discount rates applied will be based on the quantities purchased up to the date of termination.

## 10 TERM AND TERMINATION

10.1 This Agreement shall become effective upon the date hereof and shall continue in full force and effect for a twelve (12) month period, at which time this Agreement may be renewed by mutual agreement.

10.2 In addition, this Agreement may be terminated earlier and at any time:

- a) by either Party, immediately upon written notice to the other Party if such other Party commits or allows any breach of this Agreement which is incurable or which is curable but not cured within thirty (30) days after written notice thereof to such other Party; or
- b) by either Party, immediately upon written notice to the other, if;
- i) either Party becomes insolvent or makes an assignment for the benefit of

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creditors, or if proceedings in bankruptcy are filed by or against the other Party, or there is the appointment of a receiver, or

- ii) any assignment or attempted assignment of this Agreement or any right or obligation hereunder is made without the prior written approval of the other Party, or
- iii) there is a change in ownership or control of more than fifty percent (50%) of either parties capital or of substantially all of either parties assets, or
- iv) either party for any reason suspends or ceases to conduct business, or
- v) termination is otherwise allowed pursuant to this Agreement.

Termination pursuant to this Clause 10.2 shall be in addition to any and all other legal rights that either Party may have against the other and all remedies shall be cumulative.

10.3 Upon termination of this Agreement for any reason whatsoever, the Parties shall be bound by Orders, which are outstanding, to the extent that such Order contemplates delivery not later than ninety (90) days following the effective date of termination. All provisions of this Agreement shall continue to apply to such Orders and the Products to be delivered there under.

10.4 In addition to Clause 10.3, the following clauses shall survive the termination of this Agreement for any reason whatsoever: Clauses 7, 8, 9, 12 and 15.

11 NOTICES

Notices to either Party shall be in writing addressed by registered or certified mail to the relevant Party at its address as stated below:

If to Purchaser, to:

Mr Paul Courtenay  
 PGS Geophysical AS  
 Strandveien 4  
 1326 Lysaker  
 Norway

Miss Cerys James  
 PGS Geophysical AS  
 Strandveien 4  
 1326 Lysaker  
 Norway

If to Supplier, to:

Kevin Sweetman  
 IO Marine Systems Ltd  
 Littlemead Industrial Estate  
 Cranleigh Surrey GU6 8ND

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Handwritten signature and initials 'MC DM' in the bottom right corner of the page.

With copy to:  
General Counsel  
ION Geophysical Corporation  
2105 City West Blvd  
Building III, Suite 400  
Houston, TX 77042

## 12 CONFIDENTIALITY

12.1 Purchaser and Supplier agree that they will not publicize in any news media or otherwise disseminate any information regarding this Agreement without the prior express written consent of the other Party.

12.2 Supplier shall not make any reference to Purchaser or this Agreement in advertising or other promotional materials without the prior express written consent of Purchaser.

12.3 Any specifications, drawings, samples or other data furnished by Purchaser to the Supplier that are clearly marked as "CONFIDENTIAL" or "PROPRIETARY" by Purchaser are Purchaser's trade secrets and shall be treated as confidential by the Supplier. Supplier shall avoid the disclosure of said confidential information to third parties by taking protective measures equivalent to measures taken by Supplier to protect Supplier's own confidential information from third parties. This requirement to avoid disclosure of Purchaser's confidential information will terminate only when such confidential information has fallen legitimately into the public domain through no fault of Supplier, or no later than five (5) years following the termination of this Agreement.

12.4 In the case where manufacturing documents have been submitted by Purchaser to the Supplier for the fulfillment of an Order, these documents and any copies which may have been made shall be returned to Purchaser after the execution of said Order.

## 13 INDUSTRIAL PROPERTY RIGHTS

13.1 Any invention, whether or not patentable, made by Supplier or its subcontractors in connection with the execution of any Order, but outside of any particular technical specification by Purchaser, shall be the property of Supplier

13.2 Supplier hereby warrants that the trademarks, trade names, patents, logos and symbols owned, controlled or adopted by Supplier or any of its affiliates in respect of the Products are the exclusive property of Supplier or that Supplier has licenses to use the foregoing.

## 14 INDEPENDENT CONTRACTOR

14.1 Supplier's relationship with Purchaser during the term of this Agreement shall be that of an independent contractor. Supplier shall not have and shall not represent that it has any power, right or authority to bind Purchaser or to assume or create any obligation or responsibility, express or implied on behalf of Purchaser or in Purchaser's name except as herein expressly permitted. Nothing stated in this

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Handwritten initials and signature in the bottom right corner of the page.

Agreement shall be construed as constituting Supplier and Purchaser as partners, or as creating the relationships of employer and employee, franchiser and franchisee, master and servant or principal and agent between the parties hereto.

14.2 Supplier represents to Purchaser that no director, officer, employee or agent of Supplier or any subcontractor or vendor of Supplier, has given or received or shall give or receive any commission, fee, rebate, gift, entertainment or other payment or remuneration of significant cost or value to or from Purchaser, its directors, officers, employees or agents, in connection with this Agreement. Likewise, Purchaser represents to Supplier that no director, officer, employee or agent of Purchaser has given or received, or shall give or receive any similar payment to or from Supplier, its directors, officers, employees or agents in connection with this Agreement. Both parties hereto shall promptly notify the other in the event of any violation of the above sub-clause by an employee or representative of either Party and both parties agree to take all reasonable action necessary to address and correct the violation.

#### 15 FORCE MAJEURE

15.1 Neither Party shall be liable to the other for any failure to perform or delay in performing any of its obligations hereunder when such failure or delay is due to circumstances beyond its reasonable control, including but not limited to acts of God, war, vandalism, insurrection, rebellion, sabotage, accidents, hurricanes, earthquakes, fires, floods and nationwide strikes and labor disputes

15.2 Upon the occurrence of such force majeure condition, the affected Party shall immediately notify the other Party with as much detailed information thereof as possible, and shall keep the other Party informed of any further developments. Immediately after such condition is removed, the affected Party shall perform its obligation.

15.3 If such circumstances shall continue to prevent or delay performance for more than thirty (30) days, the Party not so prevented may at any time upon written notice to the other Party terminate this related Order.

#### 16 ASSIGNMENT

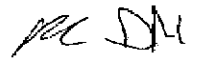
This agreement cannot be assigned by either Party to any third party without the prior written consent of the other Party which will not be unreasonably withheld.

#### 17 GOVERNING LAW - COURT

17.1 This Agreement made in two originals in the English language shall be governed by and construed according to the laws of Harris County, Texas.

17.2 The Parties agree that any dispute, controversy, or difference arising between the parties relating to or in connection with this Agreement, its construction, or the breach thereof, shall be finally settled by arbitration to be held in Houston, Texas (USA), in accordance with the arbitration rules of the American Arbitration Association ("AAA") as presently in force as of the Effective Date of this Agreement. All proceedings of arbitration, including the briefs and arguments, shall be conducted in the English language. A three person arbitration panel shall be formed by each party appointing one arbitrator, whereupon the two appointed arbitrators shall then appoint a third arbitrator. The award rendered by the arbitration panel shall be final

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and binding upon both Parties. The arbitration panel cannot award costs and attorneys fees and each side is responsible for paying their own fees.

18 MISCELLANEOUS

18.1 This Agreement contains the entire agreement between the Parties hereto and supersedes all prior and contemporaneous agreements, arrangements, negotiations and understandings between the Parties hereto, relating to the subject matter hereof. There are no other understanding statements, promises or inducements, oral or otherwise, contrary to the terms of this Agreement. No representations, warranties, covenants or conditions, express or implied, whether by statute or otherwise other than as set forth herein have been made by any Party hereto.

18.2 In the event that any provision shall be held unenforceable or invalid, all other provisions shall be distinct and separate and shall remain in full force and effect.

18.3 In the event of discrepancies, conflict or ambiguity arising between the Agreement and the Order, the terms of the Agreement shall prevail as between the Parties to the extent of that ambiguity or conflict.

18.4 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

18.5 Appendices A, B and C duly signed by both Parties, form an integral part of this Agreement.

18.6 Any amendment or modification of this Agreement becomes effective and in force only after being signed by the duly qualified representative of each of the two parties.

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IN WITNESS WHEREOF,

For PGS Geophysical AS:

By:

Name:

Title:

Date:

By: *[Signature]*  
Name: JON HEIDENSTROM  
Title: VP Procurement  
Date: March 31, 2008

By: *[Signature]*  
Name: Paul Courtenay

Title: VP Marine Acquisition

Date: March 31, 2008

For ION Geophysical Corporation:

By:

Name: Dave Moffat

Title: Senior Vice President  
Marine Imaging Systems Division

Date: ~~2008~~ APRIL 2008

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*RE DM*

AGREEMENT between Purchaser and Supplier

APPENDIX A (PART 1) – COMMERCIAL PRODUCTS DISCOUNT STRUCTURE

From	To	Difference	% Discount	\$ Discount	Cumulative Discount
\$0	\$2,500,000	\$2,500,000	0.00%	\$0	0.00
\$2,500,000	\$5,000,000	\$2,500,000	9.00%	\$225,000	4.50
\$5,000,000	\$7,500,000	\$2,500,000	11.00%	\$275,000	6.67
\$7,500,000	\$10,000,000	\$2,500,000	13.00%	\$325,000	8.25
\$10,000,000	\$12,500,000	\$2,500,000	15.00%	\$375,000	9.60
\$12,500,000	\$15,000,000	\$2,500,000	17.00%	\$425,000	10.83

(A discount of 17% will be applied to all invoices above a total spend level of \$15,000,000)

Notes:

The following items will not be eligible for the discounts detailed below, but spend on these items will count towards total spend when calculating the discount thresholds:

1. Model 5120 DigiFIN units (including 'strong back' devices)
2. Fixed price repairs on positioning products
3. Batteries

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## AGREEMENT between Purchaser and Supplier

## APPENDIX A (PART 2) - 2008 PRICING SCHEDULE

## POSITIONING PRODUCTS

Item	Item Description	Price
6500-041	KIT SPARE MODEL 5000	\$3,643.50
6500-042	TOOL KIT 5000	\$462.00
6500-055	KIT SPARES DIGIRANGE	\$3,979.50
6500-057B/01	KIT SPARES 501B DMU 26 KHZ	\$18,595.50
6500-065/02	DEPTH CALIBRATION 220 VAC	\$2,961.00
6500-090	KIT SPARES SPEED LOG	\$2,026.50
7000-101	TOOL SLB-150 CONDITIONING	\$262.50
7000-103	TOOL BATT CONDITIONING CMX	\$567.00
8000-1314	ASSY WING MODULE DIGIFIN RUGGEDISED	\$2,750.00
8000-1326	ASSY DIGIFIN WING - TRIMMED	\$2,450.00
8000-1764	ASSY SYSTEM 3 PCS	\$13,125.00
8000-1765-2	ASSY SYSTEM 3 PCS LIU 2-CHAN	\$23,625.00
8000-1765-8	ASSY SYSTEM 3 PCS LIU 8-CHAN	\$33,600.00
8000-720-2	ASSY MOTOR MODULE DIGIFIN	\$2,550.00
8000-760-1B	ASSY MODEM PROCSSR 12CH VER4.0	\$3,139.50
8000-762-245	ASSY MODEM CONTROL IC PROGRAMMD	\$5.78
8000-766B	ASSY COMM PROCESSOR 8 MEG	\$8,746.50
8000-772	ASSY MODEM MULTI-CHANNEL	\$1,575.00
8000-773-1	ASSY FSK RECEIVE CHANNEL 26KHZ	\$997.50
8000-774	ASSY FSK TRANSMIT CHANNEL	\$840.00
8000-K1143	REPLACE KIT ELE END SUPRT BLKH	\$315.00
8000-K1233	REPLACEMENT KIT CMX DR2 NOSE	\$682.50
8000-K1262	REPLACE KIT REAR LATCH CMX DR2	\$115.50
8000-K386	REPLACE KIT ACOUSTIC XDCR 90DG	\$2,215.50
8000-K663-1	REPLACEMENT KIT CTX ELEC 26KHZ	\$6,331.50
8000-K693-1	REPLACEMENT KIT CMX ELEC 26KHZ	\$6,247.50
8000-K720	REPLACEMENT KIT MOTOR MODULE	\$1,417.50
8000-K726	REPLACEMENT KIT WING MODULE	\$1,365.00
8000-K739	REPLACEMENT KIT CTX ELEC RADIO	\$5,428.50
8000-K768	REPLACE KIT BATT/COIL CBLE ALK	\$93.77
8200-037	KIT CTX SOURCE APPLICATION	\$1,312.50
8200-202	KIT CONNECTION SYS3 PCS LIU	\$866.25
8200-205-c	KIT SPARES PCS CARDS	\$7,350.00
8200-206	PCS INSTALLATION KIT	\$866.25
8200-207-2	KIT SPARES PCS 2-CHANNEL	\$36,750.00
8200-207-8	KIT SPARES PCS 8-CHANNEL	\$46,725.00
9000-295/01	FINAL ASSY MOBILE HH SYS3	\$7,980.00
9000-303/01	MODEL 303 FLOTATION TUBE	\$414.75
9000-388/01	MODEL 388/01 TEST COIL	\$236.25
9000-4013/01	CMX DR2 26KHZ	\$10,706.85
9000-4022/10	RADIO CTX	\$9,139.20

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## AGREEMENT between Purchaser and Supplier

## APPENDIX A (PART 2) - 2008 PRICING SCHEDULE

## POSITIONING PRODUCTS (Cont.)

Item	Item Description	Price
9000-4029/01	CTX DR2 26KHZ	\$9,030.00
9000-4029/10	CTX RADIO DR2	\$9,324.00
9000-4037	CTX REMOTE RADIO II	\$5,512.50
9000-4038	CTX VESSEL RADIO II	\$6,263.25
9000-4112/01	CTX PINGER FLANGED	\$4,791.15
9000-4112/02	CTX PINGER TOWED	\$4,791.15
9000-4112/03	CTX PINGER RIGHT ANGLE	\$4,791.15
9000-4112/04	CTX PINGER THREADED	\$3,407.25
9000-4122	TEST ADAPTER CMX BATT PK	\$283.50
9000-4123	BATT PACK TEST ADAPTER 5000	\$315.00
9000-454/01	MODEL 454 COIL CABLE - MALE	\$514.50
9000-5010	DIGIBIRD MODEL 5010	\$6,536.25
9000-5011	DIGIBIRD MODEL 5011 FINAL ASSY	\$10,130.00
9000-503/01	LINE POWER UNIT CTX	\$3,249.75
9000-504/04	SYS3 CONT CLOSURE UNIT 501A NS	\$861.00
9000-505/01	SYSTEM3 LINE INTERFACE UNIT	\$2,845.50
9000-5110	ACOUSTIC BIRD MODEL 5110	\$12,337.50
9000-5120	DIGIFIN UNIT	\$13,965.00
9000-587/01	COMM COIL ASSEMBLY 587	\$78.75
9000-587/02	COIL FSK W/MSX STRMR MOUNT	\$147.00
9000-7000	VELOCIMETER FINAL ASSY	\$11,392.50
9000-7500	SPEED LOG FINAL ASSY	\$11,497.50
9000-7500/03	SPEED LOG W/28 KHZ MODEM	\$11,497.50

## Batteries

Item	Part #	Quantity discount			
		< 3000	3000 - 4999	5000 - 6999	> 7000
SLB150	4000-074	\$270	\$265	\$260	\$255
CMX150	4000-076	\$530	N/A	N/A	N/A

Note: SLB150 battery prices above are for a firm commitment for a given quantity of batteries within the selected discount band for delivery within 2008.

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## AGREEMENT between Purchaser and Supplier

## APPENDIX A (PART 2) - 2008 PRICING SCHEDULE

## SOURCE PRODUCTS

Item	Item Description	Price
AL75510	POWER SUPPLY SPARES DIGISHOT	\$15,087.45
AL75511	SOFTWARE LICENSE DIGISHOT	\$6,720.00
AL75512-3	CONTROLLER DIGISHOT W/ETHERNET	\$47,045.25
AL75513-3	CONTROLLER SPARES SHOT W/ETHERNET	\$18,331.95
AL75514	POWER SUPPLY DIGISHOT	\$21,362.25
AL9000-8013	DIGISHOT PGCM SB	\$10,080.00
AL9000-8085	GCM ASSY DIGISHOT	\$6,662.25
AL9000-8305	DUAL PGCM W/AG	\$11,460.00
AL9000-8304	PRCM W/AG	\$6,430.00
AL9000-8204	DIGISHOT PRCM SB	\$6,195.00
AL9000-823-200	DIGISHOT CONTROLLER, PC, WINDOWS XP, GUI, S/W	\$111,179.25
AL9000-824	DIGISHOT MULTI CLIENT SYS	\$5,250.00
AL9000-830	ASSY DIGISHOT DIGITESTER PGCM/PRCM	\$12,405.75
ALB-4491-1-4	CONN TSP-RM-4F DUMMY NON-SHORT	\$90.30
AL9000-8310	HIGH VOLTAGE POWER SUPPLY (HVPS)	\$7,375.00
AL9000-8311	PROGRESSIVE VOLTAGE REGULATOR MODULE (PVRM)	\$9,135.00

## REPAIRS, FIELD SERVICE &amp; TRAINING

Item Description	Price
BIRD REPAIR*	\$3,500.00
REPAIR EXCHANGE MOTOR MODULE*	\$715.00
REPAIR EXCHANGE WING MODULE	\$690.00
CMX REPAIR - ELCTRICAL ONLY	\$2,300.00
CMX REPAIR - ELCTRICAL AND BODY	\$3,500.00
CMX REPAIR & UPGRADE (NO BODY)	\$4,100.00
CMX REPAIR, UPGRADE & BODY	\$5,400.00
CMX UPGRADE NO REPAIR OR BODY	\$2,800.00
CMX UPGRADE & BODY, NO REPAIR	\$4,100.00
CTX REPAIR, NO BODY	\$5,150.00
CTX REPAIR & BODY	\$5,700.00
CTX REPAIR & UPGRADE (NO BODY)	\$5,150.00
CTX REPAIR, UPGRADE & BODY	\$5,700.00
FIELD SERVICE DAT RATE	\$1,400.00/Day
DigiSHOT CLASS	\$1,500.00/Student
BIRD & ACOUSTIC CLASS	\$1,500.00/Student
DigiFIN CLASS	\$1,500.00/Student

(All classes require a minimum of 3 students per class.)

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AGREEMENT between PGS and SUPPLIER

APPENDIX C – WARRANTY

LIMITED WARRANTY

<u>Specified Product</u>	<u>Warranty Period</u>
<u>Software</u>	
Software (media only)	30 days
<u>Source Systems Product Line</u>	
DigiSHOT™ Onboard Equipment	One year
DigiSHOT™ In-Water Electronics	90 days
DigiSHOT™ Umbilical	180 days
Source Cables and Connectors	90 days
Air Guns	180 days
Source Floats	180 days
<u>Positioning Product Line</u>	
DigiRANGE	One year
5000 Compass/Depth Bird Series	One year
DigiFIN	One year
5011 Compass Calibration	Two years

**General.** Subject to the terms of this Limited Warranty ("Warranty"), I/O Marine Systems, Inc. (Seller) hereby warrants each of the following products that it or its subsidiaries manufacture ("Product") against defects in material and workmanship under normal use and service for the specified time period listed below ("Warranty Period"), in each case commencing upon the date of original purchase:

\*  
wholly owned  
subsidiary of  
ION Geophysical  
Corporation

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If Buyer promptly notifies Seller regarding any Product or Product parts that fail to perform as specified under normal usage during the Warranty Period and Seller determines that such failure resulted from a defect in materials or workmanship during the Warranty Period, then the Seller, at its option, shall repair, rebuild, adjust or replace the affected Product or Product parts. Repaired, rebuilt, adjusted or replaced Products or component parts are warranted for 60 days (30 days in the case of Software and Air Guns) or the remainder of the original Warranty Period, whichever is longer. This Warranty extends solely to Buyer and shall not extend to any person that purchases the Products from Buyer or any other person, whether an entity or a natural person, in the chain of the use or distribution of the Products.

**Software.** With regard to any computer software that is manufactured by Seller (the "Software"), Seller warrants that, for 30 days following the date of original purchase, the media containing that Software shall be free from defects in material and workmanship under normal use. Seller's sole and exclusive obligation and liability, and Buyer's sole and exclusive remedy, for any such defect with regard to the Software shall be, in Seller's sole discretion, to replace the defective media with replacement media or to correct the defective media so that it shall be free from defects in material and workmanship. Corrected or replaced media on which the Software is furnished shall be covered by this Warranty for 30 days after the date of shipment to Buyer of the repaired, corrected or replaced physical media. Seller shall have no warranty obligation with regard to any Software if (1) the media has been subjected to accident, abuse or improper use, (2) Buyer uses defective media or defectively or improperly duplicates the Software or any software that comprises the Products, or (3) Buyer violates the "Restriction on Use" listed below regarding the Software. **SELLER MAKES NO OTHER REPRESENTATION OR**

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WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH REGARD TO ANY SOFTWARE OR ANY SOFTWARE THAT COMPRISES THE PRODUCTS, AND ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF FITNESS, MERCHANTABILITY, AND FREEDOM FROM PATENT OR COPYRIGHT INFRINGEMENT, ARE HEREBY DISCLAIMED TO THE FULLEST EXTENT SUCH MAY BE DISCLAIMED BY LAW. SELLER DOES NOT WARRANT THAT THE SOFTWARE IS ERROR FREE OR THAT THE OPERATION OF THE SOFTWARE SHALL BE UNINTERRUPTED. IN ALL OTHER RESPECTS, THE SOFTWARE IS PROVIDED "AS-IS" AND ALL RISK AS TO THE QUALITY, PERFORMANCE, CAPABILITIES AND OTHER REQUIREMENTS OF THE SOFTWARE IS ASSUMED BY BUYER.

The Warranty set forth in this paragraph is further subject to the "General Provisions" set forth below. For the purposes of this Warranty, the Software shall be deemed to include, but not be limited to, embedded software that is organic to and contained in the Products at the time those Products are sold.

#### GENERAL PROVISIONS

##### Limitation of Remedies

THIS AGREEMENT EXPRESSES ALL OF SELLER'S RESPONSIBILITIES, WHETHER IN TORT OR IN CONTRACT, REGARDING THE EQUIPMENT OR ITS PRODUCTS, INCLUDING THE SALE OF THE EQUIPMENT, THE EVENTS GIVING RISE TO THE SALE OF THE EQUIPMENT, DEFECTS IN THE EQUIPMENT, AND THE FAILURE OF THE EQUIPMENT TO MEET OR PERFORM IN ACCORDANCE WITH SPECIFICATIONS OR AS INTENDED. THE REMEDIES CONTAINED IN THIS WARRANTY ARE

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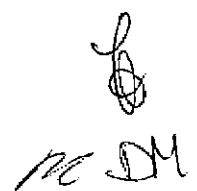
A handwritten signature in black ink, appearing to be 'JDM' with a stylized flourish above it.



BUYER'S EXCLUSIVE REMEDIES. SELLER SHALL NOT, IN ANY EVENT OR UNDER ANY CIRCUMSTANCES, BE RESPONSIBLE FOR DAMAGES OR OTHER SUMS IN EXCESS OF THE TOTAL PURCHASE PRICE ACTUALLY PAID BY BUYER TO SELLER. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, UNDER NO CIRCUMSTANCE SHALL SELLER BE RESPONSIBLE OR LIABLE IN ANY REGARD WITH RESPECT TO DAMAGES FROM LOSS OF USE, LOSS OF TIME, LOSS OF DATA, INCONVENIENCE, COMMERCIAL LOSS, LOST PROFITS OR SAVINGS, OR OTHER INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES CLAIMED BY BUYER TO ARISE OUT OF THE USE OR INABILITY TO USE THE EQUIPMENT OR PRODUCT, EVEN IF BUYER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF FITNESS, MERCHANTABILITY, AND FREEDOM FROM PATENT OR COPYRIGHT INFRINGEMENT, ARE HEREBY DISCLAIMED TO THE FULLEST EXTENT SUCH MAY BE DISCLAIMED BY LAW. NO PERSON, INCLUDING ANY DEALER, AGENT OR REPRESENTATIVE OF SELLER, IS AUTHORIZED TO PROVIDE ANY ADDITIONAL WARRANTY ON BEHALF OF SELLER.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE DOCTRINE OF STRICT LIABILITY IN TORT SHALL NOT APPLY TO EITHER PARTY, TO THE EQUIPMENT OR TO THE SALE OF THE EQUIPMENT.

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ANY OTHER TERMS AND CONDITIONS PROPOSED OR ASSERTED BY BUYER, INCLUDING THOSE APPEARING ON PRE-PRINTED FORMS OF BUYER, SHALL BE NULL AND VOID. ANY PROPOSAL BY BUYER TO MODIFY THIS WARRANTY SHALL NOT BECOME PART OF THE TERMS AND CONDITIONS THAT GOVERN THE SALE OF THE EQUIPMENT UNLESS AN OFFICER OF SELLER (VICE PRESIDENT OR ABOVE) SPECIFICALLY AGREES TO THAT MODIFICATION IN WRITING ON SELLER'S BEHALF.

If the Buyer fails to pay the full purchase price for the Products purchased by the Buyer under this Agreement, the Seller shall have the right to refuse to provide services to the Buyer under this Warranty until such payment has been received by the Seller.

#### Items Not Covered by This Warranty

This Warranty does not cover, and Seller shall have no liability or obligation with respect to, any of the following:

- conditions or damage resulting from (i) misuse, (ii) abuse, (iii) neglect, (iv) accident, (v) alteration, (v) use in any manner likely to result in damage to the Product, (vi) use in any manner contrary to instructions from Seller, or (viii) use in any manner contrary to good industry practice;
- damage caused or resulting from an act of God or nature;
- damage resulting from alteration, repair or attempted alteration or repair by individuals other than Seller's employees or Seller's designated authorized representatives;
- conditions that result from normal wear and tear;
- failure to perform proper or recommended routine maintenance;
- continued use of the Product after partial failure of any item, component or other Product;

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- items that have been used with an improper accessory;
- damage or loss caused during shipment;
- damage or defects as a result of any Buyer-supplied design, documentation, test data, and diagnostics, or damage or defects that are attributed to lack of Buyer's design margin or attributed to the Buyer's specifications;
- Products on which Seller, at the Buyer's direction, has not performed its normal or recommended manufacturing/resting/inspection process; or
- damage or defects where the failure to identify or isolate such damage or defects is attributable to Buyer-supplied hardware, software or procedures.

With regard to any Air Gun, this Warranty applies only to the metal components of Air Guns that Seller manufactures and shall not, under any circumstance, apply to any other parts, components or accessories of the Air Gun.

The obligations in this Warranty for Seller to repair, rebuild, adjust or replace products apply only to those products that the Seller offers for sale. If the Buyer requests for the Seller to acquire and re-sell to the Buyer any products manufactured and sold by companies other than the Seller, **SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, AND HEREBY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, IN CONNECTION WITH ANY SUCH THIRD PARTY PRODUCTS OR EQUIPMENT, INCLUDING WARRANTIES REGARDING THE EXTENT, AVAILABILITY OR APPLICABILITY OF WARRANTIES PROVIDED BY OTHER MANUFACTURERS.** Any such third party products or equipment not offered for sale by Seller are provided to the Buyer by Seller on an "AS IS" and "WHERE IS" basis, and Seller has no repair, warranty or other obligation to Buyer with regard to such third party products or equipment. Buyer may wish to consult the manufacturers of such third party products or equipment directly to determine the extent, availability and/or applicability of any warranties, if any, that they may offer. The foregoing is not intended to, and shall not, exclude from Buyer's warranty any products or components manufactured by Seller or on Seller's behalf by Seller's contract manufacturers.

#### Restrictions of Use

The Buyer may install, use and execute only one copy of the Software for use on only one computer at a time. The Software may not be copied, distributed, republished, uploaded, posted, decompiled, disassembled, modified or transmitted in any way without Seller's prior written consent. The Software is licensed on a non-exclusive basis solely for Buyer's use. Embedded software organic to and contained in Products is to be used by Buyer solely within the Product in which such Software resides when shipped. ANY VIOLATION OF THIS PROVISION VOIDS ALL

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WARRANTIES AS TO SUCH PRODUCTS.

Seller's Products may not be copied or reverse-engineered in any way without Seller's prior written consent. In addition, Products may only be repaired, modified or refurbished by Seller or by an authorized Seller representative with Seller's prior consent, except as otherwise directed in writing by Seller. ANY VIOLATION OF THIS PROVISION VOIDS ALL WARRANTIES AS TO SUCH PRODUCTS.

**State and Foreign Laws**

Some states and non-U.S. jurisdictions do not permit the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty may last. Therefore, the above limitations or exclusions may not apply to all Buyers. This Warranty gives Buyers specific legal rights, and certain Buyers may also have other rights that vary from state to state, or country to country.

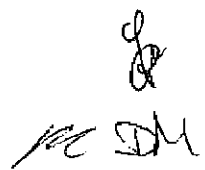
**Disputes**

Buyer agrees that this Warranty and all matters relating to the Equipment shall be governed by and construed in accordance with the laws of the State of Texas, and, to the extent controlling, federal laws of the United States of America, without reference to principles of conflicts of laws. Buyer hereby: (i) designates the courts of Texas as the exclusive court of proper jurisdiction and venue of and for any and all lawsuits or other legal proceedings relating to the Equipment and (ii) irrevocably consents to such designation, jurisdiction and venue.

If any dispute, controversy, claim or other matter in question between Seller and Buyer arises out of this sales transaction or relates to the Equipment or the sale or performance of the Equipment (a "Claim"), Buyer and Seller undertake that, prior to the commencement of legal action, they will first notify the other party of the Claim and attempt to negotiate in good faith to resolve such dispute between themselves for a period not to exceed thirty (30) days. If, after thirty (30) days, the dispute remains unresolved, the parties agree to in good faith select a neutral third party to mediate their dispute. Each Party shall bear its own costs and expenses associated with the mediation, and any fees and costs of the mediator shall be shared equally by the parties. Although the parties have agreed to participate in good faith in efforts to mediate any disputes, the results of any mediator's recommendations shall not be binding upon any party and mediation shall produce a binding agreement only if both parties agree to be bound by the results thereof. Either party will be entitled to initiate the process by written notice to the other.

If the dispute has not been resolved to the satisfaction of the parties within the earlier of (i) 10 days after the mediation or (ii) 40 days after initiation of the negotiation procedure pursuant to the above paragraph, or if either party fails or refuses to participate in or withdraws from participating in the procedure, then either party may pursue its remedies of arbitration as set forth below.

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Any Claim not settled pursuant to the above negotiation and mediation process shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Commercial Arbitration Rules"), except as otherwise expressly set forth herein. Notice of demand for arbitration shall be filed in writing with the other party and with the AAA. For Claims in which the amount in controversy or dispute is less than \$1,000,000, the arbitration proceeding shall be conducted by one impartial neutral arbitrator, and for Claims in which the amount in controversy or dispute is US\$1,000,000 or more, the arbitration proceeding shall be conducted by a panel of three impartial neutral arbitrators. Each arbitrator (whether one or three, as applicable) shall be appointed from a panel in accordance with the Commercial Arbitration Rules of the AAA. All persons submitted as prospective arbitrators by the AAA shall be persons having substantial knowledge of substantive commercial laws and the general issues in question for arbitration.

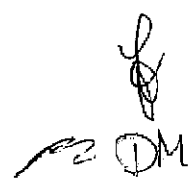
The arbitrator(s) shall honor and apply any common law or statutory defenses to a Claim. This arbitration agreement permits any party to apply to a court of any competent jurisdiction at any time for injunctive relief to maintain the status quo before any arbitration and during the pendency thereof.

The arbitrator(s) shall conduct the arbitration proceeding in Houston, Texas as provided hereinabove and in the Commercial Arbitration Rules. Time is of the essence in connection with the conduct of such arbitration proceedings, and the arbitrator shall conduct the proceedings as expeditiously as possible. English shall be the exclusive language for conduct of the arbitration proceedings. The arbitrator rendering the judgment or award shall deliver a brief written, reasoned opinion explaining such judgment or award and the legal and factual reasons therefor. This agreement to arbitrate shall be specifically enforceable under applicable law in any court of competent jurisdiction. The award rendered by the arbitrator shall be final, and such judgment shall be entered upon it in accordance with applicable law in a court having jurisdiction thereof. The parties agree to expedite and cooperate in obtaining the entry of judgment with respect to such award. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such Claim or the matter would be barred by applicable statutes of limitation. The arbitrator rendering the judgment shall not, and is expressly denied the power to, award consequential loss or exemplary or punitive damages to any Party; *provided*, that in the event a court determines that the foregoing express waiver of consequential loss or punitive or exemplary damages is unenforceable, then the arbitrator, and not a court, shall determine if consequential loss or punitive or exemplary damages shall be awarded.

The party prevailing on substantially all of its claims shall be entitled to recover its costs, including the arbitrators' fees, and its attorneys' fees for the arbitration proceedings, as well as for any ancillary proceeding, including a proceeding to compel or enjoin arbitration, to request interim measures, or to confirm or set aside an award. The parties shall be entitled to engage in reasonable discovery, including requests for the production of relevant documents. Depositions in excess of three per party may be ordered by the arbitrator(s) only upon a showing of need.

#### Severability

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If any one or more of the paragraphs or parts of this Warranty shall be determined to be invalid, illegal or unenforceable in any respect, it is the intent of both Parties that the validity, legality and enforceability of the remaining paragraphs and parts contained herein shall not in any way be affected or impaired thereby, and that such invalid, illegal or unenforceable paragraph(s) or part(s) be reformed in a manner consistent with the Parties' contractual intent so as to comply with applicable law.

#### Warranty Procedure

If Buyer needs to make a claim based on this Warranty, Buyer should advise Seller in writing immediately at the following address:

**I/O Marine Systems, Inc.  
Attention: Warranty Claims  
5200 Toler Street  
Harahan, Louisiana 70123**

**Or by facsimile: (504) 734-8627**

If Buyer seeks warranty services, Buyer must, as directed by Seller, either retain possession of the Product or ship the Product to Seller, or to Seller's designated representative, along with a detailed description of the problems that Buyer has encountered with the Product, and a return shipping address. Buyer shall be responsible for any freight charge and export/import costs and fees associated with (i) delivering the Product to Seller or its designated representative and (ii) Seller delivering the repaired, adjusted or replacement product to Buyer. If applicable freight charges or export/import costs and fees are not paid by Buyer, then Seller shall invoice Buyer for any of those costs and fees that Seller incurs, and Buyer shall promptly pay such invoice.

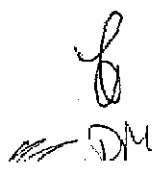
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In addition, Buyer shall be responsible for any reasonable travel expenses that Seller incurs to satisfy the terms of this Warranty at Buyer's place of business or other site that Buyer requests.

**COMPLYING WITH THESE PROCEDURES IS A CONDITION PRECEDENT TO SELLER'S OBLIGATIONS UNDER THIS WARRANTY.**

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# EXHIBIT O



IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO L.L.C.,	)	
	)	
<i>Plaintiff,</i>	)	
	)	
v.	)	Civil Action No. 4:09-CV-01827
	)	
ION GEOPHYSICAL CORPORATION,	)	Judge Keith P. Ellison
	)	
<i>Defendant.</i>	)	Jury Trial Demanded
	)	

**WESTERNGECO’S OPPOSITION TO ION’S POST-TRIAL DAMAGES MOTION**

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Dated: October 26, 2012

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WesternGeco L.L.C. (“WesternGeco”) hereby opposes ION’s Motion for Judgment as a Matter of Law, Motion for New Trial on Damages, and Alternatively, Motion for Remittitur (D.I. 562).

### **SUMMARY OF THE ARGUMENT**

After three years of litigation and a three-and-a-half week trial, the jury in this case unanimously found that ION willfully infringed four WesternGeco patents, that those patents are valid, and that ION owes \$105.9 million in compensatory damages. Continuing its kitchen-sink approach to this litigation, ION assails the damages verdict on any and every conceivable basis. ION’s shotgun approach reflects its own tacit acknowledgement that none of its individual arguments are sufficient to merit a new trial or otherwise undo the jury’s award. Notably, ION acts as if these same arguments have not already been considered and rejected time after time by this Court. At base, ION’s motion amounts to a 33 page list of its disagreements with the jury’s factual findings, a far cry from meeting its heavy burden to obtain judgment as a matter of law or a new trial.

ION developed and marketed its infringing DigiFIN system for the sole purpose of breaking into WesternGeco’s “proprietary” Q-Marine market. ION knew the risks of infringement as well as the damage that it would cause WesternGeco, but decided to launch at risk because of the lucrative opportunities it foresaw. As a result of ION’s infringement, WesternGeco lost hundreds of millions of dollars and its exclusive market position. The jury’s verdict—a combination of lost profits and reasonable royalty damages—seeks to at least partially compensate WesternGeco for this harm.

For sixteen days, the parties presented substantial evidence to the jury from over 25 witnesses and 300 exhibits. ION’s motion improperly cherry-picks selected testimony—often equivocal testimony at that—in complete disregard of the record evidence supporting the jury’s

award that WesternGeco adduced throughout the trial. In evaluating ION's efforts to overturn the jury's verdict, its one-sided view cannot be credited. Indeed, all record evidence must be viewed in its entirety, with the jury's balancing of conflicting testimony and evaluation of witness credibility left undisturbed. Applying this standard, ION's motion must fail.

WesternGeco directly competes with almost every use of ION's infringing DigiFIN system. Yet, the jury conservatively awarded WesternGeco lost profits on less than 10% of the DigiFIN surveys. If anything, this verdict under-compensates WesternGeco. ION's post-trial challenges to the foundation of the damages award were repeatedly considered—and rejected—by the Court both before and during trial. Having been found to willfully infringe, ION cannot avoid paying for the harm it caused WesternGeco. Supported by substantial evidence, the jury determined that WesternGeco was entitled to damages of \$105.9 million. The Court should uphold that reasoned decision and cannot substitute ION's self-serving snippets of biased testimony for the balancing and evaluation the jury performed across the entire body of evidence and witnesses at trial.

#### **NATURE AND STAGE OF PROCEEDING**

WesternGeco filed its Complaint on June 12, 2009 to halt ION's willful infringement of U.S. Patent Nos. 6,932,017 ("the '017 patent"), 7,080,607 ("the '607 patent"), 7,162,967 ("the '967 patent"), 7,293,520 ("the '520 patent") (collectively, "the Bittleston patents"), and U.S. Patent No. 6,691,038 ("the '038 Zajac patent"). (D.I. 1)

Nearly four months after WesternGeco's damages expert, Raymond Sims, served his report—and just a month before trial—IION moved to exclude Mr. Sims's lost profits and reasonable royalty analysis. (D.I. 350; *see also* D.I. 356, 383, 391, 401, 403) On July 16, 2012, after considering over 100 pages of briefing from the parties and holding oral argument, the Court struck Mr. Sims's original reasonable royalty calculation but upheld his lost profits



analysis. (D.I. 402) The Court denied WesternGeco's motion for reconsideration on the Court's reasonable royalty determination. (D.I. 409, 411-12; Ex. 1, 7/18/12 Hr'g Tr. at 3:24-4:12) As ordered by the Court, WesternGeco served its Second Supplemental Expert Report of Raymond Sims, which determined that ION should owe a reasonable royalty tied to its component revenue for its non-Fugro related acts of infringement. (D.I. 416) ION again moved to exclude Mr. Sims's reasonable royalty analysis. (D.I. 418, 423, 425; *see also* D.I. 422, 424) The Court rejected ION's arguments, stating that it would "allow Mr. Sim[s]'s testimony" and granted ION the opportunity to take Mr. Sims's deposition for an "unlimited duration." (Trial Tr. at 180:4-9) ION chose to forego deposing Mr. Sims, and instead filed its third motion to exclude him on July 28, 2012, five days into trial. (D.I. 440; *see also* D.I. 441) The next day, ION filed another motion, seeking to exclude WesternGeco's Customer Relationship Management database ("CRM") and any testimony from Mr. Sims thereon. (D.I. 443) On July 30, 2012, WesternGeco filed its oppositions to ION's motions. (D.I. 445-46) That same day, the Court allowed Mr. Sims's testimony, explaining that ION's arguments were "points for cross," *i.e.*, the very sort of fact issue a jury should weigh and consider. (Trial Tr. at 1819:13-15) The Court additionally rejected ION's arguments regarding CRM, not only allowing Mr. Sims to rely on it, but also admitting it into evidence as a business record. (Trial Tr. at 1603:1-4, 1657:9-1659:6)

Prior to the jury verdict, ION twice moved for—and was twice denied—judgment as a matter of law on damages. (D.I. 469, 482; Trial Tr. at 2809:4-2815:8; D.I. 512, 542; Trial Tr. at 5104:9-14) On August 16, 2012, the jury returned a verdict in WesternGeco's favor, finding all of the asserted patent claims willfully infringed and not invalid, and awarded WesternGeco \$105.9 million in damages. (D.I. 536) The jury's verdict consisted of all \$93.4 million in lost

profits that WesternGeco requested, as well as \$12.5 million of the \$14.9 million in reasonable royalty damages that had been sought. (*Id.*)

## FACTS

### **I. WesternGeco Created a Proprietary Market with Its Patented Technology**

WesternGeco developed and launched Q-Marine, the seismic industry's first steerable seismic streamer system, in 2001. (Trial Tr. at 307:3-4, 346:19-24, 1622:9-19) Q-Marine was based on over a decade of research and engineering efforts and many millions of dollars worth of investment. (*See, e.g.*, Trial Tr. at 307:2-3; 328:20-21, 518:13-545:4, 553:20-555:6, 1613:1-3, 1613:19-1614:4; PTX 56; PTX 58; PTX 65; PTX 73; PTX 85; PTX 98) Over the ensuing years, WesternGeco invested additional millions in refining its pioneering inventions and in cultivating a market for its Q-Marine commercial embodiment. (*See, e.g.* Trial Tr. at 1612:18-1613:7, 1614:5-14, 1620:24-1622:8, 4115:3-13) As this new market blossomed, WesternGeco was able to enjoy the fruits of its labor as the sole provider of lateral steering capabilities in the industry, earning billions in revenue from Q-Marine surveys. (*See, e.g.*, Trial Tr. at 1624:25-1625:17, 1626:7-16, 2096:23-2097:14, 2234:6-18, 2272:16-20, 2288:2-12; PTX 250 at ION783248; ION 125 at ION 16366)

As ION admits, lateral steering capabilities represent a distinct economic market in which ION competes with its DigiFIN system:

*There is a market for marine seismic surveys using laterally steerable streamers in the U.S. . . . [T]here is a submarket for 4D surveys within the more general market because, to service the submarket, the product or service must not only be capable of laterally steering the marine seismic survey, but also be able to . . . reproduce a first survey sometime, or several times, after the reference survey is completed. ION Geophysical sells devices that and services that compete in these markets.*

(Trial Tr. at 2791:1-23)<sup>1</sup> The existence of this proprietary market is noted in ION’s 2006 DigiFIN Business Plan and was confirmed at trial by Dave Moffat, ION’s Senior Vice President. (ION 125 at ION 16360, 16366 (referring to “the proprietary ‘Q’ marine systems market space” and “the market space that the Western-Geco has created”); Trial Tr. at 3015:11-3016:5 (Mr. Moffat testifying that WesternGeco created a proprietary market “where steering was required”))

## II. ION Launched DigiFIN to Enable Its Customers to Compete with WesternGeco

Beginning in 2006, ION devised a plan to break into WesternGeco’s “proprietary ‘Q’ marine systems market space”:

The compelling reason for [ION] to enter into this market segment is *the value that this device will bring to the existing marine seismic fleet*. . . . DigiFIN will allow existing customers to expand their offerings. *By using DigiFIN existing customers will be able to compete in the proprietary “Q” marine systems market space*. . . . Today the oil companies have no alternative to [WesternGeco’s] “Q” vessel. *The DigiFIN opens the door to all 3D vessels . . . to compete in the market space that the Western-Geco has created.*

(ION 125 at ION 16360, 16366; *see also* Trial Tr. at 2791:1-23) By piggy-backing on WesternGeco’s invention, ION was able to enter this market more quickly and cheaply. As Ken Williamson, ION’s Senior Vice President, confirmed, ION did not “need[] to prove this technology to the market” because “WesternGeco already did.” (Trial Tr. at 4115:14-18) For example, ION’s 2006 Business Plan projected only \$1.9 million in R&D costs in exchange for \$195.5 million in DigiFIN revenue. (ION 125 at ION 16372; *see also* Trial Tr. at 4470:4-4471:1) By launching the infringing DigiFIN products, ION “open[ed] the door” for WesternGeco’s competitors to compete for the first time with WesternGeco’s patented Q technology, thereby destroying WesternGeco’s market exclusivity. (ION 125 at ION 16366; *see also* PTX 250 at ION783248; Trial Tr. at 1626:7-16, 1695:8-19)

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<sup>1</sup> Unless otherwise noted, all emphases are added.

Not only did ION foresee WesternGeco's eroded position and lost sales, ION intended this result. (*See, e.g.* Trial Tr. at 3015:11-3016:5 (Mr. Moffat testifying that ION was "trying to create competition" in WesternGeco's proprietary market space); Trial Tr. at 3015:7-10 (Mr. Moffat testifying that he "knew that [ION's customers] could make more money or at least get more jobs if they offered lateral steering"); PTX 429 at FGRPROD187792 (positioning DigiFIN as "an alternative to Q")) As discussed in greater detail in the parties' submissions regarding willfulness, ION knew that DigiFIN likely infringed WesternGeco's patents and used its promise of potential indemnity and remedial measures to drive further sales of DigiFIN. (PTX 25 (Product Assurance Pledge); PTX 22 at FGRPROD4353280-81 (Pricing Agreement with indemnity provision); PTX 947 at ION904732 (ION discussing "the case" and liability concerns as it tries "to hit DigiFIN targets next year"); PTX 948; *see also* D.I. 560)

### **III. A Separate Lateral Steering Market Continues Today**

Consistent with its 2006 Business Plan, ION continues to admit that "[t]here is a market for marine seismic surveys using laterally steerable streamers." (Trial Tr. at 2791:11-12; *see also* ION 125) The record evidence at trial confirmed the many benefits lateral steering provides, such as higher quality data, more efficient surveys, and safer operations. (*See, e.g.*, PTX 7; PTX 45; PTX 47-48; PTX 132; PTX 214; PTX 230; PTX 394; PTX 398; PTX 902; Trial Tr. at 561:12-562:23, 968:10-12, 969:5-971:16, 1024:21-1026:4, 1615:4-1620:23, 2080:21-2088:21, 2090:2-2095:19, 2099:12-2100:19, 2101:3-2102:24, 2104:25-2106:19, 2113:5-2116:4, 2214:13-2424:18, 2780:3-17, 4488:6-4489:12, 4520:20-4521:20) As ION's witnesses acknowledge, lateral steering is critical for obtaining meaningful results for "4D" or repeat surveys and necessary to perform certain techniques, such as fan mode. (*See, e.g.*, Trial Tr. at 1028:13-17, 2068:20-2069:3, 2086:4-2087:13, 4112:9-18; 4120:8-11) These benefits created significant

demand for WesternGeco’s patented technology. (*See, e.g.*, Trial Tr. at 2100:20-23 (“[I]f we didn’t have steering, it wasn’t going to be worth doing [the] job”), 2097:1-14, 2276:3-2288:19)

Numerous oil companies had, and continue to have, a requirement or preference for lateral steering capabilities. (*See, e.g.*, PTX 7; PTX 28; PTX 94; PTX 95; PTX 114; PTX 132; PTX 245; PTX 257 at ION865867; PTX 380; PTX 388; PTX 403; PTS 457; PTX 463; PTX 492; PTX 903; Trial Tr. at 1630:24-1633:13; 1634:1-24; 1637:10-15, 1647:5-1648:4, 1666:20-1667:15) Statements gathered *directly from oil companies* confirm this universal need. (*See, e.g.*, PTX 7 (“Our most recent tender has required the contractors to be able to steer streamers. . . . I think you’re going to see more and more of the oil companies adopting a requirement to be able to steer streamers on all of their 3Ds in the future.”); PTX 132 (Welling Survey showing that the majority of oil companies prefer steerable streamers); PTX 245 at ION731205)) ION’s customers win jobs due to the lateral steering DigiFIN enables. (PTX 492 (“Steerable streamer . . . is a MUST. We won the job because of that.”); PTX 903 (“would not have won the job without steering capabilities”))

### LEGAL STANDARD

Judgment as a matter of law is appropriate only when “the facts and inferences point so strongly in favor of the movant that a rational jury could not reach a contrary verdict.” *SMI Owen Steel Co. v. Marsh USA, Inc.*, 520 F.3d 432, 437 (5th Cir. 2008). “[I]n entertaining a motion for judgment as a matter of law, the court should review all of the evidence in the record” and “must draw all reasonable inferences in favor of the nonmoving party.” *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000). Because the court “may not make credibility determinations or weigh the evidence . . . it must disregard all evidence favorable to the moving party that the jury is not required to believe.” *Id.* at 150-51. “[T]he court must ‘presume that the jury resolved the underlying factual disputes in favor of the verdict winner and leave those

presumed findings undisturbed if they are supported by substantial evidence.” *Cummins-Allison Corp. v. SBM Co., Ltd.*, No. 2011-1049, 2012 WL 1890153, at \*7 (Fed. Cir. May 25, 2012) (Ex. 2).

In assessing whether to grant a new trial, the Court must view the evidence “in a light most favorable to the jury’s verdict, and the verdict must be affirmed unless the evidence points so strongly and overwhelmingly in favor of one party that the court believes that reasonable [jurors] could not arrive at a contrary conclusion.” *Dawson v. Wal-Mart Stores, Inc.*, 978 F.2d 205, 208 (5th Cir. 1992). In the Fifth Circuit, it is not appropriate to grant a new trial “unless it is reasonably clear that prejudicial error has crept into the record or that substantial justice has not been done, and the burden of showing harmful error rests on the party seeking the new trial.” *J&J Sports Prods., Inc. v. Live Oak County Post No. 6119 Veterans of Foreign Wars*, No. C-08-270, 2009 WL 3049226, at \*1 (S.D. Tex. Sept. 17, 2009) (Ex. 3). “What courts cannot do . . . is to grant a new trial ‘simply because [the court] would have come to a different conclusion than the jury did.’” *Peterson v. Wilson*, 141 F.3d 573, 577 (5th Cir. 1998).

“[A] decision on remittitur . . . is within the sound discretion of the trial court . . . and damages are set aside ‘only upon a clear showing of excessiveness.’ An excessive award exceeds the ‘maximum amount calculable from the evidence.’” *Fractus, S.A. v. Samsung Elecs. Co.*, No. 6:09-CV-203, 2012 WL 2505741, at \*22 (E.D. Tex. June 28, 2012) (Ex. 4).

“If a party fails to move for judgment as a matter of law under [Rule] 50(a) on an issue at the conclusion of all of the evidence, that party waives both its right to file a renewed post-verdict Rule 50(b) motion and also its right to challenge the sufficiency of the evidence on that issue on appeal.” *Maryland Cas. Co. v. Acceptance Indem. Ins. Co.*, 639 F.3d 701, 707-08 (5th Cir. 2011).

## ARGUMENT

### I. Lost Profits

#### A. The Jury's Lost Profits Award Is Supported Under a "But-For" Test

To be entitled to lost profits, WesternGeco need only prove “by a preponderance of the evidence” that “it would have made the sales it says it lost *but for* the infringement.” (D.I. 530 at 25, Jury Inst. 19) ION proposed that such “but for” language reflecting “the true test for lost profits” be included in the jury instructions. (D.I. 490 Ex. Q-1 at 4-5) It is well-settled that for lost profits, “absolute certainty is not required, for reconstruction of the ‘but for’ market is ‘by definition a hypothetical enterprise’ based on the evidence introduced at trial.” *Fiskars, Inc. v. Hunt Mfg. Co.*, 279 F.3d 1378, 1383 (Fed. Cir. 2002). The *Panduit* factors are one way—but not the exclusive way—to establish lost profits. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995); *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989). “[A] patent owner need only show a reasonable probability that it would have made additional profits ‘but for’ the infringement.” *Fiskars*, 279 F.3d at 1383.

Substantial record evidence supports the jury’s determination that WesternGeco lost profits as a result of ION’s infringement. WesternGeco pioneered lateral steering and created the “proprietary ‘Q’ marine systems market space.” (*See supra* Facts § I) Oil companies demanded this lateral steering—which only WesternGeco could provide. As expressed in its 2006 Business Plan, ION recognized this demand and saw a lucrative opportunity in being the first player to break into WesternGeco’s proprietary market. (ION 125 at 16360) With the launch of DigiFIN, ION sought to “open[] the door” to other seismic contractors to allow them to compete in that market. (*Id.* at ION 16366)

Once DigiFIN entered the market, WesternGeco “started losing jobs with lateral steering.” (Trial Tr. at 1695:8-19; *see also* Trial Tr. at 1696:3-4 (“after DigiFIN was introduced



. . . we started losing market share”), 1701:18-24; 328:11-19; PTX 250 at ION783248 (“Due to the market penetration of DigiFIN . . . ‘Q’ is no longer commanding a premium over non-steerage 3D systems.”)) As Mr. Sims testified, each of the ten lost profit jobs required lateral steering as demonstrated by explicit customer requirements, the technical demands of the survey, and other record evidence. (*See, e.g.*, Trial Tr. at 2378:10-2387:15, 2390:15-2391:19, 2395:11-2397:12, 2398:15-2399:4) And as explained by Robin Walker, WesternGeco’s Director of Marketing and Vice President of Sales, and Mr. Sims, only companies with lateral steering could get over the “technical barrier” and have a chance to win such jobs. (Trial Tr. at 1641:21-1642:22; 1644:25-1645:4; 1726:14-19 (“[If] lateral steering was a requirement when we lost it, then . . . that would mean that another company that won it had lateral steering and they had got through that technical barrier”); 1729:18-24) After thoroughly considering the evidence, including the fact that WesternGeco was the only lateral steering system prior to DigiFIN, the jury conservatively awarded WesternGeco lost profits on less than 10% of the 101 surveys performed using DigiFIN.

Although ION may disagree with the jury’s ultimate conclusions, it cannot be said that the jury’s lost profits award is against the great weight of the evidence or not supported by this substantial evidence. Rather than acknowledge this record evidence, ION seeks to improperly usurp the role of the jury and substitute ION’s attorney argument for the jury’s evaluation of all of the record evidence. *See, e.g., Reeves*, 530 U.S. at 150-51; *Cummins-Allison Corp.*, 2012 WL 1890153, at \*7 (Ex. 2). ION essentially turns the legal standard for judgment as a matter of law on its head when it fails to acknowledge, let alone address, the ample record support for the jury’s verdict, and fails to afford the jury due deference for its balancing of conflicting evidence where any existed. ION’s motion should properly be denied.



**B. Lost Profits Are Appropriate Under § 271(f)**

ION essentially contends that lost profits can never be awarded for its infringement under 35 U.S.C. § 271(f). (D.I. 562 at 4-7) But the Court considered and rejected that argument. (D.I. 402) In seeking an extra bite at this apple, ION offers three arguments that essentially just repeat its prior, rejected position:

- (1) that any lost profits should be limited to ION’s sale of components;
- (2) that the lost profits surveys are too attenuated from ION’s infringement; and
- (3) that lost profits somehow give an improper extraterritorial effect to U.S. patent law.

Each fails, and is addressed in turn below.

**i. ION Is Responsible for All Foreseeable Damages**

Under 35 U.S.C. § 284, WesternGeco is entitled to damages that are “*adequate to compensate for the infringement . . .*” The relevant inquiry is “compensation for the pecuniary loss [the patentee] has suffered from the infringement, without regard to the question whether the defendant has gained or lost by his unlawful acts.” *King Instruments Corp. v. Perego*, 65 F.3d 941, 948 (Fed. Cir. 1995). “The basic theory of damages is to make the patent owner whole for losses caused by the infringer’s illicit activity. *The patent owner is to be restored financially to the position he would have occupied but for the infringement.*” Donald S. Chisum, Chisum on Patents § 20.03 (2012) (Ex. 5); *see also* D.I. 530 at 24 (Jury Instruction No. 18 stating that “[t]he damages you award must be adequate to compensate WesternGeco for the infringement. . . . Your damages award, if you reach this issue, should put WesternGeco in approximately the same financial position that it would have been in had the infringement not occurred.”) As ION predicted in its 2006 Business Plan, ION’s infringing sales of DigiFIN caused WesternGeco to lose its proprietary market (*supra* Facts § II)—WesternGeco is entitled to compensation for this harm.

In accordance with basic tort law, an infringer is liable for foreseeable lost profit damages. *Rite-Hite*, 56 F.3d at 1546 (“If a particular injury was or should have been reasonably foreseeable by an infringing competitor in the relevant market, broadly defined, that injury is generally compensable absent a persuasive reason to the contrary.”). There is substantial evidence that ION knew its customers would use its DigiFIN lateral steering systems to perform surveys that competed with WesternGeco—indeed, ION intended such a result. (*See supra* Facts § II; *see also King Instruments*, 65 F.3d at 949 (“If the record permits the determination of actual damages, namely, the profits the patentee lost from the infringement, that determination accurately measures the patentee’s loss.”)) WesternGeco’s lost profits flowed directly from ION’s infringement, and ION is accordingly responsible for compensating WesternGeco for this harm.

ION’s efforts to limit its acts of infringement to its “supply of component parts from the United States” ignores the nature of its liability. (D.I. 562 at 5) Section 271(f) requires the supply of infringing components in or from the United States with the “*inten[t] that such component will be combined outside of the United States*” or “*in such a manner as to actively induce the combination of such components outside of the United States.*” This intended effect outside the United States is part of the statutorily-defined acts of infringement under § 271(f). And the intended combination outside the United States, *i.e.*, as part of a marine seismic survey, is the direct cause of WesternGeco’s lost sales. Under ION’s flawed view, if damages under § 271(f) were limited to the act of supply, they would only ever result in nominal damages. This turns § 271(f) into a dead-letter nullity, which cannot be the case where it was explicitly enacted to close the loophole where manufactures export components for infringing uses abroad. (*See* D.I. 361 at 2-3)

Moreover, where, as here, the patentee derives revenue generated from its exclusive use of the patented product, the patentee may recover damages against a manufacturer for the manufacturer's customer's use of the invention. Donald S. Chisum, *Chisum on Patents* § 20.03(7)(b)(iii) (“While the infringing manufacturer did not actually engage in the infringing uses, its acts of manufacture and sale made such uses possible.”) (Ex. 5). ION does not—and cannot—dispute that it intentionally enabled its customers to compete in WesternGeco's proprietary market and caused WesternGeco's lost profit harm. No technicality exists under § 271(f) to excuse ION from paying the resulting actual damages that WesternGeco suffered.

**ii. Lost Profit Damages Can Be Based on Foreign Sales**

The Federal Circuit and district courts have repeatedly awarded lost profits under § 271(f) based on lost foreign sales. *See, e.g., Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378 (Fed. Cir. 2005), *overruled on other grounds* (approving reliance on “foreign sales for the purpose of recovering additional damages under 35 U.S.C. § 271(f)(2)”); *WR. Grace & Co. v. Intercat, Inc.*, 60 F. Supp. 2d 316, 320-21 (D. Del. 1999) (holding that for infringement under § 271(f), “plaintiff is entitled to damages based on Intercat's international sales”); *TD Williamson, Inc. v. Laymon*, 723 F. Supp. 587, 590-93 (N.D. Okla. 1989) (determining that the patentee deserved lost profits under § 271(f) for survey jobs performed in Venezuela using the infringing device); *TruePosition Inc. v. Andrew Corp.*, 611 F. Supp. 2d 400, 408-09 (D. Del. 2009) (awarding lost profits for infringement under § 271(f)(2)). While long on rhetoric, ION fails to cite a single case that denied lost profits under § 271(f) and it ignores the body of cases to the contrary.

Every case ION cites to argue that the jury's lost profits award “runs afoul of precedent limiting the reach of United States patent law” relates to limiting *liability* based on activities outside of the United States, not damages. (D.I. 562 at 6-7) ION's conflation of activities that

give rise to infringement liability with those that factor into a damages analysis finds no support in the law. In *John Hopkins*—a case cited by ION—the Federal Circuit recognized that remedies, such as an injunction, “can reach extraterritorial activities . . . even if these activities do not themselves constitute infringement.” *John Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1998). ION’s acts in the United States infringed WesternGeco’s patents and the jury properly awarded the “but for” lost profits that were foreseeable—indeed foreseen—by ION when it chose to infringe.

### C. The *Panduit* Factors Also Support the Jury’s Lost Profits Award

Although not separately required, the record evidence also satisfies the *Panduit* test, which creates a presumption of “but for” causation when met. See *Carella v. Starlight Archery and Pro Line Co.*, 804 F.2d 135, 141 (Fed. Cir. 1986) (upholding damages award and noting that *Panduit* “is not . . . the exclusive standard for determining entitlement to lost profits”); *Dawson*, 978 F.2d at 208 (“Where a jury could have reached a number of different conclusions, all of which would have sufficient support based on the evidence, the jury’s findings will be upheld.”). To the extent WesternGeco had to satisfy the *Panduit* test, the Court already addressed—and rejected—these same *Panduit* arguments by ION before and throughout the trial. (See, e.g., D.I. 402 at 5-7; Trial Tr. at 1603:1-2, 1659:1-6)

#### i. *Panduit* Is Applicable to Determine Lost Profits in this Case

ION first argues that the *Panduit* test was somehow inapplicable to the facts of this case. (D.I. 562 at 7-9) But as recognized by the Court, both parties previously agreed that the *Panduit* factors were appropriate. (D.I. 402 at 6 (“Mr. Sims applied the methodological approach that *all parties agree is appropriate* by utilizing the *Panduit* factors.”)) ION’s own damages expert, Mr. Gunderson, similarly spent over an hour and a half walking the jury through his analysis of the

*Panduit* factors in this case. (See, e.g., Trial Tr. at 4665:16-4698:9, 4701:23-4742:5) ION's incongruous efforts to reverse course post-trial are without basis.

Furthermore, ION's argument that *Panduit* is inapplicable because it is a mere component supplier ignores the economic reality of ION's relationship with its customers who directly compete with WesternGeco. ION lacked vessels on which to develop and test the DigiFIN systems and relied on "WesternGeco's competitors" to help develop the infringing products and ION's customers, in turn, lacked in-house technology and relied on ION to provide DigiFIN to allow them to compete with WesternGeco. (See, e.g., PTX 208 at ION 8821 ("*It would be mutually beneficial to create a business relationship between the two companies to develop control systems around the DigiFIN lateral control device. . . . It is recognised [sic] by both parties that the spirit of this agreement is to accord Fugro a competitive advantage for their efforts in driving DigiFIN adoption and to give ION access to vessels for testing and developing relevant algorithms and functionality.*") The purpose, and effect, of this "business relationship" was that "[b]y using DigiFIN [ION's] customers will be able to compete in the proprietary 'Q' marine systems market space." (ION 125 at ION 16360; see also ION 125 at 16366 ("The DigiFIN opens the door to all 3D vessels . . . to compete in the market space that the Western-Geco has created.")) Indeed, ION's interrogatory responses, internal business plans, personnel and SEC filings all confirm this direct, competitive relationship between DigiFIN and Q-Marine. (Trial Tr. at 2791:2-23; PTX 257 at ION865867; ION 125 at ION16366; Trial Tr. at 3474:4-8; PTX 71 at WG13502) ION's brief is silent on these critical facts presented at trial.

ION does not dispute that the DigiFIN system competes for the same surveys and same customers as WesternGeco's patented technology. ION's citation to *Bic Leisure* and *Mitutoyo* are accordingly inapposite. See *Bic Leisure Prods. Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214,

1219 (Fed. Cir. 1993) (patentee and defendant “sold different types of sailboards at different prices to different customers”); *Mitutoyo Corp. v. Cent. Purchasing, LLC*, 499 F.3d 1284, 1291 (Fed. Cir. 2007) (patentee “did not put any direct evidence into the record to suggest overlap among the consumers buying the companies’ respective goods”). *Water Techs.* merely provides an example of when *Panduit* may be appropriate—contrary to ION’s argument—and does not hold that the lost sale must be equal in quantity to the infringing sale. *See Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 671-72 (Fed. Cir. 1988). In *Mahurkar*, the Federal Circuit determined that the trial court “invoked *Panduit* out of context” because it applied a “*Panduit* kicker” to its reasonable royalty determination which is not an issue here. *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1580-81 (Fed. Cir. 1996). And the Court in *Comair* discussed collateral estoppel, not lost profits—the majority opinion did not even address *Panduit*. *Comair Rotron, Inc. v. Nippon Densan Corp.*, 49 F.3d 1535 (Fed. Cir. 1995). None of the *Panduit* cases cited by ION deal with two products that compete. (*See, e.g.*, PTX 6 at ION16360) Moreover, Mr. Sims did not focus on equipment for some factors and surveys for other factors, as ION claims. (D.I. 562 at 14) Throughout his *Panduit* analysis, Mr. Sims evaluated ***the patented technology***—which covers entire systems for laterally controlling towed seismic streamer arrays. (*See, e.g.*, Trial Tr. at 2280:15-2281:4, 2289:5-15, 2657:3-9)

ii. ***Panduit* Factor 1: Demand**

ION concedes that the first *Panduit* factor—demand for the patented product—is established. (D.I. 562 at 15-24; *see also* Trial Tr. at 4669:9-4670:3 (Mr. Gunderson testifying that “there’s demand for the DigiFIN.”))

**iii. *Panduit* Factor 2: Availability of Acceptable Non-infringing Alternatives**

WesternGeco presented sufficient evidence to satisfy the second *Panduit* prong, *i.e.*, that there were no acceptable, non-infringing alternatives available during the relevant time period.

**a. The Relevant Time Period**

As explained by Mr. Sims, bidding for seismic surveys can take place up to a year prior to a survey. (Trial Tr. at 2293:1-6) In order to win a job that requires lateral steering, the seismic contractor would need to have that technology during the bidding phase. (*Id.*) The appropriate time frame for assessing alternatives for WesternGeco’s 2009-2011 lost profits jobs is thus from 2008-2010.

**b. Acceptable and Non-Infringing**

Substantial evidence shows that Nautilus was not an acceptable alternative as of 2010, let alone as of 2008. (Trial Tr. at 4213:17-19 (“Q. And so as of 2010, June, you did not consider Nautilus to be an acceptable alternative to DigiFIN, to your customers? A. You could say that, yes.”); *see also id.* at 1082:20-1083:5, 2289:19-2290:14, 2293:11-20, 2296:8-14; PTX 313; PTX 920) Indeed, ION concedes that Nautilus was not widely available to seismic contractors until at least March 2011. (D.I. 562 at 16) Even if Nautilus had been “available,” the record evidence demonstrates that ION’s customers, including CGGV and Fugro, found Nautilus to be unacceptable—when used, it destroyed streamer cables. (Trial Tr. at 1074:22-1075:5, 1075:13-20, 1076:9-19 (Nautilus was not acceptable to Fugro); PTX 458 (May 2010 email saying that “if you hear rumors in the industry that Nautilus birds are revolutionary and fantastic, disregard them . . .”); *see also* Trial Tr. at 2293:21-2294:12, 2294:17-2295:20) Moreover, Nautilus is compatible only with Sercel’s Sentinel streamer and thus could not have been used on most of

the lost surveys. (Trial Tr. at 2210:11-21; *see also* Trial Tr. at 4530:14-15) Nautilus was not an available, acceptable, alternative to ION's infringing DigiFIN system.

ION's other purported "alternative," eBird, was "not commercially available or commercially proven" as of October 2011, let alone from 2008-2010. (Trial Tr. at 4212:15-20; *see also* Trial Tr. 1082:20-1083:5, 2209:17-21, 2292:7-14, 2293:7-10, 2296:8-14) Even today, eBird is only compatible with PGS's streamers and requires contractors to "develop their own control system." (*See, e.g.*, Trial Tr. at 1072:23-1073:17; PTX 250 at ION783248-49; *see also* Trial Tr. at 2211:1-6, 2290:15-2291:5, 2291:18-2292:2 ("So [eBird] is really not an option unless you have got your own lateral control system.")) And like Nautilus, eBird failed in tests and has been criticized by seismic contractors—including PGS itself.<sup>2</sup> (*See, e.g.*, PTX 233 ("[eBird] destroyed the cable that was being used for testing."); PTX 250 at ION783248-49 ("The PGS operations group that has tested 12 of the devices had nothing good to say about them and did acknowledge that the device caused cable damage from the twisting."); *see also* Trial Tr. at 2291:6-17, 2292:3-6) Additionally, ION offers no reason why its own competitive assessments regarding how its customers would view these alternatives—which likewise contradict ION's post-trial attorney arguments—should be ignored. At best, ION's arguments boil down to a disagreement over how the jury weighed competing record evidence—a legally improper basis for its post-trial motion. *Dawson*, 978 F.2d at 208.

ION argues that Nautilus and eBird were tested by their manufacturers during the damages window as evidence that they were available. (D.I. 562 at 16) This evidence is equivocal at best and contrary to the record evidence discussed above. It also fails to address the

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<sup>2</sup> WesternGeco presented evidence of criticism of ION's purported alternatives by at least Fugro, CGGV and PGS. ION's assertion that WesternGeco offered only criticism by Fugro is incorrect.



fact that the oil industry is “conservative” and customers would not have purchased new products unless and until the product’s value had been proven—which has not happened to this day for Nautilus and eBird. (*See, e.g.* Trial Tr. at 1612:24-1613:18, 1614:5-14; *see also id.* at 2292:15-25) ION’s reliance on *Grain Processing* and *Gargoyles* (D.I. 562 at 17-18) is misplaced because use by a manufacturer is not equivalent to a sale in the market. Furthermore, ION’s own Executive Chairman, Robert Peebler, concluded that “any lateral steering system,” such as Nautilus and eBird, “would be in violation [of WesternGeco’s patents] since they [have] such broad claims.” (PTX 951) Even if available and acceptable, neither Nautilus nor eBird comprised non-infringing alternatives.

**c. Market Share**

If any acceptable alternatives did exist, WesternGeco would still be entitled to lost profits for sales of surveys that it could have performed based on *pro rata* market share. *State Indus.*, 883 F.2d at 1578. Viewed most favorably to ION, WesternGeco’s market share was approximately 30% of seismic surveys during the relevant period. Its claim for lost profits on only 10% of the DigiFIN surveys would thus be conservative even if acceptable, non-infringing alternatives were available. (*See, e.g.* Trial Tr. at 2301:19-2302:23 (Mr. Sims noting WesternGeco’s market share of about 35%); Trial Tr. at 2274:23-2275:3 (“Q . . . [I]t’s possible they might have won a lot more of those surveys, too, in accordance with their regular market share, but you have not assigned those into the lost profits category? A. That’s correct. I have not.”)) The jury’s lost profits award is supported by the record evidence and well below the maximum damages calculable from the record. *Fractus*, 2012 WL 2505741, at \*22 (“An excessive award exceeds the ‘maximum amount calculable from the evidence.’”).

iv. ***Panduit* Factor 3: Capacity**

WesternGeco presented considerable evidence of *Panduit* factor 3, *i.e.*, that it had the capacity to perform the lost profits jobs. WesternGeco’s damages expert, Mr. Sims, conducted a “detailed investigation” into WesternGeco’s capacity. (Trial Tr. at 2297:25-2298:2) Contrary to ION’s arguments that he relied solely upon Mr. Walker, Mr. Sims formed his reasoned opinions by reviewing hundreds of thousands of pages of documents, reading more than 30 damages-related deposition transcripts, considering ION and Fugro’s expert’s reports, and talking to WesternGeco employees. (Trial Tr. at 2266:5-2267:25, 2297:6-18, 2445:5-16) Based on this investigation, WesternGeco would have had 59 months of available capacity to perform the lost jobs—more than double the amount required. (Trial Tr. at 1695:24-1698:5, 2296:20-2300:12) Again contrary to ION’s arguments, Mr. Sims considered when and where each survey would have been performed as well as the type of vessel needed. (Trial Tr. at 2581:2-17 (“We looked at when they were done. We looked at the schedule of the boats that were actually used and the boats that would have been used.”); *see also* Trial Tr. at 2486:20-2487:18 (“[T]hey would have, if necessary, deployed their boats differently and more efficiently had they known that the demand was going to be there and only they could satisfy it.”), 1697:6-9 (Mr. Walker explaining that the 8-streamer *Topaz*, *Searcher* and *Pride* have the same streamer capacity as some Fugro vessels and would be “perfectly saleable in the market today.”)) While ION quibbles at the margins regarding these facts, this in-depth analysis more than amply satisfied the “but for” test for lost profits. *See Comair Rotron, Inc. v. Matsushita Elec. Corp.*, No. 93-1410, 1994 WL 381809, at \*5 (Fed. Cir. July 19, 1994) (noting that damages “need not be proven with unerring precision.”) (Ex. 6).

If anything, Mr. Sims’s capacity analysis was unnecessarily conservative. His analysis, for example, was nearly half the estimate initially determined by Mr. Walker. (Trial Tr. at

2487:22-2488:2) Mr. Sims also did not credit the amount of money that could have been saved by not converting the *Topaz*, *Searcher* and *Pride* to conventional vessels. (Trial Tr. at 2300:25-2301:10) And Mr. Sims included an extra 15 months of capacity—for a total of 59 months—from equipping the *Cook* with Q-Marine at a cost of \$19.2 million. (Trial Tr. at 2298:22-2299:8) If anything, the jury’s verdict accordingly undercounts lost profit damages by at least \$19.2 million.

ION’s focus on WesternGeco’s “actual” capacity is misplaced and ignores: (1) that WesternGeco’s analysis is based on vessels WesternGeco owned and (2) that lost profits are a “reconstruction of the ‘but for’ market” which is “by definition a hypothetical enterprise.” *Fiskars*, 279 F.3d at 1383. Worse still, ION’s “facts” actually reflect equivocal—if not outright wrong—testimony that the jury was free to disregard. For example, ION claims that WesternGeco did not have a Q-Marine vessel available for the ConocoPhillips survey based solely on testimony from Julie Branston. (D.I. 562 at 20) But Ms. Branston testified that she “can’t remember” what vessel WesternGeco bid and that she “[doesn’t] know the details of all these jobs.” (Trial Tr. at 4694:3-4, 4706:21-22) ION’s assertions are also at odds with other record evidence that WesternGeco *did* bid Q-Marine for that survey. (*See infra* Argument I(D)) Even if the record had any ambiguity, ION cannot legitimately challenge the jury’s resolution of such ambiguities through a post-trial motion. *Dawson*, 978 F.2d at 208; *Reeves*, 530 U.S. at 150 (noting that the court “may not make credibility determinations or weigh the evidence”). ION’s analysis comports with neither proper lost profits nor post-trial standards and fails to call the jury’s verdict into doubt.

**v. Panduit Factor 4: Lost Profits Calculation**

The final *Panduit* prong, WesternGeco’s calculation of lost profits, is similarly supported by substantial evidence.

**a. Customer Relationship Management (“CRM”) Database**

CRM is a database that tracks WesternGeco’s business opportunities and competition activity. (Trial Tr. at 1561:1-11) The Court has twice vetted CRM, first ruling that it is sufficiently reliable for Mr. Sims to rely on under Fed. R. Evid. 702 (Trial Tr. at 1603:1-4 (“As to CRM, I’ve said before and I maintain that it’s appropriate for an expert to rely on.”)); *see also* D.I. 403 at 62:19-63:25 (noting that “defendants’ own experts said that the CRM is something that an expert would reasonably rely on”); D.I. 383 at 34), and later admitting it into evidence as a business record for the truth of the matter asserted (Trial Tr. at 1659:1-6 (“I do think that it qualifies as a business record. . . . I’m going to allow it.”)). The jury was free to rely on CRM and Mr. Sims’s testimony based thereon, and all of ION’s arguments to the contrary—effectively a motion for reconsideration of evidentiary rulings—are improper fodder for a post-trial motion.

CRM contains the “best information” available regarding the lost profit surveys. (Trial Tr. at 1653:21-1654:14) WesternGeco relies on CRM to keep track of the over one hundred tenders it receives every year. (Trial Tr. at 1651:1-4) Only WesternGeco employees with appropriate bid responsibility may enter information into the database, and only the single account manager responsible for a particular tender may alter its CRM entry. (Trial Tr. at 1653:1-20; *see also* D.I. 383 at 33-34; D.I. 446) WesternGeco ensures that CRM is updated regularly and relies on this information to price its bids. (Trial Tr. at 1652:19-25, 1654:15-1655:9, 1655:21-1656:8) WesternGeco attempts to obtain the most reliable information regarding the outcomes of bids and inputs that into CRM as well. (Trial Tr. at 1652:19-25, 1653:21-1654:14, 1655:2-9)

The credibility of CRM was buttressed at trial by both Fugro’s actual revenue numbers and the testimony of ION’s own expert, Mr. Gunderson. (Trial Tr. at 2472:18-2473:13, 2473:20-25, 2472:18-2473:9 (Mr. Sims explaining that the CRM was accurate within 1% of Fugro’s

actual revenue numbers); *id.* at 4909:4-7 (Mr. Gunderson testifying that CRM was conservative); *see also id.* at 2272:3-20; D.I. 383 at 34) ION simply ignores this record evidence.

ION's oft-repeated claim that "WG's senior management testified that CRM contains 'rumor,' 'innuendo,' and, notable, rank hearsay" (D.I. 562 at 11) is also contradicted by the record, which reveals that it was *ION and Fugro's attorneys* who made those statements, and that both Mr. Walker and Scoulios *rejected* those claims.<sup>3</sup> (Trial Tr. at 465:14-22, 1731:14-21) ION's argument to the contrary improperly usurps the role of the jury and fails to support its post-trial motion. The Court properly admitted CRM, and the jury properly relied on it in deciding its damages verdict.<sup>4</sup>

#### **b. ION's New "Costs" Argument**

After three-and-a-half years of litigation and a three-and-a-half week jury trial, ION argues for the first time post-trial that WesternGeco's evidence regarding its own costs is speculative and conclusory. (D.I. 562 at 21) ION waived this argument by not previously raising it before the Court. *See, e.g., Maryland Cas. Co.*, 639 F.3d at 707-08. But even on the merits, ION's "costs" argument fails because WesternGeco provided substantial evidence from

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<sup>3</sup> Read in the full context—omitted from ION's motion—Mr. Sims similarly did not deride CRM as "scuttlebutt" but rather, he testified that CRM is "predominately, it's based on, you know, information that [WesternGeco] believe[s] is reliable from reliable sources." (*Compare* D.I. 562 at 11 (citing "Tr. at 2762:11-19, 2762:22-2763:5"), *with* Trial Tr. 2762:20-21)

<sup>4</sup> ION's citation to *Whiteserve* and *Brooke Grp.* are inapposite. (D.I. 562 at 12-13) For instance, just as the Court held in this case, the Federal Circuit in *Whiteserve* recognized that "vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof" were the appropriate means for challenging the disputed evidence. *Whiteserve, LLC v. Computer Packages, Inc.*, No. 2011-1206, 2012 WL 3573845, at \*12 (Fed. Cir. Aug. 7, 2012) (Ex. 7); D.I. 402 at 6 ("After considering these arguments, the Court is persuaded that the issues raised by Defendants are properly addressed on cross-examination and through Defendants' own presentation of evidence."). ION pursued such cross-examination, and should not be heard to complain merely because the jury disagreed with its attorney argument.

which a reasonable jury could have calculated lost profits. As Mr. Sims explained to the jury, he analyzed information on costs from a variety of sources, including WesternGeco employees and financial records. (Trial Tr. at 2273:7-11, 2445:17-2446:3) Using that information and his experience, Mr. Sims testified regarding WesternGeco's typical survey costs and incremental profits. (Trial Tr. at 2273:12-2274:8, 2403:13-2405:8) The jury was properly entitled to rely on this testimony. *See Fonar Corp. v. Gen. Elec. Co.*, 107 F.3d 1543, 1551-53 (Fed. Cir. 1997) (concluding that expert testimony constituted "substantial evidence" to support jury's findings).

**c. Apportionment of Survey Revenue**

The purpose of the entire market value rule is to limit the amount of damages a patentee can receive for the infringement of an invention that is but one small part of a larger product. WesternGeco's asserted patents do not fall into this category, as they cover entire systems for laterally controlling towed seismic survey arrays. WesternGeco sought lost profits for only surveys for which this patented technology was required and a primary value driver. Accordingly, the survey revenue was the appropriate input for the lost profits award, and ION's invocation of the entire market value rule is misplaced and without support.

Notably, ION used the fact that WesternGeco's patents cover entire survey systems—rather than mere components—to its advantage in seeking summary judgment of non-infringement under 35 U.S.C. § 271(a). ION's damages arguments, which now seek to reverse course and deny this scope, are incongruous if not outright barred under the doctrine of judicial estoppel. *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (“[J]udicial estoppel . . . generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase.”); *RSR Corp. v. Int'l Ins. Co.*, 612 F.3d 851, 859-61 (5th Cir. 2010) (affirming application of judicial estoppel).

The “but for” and *Panduit* proof of lost profits—discussed above—similarly moots the applicability of the entire market value rule. WesternGeco lost its profits from the entire survey due to competition from ION’s infringing DigiFIN systems.

Even if the entire market value rule were to apply, WesternGeco presented substantial evidence at trial—including customer surveys and direct statements from customers in ION’s marketing material—that WesternGeco’s patented lateral steering technology is the basis for customer demand for the surveys at issue. (*See supra* Facts III) Thus, the cases cited by ION are inapposite. *See LaserDynamics, Inc. v. Quanta Comp., Inc.*, 694 F.3d 51, 67-68 (Fed. Cir. 2012) (patent covered only optical disc for computers with a variety of other components that drove demand); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1319-20 (Fed. Cir. 2011) (the patentee conceded that customers do not buy defendant’s product because of the infringing feature); *Rolls-Royce PLC v. United Techs. Corp.*, No. 1:10cv457 (LMB/JFA), 2011 WL 1740143, at \*6 (E.D. Va. May 4, 2011) (patented fan blade was only one of eight features that helped achieve the demanded weight and fuel consumption requirements) (Ex. 8); *Carefusion 303, Inc. v. Sigma Int’l*, No. 10cv0442 DMS (WMC), 2012 WL 392808, at \*2-3 (S.D. Cal. Jan. 3, 2012) (sensors not claimed in the patent contributed to the safety of the infusion pump) (Ex. 9).

#### **D. ION’s Remaining Kitchen-Sink Arguments Fail as Well**

In a final attempt to overturn the jury’s lost profits award, ION strings together a hodgepodge of arguments that—at best—continue to merely reflect ION’s disagreement with the jury’s determination. (D.I. 562 at 21-25) First, ION claims that WesternGeco would not have won the lost profits jobs for certain oil companies because it did not have solid streamers. (D.I. 562 at 21-22) But the record evidence shows that solid streamers had no effect on WesternGeco’s ability to win jobs from these companies. (*See, e.g.*, Trial Tr. at 1647:5-13,



1647:19-22, 1833:12-15, 1833:20-22, 1882:2-8, 1882:12-20, 2522:23-25235; PTX 547 (CRM database showing that WesternGeco won jobs from ExxonMobil, BP and Petronas))

Second, ION argues that WesternGeco did not bid on each lost profits survey, and thus could not have won them. The record evidence demonstrates otherwise—that WesternGeco did bid on all lost profit jobs. (Trial Tr. at 1649:2-5, 1671:21-1672:14, 1680:3-6, 1683:15-1684:8, 1695:20-23, 2629:13-18, 2624:8-12, 2623:9-17, 2629:13-2630:6) And in any event, a patent holder need not bid on every lost sale to claim lost profits. *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 554 (Fed. Cir. 1984) (“The fact that Gyromat bid against Champion on only seven of the 152 infringing sales does not show that Gyromat could not and would not have made those sales if Champion had not infringed”); *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1373 (Fed. Cir. 1991) (“[T]he fact that Standard Havens did not bid on Mount Hope and Balf is not a basis for overturning the jury’s award to Standard Havens of its lost profits attributable to those infringing sales by Gencor.”); *see also* D.I. 483 at 2-3. ION’s citation to *Bott v. Four Start Corp.*, 807 F.2d 1567 (Fed. Cir. 1986) does not compel a contrary result because in *Bott*, the plaintiff admitted that it was not entitled to lost profits. *Id.* at 1571.

Third, ION claims that WesternGeco did not win the lost profits jobs because of its “high prices.” As explained at trial, however, lateral steering was a “technical barrier” for the lost profit surveys, rendering pricing irrelevant if that barrier was not met. (Trial Tr. at 1641:19-1645:4, 1684:7-8, 1726:9-19, 1729:18-24, 1730:10-16, 1829:23-1830:2, 2285:22-2286:14)

Fourth, ION argues that WesternGeco lost the ExxonMobil and Total jobs because of its “refus[al] to release the raw sensor data obtained by Q-Marine.” (D.I. 562 at 22 n.10) The record evidence again shows the fallacy of this argument, as both customers did purchase



WesternGeco surveys. (Trial Tr. at 369:15-19, 1647:5-13, 1647:19-22, 1888:7-13, 5063:13-17; PTX 547)

Fifth, ION claims that WesternGeco did not establish the ten lost profits jobs used DigiFIN. This argument is contradicted by the record evidence. (Trial Tr. at 1680:3-11, 2271:8-24, 2272:21-23, 2406:20-24, 5079:20-5085:5; PTX 953; PTX 955; PTX 922 at ION891954-55, ION892504-513, ION893347-52, ION893367-69, ION893544-54, ION914649-57 (invoices showing that each of the vessels used to perform the lost profit surveys were, in fact, equipped with DigiFIN during those surveys))<sup>5</sup> Troublingly, ION appears to ignore its own expert's admissions during cross-examination acknowledging unequivocal evidence that DigiFIN was used on, for example, the Conoco Phillips survey. (*See* Trial Tr. at 4685:15-24, 5079:20-5085:5; PTX 953 at ION675666; PTX 955 at ION717506)

Finally, ION claims that the jury was not properly instructed regarding damages. (D.I. 562 at 24-25) But the Court already considered and rejected ION's proposed instruction. (*E.g., compare* D.I. 509 *with* D.I. 530) Even if it is considered again, ION provides no reason why its proposed instruction would have made a difference at trial. At most, ION provides equivocal citations—and no case law—that a *Panduit* inference of “but for” causation would be unreasonable. Moreover, as explained above, WesternGeco presented substantial evidence regarding “but for” causation *and* each of the *Panduit* factors. (*Supra* Argument I(A)) Even if the *Panduit* instruction were somehow in error, ION's request for a new trial should be denied because a reasonable jury could find that WesternGeco was entitled to lost profits based on the “but for” record evidence. *See Dawson*, 978 F.2d at 208.

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<sup>5</sup> ION's citation to *Oiness*, *Rolls-Royce* and *Meyer* is inappropriate because WesternGeco's lost sales are not based on speculation. (D.I. 562 at 13) There is substantial record evidence that all lost profit surveys were performed using DigiFIN.

## II. Reasonable Royalty

### A. Substantial Evidence Supports the Jury's Reasonable Royalty Award

Under § 284, “[a] patentee is entitled to no less than a reasonable royalty on an infringer’s sales for which the patentee has not established entitlement to lost profits.” *Rite-Hite Corp.*, 56 F.3d at 1554. WesternGeco presented significant evidence that a royalty rate of 35.3% applied to a base of ION’s DigiFIN sales is appropriate. (*See, e.g.*, Trial Tr. at 1822:15-17, 1921:19-22, 2522:23-2523:5 (value of lateral steering), 4473:2-6, 4475:2-4; 4350:25-4351:4, 3649:13-21, 3650:5-7 (success of DigiFIN), 4101:9-22, 1638:25-1639:18 (WesternGeco’s licensing policies), 1695:2-7, 2846:1-11, 2960:15-17, 3015:14-3016:3 (market and competition); PTX 132 (Welling survey))

### B. Reasonable Royalty Damages Were Properly Apportioned

To determine the appropriate royalty rate, Mr. Sims applied the analytical approach to quantify the value of the patented technology, *i.e.*, the additional profit ION earns on infringing DigiFIN sales over ION’s normal profitability. (Trial Tr. at 2437:16-2438:3) Although Mr. Sims determined that WesternGeco “would be able to influence the royalty to be closer to what it wanted,” he conservatively split this premium profit “50/50” to arrive at the royalty rate. (Trial Tr. at 2437:4-10) Mr. Sims then applied this rate to DigiFIN sales to calculate a reasonable royalty. (*Id.* at 2438:8-11) This approach was supported by the record, as the entire DigiFIN system infringes WesternGeco’s patents and DigiFIN does not have any substantial, non-infringing use. (Trial Tr. at 2119:23-2120:3, 3045:22-25, 3091:12-17, 4116:5-10; PTX 6 at ION 16365; PTX 8 at ION 1435; PTX 9 at ION 15128, 15132) If anything, WesternGeco underestimated the royalty damages by considering only DigiFIN units and the Lateral Controller, and not the many other components of the infringing system. ION’s expert, Mr. Gunderson, also applied this analytical approach, split the premium profit evenly between the

parties, and applied the resulting rate to DigiFIN sales.<sup>6</sup> ( *Id.* at 5089:13-22) This ample evidence supports the jury’s verdict.

ION’s insistence that Mr. Sims somehow did not properly apportion the value of the patents is belied by its own expert’s nearly identical approach. It is also in stark contrast to ION’s arguments in opposition to WesternGeco’s motion to exclude Mr. Gunderson’s opinion for failing to consider the proper scope of the patented invention. (See. D.I. 376; D.I. 392) In urging the Court to allow Mr. Gunderson’s testimony, ION conceded that DigiFIN is a mere “subset of the accused technology” but argued that “applying the royalty to the number of DigiFINs found to infringe . . . is the best method to compensate WesternGeco.” (D.I. 392 at 4-5, 7-8, 10-11 (“Gunderson’s calculations take into consideration the value of the patented technology, including the DigiFIN (in the royalty base) and the Lateral Controller and other products (in the royalty rate)”). Having prevailed on its argument that Mr. Gunderson’s use of the analytical approach and DigiFIN royalty base is appropriate, ION is judicially estopped from arguing to the contrary now. *New Hampshire*, 532 U.S. 742 at 749; *RSR Corp.*, 612 F.3d at 860.

ION’s confused discussion of “turn control mode”—which was found to infringe—and failure to identify what subset of DigiFIN should have been apportioned out of the damages analysis also fails to call the jury’s verdict into doubt. Moreover, ION agreed to the damages verdict form, thus waiving any objections to it. See *Hobbs v. Alcoa, Inc.*, 501 F.3d 395, 397 (5th Cir. 2007) (finding argument waived where party “failed to object to . . . the verdict form”). ION has no right to inject new arguments into the case post-trial merely because the jury found

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<sup>6</sup> Although Messrs. Sims and Gunderson applied different normalized baselines—Mr. Gunderson normalized ION’s infringing product to ION’s DigiBIRD, rather than its general product line—both agreed that the entire DigiFIN value should be included. (D.I. 392 at n.3)

against it on every tried issue. Substantial evidence supports the jury’s verdict—including the analysis of ION’s own damages expert—and that verdict should not be disturbed.

### C. ION Recognized that It Would Enjoy Convoys Sales from DigiFIN

In a *Daubert*-type argument that has already been rejected by the Court (Trial Tr. at 1819:12-17), ION again argues that convoys sales should not be considered in the reasonable royalty determination (D.I. 562 at 31). But ION’s contention that the data on which Mr. Sims relied was unreliable is one that should be—and was—tested through cross-examination. *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 856 (Fed. Cir. 2010), *aff’d* 131 S. Ct. 2238 (“Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence.”); *see also* Trial Tr. at 1819:13-17 (relegating ION’s arguments to “points for cross”). Mr. Sims was cross-examined extensively as to his analysis, and explained that the amount of convoys sales was based on information in ION’s own damages expert’s report. (Trial Tr. at 2502:14-2520:8) ION fails to explain why convoys sales are appropriate for its own expert, but not WesternGeco’s. ION merely ignores this record evidence—as well as ION’s own Business Plan and other witnesses—showing that ION would earn convoys sales from DigiFIN. (ION 125 at ION16360, 16363-65; PTX 250 at ION783242, 783245-47; Trial Tr. at 2231:17-23 (DigiFIN was “a way to pull through additional sales of” DigiRANGE and Orca), 4216:1-24 (David Gentle testifying that DigiFIN allowed pull-through sales) Convoys sales were amply supported by the record evidence and properly included as a part of ION’s damages.

### III. Marking

The Court has already heard and rejected ION’s arguments regarding marking under 35 U.S.C. § 287. (D.I. 562 at 32; *see also* D.I. 508 at 5; D.I. 530 at 24; Trial Tr. at 4439:23-4444:16) District courts are afforded “substantial latitude in formulating the jury instructions.”

*United States v. Smithson*, 49 F.3d 138, 142 (5th Cir. 1995). To make the requisite showing that a new trial is warranted based on an erroneous instruction, ION must show that the instruction it requested: “(1) was a correct statement of law, (2) was not substantially covered in the charge as a whole, and (3) concerned an important point in the trial such that the failure to instruct the jury on the issue seriously impaired [its] ability to present a given defense.” *Id.* ION fails to satisfy this test.

#### A. WesternGeco Is Not Required to Mark

Section 287 limits pre-notice damages for “[p]atentees, and persons making, offering for sale, or selling *within the United States* any patented article.” 35 U.S.C. § 287. Where the claimed apparatus is not made, offered for sale, or sold—*i.e.*, “where there are no products to mark”—then § 287 does not apply. *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1220 (Fed. Cir. 2002), *overruled on other grounds*; *see also Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 395 (1936) (addressing nearly identical predecessor statute); *Refac Elecs. Corp. v. A & B Beacon Bus. Machs. Corp.*, 695 F. Supp. 753, 755-56 (S.D.N.Y. 1988) (“failure to market the [patented] goods in this country . . . would absolve [the patentee] from the notice requirement of section 287”); *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2071 (2011) (“products made for overseas markets usually do not bear U.S. patent markings”). It is undisputed that WesternGeco sells only services using its patented technology, and that it does not sell or offer to sell its patented apparatus. (Trial Tr. at 1931:17-24, 2846:14-20) Moreover, WesternGeco’s Q-Fin system is manufactured abroad and not within the United States.

Although it would be WesternGeco’s burden to prove compliance with § 287 *if* it applied, it is ION’s threshold burden to prove that there are patented articles made in the United States to mark in the first instance, such as to trigger any obligation to mark. *See, e.g., In re Katz*

*Interactive Call Processing Patent Litig.*, 821 F. Supp. 2d 1135, 1158-59 (C.D. Cal. 2011) (“defendants had the burden to prove that there were patented articles to mark”); *Broadcom Corp. v. Agere Sys. Inc.*, No. 04-cv-2416, 2004 WL 2009320, at \*4 & n.5 (E.D. Pa. Sept. 8, 2004) (refusing to limit damages where defendant “failed to prove that the . . . products [plaintiff] sold . . . were ‘patented articles’ within the meaning of the 35 U.S.C. § 287”) (Ex. 10); *Laitram Corp. v. Hewlett-Packard Co.*, 806 F. Supp. 1294, 1296 (E.D. La. 1992) (“To benefit from the § 287 limitation . . . the defendant must show that either the patentee or his agent sold a patented article without marking the article with a patent stamp . . .”). ION has not and cannot meet this burden—§ 287 does not apply, and the Court instructed the jury accordingly.

#### **B. ION Had Notice of Its Infringement by at Least February 2009**

Even if WesternGeco did have an obligation to mark, ION was notified of its infringement at an industry conference in November 2008 (Trial Tr. at 2961:3-20), and in discussions between the parties in February 2009 (*id.* at 2994:24-2995:5, 2996:20-2997:13, 2997:23-2998:2 (Mr. Moffat testifying that ION received an email identifying the ’520, ’607, ’967, and ’038 patents in February 2009); PTX 938 (February 2009 Standstill Agreement between WesternGeco and ION)) At a minimum, damages run from such *actual* notice. *See* 35 U.S.C. 287. Accordingly, ION’s alleged marking requirement would have no effect on the jury’s \$93.4 million lost profits award based solely on surveys performed after this date. And as calculated by Mr. Sims, ION’s reasonable royalty damages from the date of notice, February 25, 2009, are \$12.4 million—within \$100,000 of the jury’s actual award. (*See also* D.I. 503)

#### **IV. The Jury’s Damages Award Is Not Excessive**

##### **A. Mr. Sims Employed a Conservative Analysis**

Despite ION’s claims to the contrary, the damages sought and awarded were conservative. WesternGeco was awarded lost profits on less than 10% of the surveys using

DigiFIN. And as discussed above, an extra \$19.2 million cost was included in Mr. Sims's lost profit calculation. (*Supra* Argument I(C)(iv)) For reasonable royalties, the jury's award of \$12.5 million is twenty-five times less than the original royalty claimed by WesternGeco for ION's infringement, to which WesternGeco continues to assert it is legally entitled. (*See, e.g.*, D.I. 383, 409) Because the jury's lost profits and reasonable royalty award is supported by substantial evidence, it is not excessive. *See, e.g., i4i Ltd.*, 598 F.3d at 857-58 (upholding damages award of \$200 million because it was "supported by the evidence presented at trial, including the expert testimony-which the jury apparently credited").

#### **B. ION Agreed to a Single Damages Verdict**

ION claims that because WesternGeco did not segregate its damages by patent claim, it is entitled to a new trial if any issue of liability is reversed. (D.I. 562 at 32-33) As explained by Mr. Sims during trial, however, WesternGeco's damages are based on the value of the patented invention as it is used by the infringer and thus properly segregated. (Trial Tr. at 2655:10-15) As the Bittleston patents enable ION's DigiFIN system to perform lateral steering on 3D and 4D surveys, the harm to—and damages owed—WesternGeco as a result of ION's infringement are the same if at least one claim of one Bittleston patent is upheld as not invalid and not infringed. (Trial Tr. at 2654:17-2658:10, 2661:13-2662:6) Further, Mr. Sims provided appropriate segregation for the Zajac patent, testifying that the damages from ION's infringement of this patent relate to 4D surveys. (Trial Tr. at 2656:3-2658:10) ION itself asked for a single damages verdict (*see* D.I. 492) and cannot legitimately argue that its own request invited reversible error. Therefore, ION would not be entitled to a new trial even if any of the jury's liability decisions are overturned.

**C. There Is No “Double Counting” in the Jury Verdict**

The jury awarded \$12.5 million in reasonable royalty rather than the \$14.9 million requested by WesternGeco, a discount of over ten percent. This may be explained as the jury’s conservative response to ION’s assertion that WesternGeco was purportedly “double-counting” between lost profit damages on 10% of the surveys ION enabled with its infringement and the reasonable royalty on DigiFIN units supplied by ION. Although WesternGeco disputes the merits of ION’s double counting allegation, the jury’s verdict appears to have mooted any such concerns. *Fractus*, 2012 WL 2505741, at \*22 (“An excessive award exceeds the ‘maximum amount calculable from the evidence.’”).

**CONCLUSION**

For the foregoing reasons, WesternGeco respectfully requests that the Court deny ION’s motion for judgment as a matter of law, motion for a new trial on damages, and alternative motion for remittitur.



Dated: October 26, 2012

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing instrument has been forwarded to all counsel of record pursuant to Federal Rules of Civil Procedure on this the 26th day of October, 2012.



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Timothy K. Gilman

# EXHIBIT P

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO L.L.C.,

*Plaintiff,*

v.

ION GEOPHYSICAL CORPORATION,

*Defendant.*

)  
)  
)  
)  
)  
) Civil Action No. 4:09-CV-01827  
)  
) Judge Keith P. Ellison  
)  
) Jury Trial Demanded  
)  
)  
)  
)

**WESTERNGECO’S MOTION FOR A PERMANENT INJUNCTION  
OR, IN THE ALTERNATIVE, AN ONGOING ROYALTY**

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Dated: September 28, 2012

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WesternGeco L.L.C. (“WesternGeco”) hereby moves this Court to enter a permanent injunction or, in the alternative, award an ongoing royalty for the sales of ION Geophysical’s (“ION’s”) infringing products.

### INTRODUCTION

After a three week jury trial, ION’s DigiFIN system was found to infringe every asserted claim of four WesternGeco patents, and all of those claims were found valid and enforceable. Hours after the jury issued its verdict, however, ION’s CEO announced ION’s intention to “challenge the verdict,” which he dismissed as “only the first phase in this legal battle,” and stated that ION “ha[s] sufficient inventory of DigiFIN available to satisfy customer need.” (Ex. 1) Media reports confirmed that, notwithstanding the verdict, “DigiFIN [] will remain available for sale.” (Ex. 3)

WesternGeco is entitled to equitable relief to prevent ION’s continuation of its tortious behavior notwithstanding its adjudicated infringement. As demonstrated at trial and detailed herein, the traditional equitable factors all favor an injunction: (1) DigiFIN enables ION and its customers to compete in WesternGeco’s proprietary Q-Marine market space, which WesternGeco invested enormous resources to develop and cultivate; (2) much of the harm to WesternGeco, including price erosion and loss of goodwill, reputation, and valuable opportunities, cannot be fully compensated for by monetary damages and, in any event, ION’s capacity to pay future monetary damages is questionable given its financial condition; (3) DigiFIN represents only 3% of ION’s revenues, and ION would suffer no undue hardship if it were barred from continuing its willful infringement; and (4) enjoining further infringement would protect WesternGeco’s statutory right to exclude and the public’s interest in maintaining a strong patent system. This case epitomizes the circumstances calling for injunctive relief.



If the Court declines to enter a permanent injunction, equity requires, at a minimum, an enhancement of the jury's effective damages rate for ION's past infringement should ION choose to continue to violate WesternGeco's intellectual property rights—both to attempt to compensate WesternGeco more fully for the harm from ION's infringement as well as to recognize the willful nature of ION's tortious behavior. As ION has signaled its intention to continue to infringe WesternGeco's patents notwithstanding the jury's verdict or any forthcoming judgment from the Court, WesternGeco respectfully requests equitable relief to bar—or at least partially remedy—this threatened violation.

### **NATURE AND STAGE OF THE PROCEEDINGS**

WesternGeco filed its Complaint on June 12, 2009, to halt ION's willful infringement of five patents relating to steerable seismic streamers, including U.S. Patent Nos. 6,932,017 ("the '017 patent"), 7,080,607 ("the '607 patent"), 7,162,967 ("the '967 patent"), 7,293,520 ("the '520 patent") (collectively, "the Bittleston patents"), and U.S. Patent No. 6,691,038 ("the '038 Zajac patent") (collectively, "WesternGeco Patents-in-Suit"). (D.I. 1) The Court granted summary judgment to WesternGeco for ION's infringement of the '520 patent and, to narrow the disputes for the jury, the parties agreed that the '017 patent would not be tried. (D.I. 365, 372) On August 16, 2012, the jury returned a verdict in WesternGeco's favor, finding all of the asserted patent claims willfully infringed and not invalid and awarding WesternGeco lost profits damages of \$93.4 million and reasonable royalty damages of \$12.5 million. (D.I. 536)

### **STATEMENT OF FACTS**

#### **I. WesternGeco Invested Significant Resources to Pioneer the Market for Lateral Steering of Marine Seismic Streamers**

Marine seismic streamers are cables, typically 4.5 to 6 miles-long, that are towed behind ships in arrays spread out across hundreds of meters. (Trial Tr. at 498:8-13) An acoustic source,

such as an air gun, is used to generate an acoustic signal towards the ocean floor. (*Id.* at 250:13-251:3) Seismic sensors, such as hydrophones, are spaced along the length of each streamer and are used to detect the reflected acoustic signal. (*Id.* at 500:15-24) The resulting data can be used to map the subsurface geology for natural resource exploration and management. (*Id.* at 251:4-12) Streamer positioning devices, or “birds,” deployed throughout the streamer array can help control the position of the streamers.<sup>1</sup> (*Id.* at 499:8-13)

Although prior streamer positioning devices were capable of controlling the depth of streamers (*i.e.*, their vertical position), WesternGeco’s Q-Marine was the seismic industry’s first system capable of controlling the lateral (*i.e.*, horizontal) position of streamers. (Trial Tr. at 1622:20-22) Q-Marine launched in 2001 and was the result of nearly a decade of research and development and millions of dollars of investment. (*Id.* at 328:11-21; 1622:9-19) Numerous witnesses testified at trial regarding WesternGeco’s significant investment of resources to bring Q-Marine to market and cultivate customer acceptance. For example, Simon Bittleston and Mark Zajac detailed their work on control systems for lateral streamer steering that led to the asserted Bittleston and Zajac patents embodied by Q-Marine. (*Id.* at 521:15-522:3; 541:6-545:4; 554:23-555:6, 556:14-557:4; 557:18-558:7; 835:14-836:16; 846:16-847:13; PTX 73) WesternGeco’s Director of Marketing and Vice President of Sales, Robin Walker, characterized Q technology as WesternGeco’s biggest engineering project at the time and a “hundred million-dollar gamble.” (Trial Tr. at 1612:18-1613:7) After Q-Marine’s launch, WesternGeco continued to invest substantial resources in test projects, and marketing and sales strategies in order to earn acceptance of its patented technology. (*Id.* at 1614:5-14; 1620:24-1622:8; 4115:3-13)

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<sup>1</sup> A more detailed description of this technology is set forth in WesternGeco’s Claim Construction Tutorial. (D.I. 84)

As the only company to offer lateral steering, WesternGeco filled a void in the industry, satisfying a previously unmet need for such capabilities. (Trial Tr. at 290:7-19; 291:9-12; 293:10-18; 3555:10-14; 3652:18-23; 3998-3999:1; 4109:24-4110:10) As Tom Scoulios, the former President of WesternGeco, testified, lateral steering resulted in “faster,” “safer,” and “better” surveys. (*Id.* at 293:3-9) Mr. Walker confirmed that customers valued lateral steering because “it speeds up projects, it makes them more efficient, and it allows improve[d] data quality.” (*Id.* at 1610:16-23)

For example, lateral steering reduces the risk of streamer entanglement, enabling longer and more closely-spaced streamer arrays and thus higher resolution images. (Trial Tr. at 283:10-21; 285:24-287:20; 301:10-302:15; 512:21-513:6; PTX 50 at WG00001165) Lateral steering additionally allows reduction of gaps between streamers, resulting in a more complete image of the ocean floor and lessening the need for expensive reshooting of surveys, *i.e.*, infill. (Trial Tr. at 297:12-298:3; 513:14-514:10; PTX 50 at WG00001165) Lateral steering also provides critical benefits for 4D surveys in which a prior survey is repeated, indeed, enabling such repeat surveys in many instances. (Trial Tr. at 2787:19-21; PTX 6 at ION 16364) After Q-Marine’s launch, oil companies quickly recognized the many benefits of WesternGeco’s patented technology and began to request or even require Q-Marine’s lateral steering capabilities for surveys. (Trial Tr. at 1647:5-13) By awarding WesternGeco lost profit damages, the jury confirmed that for at least some customers, WesternGeco’s patented technology is indispensable. (D.I. 536)

Having made this enormous investment, WesternGeco strove to protect it. WesternGeco refused to license its Q-Marine technology to others and instead employed it on its own vessels in order to provide better and more efficient services for its customers. (Trial Tr. at 1638:25-

1639:8; 1639:13-23; 4101:9-22) ION's internal documents recognized WesternGeco's desire to keep its Q technology "proprietary." (PTX 6 at ION 16366)

As the exclusive provider of lateral steering capabilities, WesternGeco reaped many benefits. For instance, WesternGeco was able to negotiate directly with customers for Q-Marine surveys and obtain direct awards rather than compete with other contractors in a bidding process. (Trial Tr. at 1624:25-1625:17 (Mr. Walker testifying that WesternGeco won direct bids from Statoil, Shell, Chevron, ONGC, India's national oil company, Petro Gas, and PEMEX, Mexico's national oil company)) Such direct awards were "unheard of," particularly from the national companies, but because the customers wanted lateral steering, WesternGeco was the only option. (*Id.* at 1625:18-1626:6) In addition, WesternGeco was able to command a price premium for Q-Marine surveys over conventional surveys. (*Id.* at 1626:7-16) Not only was WesternGeco able to earn more revenue for a given Q-Marine survey, it was able to perform more of them due to the efficiency benefits of lateral steering. (*Id.* at 1626:7-1630:4) In the year prior to DigiFIN's entry in the market, for example, WesternGeco earned over \$500,000,000 from Q-Marine surveys. (*Id.* at 2302:11-23)

## **II. ION's Infringing DigiFIN Products Compete with WesternGeco's Q-Marine Products and Have Caused Significant Harm to WesternGeco**

ION's DigiFIN Advanced Streamer Command and Control System includes DigiFIN, a streamer positioning device, and the Lateral Controller, which provides commands to DigiFIN units (collectively, "DigiFIN") (PTX 9) ION manufactures DigiFIN and the Lateral Controller, and repairs at least DigiFIN, within the United States. (Trial Tr. at 2789:4-25) ION also issues licenses from the United States for its customers to use the Lateral Controller; many of these licenses are still active. (PTX 923) ION's engineers help ION's customers, *i.e.*, seismic contractors, install and use DigiFIN. (Trial Tr. at 986:19-22) Once ION outfits its customers'

fleets with DigiFIN, those contractors are capable of performing marine seismic surveys with lateral steering and competing with WesternGeco for jobs requiring such capabilities. (*Id.* at 1695:24-1696:9) The jury determined that ION's supply of the DigiFIN and Lateral Controller from the United States infringes WesternGeco's asserted patents under both §§ 271(f)(1) and (f)(2). (D.I. 536)

By equipping WesternGeco's rivals, ION enabled its customers to compete for the first time with WesternGeco's patented Q technology. ION has admitted that its DigiFIN products compete with Q-Marine. (Trial Tr. at 2791:2-23) Indeed, ION's internal 2006 DigiFIN business plans recognized that “[o]il Companies and Contractors are hungry for a competitive Q-fin (steerable streamer) offering and realize that [ION is] in the best position to deliver” and revealed ION's explicit motivation to launch DigiFIN to “open[] the door to all 3D vessels . . . to compete in the market space that the Western-Geco has created.” (PTX 257 at ION865867; PTX 6 at ION16366) Daniel Seale, an ION engineer who worked to develop DigiFIN, confirmed that “[w]hat sparked the DigiFIN project in the first place was ION's recognizing the need for lateral steering and the fact that ION had never had such a product line before.” (Trial Tr. at 3474:4-8) ION's SEC filings also acknowledge that WesternGeco's “Q-Technology . . . *competes directly* with ION's technology for marine streamer, seabed, and land acquisition. . . .” (PTX 71 at WG00013502 (emphasis added))

ION's infringing DigiFIN products have harmed WesternGeco. Raymond Sims, WesternGeco's damages expert, testified that for some surveys, lateral steering capability is a technology barrier that must be overcome before other considerations such as price and availability become relevant. (Trial Tr. at 2285:22-2286:6) Before DigiFIN's entry into the market, WesternGeco owned 100% of this lateral steering market. (*Id.* at 1695:8-12; 2302:11-

23) Once DigiFIN was introduced, however, other seismic contractors could now overcome that technology barrier and compete with WesternGeco. (*Id.* at 2286:7-14) Confirming the enabling nature of DigiFIN, ION’s customers acknowledge that they “would not have won . . . [surveys] without steering capabilities” provided by DigiFIN. (PTX 903 at ION730352) As Mr. Scoulios testified, WesternGeco has “lost jobs specifically where lateral[ly] steer[ing] stream[ers] is required. And in the jobs where [WesternGeco] do[es] compete, the margin has suffered, which has made it . . . more difficult to return all of the money that [WesternGeco] spent developing th[e] technology.” (Trial Tr. at 328:11-19)

As a result of ION’s infringement, WesternGeco has lost surveys, revenue and market share, and has been forced to accept lower prices for its patented technology. (Trial Tr. at 314:22-315:17; 1695:17-19; 2302:11-23) Notably, ION itself has acknowledged that with DigiFIN, towed streamer services have become commoditized. (PTX 903 at ION730352 (ION stating in 2008 internal email: “welcome to the world of commodity towed streamer services”))

Despite this significant harm caused to WesternGeco, DigiFIN constitutes a small portion of ION’s revenue. ION’s total revenue from January 1, 2012 to June 30, 2012 was \$216,924,000, and ION’s towed streamer system accounted for only \$13,727,000—or 6%—of that revenue. (Ex. 2, ION’s 2012 10Q at 6) And DigiFIN is only a part of that 6%. (Ex. 3 (stating that DigiFIN accounted for only 3% of ION’s revenue))

### **LEGAL STANDARD**

Section 283 gives courts broad discretion to protect the patentee’s right to exclude—the “essential attribute of a patent grant”—by granting injunctive relief. *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1328 (Fed. Cir. 2008). Specifically, § 283 provides that courts “may grant injunctions in accordance with the principles of equity to prevent the violation of any right

secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. § 283. In *eBay*, the Supreme Court reaffirmed that to obtain a permanent injunction, the patentee must demonstrate

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

*eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (citation omitted).

The Federal Circuit has emphasized that “[w]hile the patentee’s right to exclude alone cannot justify an injunction, it should not be ignored either.” *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1149 (Fed. Cir. 2011) (citation omitted). Indeed, “[t]he abolition of categorical rules and the district court’s inherent discretion to fashion equitable relief . . . do not mandate that district courts must act on a clean slate.” *Id.* “Th[e] wisdom [of past cases] is particularly apt in traditional cases, such as this, where the patentee and adjudged infringer both practice the patented technology.” *Id.* at 1150 (citing *eBay*, 547 U.S. at 396-97 (Kennedy, J., concurring)).

## ARGUMENT

### **I. ION Should be Permanently Enjoined from Infringing WesternGeco’s Patents-in-Suit**

#### **A. WesternGeco Will Suffer Irreparable Harm from ION’s Continued Infringement**

Injunctions are especially appropriate where, as here, a plaintiff-patentee “went through the time and expense of developing its [technology] and obtaining patents as protections against infringement.” See *FURminator, Inc. v. Kim Laube & Co.*, No. 08-cv-367, 2011 WL 1226944, at \*2 (E.D. Mo. Mar. 30 2011) (finding irreparable harm and awarding permanent injunction) (Ex. 4). WesternGeco’s investment of time and money created the lateral steering market, which DigiFIN was explicitly intended to break into and erode. *Supra* at 5-6. ION’s success in

exploiting WesternGeco's patented technology has caused WesternGeco to lose market share, goodwill, and its price premiums, and has compromised its ability to recoup its investment. *Supra* at 6-7. Allowing ION to continue its infringement will only further harm WesternGeco as more vessels are equipped with technology capable of lateral steering.<sup>2</sup> (Ex. 1 (8/16/12 ION press release); Ex. 3 (stating that DigiFIN "will remain available for sale")) An injunction is warranted to prevent this clear, irreparable harm. *See Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 703 (Fed. Cir. 2008) (affirming permanent injunction where patentee's commercial activities would be irreparably harmed by defendant's continuing infringement); *I-Flow Corp. v. Apex Med. Techs., Inc.*, No. 07-cv-1200, 2010 WL 141402, at \*1 (S.D. Cal. Jan. 8, 2010) (awarding permanent injunction where "Plaintiff has demonstrated it lost market share, the right to control its patent license agreement, and its competitive advantage as a result of Defendants' conduct") (Ex. 5).

Moreover, the jury rendered a verdict against ION of \$105.9 million, but as of June 30, 2012, ION had only \$83,282,000 in cash and cash equivalents available. (Ex. 2 at 3) Its total current assets were approximately \$299 million and it had liabilities of approximately \$249 million. (*Id.*) Accordingly, considerable risk exists as to whether ION would be able to satisfy both the present judgment against it as well as any future damages. ION's "financial condition . . . raise[s] questions about [its] ability to satisfy a judgment" and further supports the need for an

<sup>2</sup> At trial, Mr. Peebler testified that ION had stopped selling DigiFIN. (Trial Tr. at 4491:15-4492:1) This testimony is contradicted, however, by subsequent news articles indicating ION's intention to continue selling DigiFIN. Nevertheless, ION's decision to stop selling DigiFIN "is . . . not a reason for denying an injunction against future infringement," particularly because ION has not offered "very persuasive evidence" that "further infringement will not take place." *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1282-83 (Fed. Cir. 1988), *abrogated on other grounds by eBay*, 547 U.S. 388 (2006). Moreover, "[e]ven if [ION] were to terminate its sales of the infringing products voluntarily, it would be free to return to its offending conduct, thereby further imposing monetary and intangible losses on [WesternGeco]." *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 984 (W.D. Tenn. 2006).



injunction. *Bosch*, 659 F.3d at 1155 (finding irreparable harm where financial condition of defendant rendered questionable its ability to pay damages).

**B. No Remedy at Law Can Fully Compensate WesternGeco for the Harm Caused by ION's Continued Infringement**

“[C]ourts have routinely found monetary damages inadequate to remedy injury to the patent holder’s right to exclude.” *Enpat, Inc. v. Budnic*, No. 11-cv-86, 2011 WL 1196420, at \*3 (M.D. Fla. Mar. 29, 2011) (citations omitted) (Ex. 6); *see also Becton Dickinson & Co. v. Tyco Healthcare Grp. LP*, No. 02-cv-1694, 2008 WL 4745882, at \*4 (D. Del. Oct. 29, 2008) (“The statutory right to exclude represents a tangential benefit associated with patent rights that cannot be quantified in monetary damages.” (citation omitted)) (Ex. 7). Specifically,

[r]elief in the form of monetary damages alone would not meet the ends of justice here because this remedy would allow the infringement to continue. Monetary damages generally are not an adequate remedy against future infringement because the central value of holding a patent is the right to exclude others from using the patented product.

*Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 984 (W.D. Tenn. 2006).

DigiFIN’s entry into the market destroyed WesternGeco’s status as the sole provider of the patented technology and undermined WesternGeco’s policy of not licensing that technology to others. *Supra* at 4-7. If ION’s infringement continues, WesternGeco will continue to lose surveys and drop in market share as more competitor vessels are equipped with lateral steering technology. WesternGeco will also continue to suffer price erosion, an indisputable but difficult to quantify effect of ION’s commoditization of the market through DigiFIN. (PTX 250 at ION 783248 (“Due to the market penetration of DigiFIN . . . ‘Q’ is no longer commanding a premium over non-steerage 3D systems.”); Ex. 3, Sims Report at 82-83; Trial Tr. at 314:22-315:17; 1626:7-16; 1695:8-17; 2285:22-2286:6) No remedy at law can adequately compensate WesternGeco. *I-Flow*, 2010 WL 141402, at \*2 (ruling that plaintiff’s loss of its status as “the

sole provider” of its patented technology “is an injury from which [it] is unlikely to recover, and is one that is not amenable to a legal remedy.”); *Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, No. 04-cv-5312, 2008 WL 4531371, at \*3 (N.D. Ill. May 22, 2008), *aff’d* 595 F.3d 1340 (Fed. Cir. 2010) (finding that plaintiff’s demonstration that an injunction is “necessary to protect its brand name, market share, reputation and goodwill” supported the inadequacy of a remedy at law) (citation omitted) (Ex. 9).

**C. WesternGeco’s Hardship Far Outweighs any Negligible Hardship to ION**

WesternGeco would experience significant hardship if ION is permitted to continue infringing its patents, whereas precluding ION from doing so would cause ION negligible—if any—hardship. WesternGeco expended significant time and resources in developing the claimed invention and establishing itself in the market. *Supra* at 3-4. Continuation of ION’s infringement would cause WesternGeco to “lose goodwill, potential revenue, and the very right to exclude that is the essence of the intellectual property at issue.” *Visto Corp. v. Seven Networks, Inc.*, No. 03-cv-333, 2006 WL 3741891, at \*4 (E.D. Tex. Dec. 19, 2006) (finding balance of hardships favored patentee and granting permanent injunction) (Ex. 10). Indeed, “[r]equiring [WesternGeco] to compete against its own patented invention . . . [would be] a substantial hardship. . . .” *Robert Bosch*, 659 F.3d at 1156 (finding balance of hardships favored patentee because patentee would endure “substantial hardship” from competing with its own invention).

In contrast, ION will experience little, if any, hardship from an injunction. ION’s Marine Positioning Systems, of which DigiFIN and the Lateral Controller are a part, represent only 3% of its revenues. (Exs. 1, 3) And ION has indicated a willingness to cease its sales of DigiFIN—ION’s Executive Chairman Robert Peebler testified that ION ceased selling DigiFIN for a period after WesternGeco won summary judgment that ION infringed the ’520 patent. (Trial Tr. at

4491:15-4492:1) Such ostensible willingness by ION to stop selling DigiFIN supports a determination that a Court's order requiring the same would cause ION minimal if any hardship.

**D. The Public Interest Favors the Enforcement of WesternGeco's Patent Rights**

"[T]he touchstone of the public interest factor is whether an injunction, both in scope and effect, strikes a workable balance between protecting the patentee's rights and protecting the public from the injunction's adverse effects." *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 863 (Fed. Cir. 2010), *aff'd* 131 S. Ct. 2238 (2011). As explained above, ION's continuing infringement will only increase the harm to WesternGeco. No evidence exists that the public interest would be disserved by an injunction. *Visto*, 2006 WL 3741891, at \*5 (finding public interest weighed in favor of injunction where injunction would protect patent rights). If an injunction is entered, marine seismic surveys would still be performed and the injunction would support the public's interest "in maintaining a strong patent system . . . in fair and healthy competition, and . . . in discouraging future wrongdoing." *I-Flow*, 2010 WL 141402, at \*2. Therefore, this factor weighs in favor of granting a permanent injunction.

**E. The Injunction Should Preclude ION from Supplying DigiFIN in or from the United States and Aiding in its Use**

ION should be enjoined from making, using, selling or offering to sell within the United States or importing into the United States any system using DigiFIN and the Lateral Controller; inducing or contributing to any third party performance of such acts; or supplying or causing to be supplied in or from the United States DigiFIN or the Lateral Controller. 35 U.S.C. § 271. ION should additionally be enjoined from the above activities as to they relate to products that are no more than colorably different from DigiFIN and the Lateral Controller. *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 882 (Fed. Cir. 2011) (en banc) ("The criteria for adjudicating a violation of a prohibition against continued infringement by a party whose products have already

been adjudged to be infringing is . . . one of colorable differences between the newly accused product and the adjudged infringing product.” (internal citations omitted)).

## **II. In the Alternative, the Court Should Award an Ongoing Damages Rate for ION’s Continued Willful Infringement**

In the event the Court does not grant WesternGeco’s motion for a permanent injunction, WesternGeco instead requests an award of ongoing damages that will compensate WesternGeco for at least the direct financial harm caused by ION’s continued willful infringement. The Federal Circuit has held that, “[u]nder some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.” *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007). “District courts have considerable discretion in crafting equitable remedies,” including ongoing royalties. *Id.* (Rader, J., concurring).

“[T]he trial testimony and jury findings with respect to past damages can provide a basis for calculating a market royalty for any ongoing infringement.” *Affinity Labs of Tex. v. BMW N. Am., LLC*, 783 F. Supp. 2d 891, 898 (E.D. Tex. 2011). However, there is a “fundamental difference . . . between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement.” *See Amado v. Microsoft Corp.*, 517 F.3d 1353, 1361 (Fed. Cir. 2008) (citation omitted). “Pre-suit and post-judgment acts of infringement are distinct, and may warrant different royalty rates given the change in the parties’ legal relationship and other factors.” *Paice*, 504 F.3d at 1317 (Rader, J., concurring).

For example, “[f]ollowing a jury verdict and entry of judgment of infringement and no invalidity, a defendant’s continued infringement will be willful absent very unusual circumstances.” *Affinity Labs*, 783 F. Supp. 2d at 899; *Paice LLC v. Toyota Motor Corp.*, 609 F. Supp. 2d 692, 630 (E.D. Tex. 2009) (same). Such willfulness, along with the potential for enhancement, renders the ongoing damages calculus “necessarily different” than the pre-suit

analysis. *Paice*, 609 F. Supp. 2d at 626. Indeed, district courts routinely enhance the jury's damages award for ongoing infringement to account for such post-judgment willfulness. *See, e.g., Affinity Labs*, 783 F. Supp. 2d at 905 (enhancing jury's damages rate by 33% for ongoing infringement to account for post-judgment willfulness); *Mondis Tech. Ltd. v. Chimei InnoLux Corp.*, 822 F. Supp. 2d 639, 653 (E.D. Tex. 2011) (enhancing jury's damages rate by 100% for ongoing infringement to account for post-judgment willfulness); *Soverain Software LLC v. J.C. Penney Corp., Inc.*, 6:09-cv-274, slip op. at 21-22 (E.D. Tex. Aug. 9, 2012) (Dkt. No. 555) (enhancing jury's damages rate by 150% for ongoing infringement to account for post-judgment willfulness) (Ex. 11).

The jury in this case awarded WesternGeco \$93,400,000 in lost profits damages and \$12,500,000 in reasonable royalty damages. (D.I. 536) Based on ION's total infringing DigiFIN sales of 2,547 units as of May 2011, the jury's total damages award of \$105,900,000 corresponds to an effective damages rate of \$41,578 per unit.<sup>3</sup> (Ex. 12, Sims Decl. at ¶ 5) This is the minimum ongoing damages rate that would account for the entirety of the harm caused by ION's continued infringement as determined by the jury. *See Boston Scientific Corp. v. Cordis Corp.*, 838 F. Supp. 2d 259, 276-77 (D. Del. 2012) (granting Plaintiff's motion for ongoing damages calculated as the effective damages rate reflecting the jury's determination of both lost profits and reasonable royalty damages). Any lesser rate would allow ION to pay less as an adjudged infringer than it did prior to the jury's verdict—an unsupportable result. *Id.* at 277 (“The court declines to allow . . . an adjudicated willful infringer[] to effectively owe less for its post-verdict infringement than the jury found for its pre-verdict infringement under the circumstances.”); *see*

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<sup>3</sup> WesternGeco reserves the right to request modification of any ongoing damages award granted by the Court in the event that past damages are modified based on post-trial motions, appeal or other subsequent proceedings.

also *Creative Internet Advertising v. Yahoo! Inc.*, 674 F. Supp. 2d 847, 861 (E.D. Tex. 2009) (“The Federal Circuit has instructed that post-verdict infringement should typically entail a higher royalty rate than the reasonable royalty found at trial.”) (citing *Amado*, 517 F.3d at 1362 n.2 (setting the jury’s royalty as the floor for ongoing damages)).

This ongoing damages rate additionally should be enhanced to account for the *per se* willfulness of ION’s post-judgment infringement. *Affinity Labs*, 783 F. Supp. 2d at 899; *Paice*, 609 F. Supp. 2d at 630. Consistent with the *Read* analysis set forth in WesternGeco’s concurrently filed Motion for Willfulness and Enhanced Damages (at 16-25), WesternGeco respectfully requests that the ongoing damages rate for ION’s continued willful infringement be enhanced by, at a minimum, 100% (*i.e.*, doubling) if not the full 200% enhancement (*i.e.*, trebling) authorized by statute. 35 U.S.C. § 284. Such enhancement is critical to serving the “important public and private interests” that arise in the event the Court denies an injunction, including the deterrence of ION’s continued willful infringement:

Without the risk of post-judgment enhancement, a defendant would be encouraged to bitterly contest every claim of patent infringement [] because . . . there would essentially be no downside to losing. . . . [A]ny determination of an ongoing royalty should consider an enhancement that takes into account these important public and private interests. . . . [T]he court should consider how much the reasonable market royalty should be enhanced to substantially reduce, or even eliminate, the defendant’s marginal profit from the infringing activity. General deterrence of infringing activity is also a factor to be considered.

*Affinity Labs*, 783 F. Supp. at 898-99. In the event that the Court does not enjoin ION’s continued infringement by way of a permanent injunction, WesternGeco respectfully requests this ongoing royalty as compensation for the continuing harm caused by ION and in light of the willful nature of ION’s prospective tortious behavior notwithstanding judgment of infringement.

**CONCLUSION**

ION has indicated that it will ignore the jury's verdict of willful infringement—as well as any judgment entered thereon—and continue to sell and promote DigiFIN in an effort to erode WesternGeco's proprietary Q-Marine market space. As set forth above, prospective monetary damages cannot adequately protect WesternGeco against such continuing violations of WesternGeco's intellectual property rights. Equity demands an injunction or, at a minimum, an enhancement of the jury's damages rate should ION choose to willfully disregard the adjudication of its infringement.

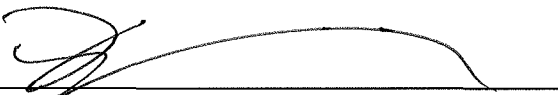
Dated: September 28, 2012

Respectfully submitted,

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*Attorneys for Plaintiff  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing instrument has been forwarded to all counsel of record pursuant to Federal Rules of Civil Procedure on this the 28th day of September 2012.



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Timothy K. Gilman



# EXHIBIT Q

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

WESTERNGECO L.L.C.,	§	
	§	
<b>Plaintiff,</b>	§	
	§	
v.	§	Case No. 4:09-cv-1827
	§	
<b>ION GEOPHYSICAL CORPORATION,</b>	§	
<b>et al.</b>	§	
	§	
<b>Defendants.</b>	§	

**MEMORANDUM AND ORDER**

Pending before the Court are the following motions:

1. ION’s Partial Motion to Dismiss for Lack of Subject Matter Jurisdiction (Doc. No. 565);
2. ION’s Rule 59 Motion for New Trial on Invalidity Under 35 U.S.C. §§ 102 and 103 (Doc. No. 550);
3. ION’s Request for Findings and Conclusions on Enablement and, Alternatively, Motion for New Trial (Doc. No. 552);
4. ION’s Renewed Motion for Judgment as a Matter of Law and Alternative Motion for New Trial Regarding Non-Infringement (Doc. No. 556);
5. ION’s Motion for New Trial on Infringement Under 35 U.S.C. § 271(f)(2) (Doc. No. 557);
6. ION’s Motion for JMOL and New Trial Due to Incorrect Claim Construction (Doc. No. 561);
7. ION’s Motion for Entry of Findings and Conclusions of No Willful Infringement, Renewed Motion for Judgment as a Matter of Law of No Willful Infringement, and Alternative Motion for New Trial (Doc. No. 559);
8. WesternGeco's Motion for Willfulness and Enhanced Damages (Doc. No. 560);
9. WesternGeco's Motion to Find this Case Exceptional Under Section 285 and for Attorneys' Fees (Doc. No. 554);

10. ION's Motion for JMOL, Motion for New Trial on Damages alternatively Motion for Remittitur (Doc. No. 562);
11. WesternGeco's Motion for Prejudgment Interest and Post-Discovery Damages (Doc. No. 553);
12. WesternGeco's Motion for Costs (Doc. No. 555);
13. ION's Motion to Compel Production of Documents From WesternGeco (Doc. No. 609); and
14. WesternGeco's Motion for a Permanent Injunction or, in the Alternative, an Ongoing Royalty (Doc. No. 558).

Upon considering the Motions, all responses thereto, the applicable law, and oral arguments, the Court finds that:

1. ION's Partial Motion to Dismiss for Lack of Subject Matter Jurisdiction (Doc. No. 565) must be **DENIED**;
2. ION's Rule 59 Motion for New Trial on Invalidity Under 35 U.S.C. §§ 102 and 103 (Doc. No. 550) must be **DENIED**;
3. ION's Request for Findings and Conclusions on Enablement and, Alternatively, Motion for New Trial (Doc. No. 552) must be **DENIED**;
4. ION's Renewed Motion for Judgment as a Matter of Law and Alternative Motion for New Trial Regarding Non-Infringement (Doc. No. 556) must be **DENIED**;
5. ION's Motion for New Trial on Infringement Under 35 U.S.C. § 271(f)(2) (Doc. No. 557) must be **DENIED**;
6. ION's Motion for JMOL and New Trial Due to Incorrect Claim Construction (Doc. No. 561) must be **DENIED**;
7. ION's Motion for Entry of Findings and Conclusions of No Willful Infringement, Renewed Motion for Judgment as a Matter of Law of No Willful Infringement, and Alternative Motion for New Trial (Doc. No. 559) must be **GRANTED**;
8. WesternGeco's Motion for Willfulness and Enhanced Damages (Doc. No. 560) must be **DENIED**;
9. WesternGeco's Motion to Find this Case Exceptional Under Section 285 and for Attorneys' Fees (Doc. No. 554) must be **DENIED**;

10. ION's Motion for JMOL, Motion for New Trial on Damages alternatively Motion for Remittitur (Doc. No. 562) must be **DENIED**;
11. WesternGeco's Motion for Prejudgment Interest and Post-Discovery Damages (Doc. No. 553) must be **GRANTED**;
12. WesternGeco's Motion for Costs (Doc. No. 555) must be **GRANTED in part and DENIED in part**;
13. ION's Motion to Compel Production of Documents From WesternGeco (Doc. No. 609) must be **DENIED**;
14. WesternGeco's Motion for a Permanent Injunction or, in the Alternative, an Ongoing Royalty (Doc. No. 558) must be **GRANTED**.

## **I. BACKGROUND**

This is a patent infringement case originally brought by WesternGeco L.L.C. ("Plaintiff" or "WesternGeco") against ION Geophysical Corporation ("ION"). At issue in this case is marine seismic streamer technology that is deployed behind ships. These streamers, essentially long cables, use acoustic signals and sensors to create three-dimensional maps of the subsurface of the ocean floor in order to facilitate natural resource exploration and management. For many seismic studies, greater control over the depth and lateral position of streamers is important in order to achieve optimal imagery from the signals and to maneuver around impediments such as rocks and oil rigs. WesternGeco's patents all pertain to streamer positioning devices, or devices that are used to control the position of a streamer as it is towed. At trial, WesternGeco argued that ION had infringed on four of its U.S. patents—U.S. Patent No. 7,293,520 (the "'520 Patent"); 7,162,967 (the "'967 Patent"), 7,080,607 (the "'607 Patent") ("Bittleston Patents" collectively); and U.S. Patent. No. 6,691,038 (the "'038 Patent" or "Zajac Patent").

After a three and a half week trial, the jury returned a verdict in favor of WesternGeco. (Doc. No. 536.) The jury found that ION infringed the '520 Patent, the '967 Patent, the '607 Patent, and the '038 Patent pursuant to Section 271(f)(1) & (2). The jury did not find anticipation

or non-enablement of the '520 Patent or the '967 Patent. The jury did not find anticipation, obviousness or non-enablement of the '607 Patent or the '038 Patent. The jury did find that ION willfully infringed. The jury awarded \$93.4 million in lost profits and a reasonable royalty of \$12.5 million. Both parties have now filed numerous post-trial motions. The Court will address each of the motions in turn.

## II. LEGAL STANDARDS

### A. Judgment as a Matter of Law (“JMOL”)

The Fifth Circuit reviews a district court’s ruling on a motion for judgment as a matter of law *de novo*. See *Cambridge Toxicology Grp., Inc. v. Exnicios*, 495 F.3d 169, 179 (5th Cir. 2007). Judgment as a matter of law is appropriate “[i]f a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue.” See Fed. R. Civ. P. 50(a)(1); *Gomez v. St. Jude Med. Daig Div. Inc.*, 442 F.3d 919, 927 (5th Cir. 2006). “The decision to grant a directed verdict . . . is not a matter of discretion, but a conclusion of law based upon a finding that there is insufficient evidence to create a fact question for the jury.” *Omnitech Int’l v. Clorox Co.*, 11 F.3d 1316, 1323 (5th Cir. 1994) (citations omitted) (internal quotation marks omitted). A legally sufficient evidentiary basis requires more than a mere scintilla of evidence. *Hollywood Fantasy Corp. v. Gabor*, 151 F.3d 203, 211 (5th Cir. 1998).

The trial court is required to consider the entire record when considering a renewed judgment as a matter of law motion. *Reeves v. Sanderson Plumbing Prod., Inc.*, 530 U.S. 133, 149–50 (2000). Therefore, a court “should consider all of the evidence—not just that evidence which supports the non-mover’s case—but in the light and with all reasonable inferences most

favorable to the party opposed to the motion.” *Goodner v. Hyundai Motor Co., Ltd.*, 650 F.3d 1034, 1040 (5th Cir. 2011).

### **B. Rule 59 Motion for New Trial**

The district court’s ruling on a Rule 59 motion for new trial is reviewed for an abuse of discretion. *Beckham v. Louisiana Dock Co., L.L.C.*, 124 Fed.App’x. 268, 270 (5th Cir. 2005). A district court can grant a new trial under FRCP 59(a) “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” A new trial should not be granted “unless, at a minimum, the verdict is against the great weight of the evidence.” *Dawson v. Wal-Mart Stores, Inc.*, 978 F.2d 205, 208 (5th Cir. 1992). The Court must again view the evidence “in a light most favorable to the jury’s verdict, and the verdict must be affirmed unless the evidence points so strongly and overwhelmingly in favor of one party that the court believes that reasonable [jurors] could not arrive at a contrary conclusion.” *Id.* “Where the jury could have reached a number of different conclusions, all of which would have sufficient support based on the evidence, the jury’s findings will be upheld.” *Id.* If an issue is raised for the first time on a motion for a new trial, the issue is waived. *Auster Oil & Gas, Inc. v. Stream*, 835 F.2d 597, 601 (5th Cir. 1988).

### **III. PARTIAL MOTION TO DISMISS**

ION has filed a Partial Motion to Dismiss for Lack of Subject Matter Jurisdiction. (Doc. No. 565.) ION moves to dismiss for lack of subject matter jurisdiction with respect to WesternGeco’s claims that ION infringed the Bittleston Patents. ION claims that WesternGeco does not own the Bittleston Patents and therefore lacks standing to sue for infringement.

### A. Legal Standard

“Standing is a constitutional requirement pursuant to Article III and it is a threshold jurisdictional issue” that may be decided on a Rule 12(b)(1) motion. *Abraxis Bioscience, Inc. v. Novainta LLC*, 625 F.3d 1359, 1363 (Fed. Cir. 2010). WesternGeco bears the burden of proving standing by a preponderance of the evidence. A case can be dismissed for lack of subject matter jurisdiction at any time. A court may consider evidence outside the pleadings when resolving a motion to dismiss for lack of subject matter jurisdiction under Rule 12(b)(1). *See Ramming v. U.S.*, 281 F.3d 158, 161 (5th Cir. 2001). Only a patent owner may have a remedy by civil action for infringement. *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1308 (Fed. Cir. 2003). The Patent Act defines a patentee as the person to whom the patent is issued and any successors in title to the patentee. 35 U.S.C. § 100(d). Patent rights can only be assigned in writing. 35 U.S.C. § 261.

### B. Chain of Title

ION argues that WesternGeco has not proved it has ownership of the Bittleston patents, and therefore, its standing to sue. WesternGeco has provided ION two types of documents, a Merger Agreement between Schlumberger Technology Corporation (“STC”) and WesternGeco and assignments from the inventors to STC, but not from the inventors to WesternGeco. ION argues that WesternGeco must possess a written chain of title from the inventors. ION further argues that the USPTO assignment records do not contain any executed assignment document from the inventors to WesternGeco. Based on these facts, ION argues that WesternGeco has not proved it is the owner of the patents.

ION has never raised this issue in a motion before and had stipulated earlier in the suit that WesternGeco did own the patents. While “[c]onsent of parties cannot give the courts of the

U.S. jurisdiction . . . the parties may admit the existence of facts which show jurisdiction, and the courts may act judicially upon such admission.” *Ry. Co. v. Ramsey*, 89 U.S. (22 Wall.) 322, 327 (1875). First, ION had stated in its Answer and Counterclaims that “[o]n information and belief, the Bittleston Patents were assigned to WesternGeco.” (Doc. No. 6 ¶ 106.) In the same Answer, ION also stated it did not know for certain whether WesternGeco owned the patents, but proceeded for three years as if WesternGeco did own them. Second, ION agreed the jury should be instructed that WesternGeco owns the patents and is entitled to collect damages. ION now attempts to assert a position that is wholly different from its position regarding patent ownership throughout this litigation.

Additionally, the Patent Office issued each of the Bittleston patents to WesternGeco as the “Assignee.” The entity to whom the Patent Office issues a patent is the presumptive owner. ION has the burden to rebut that presumption, which it has not done. Conversely, WesternGeco has presented sufficient evidence to prove its ownership of the patents. WesternGeco presented evidence at the trial that the inventors assigned their patent to STC. Then in the November 30, 2000 Technology Transfer Agreement, STC transferred and assigned the patents to WesternGeco. That agreement stated:

STC agrees to and hereby does grant, transfer and assign to [WesternGeco] with regard to the Territory all of STC’s rights, title and interest in and to the Intellectual Property in existence.”

“Intellectual Property” was defined in the agreement to include any patent rights. ION argues that an “agreement” to assign is not the same as assigning. However, the language of the agreement states clearly that STC “agrees to and hereby does grant, transfer, and assign.” The Court is satisfied that WesternGeco was assigned the rights.



ION further argues that the assignment to STC occurred in 2001. Since STC and WesternGeco merged in 2000, STC did not have the patent rights to assign and therefore the patents still belonged to STC. The Court finds this argument unconvincing. The 2001 assignments state that the inventors “acknowledge [they] have sold, assigned, transferred and conveyed” the U.S. patent rights to STC. (Doc. No. 606, Ex. 11 at WG 955146; Ex. 12 at WG 955144.) This is a confirmation of the inventors’ assignments to STC that dates back to the 1998 Cost Sharing Agreement, which states:

Ownership of the Patent Rights . . . shall be vested in the Participants in their Respective Areas. (Doc. No. 606, Ex. 10 at WG 955272.)

STC was designated the “Participant” for the “Respective Area”. Therefore, STC owned the patents when it assigned the patents to WesternGeco in 2000.

ION has proceeded throughout the years as if WesternGeco owned the patents and the record reflects that WesternGeco does own the patents by written assignment. Therefore, the Court must deny ION’s Motion to Dismiss.

#### **IV. INVALIDITY**

ION has filed a Rule 59 Motion for New Trial on Invalidity Under 35 U.S.C. §§ 102 and 103. (Doc. No. 550.) ION moves for a new trial on the basis that all the asserted patent claims but two are invalid as anticipated or obvious under 35 U.S.C. §§ 102 and 103. Specifically, ION contends that Claim 18 of the ‘520 Patent and Claim 15 of the ‘607 Patent were anticipated by U.S. Patent No. 5,790,472 (“Workman Patent”). Claim 14 of the ‘038 Patent was anticipated by International Application Publication WO 2000/20895 (the “’895 Publication”). Also, ION asserts that Claim 15 of the ‘967 Patent and Claim 15 of the ‘607 Patent were obvious based on the combination of the Workman Patent; and the International Application Publication WO 98/28636 (the “’636 Patent”) and Claim 14 of the ‘038 Patent were made obvious by the ‘895

Patent. After considering the arguments, the Court finds that the jury's verdict was reasonable and there was no indication of unfairness to warrant a new trial. This motion must be denied.

### **A. Anticipation**

A patent is invalid as anticipated under 35 U.S.C. § 102 when “every element and limitation of the claim was previously described in a single prior art reference, either expressly or inherently, so as to place a person of ordinary skill in possession of the invention.” *Sanofi-Synthelabo v. Apotex, Inc.*, 550 F.3d 1075, 1082 (Fed. Cir. 2008). The standard for proving anticipation is clear and convincing evidence. *Id.* The prior art that ION asserts anticipates WesternGeco's patents were all considered by the United States Patent and Trademark Office (“PTO”) during prosecution, yet the PTO still granted WesternGeco the patents at issue. While not dispositive, this is further evidence the jury could have relied upon when reaching its verdict. At trial, the jury decided that WesternGeco's patents were not anticipated and ION has not met the clear and convincing evidence standard to prove otherwise.

#### ***1. Claim 18 of the '520 Patent***

ION claims that the Workman Patent anticipated Claim 18 of the '520 Patent. However, the jury could reasonably find from evidence and testimony presented at trial that the Workman Patent does not teach or enable lateral steering or the “streamer positioning devices” claimed in the Bittleston Patents. The streamer positioning devices mentioned in the Workman Patent refers to depth control devices, not lateral positioning devices as used in the Bittleston patents. (Doc. No. 574 p. 7.)

Likewise, ION claims that the Workman Patent anticipates this claim because it discloses the “streamer separate mode.” The Court construed “streamer separation mode” to mean “a control mode that attempts to set and maintain the spacing between adjacent streamers” (Doc.

No. 120 p. 45.) The Workman Patent states only that a “threshold parameter” of “at least 100 meters” be maintained. (Doc. No. 583 p. 5.) This threshold parameter does not specify that a precise spacing be set and maintained between adjacent streamers. WesternGeco aptly points out that, without maintaining any space, the streamers could range from 100 meters apart to 100 miles. (Doc. No. 602 p. 3.) With this, and other evidence and testimony, the jury could reasonably find that Claim 18 of the ‘520 Patent was not anticipated.

### ***2. Claim 15 of the ‘607 Patent***

ION argues that the Workman Patent anticipates Claim 15 of the ‘607 Patent by disclosing limitation (a), (b), and (c) of the Claim. Claim 15 states:

- (a) a plurality of streamer positioning devices on or inline with each streamer,
- (b) a prediction unit adapted to predict positions of at least some of the streamer positioning devices,
- (c) a control unit adapted to use the predicted positions to calculate desired changes in positions of one or more of the streamer positioning devices.

However, at trial, ION’s expert witness, Robert Brune admitted that Claim 15 of the ‘607 patent requires lateral steering and Workman does not enable lateral steering. To anticipate, a patent must teach and enable all claim limitations. Since lateral steering is a limitation of Claim 15, it is reasonable that the jury would conclude that Claim 15 of the ‘607 Patent was not anticipated.

### ***3. Claim 14 of the ‘038 Patent***

ION argues that Claim 14 of the ‘038 Patent is anticipated based on the ‘895 Publication, which discloses all of the limitations of Claim 14. However, Mr. Brune admitted at trial that the ‘895 Publication does not disclose the 4D surveys claimed in the ‘038 Patent. The jury could weigh this evidence and testimony and conclude that Claim 14 was not anticipated.

## B. Obviousness

A patent is invalid for obviousness “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” 35 U.S.C. § 103(A). “Obviousness is a legal determination that may be submitted to a jury with proper instruction.” *In re Hayes Microcomputer Products, Inc. Patent Litigation*, 982 F.2d 1527, 1539 (Fed. Cir. 1992). ION expressly agreed to submit the question of obviousness to the jury in the form of the special verdict form. (Doc. No. 536.) ION has not met its burden to overturn the jury’s finding of nonobviousness.

### 1. Claim 15 of the ‘967 Patent

ION argues that Claim 15 of the ‘967 Patent is obvious based on the combination of the Workman Patent and the ‘636 Publication, which are prior art. Claim 15 reads:

An array of seismic streamers towed by a towing vessel comprising:

- (a) a plurality of streamer positioning devices on or inline with each streamer, at least one of the streamer positioning devices having a wing;
- (b) global control system transmitting location information to at least one local control system on the [sic] at least one streamer positioning device having a wing, the local control system adjusting the wing.

However, ION has failed to show that any person of ordinary skill in the art would have selected and combined these prior art elements in the normal course of research and development to yield the claimed invention. *Unigene Labs., Inc. v. Apotex, Inc.*, 655 F.3d 1352, 1360 (Fed. Cir. 2011). ION has not met its burden to overturn the jury’s finding of nonobviousness.

### 2. Claim 15 of the ‘607 Patent

ION argues that Claim 15 of the ‘607 Patent is obvious based on the combination of the Workman Patent and the ‘636 Publication, which are prior art. At trial, Mr. Brune explained that

the Workman Patent, '636 Publication and '607 Patent are in the same field. Therefore, ION argues, a person of ordinary skill in the art would be motivated to combine the Workman Patent and the '636 Publication. However, ION fails to explain how the combination could disclose and enable all of these limitations and harmonize the differences in the two patents. *In re Kumar*, 418 F.3d 1361, 1369 (Fed. Cir. 2005) (“To render a later invention unpatentable for obviousness, the prior art must enable a person of ordinary skill in the field to make and use the later invention.”). ION has not met its burden to overturn the jury’s finding of nonobviousness.

### ***3. Claim 14 of the '038 Patent***

ION argues that Claim 14 is obvious based on the '895 Publication. Mr. Brune testified that, even assuming that the tracking systems are not expressly or inherently disclosed in the '895 Publication, they would have been obvious to a person having ordinary skill in the art. Mr. Brune further testified that, at least since the late 1980s, compass navigation, acoustic navigation, and satellite navigation have existed. However, Mr. Brune also remarked during cross examination that using laterally steerable streamers in order to match a later survey to a reference position from a prior survey or reference file “is definitely a notable improvement.” (Trial Tr. At 3988:20-25.) The jury could weigh this admission and reasonably conclude that Claim 14 was not obvious.

ION has not demonstrated that the jury’s verdict on anticipation or obviousness was against the great weight of the evidence. *See Dresser–Rand Co. v. Virtual Automation, Inc.*, 361 F.3d 831, 838-39 (5th Cir. 2004). Therefore, ION’s Rule 59 Motion for New Trial on Invalidity Under 35 U.S.C. §§ 102 and 103 must be denied.

## V. ENABLEMENT

ION has filed a Request for Findings and Conclusions on Enablement and, Alternatively, Motion for New Trial. (Doc. No. 552.) The Patent Act states:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.

35 U.S.C.A. § 112.

To be enabled, a patent specification must provide sufficient information to enable a person skilled in the relevant art to make and use the claimed invention without undue experimentation. The Federal Circuit has set forth the following factors that courts may weigh in deciding whether a disclosure would require undue experimentation:

1. the quantity of experimentation necessary;
2. the amount of direction or guidance presented;
3. the presence or absence of working examples;
4. the nature of the invention;
5. the state of the prior art;
6. the relative skill of those in the art;
7. the predictability or unpredictability of the art; and
8. the breadth of the claims.

*Martek Bioscience Corp. v. Nutrinova, Inc.*, 579 F.3d 1363, 1378 (Fed. Cir. 2009). ION must “prove invalidity based on nonenablement by clear and convincing evidence.” *MagSil Corp. v. Hitachi Global Storage Technologies, Inc.*, 687 F.3d 1377, 1380 (Fed. Cir. 2012). After considering the motion, all responses, oral argument, and the applicable law, the Court must deny this motion.

### A. Findings and Conclusions

ION claims that the Court must state its findings of facts and conclusions of law because the enablement question was sent to the jury as an “advisory determination.” Rule 52(a)(1).

However, both parties agreed to submit the question of enablement to the jury and neither party indicated this was merely an advisory verdict. The Federal Circuit has held that “it is not error to submit legal questions to the jury as part of a Rule 49(a) special verdict form, since the answer to the legal question necessarily resolves any disputed underlying factual issues, the court must accept implicit factual findings upon which the legal conclusion is based when they are supported by substantial evidence.” *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1359 (Fed. Cir. 2012). The Federal Circuit has held that enablement is a question of law, but “is amenable to resolution by the jury where the issues are factual in nature.” *BJ Services Co. v. Halliburton Energy Services, Inc.*, 338 F.3d 1368, 1372 (Fed. Cir. 2003). Therefore, the Court need not enter findings and conclusions of law since the question was properly submitted to the jury.

## **B. New Trial**

In the alternative, ION moves for a new trial on enablement on the Bittleston Patents (composed of Claims 18, 19, 23 of ‘520 Patent; Claim 15 of ‘967 Patent; and Claim 15 of the ‘607 Patent), and Claim 14 of the Zajac Patent (‘038 Patent).

### ***1. Bittleston Patents***

The Bittleston Patent claims in suit require a control system and ION argues that there is not sufficient information to enable a deterministic control system. ION relies on the trial testimony of two witnesses for this assertion. Dr. Thomas Edgar stated that “[i]t would require an extreme amount of experimentation” to execute the control system. (Trial Tr. 3146:14-18.) A former WesternGeco employee, James Martin, said that crucial information was not disclosed so as to maintain a trade secret. (Trial Tr. 3671:5-3674:10.)

However, ION's expert, Dr. Edgar, admitted in cross-examination that there is no mention of deterministic calculations, and since this is not a claimed invention, it need not be enabled. Dr. Edgar also testified that a person of ordinary skill in the art could use a "simple feedback control loop" with the patent's disclosure to make and use the claimed control modes. (Trial Tr. 3148:11-3150:19.) Furthermore, Mr. Martin stated that he did not know whether the withheld information had to do with the control mode. This testimony, from witnesses not under WesternGeco's control, are sufficient to support a jury verdict that the Bittleston Patents were enabled, and ION has not met the standard of clear and convincing evidence to warrant a new trial.

## 2. *Zajac Patent*

ION claims that Claim 14 of the Zajac Patent is not enabled because it fails to teach one skilled in the art how to make or use the invention in order to determine what positioning commands to issue to active streamer positioning devices. ION cites various parts of Mr. Zajac's testimony in which Mr. Zajac admits that the device is very complex and the patent does not enable one to implement the claimed invention. However, WesternGeco presented testimony that the Zajac Patent is an improvement of the Bittleston Patents and it explicitly builds on and cites to those patents. Mr. Brune also testified that the Zajac Patent, read in conjunction with the Bittleston Patents, enabled the claimed invention. Furthermore, other portions of Mr. Zajac's testimony reveal that Mr. Zajac did not include some specifications because those practices were already known to and available to one of ordinary skill in the art. *Koito Mfg. Co. v. Turn-Key-Tech., LLC*, 381 F.3d 1142, 1156 (Fed. Cir. 2004) (a patentee does not "need to include in the specification that which is already known to and available to one of ordinary skill in the art."). Furthermore, ION's expert, Dr. Edgar, also conceded on cross-examination that the active



streamer positioning device was enabled. (Trial Tr. at 3167:19-23.) The jury had the opportunity to weigh this evidence and the verdict is not against the great weight of evidence. Therefore, ION has not shown that a new trial is warranted on enablement and its motion should be denied.

## **VI. Non-Infringement**

ION's has filed a Renewed Motion for Judgment as a Matter of Law and Alternative Motion for New Trial Regarding Non-Infringement (Doc. No. 556) on all claims because it asserts that no claims have been infringed. WesternGeco asserted that the following claims were literally infringed: Claims 18, 19 and 23 of the '520 Patent; Claim 15 of the '967 Patent; Claim 15 of the '607 Patent; and Claim 14 of the '038 Patent. To literally infringe, the accused system must embody every claim limitation as construed by the court. *Gen. Elec. Co. v. Nintendo Co.*, 179 F.3d 1350, 1357-58 (Fed. Cir. 1999). WesternGeco also asserted that the following claims were infringed under the doctrine of equivalents ("DOE") if they were not literally infringed: Claims 18, 19 and 23 of the '520 Patent; and Claim 15 of the '967 Patent. DOE requires that the accused system contain each limitation of the claim or its equivalent. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997). A claim limitation is "equivalently present in an accused device if only 'insubstantial differences' distinguish the missing claim element from the corresponding aspects of the accused device." *Riles v. Shell Exploration & Prod. Co.*, 298 F.3d 1302, 1309-10 (Fed. Cir. 2002). Each of the claims are discussed below, but ultimately, the Court must deny ION's motion.

### **A. Claims 19 and 23 of the '520 Patent**

ION argues that Claims 19 and 23 of the '520 Patent do not infringe literally or under the Doctrine of Equivalents. ION argues that Claim 19 does not infringe literally because ION's system does not include a "feather angle mode." The Court construed "feather angle mode" to

mean “a control mode that attempts to set and maintain each streamer in a straight line offset from the towing direction by a certain feather angle.” (Doc. No. 530, “Jury Instructions”, No. 6.) ION argues that only the ghost streamer, and not “each streamer,” is set to the feather angle. However, sufficient evidence supports the jury’s verdict that Claim 19 of the ‘520 Patent was literally infringed. The remaining streamers align themselves with the reference streamer at that same feather angle. A number of Fugro’s and ION’s employees and customers testified at trial that ION’s system operates in feather mode. (Trial Tr. 3468:25–3469:8, 3474:19–25 (Daniel Seale, ION’s senior systems engineer); *id.* at 2055:12–15, 2062:7–9, 3340:17–3342:1, 3353:2–11, 3362:14–23, 3433:15–24, 3435:3–3436:6 (Crawford Macnab, ION’s Orca software project manager); *id.* at 1008:5–7, 1009:4–8, 1013:22–1014:19, 1024:21–1025:10, 1028:18–22, 1030:1–3 (Leif Morten By, Fugro’s former Navigation Manager); *id.* at 3025:8–13 (David Moffat, ION’s Senior Vice President)). The jury could reasonably determine that there was literal infringement.

ION argues that Claim 23 of the ‘520 Patent does not infringe literally because it does not have the “feather angle mode” or a “turn control mode.” ION argues that, because there is no feather angle mode and the “turn control mode” depends on it, there is no literal infringement. However, the preceding paragraph demonstrates that there is not enough evidence to overturn the jury’s verdict on “feather angle mode.” As for the “turn control mode,” the Court construed it to mean a “mode wherein streamer positioning device(s) generate a force in the opposite direction of a turn and then directing each streamer positioning device to the position defined in the feather angle mode.” (Jury Instruction, No. 6.) ION argues that both DigiBIRD and DigiFIN products would have to “generate a force in the opposite direction”, but the DigiBIRD is undisputedly a depth-control device only that cannot generate forces in the opposite direction of a turn. Evidence and testimony at trial showed that DigiFIN products did generate a force in the

opposite direction of the turn. Literal infringement does not depend on DigiBIRD products also generating a force in the opposite direction. The Court’s construction did not require all of the streamer positioning devices to participate in the turn control mode, only one or more devices. Therefore, the jury could have found that DigiFIN’s turn control mode was sufficient to literally infringe Claim 23 of the ‘520 Patent. ION has not shown that the weight of the evidence was against the jury’s verdict on Claims 19 and 23 of the ‘520 Patent.

### **B. Claim 15 of the ‘607 Patent**

Claim 15 of the ‘607 Patent reads:

An array of seismic streamers towed by a towing vessel comprising:

...

(b) a prediction unit adapted to predict positions of at least some of the streamer positioning devices . . .

ION argues that Claim 15 of the ‘607 Patent cannot be infringed because of how the word “predict” is defined. ION argues that the jury instructions obligate the jury to apply the ordinary meaning of the term “predict” because the Court did not construe the term. ION claims that the plain and ordinary meaning of the term “predict” requires a future element, and ION’s devices do not tell the future positions of the streamer position devices. ION made this argument before this Court previously and this Court held that “predict” is not limited to future “wall-clock” times. The Court held that the future sense of “predict” is not the plain and ordinary meaning of “predict” to a person of ordinary skill in the art. Predict could mean using a past position to “predict” position at a later time, such as the present position. At an earlier time, this Court rejected ION’s construction of “predict” and finds no reason to overturn its decision now. Therefore, ION’s Motion for JMOL or New Trial on claim 15 of ‘607 Patent must be denied.

### **C. Claim 15 of the ‘967 Patent**

Claim 15 of the ‘967 Patent reads:

An array of seismic streamers towed by a towing vessel comprising:

...

(b) a global control system transmitting location information to at least one local control system . . .

The Court construed “location information” to mean “information regarding location.” (Jury Instruction, No. 6.) ION argues that its system does not transmit location information from the Lateral Controller to DigiFINs as required by Claim 15. However, WesternGeco presented testimony at trial by expert, Dr. Michael Triantafyllou, stating that the DigiFIN did receive the fin angle, which is “an equivalent concept, whether you send location or a fin calculated on location.” (Trial Tr. 1463:9–22.) Other evidence was also presented at trial to show that this fin angle was location information. Crawford Macnab, ION’s software project manager, confirmed that ORCA sends location information to the lateral controller and that the lateral controller manipulates and sends this location information to the DigiFIN. (Trial Tr. 2053:24–2054:4; *see also id.* at 3431:24–3432:4, 3433:7–10.) Sufficient evidence supports the jury’s finding on Claim 15 of the ‘967 Patent.

#### **D. Claim 14 of the ‘038 Patent**

Relevant to ION’s argument, Claim 14 of the ‘038 Patent reads:

A seismic streamer array tracking and positioning system comprising:

...

A master controller for issuing vertical and horizontal positioning commands to each ASPD for maintaining a specified array geometry;

...

Compares the vertical and horizontal positions of the streamers versus time and the array geometry versus time to desired streamer positions and array geometry versus time . . .

ION argues that it could not infringe literally since the Lateral Controller does not send “target depth” to the DigiFIN and it does not perform a comparison function as required by Claim 14. However, neither Claim 14 nor the Court’s construction require “target depth” to be

sent, merely “positioning commands” that are “signals or instructions to control positioning.” (Doc. No. 120 p. 46.) WesternGeco presented evidence at trial that DigiFIN did just this. Additionally, evidence and testimony was presented to support a finding that DigiFIN compares desired streamer positions versus time. Dr. Triantafillou explained that ION’s system “compares the vertical and horizontal positions of the streamers versus time and the array geometry versus time to desired streamer positions and array geometry versus time.” (Trial Tr. 1355:22-1370:24, 1443:4-14.) The jury could have reasonably relied on this information to reach its verdict.

ION also argues that its system does not include the “active streamer positioning device” (“ASPD”) recited in Claim 24. An ASPD was construed by the Court as “a device capable of controlling the vertical and horizontal position of the seismic streamer”. (Jury Instructions, No. 6.) Before trial, the Court decided that ION’s DigiFIN device could control the vertical and horizontal position of the streamer, thereby preventing ION from arguing that DigiFIN was not an ASPD. (Doc. No. 402 p. 9.) ION argues that the Court decided wrongly because DigiFIN cannot control depth. ION does not present any new evidence and the Court need not overrule its previous decision that DigiFIN is an ASPD. Accordingly, ION’s Motion regarding for Claim 14 of the ‘038 Patent must be denied.

## **VII. INFRINGEMENT UNDER 35 U.S.C. § 271(f)(2)**

ION has filed a Motion for New Trial on Infringement Under 35 U.S.C. § 271(f)(2) (Doc. No. 557), claiming the evidence cannot support a finding that ION possessed the requisite knowledge to infringe 35 U.S.C. § 271(f)(2). Section 271(f) was enacted in response to the Supreme Court’s decision in *Deepsouth Packaging Co. v. Laitram Corp.*, 406 U.S. 518 (1972). The loophole presented in *Deepsouth* was that shipping an unassembled patented product abroad for later assembly avoids patent infringement. This Court interpreted § 271(f)(2) to have the

same intent requirement as contributory infringement under § 276(c). (Doc. No. 372 p. 7.) Specifically, this Court held that the intent requirement of §271(f)(2) “requires a plaintiff to prove that the defendant (1) intended the combination of components; (2) knew that the combination he intended was patented; and (3) knew that the combination he intended would be infringing if it occurred in the United States.” (*Id.*) Neither party disputes this statutory construction.

ION denies intent to infringe on all claims because it contends it did not know it was infringing. First, ION argues that it could not have intended to infringe Claim 19 of the ‘520 Patent because it reasonably understood that its system did not comprise the required feather angle mode. Second, ION argues it could not have intended to infringe Claim 23 of the ‘520 Patent because it required ION’s system to have a feather angle mode and the turn control mode and ION claims it did not think its system had either of these modes. Third, ION argues it could not have intended to infringe Claim 15 of the ‘967 Patent because it did not think its system had location information. Fourth, ION argues it could not have intended to infringe Claim 15 of the ‘607 Patent because it did not think its system had a prediction unit. Lastly, ION argues it could not have intended to infringe Claim 14 of the ‘038 Patent because it asserts its system did not have a master controller or an ASPD.

However, ION does not dispute the jury’s determination that neither the DigiFIN nor the Lateral Controller has any substantial non-infringing uses. Nor does ION dispute that it knew that the DigiFIN and the Lateral Controller were especially made or adapted for use in the patented invention. The Supreme Court has held, “One who makes and sells articles which are only adapted to be used in a patented combination will be presumed to intend the natural consequences of his acts; he will be presumed to intend that they shall be used in the

combination of the patent.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 932 (2005). ION responds that the inquiry is not about intent, but knowledge, so *Grokster*, which concerns § 272(c), does not apply. However, in a previous Order, this Court noted that § 272(c) has the same intent requirement as § 272(f)(2). (Doc. No. 372 p. 7.) In *Spanion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331 (Fed. Cir. 2010), the Federal Circuit held that because “appellants were aware of the . . . patent, and [patentee] successfully showed that the accused devices did not have any substantial noninfringing uses”, then “presum[ing] the requisite knowledge for contributory infringement . . . was not erroneous.” *Id.* at 1355. ION has not shown that the weight of the evidence is contrary to the jury’s verdict to warrant a new trial. Therefore, this motion should be denied.

### VIII. CLAIM CONSTRUCTION

ION has filed a Motion for JMOL and New Trial Due to Incorrect Claim Construction. (Doc. No. 561.) ION moves for JMOL or new trial for non-infringement of Claims 18, 19, and 23 of the ‘520 Patent, Claim 15 of the ‘967 Patent, and Claim 15 of the ‘607 Patent, claiming there was not sufficient evidence to sustain the verdict of infringement under 35 U.S.C. § 271(f) when the correct construction of “streamer positioning device” is applied. ION similarly argues there is not sufficient evidence to sustain the verdict if the correct construction of “active streamer positioning device” is used with respect to Claim 14 of the ‘038 Patent. The Court already decided these claim constructions in 2010. (Doc. No. 120.)

It appears that ION’s motion is procedurally improper since it failed to move under Rule 50(a) on the basis of an “incorrect claim construction.” ION contends that it argued JMOL for non-infringement on each of the patents, but JMOL for non-infringement is not a motion for incorrect claim construction, which ION now argues. Second, ION failed to object to the jury

instructions, which construed the terms at issue. Third, ION's motion could be understood as a motion for reconsideration of this Court's claim construction order (Doc. No. 120), in which case the motion is untimely since it comes two years after the order. It appears to the Court that ION is merely rehashing its prior claim construction arguments and has not presented any change in law or fact that would cause the Court to overturn its previous ruling. Therefore, ION's motion regarding incorrect claim construction must be denied.

## **IX. WILLFUL INFRINGEMENT**

Both parties have filed motions on the issue of willful infringement. ION has filed a Motion for Entry of Findings and Conclusions of No Willful Infringement, Renewed Motion for Judgment as a Matter of Law of No Willful Infringement, and Alternative Motion for New Trial. (Doc. No. 559.) WesternGeco has filed a Motion for Willfulness and Enhanced Damages. (Doc. No. 560.) In 2007, the Federal Circuit altered the willful infringement inquiry to one of recklessness. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007). The Federal Circuit requires a two-prong showing of recklessness by clear and convincing evidence. *Id.* The first prong requires a showing of objective recklessness and the second a showing of subjective recklessness. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, 682 F.3d 1003, 1005 (Fed. Cir. 2012) cert. denied, 12-458, 2013 WL 141409 (U.S. Jan. 14, 2013). To establish objective recklessness, WesternGeco would have to prove that the "infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. Once the threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer." *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, 682 F.3d at 1005. The objective prong is a question of law to be decided by the Court; the subjective prong is a



question of fact that was decided by the jury. *Id.* at 1005-06. The Court had not yet decided the objective prong before the subjective prong was submitted to the jury, which found willful infringement. After considering the arguments made by each party, the Court finds no objective recklessness, and therefore, no willfulness.

#### **A. Objective Recklessness**

The Federal Circuit has recognized that "in ordinary circumstances, willfulness will depend on an infringer's prelitigation conduct." *Seagate*, 497 F.3d at 1374. The Court must base its determination of objective recklessness "on the record ultimately made in the infringement proceedings". *Bard*, 682 F.3d at 1008. WesternGeco argues that objective recklessness is proven because the jury found subjective recklessness and the Court ruled in favor of WesternGeco as a matter of law regarding ION's infringement of the '520 Patent, ION's defenses of laches, equitable estoppel, waiver, and unclean hands, and ION's § 101, written description, best mode and indefiniteness invalidity defenses. However, WesternGeco's assertion that the Court's grant of summary judgment and the jury's infringement findings are dispositive of the objective recklessness inquiry is incorrect. The Federal Circuit is clear that "[d]efeet of a litigation position, even on summary judgment, does not warrant an automatic finding that the suit was objectively baseless; all of the circumstances must be considered." *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1315 (Fed. Cir. 2010). Instead, to prove the objective prong, WesternGeco must show by clear and convincing evidence that "[ION] acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Bard*, 682 F.3d at 1005. Thus, WesternGeco has the burden to show that "no reasonable litigant could realistically expect success on the merits." *Id.* at 1006, 1008; *iLOR, LLC v. Google, Inc.*, 631

F.3d 1372, 1378 (Fed. Cir. 2011); *Old Reliable Wholesale, Inc. v. Cornell Corp.*, 635 F.3d 539, 544 (Fed. Cir. 2011).

ION claims that it was not unreasonable for it to rely on its belief that there was no infringement because it reasonably believed:

- Claim 19 of the ‘520 did not have a feather angle mode;
- Claim 23 of the ‘520 Patent did not have a feather angle mode or turn control mode;
- Claims of the ‘520 Patent did not have control systems;
- Claim 15 of the ‘967 Patent did not have location information;
- Claim 15 of the ‘607 Patent did not have a prediction unit;
- Claim 14 of the ‘038 Patent did not have a master controller or an ASPD.

### *1. Claims 18, 19, and 23 of the ‘520 Patent*

At issue are the “feather angle mode” and the “turn control mode” limitations of these claims. The Court construed these modes as:

Feather angle mode: a control mode that attempts to set and maintain each streamer in a straight line offset from the towing direction by a certain feather angle.

Turn control mode: mode wherein streamer positioning device(s) generate a force in the opposite direction of a turn and then directing each streamer positioning device to the position defined in the feather angle mode.

(Doc. No. 120, 24-27, 45.) At trial, it was uncontroverted that ION’s system does not set and maintain each streamer at a certain feather angle. Instead, ION’s system only sets the “ghost streamer” at a specific feather angle. (Trial Tr. 3781:3-3784:9.) The Court finds that ION’s defense against infringement is not objectively baseless in that no reasonable litigant could realistically expect to succeed. Likewise, the uncontroverted evidence at trial was that the streamer positioning devices in ION’s system could not all generate a force in the opposite direction of a turn and then be directed to the position defined in the feather angle mode. (Trial Tr. 3786:7-23.) Specifically, the DigiBIRDS could not “generate a force in the opposite direction

of the turn.” Though the jury found in favor of WesternGeco, ION’s defense for turn control mode was not unreasonable.

## ***2. The ‘607 Patent***

Claim 15 of the ‘607 Patent requires “a prediction unit adapted to predict positions of at least some of the [SPDs].” ION claims that the use of the word “predict” led it to believe the claim required a forecasting of future positions rather than an estimation of current positions. Though the Court ultimately construed the term “predict” to mean the ability to not be bound by wall-clock times and could mean present time, ION’s argument is not unreasonable by clear and convincing evidence.

## ***3. The ‘967 Patent***

WesternGeco contends that ION’s user manual and DigiFIN’s product specification both describe transmission of location information from a global control system to a local control system as in Claim 15 of the ‘967 patent. Claim 15 of the ‘967 Patent requires “a global control system transmitting location information to at least one local control system on the at least one [SPD].” ION construed an SPD to have the capacity to steer both laterally and vertically. (Doc. No. 73 p. 6.) Therefore, because the DigiFINs only receive a fin angle command from the alleged global control system, it did not transmit “information regarding location.” (Trial Tr. 2767:9-25.) It was ION’s position that the fin angle does not represent the location, latitude, longitude, depth, or lateral position to which the DigiFIN is to be moved. (Trial Tr. 3451:22-25, 3462:16-3463:24.)

WesternGeco argues that infringement of this claim was objectively reckless because a third party, StatoilHydro, conducted an infringement investigation and concluded that the ‘967 Patent “clearly envisages a system working along broadly the same lines as described above in

relation to ION.” (Doc. No. 560 p. 8.) The parties argue about the admissibility of the investigation for the truth of the matter asserted. However, the Court need not reach that point in the objective recklessness inquiry. The Federal Circuit has delineated the purposes of each of the prongs:

*Seagate* established a two-pronged test for establishing the requisite recklessness. Thus, to establish willful infringement, “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” Once the “threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.”

*Bard*, 682 F.3d at 1005 (citations omitted). Therefore a third party’s opinion regarding ION’s possible infringement is more appropriate for the subjective recklessness inquiry rather than for objective recklessness. Focusing only on ION’s asserted defenses, the Court does not find them objectively baseless.

#### ***4. The ‘038 Patent***

The Court construed an ASPD as a device capable of controlling the vertical and horizontal position of the seismic streamer. (Doc. No. 120 p. 46.) ION’s litigation defense for the ‘038 Patent was that DigiFIN was not an ASPD because the DigiFIN could not be commanded to steer a streamer to a particular depth and lateral position so as to maintain a specified array shape. (Trial Tr. 3499:15-3500:2.) ION further argued that it believed its system did not consist of a master controller for issuing vertical and horizontal positioning commands to **each** ASPD for maintaining a specified array geometry. The Court finds and holds that this was a reasonable defense.

#### ***5. ION’s Invalidity Defenses***

ION’s defenses at trial were lack of enablement, anticipation and obviousness. The Court considered ION’s defenses above in ION’s Rule 59 Motion for New Trial on Invalidity Under 35

U.S.C. §§ 102 and 103. (Doc. No. 550.) Though the Court does not find for ION on invalidity, its arguments are not objectively baseless. Therefore, the Court finds no objective recklessness.

### **B. Subjective Prong**

Because the Court finds no objective recklessness, the threshold standard, it need not evaluate the jury's finding of subjective recklessness for reasonableness. WesternGeco must prove both subjective and objective recklessness by clear and convincing evidence. Since WesternGeco has not proven objective recklessness by clear and convincing evidence, the Court finds no willful infringement.

### **X. EXCEPTIONAL**

WesternGeco has filed a Motion to Find this Case Exceptional Under Section 285 and for Attorneys' Fees. (Doc. No. 554.) "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. The award of attorneys' fees serves as a "deterrent[] to blatant, blind, willful infringement of valid patents." *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). The first step is to decide whether the case is exceptional by clear and convincing evidence within the meaning of § 285. *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989). Second, if the case is deemed exceptional, the Court must determine whether an award of fees is appropriate and, if so, in what amount. *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300, 1308 (Fed. Cir. 2012).

To find a case exceptional, there must be some "material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions." *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005). "Litigation misconduct generally involves unethical or

unprofessional conduct by a party or his attorneys during the course of adjudicative proceedings.” *Highmark*, 687 F.3d. at 1315-16. Further, a lawyer’s conduct cannot be evaluated with the benefit of hindsight. *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 421-22 (1978). If the court finds the case to be exceptional, then it can determine whether attorneys’ fees are appropriate. *Beckman Instruments, Inc.*, 892 F.2d at 1551. “[B]efore imposing sanctions under its inherent power, a court must make a specific finding that the sanctioned party acted in “bad faith.”” *Maguire Oil Co. v. City of Houston*, 143 F.3d 205, 209 (5th Cir. 1998).

WesternGeco makes a number of arguments as to why the Court should find this case exceptional. Each will be discussed in turn, and ultimately, the Court finds that this case is not exceptional.

#### **A. Willfulness**

A finding of willfulness does not require a finding that a case is exceptional under § 285. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1582 (Fed. Cir. 1992) (affirming district court decision declining to find a case exceptional despite a jury finding of willfulness due, in part, to the closeness of the willfulness question); *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 955 (Fed. Cir. 1997) (affirming district court’s finding case not exceptional and denial of attorneys’ fees despite jury’s willfulness finding given infringer’s presentation of a good faith defense against willfulness and substantial challenge to infringement). However, as discussed above, the Court found no willful infringement so this cannot be a factor in favor of finding the case exceptional.

#### **B. Vexatious Litigation and Other Litigation Misconduct**

Another criteria for declaring a case exceptional includes vexatious litigation and litigation misconduct. “Any attorney . . . who so multiplies the proceedings in any case

unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct." 28 U.S.C. § 1927. An exceptional case based on litigation misconduct is reserved for extreme cases. Such sanctions are an extraordinary remedy that should be "sparingly applied." *FDIC v. Calhoun*, 34 F.3d 1291, 1297 (5th Cir. 1994). A court "may not shift the entire financial burden of an action" under § 1927 "except when the entire course of proceedings were unwarranted and should neither have been commenced nor persisted in." *Calhoun*, 34 F.3d at 1297.

WesternGeco claims ION was a vexatious litigant because it asserted meritless defenses and counterclaims; used unnecessary tactics such as Hague requests during discovery; and filed repeated motions for reconsideration. According to WesternGeco, vexatious litigation tactics during trial included attempting to re-litigate infringement and inventorship and argue an irrelevant "own patent" defense. Further, vexatious tactics post-trial included new meritless defenses. However, the Court is not convinced that this conduct rises to the level of vexatious litigation or misconduct pursuant to § 1927. This was a complicated case that spanned many years and nearly a month of trial. ION initially had to defend itself against 163 claims of infringement, which would require a defense strategy that includes many filings, defenses, and arguments. The Court noted multiple times that the issues were close questions of law and fact. Furthermore, ION's defenses and counterclaims were hotly contested as evidenced by the long Memoranda and Orders issued by this Court. The Court has seen this case from its inception and does not find that ION's litigation conduct rises to the high level necessary to find this case exceptional.

## **XI. DAMAGES**

ION moves for JMOL, new trial, or remittitur on damages. (Doc. No. 562.) ION claims that the \$105.9 million award decided by the jury was based on two defective and overlapping damage models: lost profits and reasonable royalty. The jury awarded WesternGeco 100% of the lost profits it sought and 84% of the reasonable royalty it sought. This amounted to \$93.4 million for lost profits and \$12.5 million in reasonable royalty. “[A] decision on remittitur . . . is within the sound discretion of the trial court . . . and damages are set aside ‘only upon a clear showing of excessiveness.’ An excessive award exceeds the ‘maximum amount calculable from the evidence.’” *Fractus, S.A. v. Samsung Elecs. Co.*, No. 6:09-cv-203, 2012 WL 2505741, at \*22 (E.D. Tex. June 28, 2012).

### **A. Lost Profits**

#### ***1. Foreign Infringement***

ION argues that the lost profits award must be vacated because it is not based on the domestic acts of infringement in this case but on the revenues that WesternGeco estimated its overseas competitors received for their non-infringing uses of ION’s equipment in ten seismic surveys performed in foreign waters. ION says to do so is not permitted by § 271(f) and would give improper extraterritorial effect to U.S. law. ION insists that it can only be liable for “supplying” the component and cannot extend to subsequent “making” or “using” of a device abroad. However, Section 271(f)(1) in whole states:

Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.



If ION were strictly held liable for supplying, then §271(f) would lose all its weight, allowing a loophole for manufacturers to export components for infringing uses abroad. The legislative history noted that § 271(f) was intended to prevent copiers from avoiding U.S. patents by supplying components of a patented product in this country so that the assembly of the components may be completed abroad. Patent Law Amendments, Pub.L. No. 98-622, 1984 U.S. Code Cong. & Admin. News (98 Stat.) at 5828. This section of the patent law amendment was proposed in response to the U.S. Supreme Court's decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), which created a loophole in prior patent law, allowing copiers to avoid liability for products patented in the United States, by shipping the patented components for combination in foreign countries. The Federal Circuit and district courts have repeatedly awarded lost profits under § 271(f) based on lost foreign sales. *See, e.g., Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378 (Fed. Cir. 2005), *overruled on other grounds* (approving reliance on “foreign sales for the purpose of recovering additional damages under 35 U.S.C. § 271(f)(2).”); *W.R. Grace & Co.--Conn. v. Intercat, Inc.*, 60 F. Supp. 2d 316, 321 (D. Del. 1999) (holding “plaintiff is entitled to damages based on Intercat's international sales.”).

Furthermore, while 35 U.S.C.A. § 271(a) limits infringing sales to those sales made within the United States, lost profits based on an accused infringer's sales of a patented product in a foreign country may be properly recoverable as an item of lost profits if the patentee can show “a reasonable probability that but for the infringement,” it would have made the foreign sales that were made by the accused infringer. Such foreign sales are only proper to include in the damage calculus when there is an act of infringement occurring in the United States directly associated with the foreign sale, such as the making of the product in the United States, if the

predicates of § 271(f) can be met. 4 Annotated Patent Digest § 30:44. It was undisputed at trial that every DigiFIN that ION sold was made in and supplied from the United States. (*See, e.g.*, Trail Transcript 2788:22-2790:10.) Therefore, lost profits can appropriately be recovered from these infringing sales.

## 2. *Panduit* Test

Although not separately required, the *Panduit* factors support the jury's lost profits award. The *Panduit* test provides that to obtain profits on sales the patentee would have made but for the infringement, the patent owner must prove: (1) demand for the patented product; (2) absence of acceptable non-infringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of the profit he would have made. *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978).

The record evidence satisfies the *Panduit* test, which creates a presumption of “but for” causation when met. But before the *Panduit* factors are analyzed, the Court must address ION's argument that the *Panduit* test does not apply. ION proceeded before trial and during trial as if the *Panduit* test applied. Before trial, both parties agreed that the *Panduit* factors were appropriate. (Doc. No. 402 p. 6 (“Mr. Sims applied the methodological approach that all parties agree is appropriate by utilizing the *Panduit* factors.”)) During trial, ION's damages expert, Mr. Gunderson, spent over an hour and a half explaining to the jury his analysis of the *Panduit* factors in this case. (*See, e.g.*, Trial Tr. 4665:16-4698:9, 4701:23-4742:5.) Even ION's actions aside, applying the *Panduit* factors was one appropriate means by which the jury could find lost profits. (Jury Instruction No. 19 (“it would have made the sales it says it lost but for the infringement.”))

ION argues that even if the *Panduit* test is applicable, the factors are not met with sufficient evidence. The Court finds that WesternGeco presented sufficient evidence to prove each of the four prongs. First, ION conceded at trial that there was demand for the patented product. (Doc. No. 562 pp. 15-24; Trial Tr. 4669:9-4670:3.) Second, WesternGeco presented evidence regarding the Nautilus and eBird, which the jury could reasonably conclude were not acceptable, non-infringing alternatives available during the relevant time period. Third, WesternGeco presented evidence through Mr. Sims, who concluded that WesternGeco would have had 59 months of available capacity to perform the lost jobs, more than double the capacity required. (Trial Tr. 2266:5-2267:25, 2297:6-18, 2445:5-16.) Therefore, WesternGeco presented sufficient evidence for the jury reasonably to find that it had the capability to exploit the demand. Fourth, WesternGeco presented its lost profit calculation through the Customer Relationship Management (“CRM”) database, which WesternGeco’s damages expert, Raymond Sims, relied on in his calculations. ION argues the CRM was not reliable. However, the Court allowed the CRM into evidence and the jury had the opportunity to weigh the evidence. The *Panduit* factors were one way for the jury to find lost profits. Based on the evidence presented at trial, the jury could reasonably have found lost profits.

## **B. Reasonable Royalty**

### ***1. Double Counting***

ION claims there was improper recovery of both measures of damages because a patentee may recover either lost profits or a reasonable royalty for each infringing act, but not both. *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009) (“Two alternative categories of infringement compensation are the patentee's lost profits and the reasonable royalty he would have received through arms-length bargaining.”). ION claims the

jury was instructed in such a way that they could award both a reasonable royalty and lost profits for the same acts of infringement. However, the jury instructions were clearly worded to avoid double counting:

If you find that WesternGeco has established infringement, WesternGeco is entitled to at least a reasonable royalty to compensate it for that infringement. If you find that WesternGeco has not proved its claim for lost profits, or has proved its claim for lost profits for only a portion of the infringing sales, then you must award WesternGeco a reasonable royalty for all infringing sales for which it has not been awarded lost profits damages.

(Jury Instruction No. 20.) The jury instruction is the exact wording of the Model Patent Jury Instructions provided by the Federal Circuit Bar Association:

If you find that [patent holder] has established infringement, [patent holder] is entitled to at least a reasonable royalty to compensate it for that infringement. If you find that [patent holder] has not proved its claim for lost profits, or has proved its claim for lost profits for only a portion of the infringing sales, then you must award [patent holder] a reasonable royalty for all infringing sales for which it has not been awarded lost profits damages.

(Model Patent Jury Instruction p. 88.) ION did not object to this jury instruction at trial and even if it had, the instructions are worded clearly to avoid double counting.

## ***2. Apportionment***

ION argues that the reasonable royalty found by the jury fails to apportion the damages to account for the value of WesternGeco's patented improvement. ION argues that a reasonable royalty may be calculated on the sale of a product provided that the royalty reflects only the contribution of the patented technology, not the entire value of the product. ION claims WesternGeco's patents offer an improvement to existing technology rather than a revolutionary invention. At trial, on behalf of WesternGeco, Mr. Sims applied an analytical approach to quantifying the value of the patented technology. ION had the opportunity thoroughly to cross examine Mr. Sims at trial and the jury could make its own determinations of his credibility.

### 3. *Marking*

ION also argues it was erroneous for the Court to deny ION's requested marking instruction, allowing the jury to award excessive damages. When a patentee fails to show either that it marked or was not required to mark, the patentee is precluded from recovering damages for any infringement that occurred prior to the date the alleged infringer was notified of the infringement. ION claims that, because Mr. Sims's testimony on the reasonable royalty included damages for infringement prior to the date of actual notice, the Court's failure to instruct on marking resulted in an improper award of damages. This Court has already considered and rejected ION's arguments regarding a marking instruction. (Doc. No. 562 p. 32; Doc. No. 508 p. 5; Doc. No. 530 p. 24.) ION has not presented new evidence that would require the Court to overturn its previous decisions.

## **XII. PREJUDGMENT INTEREST AND POST-DISCOVERY DAMAGES**

### **A. Prejudgment Interest**

WesternGeco has filed a Motion for Prejudgment Interest and Post-Discovery Damages. (Doc. No. 553.) ION does not dispute that prejudgment interest is appropriate, and both parties agree that the prejudgment interest should be compounded annually. The Supreme Court has interpreted 35 U.S.C. § 284<sup>1</sup> to mean that "prejudgment interest should ordinarily be awarded" in patent infringement cases. *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983). The only dispute is at what rate the interest is calculated. WesternGeco claims that the prejudgment interest should be awarded at the Texas Statutory Rate.<sup>2</sup> ION argues that the prime rate should be

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<sup>1</sup> "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement . . . together with interest and costs as fixed by the court." 35 U.S.C. § 284.

<sup>2</sup> The Texas Statutory Rate is: (1) the prime rate as published by the Board of Governors of the Federal Reserve System on the date of computation; (2) five percent a year if the prime rate as published by the Board of Governors of the Federal Reserve System described by Subdivision (1) is less than five percent; or (3) 15 percent a year if the prime rate as published by the Board of Governors of the Federal Reserve System described by Subdivision (1) is more than 15 percent." Tex. Fin. Code Ann. § 304.003 (West).

used. The Federal Circuit has held that “[a] trial court is afforded wide latitude in the selection of interest rates, and may award interest at or above the prime rate.” *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed. Cir. 1991) (affirming an award of prejudgment interest at the prime rate). *See also Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 969 (Fed. Cir. 1986) (“The rate of prejudgment interest and whether it should be compounded or un-compounded are matters left largely to the discretion of the district court.”); *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 24, 223 USPQ 591, 600 (Fed. Cir. 1984); *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 557, 222 USPQ 4, 9–10 (Fed. Cir. 1984); *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1520, 220 USPQ 929, 942 (Fed. Cir. 1984); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1066, 219 USPQ 670, 676 (Fed. Cir. 1983). In exercising that discretion, however, the district court must be guided by the purpose of prejudgment interest, which is “to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement” and permits the patentee to recover “the forgone use of the money between the time of infringement and the date of the judgment.” *Devex*, 461 U.S. at 655-56.

“Courts have recognized that the prime rate best compensates a patentee for lost revenues during the period of infringement because the prime rate represents the cost of borrowing money, which is “a better measure of the harm suffered as a result of the loss of the use of money over time.”” *IMX, Inc. v. LendingTree, LLC*, 469 F. Supp. 2d 203, 227-28 (D. Del. 2007) (*citing Mars, Inc. v. Conlux USA Corp.*, 818 F.Supp. 707, 720-21 (D.Del.1993), *aff’d*, 16 F.3d 421, 1993 WL 516659 (Fed. Cir. 1993). Other courts have found that “[t]he prime rate, compounded quarterly, is a conservative, middle-of-the road approach that takes into account normal market fluctuations.” *NTP Inc. v. Research in Motion, Ltd.*, 270 F. Supp. 2d 751, 763 (E.D. Va. 2003)

amended, CIV.A. 3:01CV767, 2003 WL 22746080 (E.D. Va. Aug. 5, 2003). Therefore, the Court finds that the prime rate is the appropriate rate to be used in prejudgment interest. Since the parties have reached agreement, the interest will be compounded annually. Prejudgment interest should be awarded on both the lost profits and the royalty portions of the damages awarded for patent infringement. The interest should be awarded from the date of infringement to the date of judgment. ION is instructed to submit appropriate calculations to the Court within ten days.

### **B. Accounting**

At the hearing on February 21, 2013, the Court ordered ION to submit its post-trial accounting because of a concern that ION's executive chairman and former CEO, Robert Peebler, was not truthful during his trial testimony. On August 13, 2012, Mr. Peebler testified under oath to the jury that ION had stopped selling DigiFIN after the Court's June 29, 2012 entry of summary judgment regarding Claim 18 of the '520 Patent. At the hearing, the Court asked ION if Mr. Peebler's testimony was truthful. ION's response was that ION Geophysical Inc. had not, but that ION Dubai, a foreign subsidiary of the Defendant, had.

ION filed its post-trial accounting which described two "sales" that occurred in September 2012. (Doc. No. 620.) ION argues that one of the "sales" was a delivery required under a March 2012 contract with Shanghai Offshore Petroleum Geophysical Corporation ("SOPGC"). ION argues that since the contract was signed in March 2012, before the Court's ruling, the sale also occurred in March 2012. The other sale was a sale and supply that occurred outside of the United States. The transaction was between ION S.a.r.l., a Luxemburg company, and a foreign buyer, where DigiFINs were shipped from Dubai to places outside of the United States. This is very troubling to the Court despite ION's argument that such "sales" were not

sales in violation of the Court's order. At trial, WesternGeco had records of sales up until May 2011. These new records show that 1,353 more units were sold by ION than were disclosed at the time of trial. It also appears that ION relocated all of its U.S. manufactured DigiFIN units to Norway the week after the Court's summary judgment decision.

The Court finds that WesternGeco is entitled to supplemental damages for ION's sales since May 2011. *See Stryker Corp. v. Davol, Inc.*, 234 F.3d 1252 (Fed. Cir. 2000) (affirming district court's decision that a court may award a successful patent plaintiff supplemental damages to compensate the plaintiff for any infringement occurring between the date of the jury's verdict and the date of the judgment.). Because the Court has only recently learned of the need for supplemental damages. WesternGeco is ordered to submit a motion regarding supplemental damages within 15 days.

### **XIII. COSTS**

WesternGeco has filed a Motion for Costs in the amount of \$535,542.03. (Doc. No. 555.) Local Rule 54.2, FRCP 54(d)(1), 35 U.S.C. § 284 and 28 U.S.C. § 1920<sup>3</sup> allows the prevailing party, to claim certain costs. The costs are "limited to relatively minor, incidental expenses." *Taniguchi v. Kan Pacific Saipan, Ltd.*, 132 S. Ct. 1997, 2006 (2012). A district court may decline to award costs enumerated in § 1920, but may not award costs not listed in the

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<sup>3</sup> A judge or clerk of any court of the United States may tax as costs the following:

- (1) Fees of the clerk and marshal;
  - (2) Fees for printed or electronically recorded transcripts necessarily obtained for use in the case;
  - (3) Fees and disbursements for printing and witnesses;
  - (4) Fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case;
  - (5) Docket fees under section 1923 of this title;
  - (6) Compensation of court appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under section 1828 of this title.
- 28 U.S.C.A. § 1920 (West)



statute. *Crawford Fitting Co. v. J. T. Gibbons, Inc.*, 482 U.S. 437, 441 (1987). The specific costs are discussed below.

#### **A. Costs Relating to Fees of the Clerk and Docket Fees**

Costs relating to fees of the clerk and docket fees may be recovered as authorized by 28 U.S.C. § 1920(1) & (5). (Doc. No. 555, Ex. 2.) WesternGeco claims it incurred \$350.00 in these fees and ION does not dispute this amount.

#### **B. Costs Relating to Fees for Service of Summons and Subpoenas**

WesternGeco has withdrawn its request for subpoena costs.

#### **C. Costs Relating to Depositions and Transcripts**

Video and written transcripts are recoverable under 28 U.S.C. §1920(2). WesternGeco claims it incurred \$399,052.36 in costs relating to depositions and transcripts. (Doc. No. 555, Ex. 4.) ION argues that a substantial part of that requested cost is not recoverable. ION claims that the costs are bloated with incidentals, which are generally not recoverable.

##### ***1. Incidental Fees***

First, ION argues that costs for synchronizing videotaped depositions (\$25,340) are not recoverable. The Court agrees. Other courts have found that video synchronization is not a necessity but for the convenience of counsel. *See, e.g., U.S. ex rel. Gonzalez v. Fresenius Med. Care N. Am.*, 761 F. Supp. 2d 442, 450 (W.D. Tex. 2010) *aff'd sub nom. Gonzalez v. Fresenius Med. Care N. Am.*, 689 F.3d 470 (5th Cir. 2012) (“The Court finds, however, that video synchronization was a convenience to the parties and not a necessity.”). The Fifth Circuit has held that “charges incurred merely for the convenience of one party's counsel should not be taxed to the other.” *Fogleman v. ARAMCO (Arabian Am. Oil Co.)*, 920 F.2d 278, 286 (5th Cir. 1991). WesternGeco should not be able to recover for costs of video synchronizing.

Second, ION contests expenses for RealTime transcription of depositions (\$11,911). Courts may award RealTime costs when it is found to be a necessary cost. *Kinzenbaw v. Case LLC*, 05-1483, 2006 WL 1096683 (Fed. Cir. Apr. 26, 2006). This was a complex and lengthy trial. ION filed more than twenty briefs during trial which required responses from WesternGeco. The Court finds that RealTime was a necessary cost. Therefore, WesternGeco can recover the costs of RealTime.

Third, ION disputes fees charged by court reporters for the original and **one copy** of deposition transcripts (\$56,653.85). ION argues that, without a showing of necessity, extra copies of deposition transcripts are not recoverable. However, other courts in this district have held that an original and one copy are a “basic cost” and a necessity. *Krohn v. David Powers Homes, Inc.*, CIV. A. H-07-3885, 2009 WL 2605284 (S.D. Tex. Aug. 21, 2009). “Whether a deposition or copy was necessarily obtained for use in the case is a factual determination to be made by the district court.” *Fogleman v. ARAMCO (Arabian Am. Oil Co.)*, 920 F.2d 278, 285 (5th Cir. 1991). The Court finds that this cost is recoverable.

Fourth, ION contests deposition costs in fees for original and one copy of depositions provided on an expedited basis (\$88,394.36). Expedited costs are not taxable unless prior court approval is obtained or the special character of the litigation necessitates expedited receipt of the transcript. Expedited costs seem minimal based on third party invoices (Doc. No. 579 p. 7 n. 5 (“Two expedition charges (totaling \$2996.78) are itemized.”)), and the complicated nature of this case necessitated expediting depositions. WesternGeco may recover for these costs.

Lastly, ION contests fees for rough draft charges (\$1,968). WesternGeco has made no argument that it should recover for rough draft charges, so the requested amount should also be

reduced by that amount (\$1,968). Therefore, the costs of video synchronizing (\$25,340) and rough drafts of depositions (\$1,968), which totals \$27,308, are unrecoverable as incidental costs.

## ***2. Video Files of Depositions***

WesternGeco requests costs for obtaining video files of depositions (\$51,361.07). Video depositions are generally recoverable under § 1920(2) and the Court will allow it here.

## ***3. Deposition Transcription Costs Related to Fugro***

ION contests the costs that relate to WesternGeco's claims related to Fugro. WesternGeco took 51 depositions in this case and of those, 18 related directly to Fugro. WesternGeco claims it only seeks its own costs from ION, not Fugro's costs, (Doc. No 585 p. 9) so the Court will allow this recovery.

## ***4. Trial Transcripts Related to Fugro***

ION also contests trial transcription costs related to Fugro. ION estimates that Fugro's witness examinations account for about 15% of the transcript. WesternGeco claims that it has already removed Fugro time. The Court finds that WesternGeco may recover this cost since it does not include Fugro time.

### **D. Costs Relating to Witnesses**

WesternGeco originally sought \$9,864.49 in witness fees. After objections from ION, WesternGeco reduces the amount sought to \$7,147.97, which ION does not dispute.

### **E. Costs Relating to Exemplification, Copies, and Printing**

WesternGeco seeks \$109,036.93 in costs relating to exemplification, copying and printing. ION disputes a portion of these charges. First, ION disputes \$26,010.94 in costs for processing documents produced to ION, including charges for litigation support, creating databases, and creating TIFF images. WesternGeco does not make an argument for costs

associated with litigation support or creating databases and has not met its burden to demonstrate these costs are necessary. WesternGeco may not recover the \$26,010.94.

Second WesternGeco seeks to recover \$28,002.54 in costs processing documents produced by ION, namely converting ION's documents into another format to make them searchable. ION did produce a large number of documents, but this cost was for the convenience of attorneys rather than a necessity. Therefore, WesternGeco may not recover the \$28,002.54.

Third, WesternGeco requests \$32,522 in costs of up to six copies of a variety of documents used for trial. WesternGeco does not segregate the costs nor make an argument for why it should recover these costs. ION estimates that the costs of copies for trial should be reduced by 15%, or \$4,878.30, which the Court accepts.

Fourth, WesternGeco seeks \$5,099 in costs for office supplies. These are incidentals not enumerated in the statute and therefore not recoverable.

#### **F. Costs Relating to Court-Appointed Experts**

WesternGeco requests \$14,100 for the costs of the Court's appointed expert. ION argues that a portion of this cost should be attributable to Fugro, but WesternGeco states that this is the cost to WesternGeco, not Fugro's cost. Therefore, the Court finds this is an appropriate amount for WesternGeco to recover.

#### **G. Conclusion**

In conclusion, from WesternGeco's requested amount of \$535,542.03, the following amounts should be subtracted because they are not recoverable costs:

- Less \$3,138.25 for WesternGeco's withdrawn subpoena costs;
- Less \$25,340 for video synchronization;
- Less \$1,968 for rough drafts of transcripts;
- Less \$2,716.52 for WesternGeco's reduction of costs related to witnesses;
- Less \$26,010.94 in costs for processing documents produced to ION, including charges for litigation support, creating databases, and creating TIFF images;

- Less \$28,002.54 in costs processing documents produced by ION, namely converting ION's documents into another format to make them searchable;
- Less \$4,878.30 for multiple copies;
- Less \$5,099 in costs for office supplies.

WesternGeco can recover costs in the amount of \$438,388.48.

#### **XIV. PERMANENT INJUNCTION; ONGOING ROYALTY**

WesternGeco has filed a Motion for a Permanent Injunction or, in the Alternative, an Ongoing Royalty. (Doc. No. 558.) Related to this motion, ION has filed a Motion to Compel Production of Documents From WesternGeco. (Doc. No. 609.)

##### **A. Motion to Compel**

ION asks the Court to compel production of the Fugro license agreement ("Fugro license"), letters to ION's customers and potential customers seeking to begin negotiations to enter into additional licensing agreements, and all related documentation ("Licensing Documents"). ION claims this information is directly relevant to WesternGeco's request for a permanent injunction, the scope of any such injunction, and the terms and rate for any post-judgment royalty in lieu of an injunction. ION argues that WesternGeco's permanent injunction is premised on exclusivity, which may be undermined by its license to Fugro and offer to license the patents to ION's other customers.

WesternGeco has worked with Fugro to provide a redacted version of the agreement to ION. (Doc. No. 611, Ex. 14.) The Court finds that this is sufficient. Discovery after trial is the exception and not the rule. ION has not shown the need for an exception. The Motion to Compel is denied.

**B. Motion for a Permanent Injunction or, in the Alternative, an Ongoing Royalty (Doc. No. 558)**

After the jury issued its verdict, ION's CEO announced ION's intention to "challenge the verdict," and stated that ION "ha[s] sufficient inventory of DigiFIN available to satisfy customer need." (Doc. No. 558, Ex. 1.) Media reports confirmed that, notwithstanding the verdict, "DigiFIN [] will remain available for sale." (Doc. No. 558, Ex. 3.) WesternGeco moves the Court to enter a permanent injunction or, in the alternative, award an ongoing royalty for the sales of ION's infringing products. (Doc. No. 558.) The Court finds that a permanent injunction is proper in this case.

***1. Legal Standard***

Courts have discretion to grant injunctive relief "in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." 35 U.S.C. § 283. By virtue of the Supreme Court's decision in *eBay*, a patentee must satisfy the well-established four-factor test for injunctive relief before a court may grant a permanent injunction:

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

*eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

***2. Permanent Injunction***

The Court finds that a permanent injunction is proper. ION stated multiple times to the Court that "[f]ollowing the Court's finding of infringement, ION immediately ceased selling DigiFIN." (Doc. No. 577 p. 22; Doc. No. 559 p. 24.) ION represented the same to the jury:

Q. Sir, after you were found to infringe . . . You didn't stop offering those products for sale, did you?

A. In fact, we have no sold that product since then.

\*\*\*

Q. So when did you stop selling DigiFIN, sir?

A. Well, I said stop selling – yea, we – when that happened, when the – when the Court made that ruling.

Q. So you made a business decision that at that point, you would no longer sell DigiFIN?

A. Yea. Until the case is solved – resolved. We are not done yet.

(Trial Tr. 4491:15-4492:1.) However, ION's post trial accounting reveals that this assertion was false and ION did sell more DigiFIN after the Court's ruling and even after trial. The Court finds these misstatements deeply troubling.

ION claims that a September 2012 sale was not a sale because the contract for the infringing product occurred in March 2012. The Court cannot accept this thinly veiled excuse. It also appears that ION shipped DigiFIN abroad from the United States to ION Dubai, which continues to make sales. The Court need not delve into whether this conduct infringed § 271(f) at this time because the misleading statements and the September 2012 sale are enough for the Court to find that all four factors of *MercExchange, L.L.C.* weigh in favor of a permanent injunction. First, WesternGeco has suffered injury and may continue to suffer injury since ION has shown that it will continue to infringe. Second, since ION has not followed the Court's order, no remedy at law can fully compensate WesternGeco besides an injunction. Third, the Court does not find particular hardships to ION. Fourth, there is no evidence that an injunction will disserve the public. In fact, ION's disregard for the Court's order warrants a permanent injunction to support the public's interest in maintaining a strong patent system.

## XV. CONCLUSION

For the reasons discussed above, the Court finds that:

1. ION's Partial Motion to Dismiss for Lack of Subject Matter Jurisdiction (Doc. No. 565) is **DENIED**;


2. ION's Rule 59 Motion for New Trial on Invalidity Under 35 U.S.C. §§ 102 and 103 (Doc. No. 550) is **DENIED**;
3. ION's Request for Findings and Conclusions on Enablement and, Alternatively, Motion for New Trial (Doc. No. 552) is **DENIED**;
4. ION's Renewed Motion for Judgment as a Matter of Law and Alternative Motion for New Trial Regarding Non-Infringement (Doc. No. 556) is **DENIED**;
5. ION's Motion for New Trial on Infringement Under 35 U.S.C. § 271(f)(2) (Doc. No. 557) is **DENIED**;
6. ION's Motion for JMOL and New Trial Due to Incorrect Claim Construction (Doc. No. 561) is **DENIED**;
7. ION's Motion for Entry of Findings and Conclusions of No Willful Infringement, Renewed Motion for Judgment as a Matter of Law of No Willful Infringement, and Alternative Motion for New Trial (Doc. No. 559) is **GRANTED**;
8. WesternGeco's Motion for Willfulness and Enhanced Damages (Doc. No. 560) is **DENIED**;
9. WesternGeco's Motion to Find this Case Exceptional Under Section 285 and for Attorneys' Fees (Doc. No. 554) is **DENIED**;
10. ION's Motion for JMOL, Motion for New Trial on Damages alternatively Motion for Remittitur (Doc. No. 562) is **DENIED**;
11. WesternGeco's Motion for Prejudgment Interest and Post-Discovery Damages (Doc. No. 553) is **GRANTED**;
  - a. Prejudgment interest will be calculated at the prime rate, compounded annually. ION is ordered submit calculations on the jury award within ten days.
  - b. Supplemental damages are proper for ION's sales after May 2011. WesternGeco is ordered to submit a motion regarding supplemental damages within 15 days.
12. WesternGeco's Motion for Costs (Doc. No. 555) is **GRANTED in part and DENIED in part**;
  - a. WesternGeco may recover costs in the amount of \$438,388.48
13. ION's Motion to Compel Production of Documents From WesternGeco (Doc. No. 609) is **DENIED**;



14. WesternGeco's Motion for a Permanent Injunction or, in the Alternative, an Ongoing Royalty (Doc. No. 558) is **GRANTED**.

**IT IS SO ORDERED.**

**SIGNED** this 19<sup>th</sup> day of June, 2013.

A handwritten signature in black ink, appearing to read "Keith P. Ellison". The signature is written in a cursive style with a horizontal line underneath it.

KEITH P. ELLISON  
UNITED STATES DISTRICT JUDGE

# EXHIBIT R



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Intellectual Property Today

**September** 2013

**SECTION:** Pg. 10

**LENGTH:** 1210 words

**HEADLINE:** **Inter Partes Review:** How is it Going So Far?

**BYLINE:** DAVID O'DELL AND THOMAS KING OF HAYNES AND BOONE, LLP.

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**BODY:**

It has been about one year (September 16, 2012) since the USPTO began accepting petitions for **inter partes review, or IPR**. This is a new procedure at the Patent Office that was established by the America Invents Act (AIA) to permit members of the public to request the Office review of an issued patent. In many ways, **IPRs** are like the previously available **inter partes** reexaminations they replaced in September 2012. Key differences, however, include the fact an **IPR** is a trial before a board of patent judges (the Board), instead of an examination before a patent examiner. Also, **IPRs** have a much shorter expected time frame (an **IPR** is expected to last about half as long as the average reexamination), and the possibility for limited discovery.

As of August, 2013, over 440 petitions for **IPR** have been filed with the USPTO, which projects to a rate of almost 500 petitions per year. Since an **IPR** proceeding (referred to as a "trial") lasts about 18 months, no **IPRs** have gone all the way through to completion as of the time of this writing (although the Board recently invalidated a patent in a similar AIA post-grant review procedure for business method patents). Nevertheless, there are many observations and initial statistics with regard to the 440+ pending **IPRs** that are informative as to potential **IPR** strategies and considerations.

**GRANT RATES**

Inter Partes Review: How is it Going So Far? Intellectual Property Today September 2013

About 96 percent of petitions seeking *inter partes* review were granted in the first six months. This statistic is consistent with the percentage of requests for *inter partes* reexaminations that were granted each year. Unlike *inter partes* reexaminations, however, the number of grounds for rejection is often reduced at the outset of the **IPR**, i.e., the Board frequently agrees to proceed on fewer grounds of rejection than requested in the petition. The Board also frequently declines to review all claims. Thus, despite the high overall grant rate, parties considering **IPR** as part of a litigation strategy should ensure that they have suitable invalidity arguments on all of the claims in litigation.

## LITIGATION STAYS

**IPRs** are often associated with co-pending litigation in district court. If the district court stays its case pending the outcome of the **IPR**, then the parties will realize significant cost-savings on their attorneys' fees. Early reports suggested that courts were staying cases about 50%-60% of the time; more recently, however, many courts will hold off staying the case until the **IPR** is indeed granted. In any event, it is expected that most courts will stay litigation if the PTO grants review on all claims, and will allow the litigation to go forward if it does not.

## CLAIM CONSTRUCTION

Claim construction before the Board is different from claim construction in litigation.

The Board uses the "broadest reasonable interpretation" ("BRI") construction standard for claim interpretation. According to the Board, "[t]here are . . . two claim construction standards: the Office's BRI construction and the district court standard set forth in *Phillips v. AWH*." *SAP American, Inc. v. Versata Dev. Group, Inc.*, 2012-0001 at 7 (Board, June 11, 2013). The *Versata* opinion goes on to assert the Board's adoption of the BRI standard as an exercise of the PTO's substantive rulemaking authority.

In *Versata*, the Board found that the district court's claim construction was not the broadest reasonable construction, and applied different interpretation throughout its review (notwithstanding that neither party appears to have appealed those district court constructions to the Federal Circuit). The Board's constructions came in two phases. First, the Board construed several necessary constructions in its decision to institute. Next, in its final decision, the Board considered the parties' criticisms of several of its constructions, but found that the constructions were nevertheless appropriate, i.e., they appear to have only been preliminary interpretations until further argument was heard by the parties. Throughout, the Board applied its own reasoning and did not rely on the district court's analysis. It is unclear whether the Board's constructions actually impacted the outcome of the case, but *Versata* has nevertheless filed a separate district court action seeking to invalidate the PTO's use of the BRI standard. *Versata*'s public filings have identified the Board's claim constructions under the BRI standard as one source of error in favor of reversal of the Board's decision.

## CLAIM AMENDMENTS

One issue of significant concern to both petitioners and patent owners is the extent to which a patent owner can amend claims during Board review, as in an EPO opposition proceeding. For example, in U.S. reexamination, it is common for a patent owner to begin the process with 15 claims and end the process with 115 claims (usually to the Defendant's dismay). Because these amended claims are subject to estoppel, the possibility of amended claims is a potential deterrent to the use of **IPR**.

Thus far, however, it appears that the risks associated with amended claims are fairly modest. Board regulations permit a patent owner to withdraw a claim and provide a "substitute" claim. But the rules appear to presume that there will be a 1:1 correlation between withdrawn and substitute claims, absent a good reason (and thus far, no one has identified a good reason). Unlike reexamination, the rules do not permit the patent owner to add new claims to the patent--only substitute claims are permitted.

The Board's recent decision in *Idle Free v. Bergstrom*, IPR2012-00027 (Board 2013) also places limits on a patent owner's ability to amend claims. In proposing substitute claims, the patent owner must: (1) ensure that each substitute

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claim is narrower than the claim it replaces; (2) identify the portion of the specification supporting each element of the claim, not just the new elements; (3) explain how the substitute claim(s) address the grounds of unpatentability, and (4) confirm that the claim(s) are distinguishable over the closest prior art. Thus, patent owners cannot easily obtain a totally new scope of claim coverage by cancelling everything but the broad independent claims and then prosecuting a different claim set. Patent owners who wish to obtain a new claim set should consider filing a separate reissue application (although, current regulations permit PTAB to stay the reissue while the review is pending).

#### **THROUGH THE LOOKING GLASS - FUTURE IPR PROCEDURES**

The Patent Office has been fine-tuning and clarifying the **IPR** filing procedures over the last few months. For example, **IPRs** have strict style and substance requirements, which the Patent Office has been clarifying by contacting the participants directly when changes are required. This process appears to be similar to the early days of *inter partes* reexaminations. In *inter partes* reexaminations, however, the Patent Office eventually stopped providing clarification and simply started rejecting any papers that did not meet requirements. Therefore, as time goes on, it is likely to become increasingly important to work with a law firm that has experience with **IPR** filings and procedures, particularly since some of these style and/or substance requirements may not be expressly explained in any easily located public form.

**GRAPHIC:** Picture 1, David O'Dell; Picture 2, Thomas King

**LOAD-DATE:** September 18, 2013

# EXHIBIT S



FOCUS - 13 of 62 DOCUMENTS

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Inside Counsel (formerly Corporate Legal Times)

March 2014

**SECTION:** NEWS

**LENGTH:** 757 words

**HEADLINE:** Patent owners beware, your patent has a 15 percent chance (or less) of surviving the PTAB

**BYLINE:** By Cyrus Morton, David Prange

**BODY:**

The statisticians in the audience will certainly quibble with the title of this article. The sample size is too small for starters. But the fact is that of the first 20 patents taken to a final decision by the Patent Trial and Appeal Board (PTAB), 17 went down in flames. And as the reader will learn below, it's actually worse than that.

Proponents of the new inter partes review (IPR) and covered business method review (CBM) often touted the belief that the patent office could better judge validity than district courts, and that the new system would improve the quality of patents. But so far improving patent quality seems to mean invalidating the incremental inventions that have been the life-blood of the patent system for many decades.

A year-and-a-half into IPR and CBM implementation, the PTAB's first 20 final decisions have been brutal on patent owners. In the 20 final decisions, the Board has considered the patentability of 357 claims. Only 13 claims survived the process, yielding a survival rate of 3.6 percent. It gets even worse when considering motions to amend. The first 20 completed trials also included 12 motions to substitute a total of 113 additional claims. All 12 motions to amend were denied. Accounting for those failed claims yields a survival rate of 13 out of 469, or 2.8 percent. On statistics alone, a patent scrutinized by the PTAB is almost guaranteed an inglorious death.

Indeed, members of the patent community have already raised the question of whether IPR and CBM are too anti-patent, pro-challenger. For example, at the AIPLA conference last fall, Chief Judge Randall Rader of the U.S. Court of Appeals for the Federal Circuit likened the roughly 300 PTAB judges to "death squads killing property rights" that 7,000 trained patent examiners worked to grant. And the original patent examiners are one thing - they might not have had all of the pertinent information. But the PTAB has also shown throughout its existence that it shows little deference to the results of reexaminations, including contested inter partes reexaminations. Combine that with the Board's use of the broadest reasonable claim construction, an expansive view of the obviousness doctrine, and a dim view of most evidence of secondary considerations, and you have the lopsided results we have seen so far.

Patent owners beware, your patent has a 15 percent chance (or less) of surviving the PTAB Inside Counsel (formerly Corporate Legal Times) March 2014

But still, 13 claims have survived right? Not really. Three claims survived CBM2012-0003 filed by Liberty Mutual against Progressive because the Board determined that the primary prior art reference is not actually prior art. But the Board joined that CBM with a subsequent one filed by Liberty Mutual, and then crushed those three remaining claims. One claim survived in **Microsoft Corp. v. Proxyconn, Inc.** because the Board could not find one of the claim limitations anywhere in the prior art.

The best result by far is the final decision in **Synopsys, Inc. v. Mentor Graphics Corp.**, the source for nine of the claims that have run the PTAB's gauntlet. These claims, covering simulation and prototyping of integrated circuits, appear to have been saved by persuasive expert testimony. The Board concluded:

For claims 1-4, 6, 7, 11, 28, and 29, however, we give significant weight to the testimony of Mentor Graphics's expert, Dr. Sarrafzadeh, who persuasively explains that Gregory does not disclose each and every element of the claims.

Later in the decision, the Board repeated this sentiment, again giving the expert's testimony "substantial weight." This is consistent with many decisions to institute review, which credit the expert testimony of one party or the other to support the Board's decision. Expert testimony needs to be specific and on point, because conclusory statements are afforded no weight. But when it comes down to the key limitations, and central issues in dispute, the Board looks closely for persuasive expert testimony.

The scary initial conclusion is, however, that if the Board can find the limitations of your claim anywhere in the prior art, they will put it all together and invalidate the claim. That was certainly true in **Garmin International, Inc. v. Cuozzo Speed Technologies, Inc.**, where the Board canceled the claims based upon combinations of three, and even four, references. The notion that the claims are obvious if the elements exists somewhere in the prior art has not been the law of the Federal Circuit. The patent community has long taken it as a given that most inventions are combinations of known elements. Federal Circuit review of these decisions is sure to be interesting.

**LOAD-DATE:** March 19, 2014



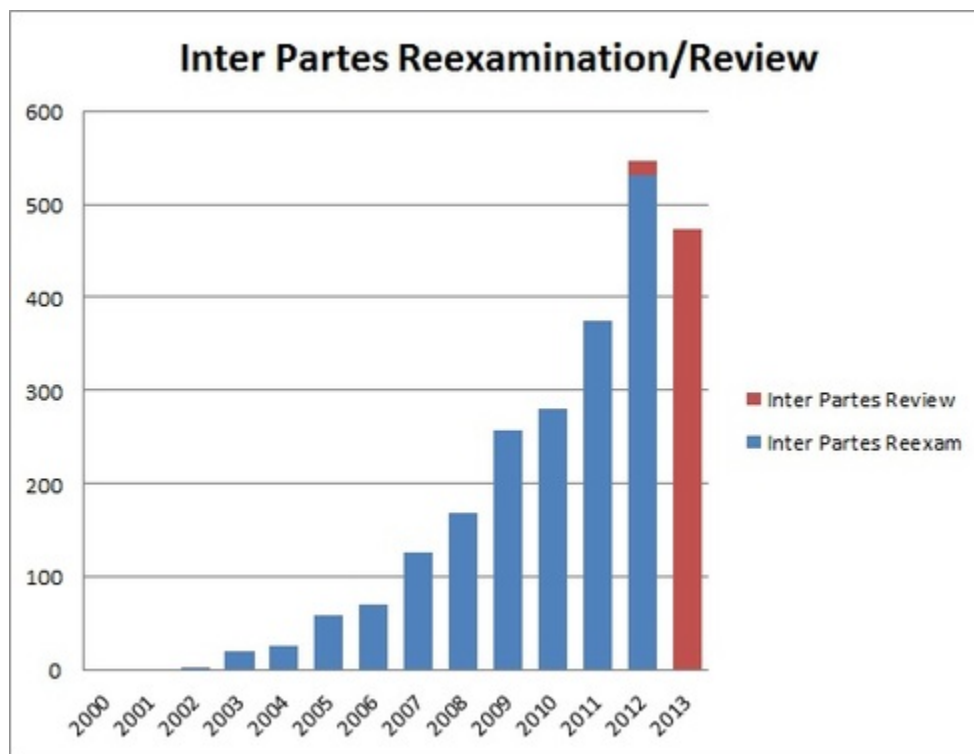
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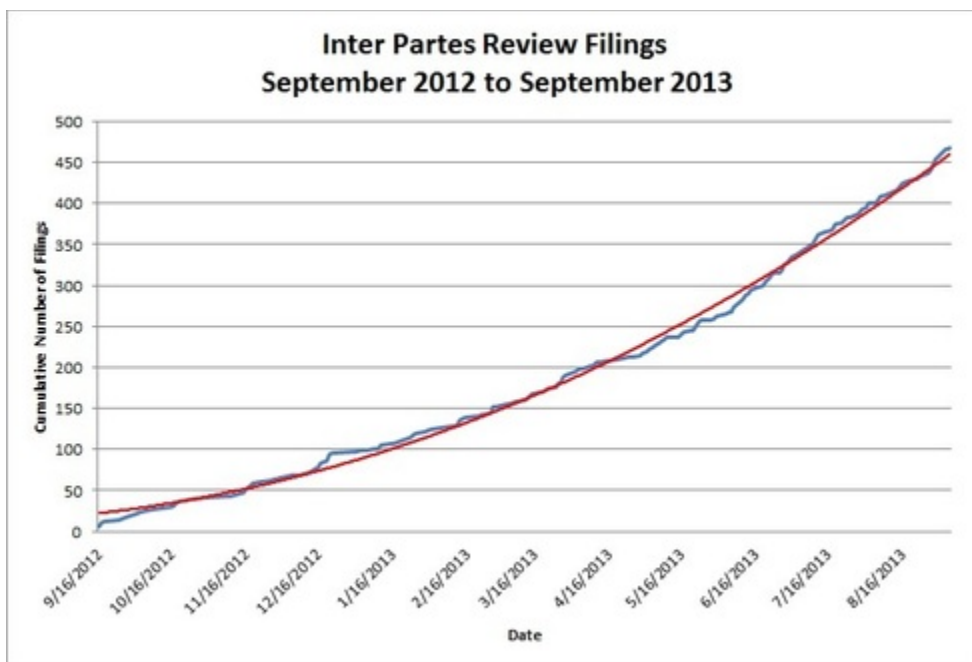
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## A Look At 1st Year Stats On Inter Partes Review

Law360, New York (October 15, 2013, 7:18 PM ET) -- Sept. 16 marked the second anniversary of the America Invents Act, and completed the first year of inter partes reviews. The 486 petitions filed during this the first year indicate that inter partes review (IPR) has been accepted by the patent community as a suitable substitute for inter partes re-examination. But for the bump in filings of inter partes re-examinations before they were phased out at the end 2012, spurred by the uncertainty over the new procedures and their higher cost, IPRs continued the upward trend of the inter partes re-examinations they replaced.



More significantly, the rate of filings of IPRs continues to increase. While 26 IPR petitions were filed in the first month, 66 IPR petitions were filed in the most recent month. As patent challengers become more familiar with the procedure, they are increasingly using IPRs to challenge patents.



Monthly IPR filings show an increasing trend line:

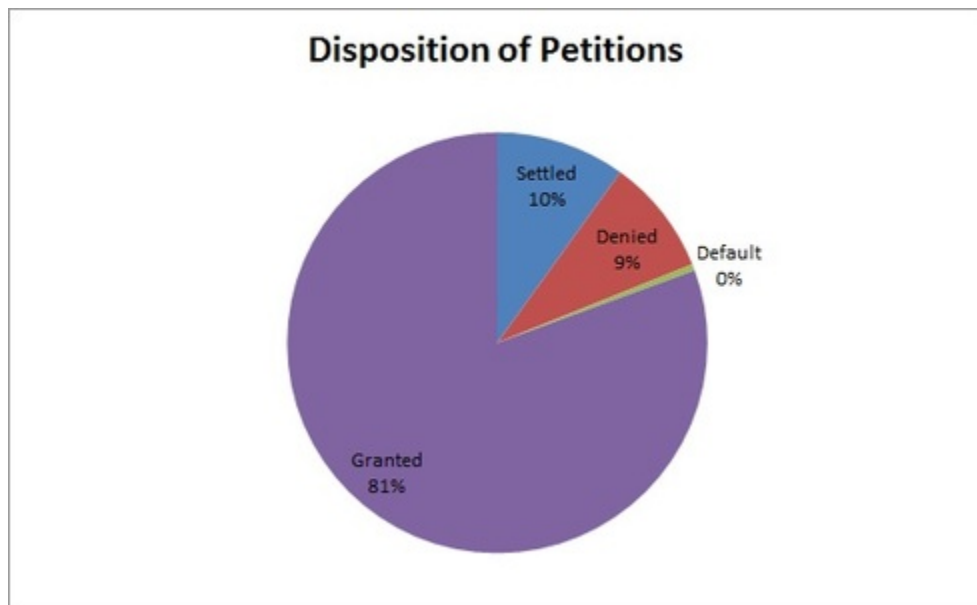


There were a number of reasons to expect that patent challengers would like IPRs: the lower burden of proof (preponderance of evidence vs. clear and convincing evidence); the broader claim construction (broadest reasonable interpretation vs. construed meaning); the shorter duration (18 months from filing/one year from initiation vs. two-and-a-half years until the start of trial); and lower cost (\$275,000 - \$350,000 vs. an average of \$2 million for litigation). Although we have yet to see a final contested decision on the merits in an IPR[1], the conduct of the proceedings during the first year has only increased the attractiveness of the procedure for a patent challenger with good prior art.

**A High Success Rate**

While we haven't seen a final decision on the merits, IPR petitioners have enjoyed a high rate of success in initiating an IPR. Of the 201 petitions ruled upon, 10 percent (20) were resolved by settlement before decision by the board, 0.5 percent (1) by default.[2] 9 percent (18) were denied although 1 percent (2) of these were on technical grounds[3], rather than the merits. Whether by default, settlement or institution of trial, petitioners were successful about 91 percent of the time.

While the board has only initiated IPRs on 47.4 percent of the grounds raised, it has initiated a proceeding on 87.4 percent of claims challenged. Of course, a trial on anything less than 100 percent of the claims may be a problem for the challenger.



Looking at the 14 petitions that were denied on their merits,[4] the board's decisions are easy to understand. Not surprisingly, if an element is missing from the prior art,[5] or at least where the petition fails to provide guidance as to where the element is in the prior art,[6] the petition will be denied. A related petitioner mistake is relying on inherency where the element is merely possible.[7] The elements must also be arranged as they are in the claim.[8] On the obviousness side, the principal error is failing to provide an adequate reason to combine references.[9] Merely because the references are in the same field is not sufficient for the board.[10] The board has been meticulous in its analysis, denying one IPR even though the patent owner filed no response.[11]

Successful petitioners do more than draft an "office action," and provide lay out the detail of where the disclosures are in the reference, and how they apply to the challenged. Seventy-two percent of petitions are supported by at least one expert declaration. Thirty-six percent of petitions rely on entirely new prior art, 64 percent of petitions rely at least in part on previously considered prior art. Only about 26 percent of petitions specifically identify the level of skill in the art, but petitions that identify the level of skill have been 4 percent to 6 percent more successful. Only about 25 percent of petitions specifically construe claim terms, but petitions that do are as much as 12 percent more successful. This slight increase in success rate is probably not as attributable to the inclusion of any particular section, as it is to the discipline of providing the board with the detailed showing of invalidity that the board is looking for.

### **Discovery Is Severely Limited**

The rules only provide for limited discovery, which includes "routine" and "additional"

discovery. "Routine discovery" is limited to the exhibits cited in a paper or testimony, cross-examination of any declarants, and information inconsistent with a position the party advanced in the proceeding. 37 C.F.R. §42.51(b)(1). "Additional discovery" is that which is "necessary in the interests of justice." 35 U.S.C. §316(a)(5). Routine discovery may be taken as a matter of right, but additional discovery requires board approval.

The board has been very "conservative"[12] approving additional discovery, denying additional discovery seven times[13], and only allowing additional discovery in two instances.[14] In one of its early decisions, *Garmin Int'l Inc. v. Cuozzo Speed Technologies LLC*, IPR2012-00001, Paper 26 (March 5, 2013), the board identified five factors important to the grant of additional discovery:

1. More Than a Possibility and Mere Allegation — The party requesting discovery should already be in possession of evidence tending to show beyond speculation that in fact something useful will be uncovered.
2. Litigation Positions and Underlying Basis — Asking for the other party's litigation positions and the underlying basis for those positions is not necessary in the interest of justice.
3. Ability to Generate Equivalent Information by Other Means — Information a party can reasonably figure out or assemble without a discovery request would not be in the interest of justice to have produced by the other party.
4. Easily Understandable Instructions — The questions should be easily understandable. For example, 10 pages of complex instructions for answering questions is *prima facie* unclear. Such instructions are counter-productive and tend to undermine the responder's ability to answer efficiently, accurately and confidently.
5. Requests Not Overly Burdensome to Answer — The requests must not be overly burdensome to answer, given the expedited nature of inter partes review. The burden includes financial burden, burden on human resources, and burden on meeting the time schedule of inter partes review. Requests should be sensible and responsibly tailored according to a genuine need.

Applying these factors, the board denied the discovery relating to inconsistent positions being sought by the patent owner, primarily because they were not narrowly directed to information known to the petitioner to be inconsistent with positions taken in the petition.

The board has explained that the limited discovery available in IPRs is "significantly different from the scope of discovery generally available under the Federal Rules of Civil Procedure" and "restricts additional discovery to particular limited situations, such as minor discovery that PTO finds to be routinely useful, or to discovery that is justified by the special circumstances of the case." The "interests of justice" standard is a high standard, that is rarely satisfied, so additional discovery in an IPR is the exception, not the rule.

## **IPRs Promote Settlements**

One improvement between IPR and inter partes re-examination is the ability to terminate the proceeding by settlement. In fact, "settlement between the parties to a proceeding is strongly encouraged." [15] About 10 percent of the petitions disposed of (18) have been resolved by settlement, another 12 percent of the petitions granted (19) have been disposed by settlement. While the parties have to submit their settlement agreement to the USPTO, the board has routinely allowed the parties to maintain the agreement as confidential.

A patent owner can settle with just some of the petitioners,[16] but the proceedings continue as to the remaining petitioners. The patent owner can also concede the successfully challenged claims, keeping the unchallenged claims.[17]

### **Other Proceedings Are Usually Stayed**

The board will generally stay a pending re-examination where the same claims are at issue.[18] The board has also stayed a pending supplemental examination[19] and a reissue application.[20] However, the board has declined to interfere with the prosecution of copending applications.[21] The board deferred deadlines, but did not stay an IPR because of the patent owners bankruptcy.[22]

With respect to concurrent litigation, six times the petitioner and patent owner agreed to stay concurrent litigation. Sixty-six percent of the time (36 times), courts granted a stay; 33 percent of the time (18 times), courts have denied the stay. For some courts, it is important whether or not the board has initiated a trial,[23] a few courts have granted a stay even before an IPR trial has been initiated.[24] A 66 percent rate of granting stays is above the 57 percent rate for stays pending a re-examination, and should only improve as courts become familiar with the process, and the board delivers on the one-year trial time.

### **The Patent Owner's Ability to Amend Claims is Limited**

It was clear from the rules (37 C.F.R. §42.121) that that patent owner did not have the same freedom to amend the claims as it does in a re-examination or reissue. The board has also imposed a number of obligations on the patent owner, that are very difficult to meet in the 15 pages allotted for a motion to amend (particularly because the amended claims must be included in the 15 pages.

In *Idle Free Systems Inc. v. Bergstrom Inc.*, IPR2012-00027, Paper 26 (June 11, 2013), the board explained that generally only one substitute claim is allowed for each challenged claim, and the motion to amend should specifically identify the challenged claim that each substituted claim is intended to replace. Furthermore, each substitute claim must be narrower than the claim it replaces, and cannot be broader in any respect. The board noted that if the patentee wants to remodel its claim structure, it should consider ex parte re-examination or reissue (although the board has generally stayed such proceedings during the pendency of an IPR). The board said that the patent owner must in all circumstances, make a showing of patentable distinction over the prior art. In certain circumstances, the patent owner may also make a showing of patentable distinction over all other proposed substitute claims for the same challenged claim, and over the proposed substitute claims for the other challenged claims.

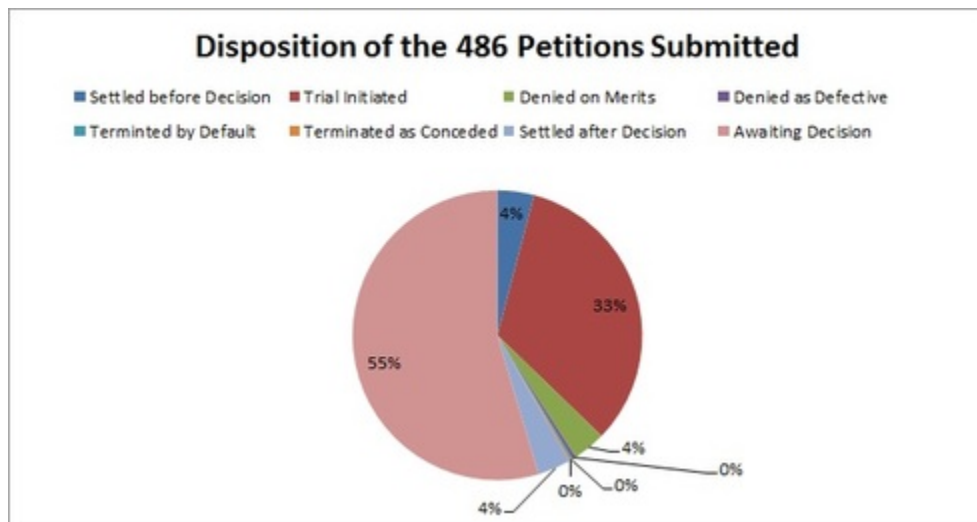
### **The Rules Are Strictly but Fairly Enforced**

The board has usually accommodated requests for additional time, at least where it does not interfere with the one-year deadline for completion of the procedure, granting the request 82 percent of the time. The board has not been accommodating of requests for extra pages, denying every motion.[25] Of course, petitioners can get extra pages simply by filing multiple petitions, and later moving to join the proceedings, a tactic employed in about 16 percent of the petitions.

Finally, when the board makes a decision, it generally sticks to it, denying requests for reconsideration 90 percent of the time. In *Corning Incorporated v. DSM IP Assets BV*, the board reconsidered a decision made during a conference call while depositions were pending, allowing questioning about redacted material.[26] In *Illumina Inc. v. The Trustees of Columbia University in the City of New York City*, IPR2012-00006, Paper 43 (May 10, 2013), the board reconsidered and added a ground to the IPR.

## Conclusion

After a year of experience, IPRs are even more attractive for a challenger with good 102 or 103 documentary prior art, than they initially appeared. In addition to the lower burden of proof, the favorable claim construction, the short duration and significantly lower cost, the apparently high success rate, the impetus to settle, tightly constrained discovery, and the restrictions on the patent owner's ability to amend the challenged claims or get new claims all recommend IPR to a patent challenger. It can be a great way for a defendant to short circuit a long and expensive litigation, which is why 81 percent of the petitions are against patents already in suit.



--By Bryan Wheelock and Matthew Cutler, Harness Dickey & Pierce PLC

*Bryan Wheelock and Matthew Cutler are partners in Harness Dickey's St. Louis office.*

*The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.*

[1] In ZTE Corporation v. ContentGuard Holdings, Inc., IPR2013-00134, the Patent Owner moved for entry of judgment.

[2] UKing Universe, Inc. v. Chang-Kang Chu, IPR2013-00212, Paper 9 (July 12, 2013).

[3] International Flavors & Fragrances Inc., IPR2013-00105, Paper No. 3 (March 13, 2013) (Failure to comply with 37 C.F.R. § 42.106); Anova Food, LLC William Kowalski, IPR2013-00114, Paper 17 (September 13, 2013)(Barred by prior litigation).

[4] Monsanto Company v. Pioneer Hi-Bred International, IPR2013-000022, Paper 43 (April 11, 2013); Monsanto Company v. Pioneer Hi-Bred International, IPR2013-000023, Paper 32 (April 11, 2013); Wowza Media Systems, LLC v. Adobe Systems Incorporated, IPR2013-00054, Paper 12 (April 8, 2013); Research In Motion Corporation v. Wi-LAN Inc., IPR2013-00125, Paper 8 (July 29, 2013); Veeam Software Corporation v. Symantec Corporation, IPR2013-00144, Paper 11 (August 7, 2013); Veeam Software Corporation v. Symantec Corporation, IPR2013-00145, Paper 12 (August 7, 2013); Veeam Software Corporation v. Symantec Corporation, IPR2013-00151, Paper 7 (August 7, 2013); Universal Remote Control, Inc., v. Universal Electronics Inc., IPR2013-000152, Paper 8 (August 19,

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2013); Universal Remote Control, Inc., v. Universal Electronics Inc., IPR2013-000168, Paper 9 (August 26, 2013); Heart Failure Technologies, LLC v. CardioKinetix, Inc., IPR2013-00183, Paper 12 (August 31, 2013); Dominion Dealer Solutions, LLC AUTOALERT, INC., IPR2013-00220, Paper 9 (August 15, 2013); Dominion Dealer Solutions, LLC v. AUTOALERT, INC., IPR2013-00222, Paper (12 August 12, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00223, Paper 9 (August 15, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00224, Paper 11 (August 15, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00225, Paper 10 (August 15, 2013).

[5] Research In Motion Corporation v. Wi-LAN Inc., IPR2013-00125, Paper 8 (July 29, 2013); Veeam Software Corporation Symantec Corporation, IPR2013-00151, Paper 7 (August 7, 2013); Universal Remote Control, Inc., v. Universal Electronics Inc., IPR2013-000152, Paper 8 (August 19, 2013); Universal Remote Control, Inc., v. Universal Electronics Inc., IPR2013-000168, Paper 9 (August 26, 2013); Dominion Dealer Solutions, LLC AUTOALERT, INC., IPR2013-00220, Paper 9 (August 15, 2013); Dominion Dealer Solutions, LLC v. AUTOALERT, INC., IPR2013-00222, Paper (12 August 12, 2013).

[6] Wowza Media Systems, LLC v. Adobe Systems Incorporated, IPR2013-00054, Paper 12 (April 8, 2013).

[7] Veeam Software Corporation v. Symantec Corporation, IPR2013-00144, Paper 11 (August 7, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00224, Paper 11 (August 15, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00225, Paper 10 (August 15, 2013).

[8] Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00223, Paper 9 (August 15, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00224, Paper 11 (August 15, 2013); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00225, Paper 10 (August 15, 2013).

[9] Veeam Software Corporation v. Symantec Corporation, IPR2013-00145, Paper 12 (August 7, 2013); Dominion Dealer Solutions, LLC AUTOALERT, INC., IPR2013-00220, Paper 9 (August 15, 2013); Dominion Dealer Solutions, LLC v. AUTOALERT, INC., IPR2013-00222, Paper (12 August 12, 2013).

[10] Heart Failure Technologies, LLC v. CardioKinetix, Inc., IPR2013-00183, Paper 12 (August 31, 2013); Dominion Dealer Solutions, LLC AUTOALERT, INC., IPR2013-00220, Paper 9 (August 15, 2013); Dominion Dealer Solutions, LLC v. AUTOALERT, INC., IPR2013-00222, Paper (12 August 12, 2013).

[11] Tasco Inc. v. David Pagnani, IPR2013-00103, Paper 6 (May 23, 2013).

[12] During introduction of the 2008 bill, Senator Kyl commented on the discovery standard for inter partes review Senator Kyl further commented that “[g]iven the time deadlines imposed on these proceedings, it is anticipated that, regardless of the standards imposed in [sections 316 and 326], PTO will be conservative in its grants of discovery.” 154 Cong. Rec. 9988-89.

[13] Garmin Int’l Inc. v. Cuozzo Speed Technologies, LLC, Case No. IPR2012-00001, Paper 26 (PTAB March 5, 2013); Microsoft Corporation v. Proxyconn, Inc., IPR2012-00026 Paper 32 (March 8, 2013), 2013); Synopsys, Inc. v. Mentor Graphics Corporation, IPR2012-00042 Paper 24 (April 25, 2013); Chi Mei Innolux Corporation v. Yoshiharu Hirakata, IPR2013-00028 Paper 31 (May 21, 2013); Apple, Inc. v. Achates Reference Publishing, Inc., IPR2013-00080 Paper 18 (April 3, 2013); Apple, Inc. v. Achates Reference Publishing, Inc., IPR2013-00081 Paper 17 (April 3, 2013); Smith & Nephew, Inc. v. Convatec Technologies, Inc., IPR2013-00097 Paper 27 (August 21, 2013); Smith &



Nephew, Inc. v. Convatec Technologies, Inc., IPR2013-00102 Paper 24 (August 21, 2013); Redline Detection, LLC v. Star EnviroTech, Inc., IPR2013-00106 Paper 31 (August 27, 2013); Illumina, Inc. v. The Trustees of Columbia University in the City of New York City, IPR2012-00006, Paper 42 (denied as MOOT).

[14] Corning Incorporated v. DSM IP Assets B.V., IPR2013-00043, Paper 27 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00044, Paper 31 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00045, Paper 27 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00046, Paper 27 (June 21, 2013); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00047, Paper 24 (June 21, 2013); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00048, Paper 30 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00049, Paper 25 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00050, Paper 23 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00052, Paper 27 (June 21, 2013) (Disclosure of lab notebooks related to experiments referenced by experts); Corning Incorporated v. DSM IP Assets B.V., IPR2013-00053, Paper 25 (June 21, 2013).

[15] CBS Interactive Inc., v. Wireless Science, LLC, IPR2013-00033, Paper 60 (July 3, 2013).

[16] CBS Interactive Inc., v. Wireless Science, LLC, IPR2013-00033, Paper 60 (July 3, 2013).

[17] ZTE Corporation v. ContentGuard Holdings, Inc., IPR2013-00134, Paper 34 (August 6, 2013)

[18] Kyocera Corporation v. SoftView LLC, IPR2013-00004, Paper 11 (December 20, 2012); Kyocera Corporation v. SoftView LLC, IPR2013-00007, Paper 10 (December 20, 2012); Denso Corporation v. Beacon Navigation GMBH, IPR2013-00027, Paper 11 (February 2, 2013); CBS Interactive Inc. v. Helferich Patent Licensing, LLC, IPR2013-00033, Paper 15 (November 6, 2013); Avaya, Inc. v. Network-1 Security Solutions, Inc., IPR2013-00071, Paper 9 (December 26, 2012); Sony Corporation of America, Inc. v. Patent of Network – 1 Security Solutions, IPR2013-00092, Paper 10 (December 26, 2012); Motorola Solutions, Inc. v. Mobile Scanning Technologies, Inc., IPR2013-00093, Paper 20 (January 31, 2013); The Scotts Company, LLC v. Encap, LLC, IPR2013-00110, Paper 10 (May 13, 2013); Gnosis S.p.A. v. Merck & Cie Paper, IPR2013-00117, Paper 10 (April 3, 2013); InVue Security Products, Inc. v. Merchandising Technologies, Inc., IPR2013-00122, Paper 15 (April 2, 2013); CB Distributors, Inc., v. Ruyan Investments (Holdings) Limited, IPR2013-00387, Paper 6 (July 24, 2013); LUMONDI INC. D/B/A LUMINOX WATCH COMPANY v. Lennon Image Technologies, IPR2013-00432, Paper 7 (August 6, 2013).

[19] InVue Security Products, Inc. v. Merchandising Technologies, Inc., IPR2013-00122, Paper 11 (March 22, 2013).

[20] Hewlett-Packard Company v. MCM Portfolio, LLC, IPR2013-00217, Paper 8 (May 10, 2013).

[21] Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00028, Paper 8 (November 28, 2012); Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00038, Paper 7 (November 28, 2012); Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00060, Paper 6 (December 14,

2012); Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00083, Paper 12 (March 19, 2013); Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00084, Paper 8 (March 19, 2013); Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00086, Paper 8 (March 19, 2013); Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co., Ltd., IPR2013-00087, Paper 10 (March 19, 2013).

[22] Dynamic Drinkware, LLC v. National Graphics, Inc., IPR2013-00131, Papers 13, 14 (April 22 and June 10, 2013).

[23] Automatic Manufacturing Systems, Inc. v. Primera Technology, Inc., Case No. 6:12-cv-1727-ORL-37DAB (M.D. Fla. May 13, 2013) (Denying motion to stay without prejudice because IPR not yet instituted).

[24] Capriola Corp., et al., v. LaRose Industries LLC., et al., (M.D. Fla. 2013) (Granting motion to stay even though IPR not yet instituted).

[25] Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00222, Paper 10 (April 23, 2013); Illumina, Inc. v. The Trustees of Columbia University in the City of New York City, IPR2012-00006, Paper 12 (November 9, 2012); Illumina, Inc. v. The Trustees of Columbia University in the City of New York City, IPR2012-00007, Paper 20 (November 9, 2012); Illumina, Inc., v. The Trustees of Columbia University in the city of New York City, IPR2013-00011, Paper 11 (November 9, 2012); Dominion Dealer Solutions, LLC v. AutoAlert, Inc., IPR2013-00222, Paper 10 (April 23, 2013).

[26] IPR2013-00043, Paper 36; IPR2013-00044, Paper 34; IPR2013-00045, Paper 36; IPR2013-00046, Paper 36; IPR2013-00047, Paper 33; IPR2013-00048, Paper 39; IPR2013-00049, Paper 34; IPR2013-00050, Paper 32; IPR2013-00052, Paper 16, 36; IPR2013-00053, Paper 34.

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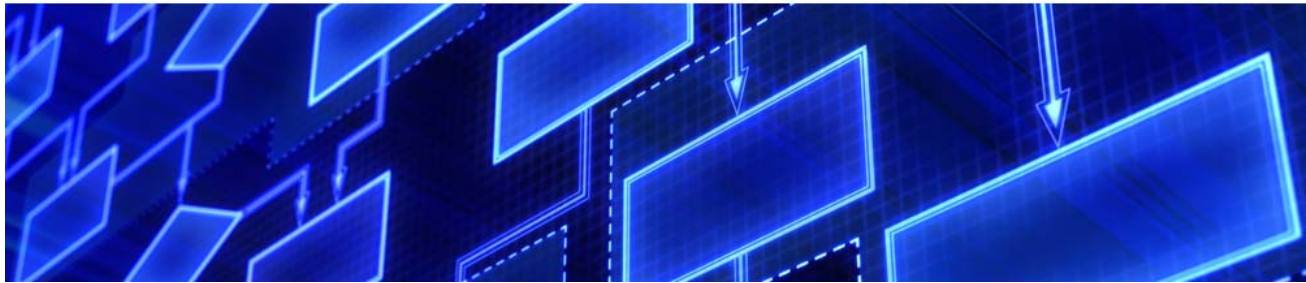
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# EXHIBIT U

## IPR BLOG

Covering the Latest Developments in AIA Inter Partes Review Proceedings

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# Claims Can Survive *Inter Partes* and Covered Business Method Review (But Few Do)

Posted on [April 7, 2014](#)

Authored by [Michelle Carniaux](#), [Michael E. Sander](#)

The Patent Trial and Appeal Board (“PTAB”) is beginning to get the reputation as the place where patent claims go to die. There have been fifty final written decisions from the PTAB. Thus far, no challenged claims have survived Covered Business Method review. The survival rate in *Inter Partes* Review proceedings is only slightly better; claims survived in only five proceedings, representing approximately a 13% Patent Owner success rate:

In *Microsoft v. Proxyconn*, only one of twelve challenged claims survived. See [IPR2013-00109, No. 16 Final Decision \(P.T.A.B. Feb. 19, 2014\)](#) (joined with IPR2013-00026). The surviving claim (a dependent claim) was challenged on one anticipation ground and one obviousness ground, but survived based on a claim element of the independent claim (from which the surviving claim depended). The dependent claim survived despite the fact that its independent claim was found to be anticipated by a reference that the petitioner did not apply to the surviving dependent claim.

In *Synopsis v. Mentor Graphics*, nine of twelve challenged claims survived. See [IPR2012-00042, No. 60 Final Decision \(P.T.A.B. Feb. 19, 2014\)](#). In its decision, the PTAB gave substantial weight to the Patent Owner’s expert declaration, which was uncontroverted by a Petitioner expert declaration. See *id.* at 31-32.

In *Berk-Tek, LLC v. Belden Inc.*, two of the six challenged claims survived. See [IPR2013-00057, No. 46, Final Written Decision \(P.T.A.B. Mar. 18, 2014\)](#). The two surviving claims were challenged on a single obviousness ground combining two references. In its decision, the PTAB relied on the Patent Owner’s expert declaration, which stated that the references taught away from each other. The PTAB also indicated that the petitioner had not sufficiently articulated why a skilled person would have combined the teachings of the two references.

In *Microstrategy, Inc. v. Zillow, Inc.*, four out of the twenty-nine challenged claim survived. See [IPR2013-00034, No. 42, Final Written Decision \(Mar. 27, 2014\)](#). The PTAB simply disagreed with Petitioner that three of the four claims were rendered obvious by the prior art. *Id.* at 35, 40-41. In an additional claim, the PTAB rejected petitioner’s argument that because a prior art reference “performs the same function . . . in substantially the same way to achieve the same result,” the limitation was necessarily disclosed. See *id.* at 38. That standard, the PTAB explained, only applies to means-plus-function limitations. *Id.*

Finally, in *LKQ Corp. v. Clearlamp, LLC*, twelve of twenty-four challenged claims survived. With respect to the surviving challenged claims, the petitioner argued that the disclosure in the challenged patent was admitted prior art, thus addressing a limitation in a surviving claims. See [IPR2013-00020, No 73 Final Written Decision \(Mar. 27, 2014\)](#). However, the PTAB found that the petitioner did not adequately establish that the disclosure was “admitted prior art.” *Id.* at 24.

This diverse, and fact intensive initial sample of five *inter partes* review final written decisions is hardly sufficient to make any broad generalizations regarding how claims can survive IPR and CBM review. However, it is clear that the PTAB takes a close look at the issues raised by Petitioner and Patent Owner during the trial, and is not averse to finding that a petitioner has not met its burden in showing a challenged claim is invalid.

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# EXHIBIT V

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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

RIVERBED TECHNOLOGY, INC.,

Plaintiff,

No. C 13-02980 JSW

v.

SILVER PEAK SYSTEMS, INC.,

Defendant.

**ORDER GRANTING MOTION  
FOR STAY PENDING *INTER  
PARTES* REVIEW**

Now before the Court is the motion to stay pending the United States Patent & Trademark Office Patent Trial and Appeal Board’s (“PTAB”) decision on whether to grant or deny the petitions for *inter partes* review (“IPR”) challenging the validity of the patents-in-suit filed by defendant Silver Peak Systems, Inc. (“Silver Peak”).<sup>1</sup> This motion is fully briefed and ripe for decision. The Court finds this matter is suitable for disposition without oral argument. *See* N.D. Cal. Civ. L.R. 7-1(b). Accordingly, the hearing set for March 21, 2014 is HEREBY VACATED. Having considered the parties’ pleadings and relevant legal authority, for the reasons set forth in this Order, the Court GRANTS Silver Peak’s motion to stay.

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<sup>1</sup> Silver Peak initially only moved to stay the claims relating to U.S. Patent Nos. 8,217,688 (the “688 Patent”) and 8,321,580 (the “580 Patent”). Plaintiff Riverbed Technology, Inc. (“Riverbed”) has since filed a petition for *inter partes* review of Silver Peak’s patent, U.S. Patent No. 8,392,684 (the “684 Patent”). In its reply brief, despite the fact that Riverbed did not formally move to stay Silver Peak’s infringement claims on the ’684 Patent, Silver Peak does not oppose a stay of this entire action. Because petitions for *inter partes* review have been filed for all of the patents at issue in this action, the Court will determine whether a stay is warranted for the entire case.

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**BACKGROUND**

On June 28, 2013, Riverbed filed this case accusing Silver Peak of infringing the '580 and the '688 Patents. On August 12, 2013, Silver Peak filed an amended answer and counterclaims, accusing Riverbed of infringing the '684 Patent.

On November 7 and 13, 2013, Silver Peak filed petitions for IPR of the '580 and the '688 Patents. On December 11, 2013, Riverbed filed a petition for IPR review of the '684 Patent.

Any additional facts will be addressed as necessary in the remainder of this order.

**ANALYSIS**

**A. Applicable Legal Standards.**

The patent reexamination statute provides in pertinent part that “[a]ny person at any time may file a request for reexamination by the [PTO] of any claim of a patent on the basis of any prior art cited under the provisions of section 301.” 35 U.S.C. § 302. The PTO must “determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request . . . .” 35 U.S.C. § 303(a). The reexamination statute further provides that “[a]ll reexamination proceedings . . . including any appeal to the Board of Patent Appeals and Interferences, will be conducted with special dispatch.” 35 U.S.C. § 305.

“Courts have inherent power to manage their dockets and stay proceeding, including authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citation omitted). The determination of whether to grant a stay pending the outcome of the USPTO’s reexamination is soundly within the Court’s discretion. *See In re Cygnus Telecom. Tech., LLC Patent Litig.*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005) (citing *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985)).

When ruling on such a stay, courts consider several factors: (1) the stage of the litigation, including whether discovery is or will be almost completed and whether the matter has been marked for trial; (2) whether a stay will unduly prejudice or tactically disadvantage the nonmoving party; and (3) whether a stay will simplify the issues in question and streamline the trial, thereby reducing the burden of litigation on the parties and on the court. *Id.* There is a



1 “liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO  
2 reexamination or reissuance proceedings.” *ASCII Corp. v. STD Entertainment*, 844 F. Supp.  
3 1378, 1381 (N.D. Cal. 1994).

4 On balance, the Court finds these factors weigh in favor of staying this matter.

5 **B. The Applicable Factors Weigh in Favor of a Stay.**

6 **1. The Litigation is Still in the Early Stages.**

7 The early stage of a litigation weighs in favor of granting a stay pending reexamination.  
8 *See Target Therapeutics, Inc. v. SciMed Life Sys., Inc.*, 33 U.S.P.Q.2d 2022, 2023 (N.D. Cal.  
9 1995) (holding that the absence of “significant discovery” or “substantial expense and time . . .  
10 invested” in the litigation weighed in favor of staying the litigation); *see also ASCII Corp.*, 844  
11 F. Supp. at 1381 (granting stay where parties had undertaken little or no discovery and the case  
12 had not yet been set for trial).

13 This case it is still in its early stages. Claims construction briefing has not yet been  
14 filed, no discovery has occurred yet, and this case has not been set for trial yet. The Court finds  
15 that the fact that this case is still in the early stages weighs in favor of granting a stay. *See*  
16 *Target Therapeutics*, 33 U.S.P.Q.2d at 2023.

17 **2. A Stay Will Not Unduly Prejudice Riverbed.**

18 In determining whether to grant a stay, courts consider any resulting undue prejudice on  
19 the nonmoving party. *See In re Cygnus Telecom.*, 385 F. Supp. 2d at 1023; *see also Affinity*  
20 *Labs of Texas v. Apple, Inc.*, 2010 WL 1753206, \*2 (N.D. Cal. Apr. 29, 2010) . The likely  
21 length of the reexamination does not generally, by itself, constitute undue prejudice. *Telemac*  
22 *Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006). Similarly, delay in  
23 having a party’s own claims adjudicated in court does not constitute undue prejudice. *Research*  
24 *in Motion Ltd. v. Visto Corp.*, 545 F. Supp. 2d 1011, 1012 (N.D. Cal. 2008).

25 Riverbed argues that it would be prejudiced by its inability to enforce claims 12 through  
26 14 of the ’688 Patent because those claims have not been challenged in the IPR proceedings.  
27 Riverbed further argues that it would be prejudiced by its inability to enforce its patents against  
28 Silver Peak, who is a direct competitor, during the pendency of the IPR proceedings. However,

1 the length of the time that Riverbed waited to initiate this lawsuit against Silver Peak on the  
2 '580 and the '688 Patents undermines any claim of prejudice by delay. Accordingly, the Court  
3 finds that this factor also weighs in favor of granting a stay.

4  
5 **3. A Stay Will Simply the Issues, Streamline the Trial, and Reduce the Burden  
6 of Litigation on Both the Parties and the Court.**

7 A stay pending reexamination is justified where “the outcome of the reexamination  
8 would be likely to assist the court in determining patent validity and, if the claims were  
9 canceled in the reexamination, would eliminate the need to try infringement issues.” *Slip Track*  
10 *Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1341 (Fed. Cir. 1998). A stay may also be granted  
11 in order to avoid inconsistent results, obtain guidance from the PTAB, or avoid needless waste  
12 of judicial resources. To the extent claims survive the reexamination process, the reexamination  
13 would “facilitate trial by providing the Court with expert opinion of the PTO and clarifying the  
14 scope of the claims.” *Target Therapeutics*, 33 U.S.P.Q.2d at 2023; *see also Pegasus Dev. Corp.*  
15 *v. DirecTV, Inc.*, 2003 WL 21105073, at \*1-2 (D. Del. May 14, 2003) (noting the benefits of  
16 granting a stay pending reexamination include potentially narrowing the issues, reducing the  
17 complexity and length of trial, alleviating discovery problems relating to prior art, and  
18 encouraging settlement or even dismissal if the patent is declared invalid).

19 Here, the parties have sought IPR for almost all of the claims on the patents in suit.  
20 Accordingly, the PTAB’s review of the petitions, if granted, could potentially streamline  
21 invalidity, claim construction, and infringement issues in this action. Development of the *inter*  
22 *partes* review record may also clarify claim construction positions for the parties, raise estoppel  
23 issues, and encourage settlement. The fact that the PTAB has not yet determined whether it will  
24 grant the requests for IPR does not alter the Court’s findings. *See Evolutionary Intelligence,*  
25 *LLC v. Facebook, Inc.*, 2014 WL 261837, \*3 (N.D. Cal. Jan. 23, 2014) (rejecting argument that  
26 it was unclear whether the review would simplify the case because the IPR had not yet been  
27 granted).  
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The Court finds that staying this action pending reexamination would simplify the issues and streamline the trial, thereby reduce the burden on and preserve the resources of both the parties and the Court. Therefore, this factor weighs in favor of a stay as well.

**CONCLUSION**

For the foregoing reasons, the Court GRANTS Silver Peak’s motion to stay. The Clerk shall ADMINISTRATIVELY CLOSE this case.

The Court HEREBY ORDERS the parties to submit a joint status report regarding the status of the reexamination proceedings every 120 days, until the stay is lifted. The parties shall provide notice to the Court within one week of final exhaustion of all patent reexamination proceedings relating to the patents at issue, including appeals. In their notice, the parties shall request that the stay be lifted, the matter be reopened, and that a case management conference be scheduled.

**IT IS SO ORDERED.**

Dated: March 14, 2014

  
\_\_\_\_\_  
JEFFREY S. WHITE  
UNITED STATES DISTRICT JUDGE

**United States District Court**  
For the Northern District of California

# EXHIBIT W



# FEDERAL REGISTER

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Vol. 77

Tuesday,

No. 157

August 14, 2012

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Part III

## Department of Commerce

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Patent and Trademark Office

37 CFR Part 42

Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents; Final Rule

proceedings and their associated burdens.

It is estimated that 420 new requests for *inter partes* reexamination would have been filed in FY 2012, 450 new requests in FY 2014 and 500 new requests in FY 2015 if the AIA had not been enacted for an annual average of 456. This estimate is based on the number of proceedings filed in FY 2011 (374), FY 2010 (280), FY 2009 (258), and the first half of FY 2012 (192).

Elimination of 456 proceedings reduces the public's burden to pay filing fees by \$4,012,800 (456 filings with an \$8,800 filing fee due) and the public's burden to prepare requests by \$20,976,000 (456 filings with \$46,000 average cost to prepare). Based on the assumption that 93% of the requests would be ordered (consistent with the FY 2011 grant rate), the burden to conduct the proceeding until close of prosecution will reduce the public's burden by \$89,040,000 (424 proceedings that would be estimated to be granted reexamination multiplied by \$210,000 which is the average cost cited in the *AIPLA Report of the Economic Survey 2011* per party cost until close of prosecution reduced by the \$46,000 request preparation cost). Additionally, the burden on the public to appeal to the Board would be reduced by \$5,358,000 (based on an estimate that 141 proceedings would be appealed to the Board, which is estimated based on the number of granted proceedings (424) and the historical rate of appeal to the Board (1/3) and an average public cost of \$38,000). Thus, a reduction of \$119,386,800 in public burden results from the elimination of new filings of *inter partes* reexamination (the sum of \$3,696,000 (the filing fees), \$19,320,000 (the cost of preparing requests), \$82,110,000 (the prosecution costs), plus \$4,940,000 (the burden to appeal to the Board)). Therefore, the estimated aggregate burden of the rules for implementing the new review proceedings would be \$82,647,412.10 (\$202,034,212.10 minus \$119,386,800) annually in fiscal years 2013–2015.

The USPTO expects several benefits to flow from the AIA and these rules. It is anticipated that the rules will reduce the time for reviewing patents at the USPTO. Specifically, 35 U.S.C. 316(a), as amended, and 35 U.S.C. 326(a) provide that the Director prescribe regulations requiring a final determination by the Board within one year of initiation, which may be extended for up to six months for good cause. In contrast, currently for *inter partes* reexamination, the average time from the filing to the publication of a certificate ranged from 28.9 to 41.7 months during fiscal years 2009–2011.

See Reexaminations—FY 2011, available at [http://www.uspto.gov/patents/Reexamination\\_operational\\_statistic\\_through\\_FY2011Q4.pdf](http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf).

Likewise, it is anticipated that the rules will minimize duplication of efforts. In particular, the AIA provides more coordination between district court infringement litigation and *inter partes* review to reduce duplication of efforts and costs. For instance, 35 U.S.C. 315(b), as amended, will require that a petition for *inter partes* review be filed within one year of the date of service of a complaint alleging infringement of a patent. By requiring the filing of an *inter partes* review petition earlier than a request for *inter partes* reexamination, and by providing shorter timelines for *inter partes* review compared with reexamination, it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.

The *AIPLA Report of the Economic Survey 2011* reports that where the damages at risk are less than \$1,000,000 the total cost of patent litigation was, on average, \$916,000, where the damages at risk are between \$1,000,000 and \$25,000,000 average \$2,769,000, and where the damages at risk exceed \$25,000,000 average \$6,018,000. The Office believes, based on its experience, that these estimates are reasonable. There may be a significant reduction in overall burden if, as intended, the AIA and the rules reduce the overlap between review at the USPTO of issued patents and validity determination during patent infringement actions. Data from the United States district courts reveals that 2,830 patent cases were filed in 2006, 2,896 in 2007, 2,909 in 2008, 2,792 in 2009, and 3,301 in 2010. See U.S. Courts, *Judicial Business of the United States Courts*, available at [www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/CO2ASep10.pdf](http://www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/CO2ASep10.pdf) (last visited Nov. 11, 2011) (hosting annual reports for 1997 through 2010). Thus, the Office estimates that no more than 3,300 patent cases (the highest number of yearly filings between 2006 and 2010 rounded to the nearest 100) are likely to be filed annually. The aggregate burden estimate above (\$82,647,412.10) was not offset by a reduction in burden based on improved coordination between district court patent litigation and the new *inter partes* review proceedings.

The Office received one written submission of comments from the public regarding Executive Order 12866. Each component of that comment directed to Executive Order 12866 is addressed below.

*Comment 112:* One comment suggested that the proposed rules would have been classified more appropriately as significant under section 3(f)(4) of Executive Order 12866 because the proposed rules raise novel legal or policy issues arising out of legal mandates.

*Response:* As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment does not present what aspect(s) of the rule is believed to present novel legal or policy issues.

*Comment 113:* One comment suggested that the costs, including any prophylactic application steps resulting from the new proceedings, were not calculated appropriately when the Office offset the new burdens with those removed by elimination of the ability to file new *inter partes* reexamination under Executive Order 12866 and that when appropriately calculated, the cost would exceed the \$100 million threshold for declaring the proposed rules significant under section 3(f)(1).

*Response:* As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The baseline costs that the Office used to determine the increased burden of the proposed rules properly included the burden on the public to comply with *inter partes* reexamination because those burdens existed before the statutory change, and that process was eliminated and replaced by the process adopted by the AIA as implemented this final rule. See OMB Circular A4, section (e)(3). See also response to Comment 109.

*Comment 114:* One comment argued the \$80,000,000 burden estimate is so close to \$100,000,000 threshold, that, particularly in view of the difficulties in estimating burden, the Office should assume that it is likely that the proposed rules would have a \$100,000,000 impact. One comment suggested that the Office should have conducted a Regulatory Impact Analysis.

*Response:* As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment did not indicate what aspect of the estimate was likely to be wrong. Furthermore, \$80,000,000 is twenty percent below the \$100,000,000 threshold. Moreover, the Office's

**IN THE UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

WESTERNGECO L.L.C.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. 4:13 cv 02725
	)	
PETROLEUM GEO-SERVICES, INC., et al.,	)	
	)	
Defendants.	)	

**[PROPOSED] ORDER GRANTING MOTION TO STAY**

Before the Court is Geo’s Motion to Stay Western’s Claims Pending Final Judgment in Related Litigation, and Pending Patent Office Review Proceedings. IT IS ORDERED that:

1. Western’s patent infringement claims are STAYED until Geo’s patent review proceedings are complete.
2. Within 7 days after the stay is lifted, the parties shall provide the Court with a joint status report, including their proposals as to whether and how this case should proceed.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Lynn N. Hughes  
United States District Judge