IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

ACTIVEVIDEO NETWORKS, INC. Plaintiff/Counterclaim-Defendant, v. VERIZON COMMUNICATIONS, INC., VERIZON SERVICES CORP., VERIZON VIRGINIA INC. AND VERIZON SOUTH INC. Defendants/Counterclaim-Plaintiffs.	Civil Action No. 2:10-cv-248 RAJ/FBS

PLAINTIFF ACTIVEVIDEO'S BENCH MEMORANDUM REGARDING THE ADMISSIBILITY OF MR. HOARTY'S NOTEBOOKS

I. INTRODUCTION

ActiveVideo respectfully submits this bench memorandum in support of the admissibility of key inventor notebooks that were kept by Mr. Leo Hoarty, inventor of ActiveVideo's asserted patents, during the time period when he conceived of his inventions. The notebooks were witnessed periodically and corroborate Mr. Hoarty's trial testimony regarding the dates of invention and should be admitted.

II. LEGAL ARGUMENT

A. Under the Rule of Reason, the Jury Must Examine all Pertinent Evidence, Including Inventor Notebooks to Determine the Inventor's Credibility

The independently witnessed inventor notebooks corroborate Mr. Hoarty's testimony regarding the dates of invention and the Court should allow the jury to examine this evidence to evaluate the credibility of Mr. Hoarty's testimony.

As the Court accurately stated in its July 5 order, "[i]n applying the 'rule of reason' test, all pertinent evidence is examined in order to determine whether the inventor's story is credible." Order re: *Motions in Limine* at 8, July 5, 2011, ECF No. 763 (quoting *Sandt Tech., Ltd v. Resco Metal & Plastics Corp.*, 264 F.3d 1344, 1350 (Fed. Cir. 2001)). Moreover, "[a]ssessing the

sufficiency of evidence which corroborates a witness's testimony concerning invalidating activities has been analyzed under the 'rule of reason' test, and *it is a jury question.*" *Adenta GmbH v. OrthoArm*, Inc., 501 F.3d 1364 (Fed. Cir. 2007) (emphasis added).

Courts routinely allow contemporaneous inventor notebooks to be submitted as key corroborating evidence of a date of invention. *See, e.g.*, *Shu-Hui-Chen v. Bouchard*, 347 F.3d 1299, 1308 (Fed. Cir. 2003) (stating that "notebook records are obviously of prime importance in proving the elements of invention"). In *Sandt*, the court stated that "[d]ocumentary or physical evidence that is made contemporaneously with the inventive process provides the most reliable proof that the inventor's testimony has been corroborated." *Sandt*, 264 F.3d at 1350.

Furthermore, the Federal Circuit imposes no requirement of independent corroboration of the notebooks themselves before admitting them into evidence. The Federal Circuit has held that "it should be noted that no similar condition of 'corroboration' is imposed on an inventor's notebook, or indeed on any documentary or physical evidence, as a condition for its serving as evidence of reduction to practice."[1] *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1169 (Fed. Cir. 2006); *see also Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1577-78 (Fed. Cir. 1996) ("This court does not require corroboration where a party seeks to prove conception through the use of physical exhibits. The trier of fact can conclude for itself what documents show, aided by testimony as to what the exhibit would mean to one skilled in the art." (citation omitted)); *Proctor & Gamble Co. v. Teva Pharms. USA, Inc.*, 536 F. Supp. 2d 476, 491 (D. Del. 2008), *aff'd*, 566 F.3d 989 (Fed. Cir. 2009) ("Lab notebooks, like any other documentary or physical evidence, are admissible without independent corroboration."). Once admitted, the corroborative

[1] A more stringent standard is used to corroborate a reduction to practice than is required to corroborate a date of conception. *Martek Biosciences Corp. v. Nutrinova, Inc.*, 579 F.3d 1363, 1376 (Fed. Cir. 2009) (quoting *Singh v. Brake*, 222 F.3d 1362, 1370 (Fed. Cir. 2000)).

value of the inventor notebook is strong if it was "witnessed periodically by an independent third party." *Kenexa Brassring, Inc. v. Taleco Corp.*, 751 F. Supp. 2d 735, 753 (D. Del. 2010).

Thus, the controlling law is clear that Mr. Hoarty's inventor notebooks should be admitted to corroborate Mr. Hoarty's testimony even without independent evidence corroborating the notebooks themselves. Once admitted, however, ActiveVideo will provide strong independent corroborating evidence through Mr. Serlin's testimony that will bolster the probative value of the notebooks as corroborating evidence of Mr. Hoarty's testimony. Mr. Serlin, who periodically witnessed the notebooks and can independently corroborate them, understood the inventions and their future value, and founded ActiveVideo with Mr. Hoarty based on the inventions disclosed in these notebooks. Mr. Serlin is an independent third party who has no financial interest in this lawsuit or in the validity of the asserted patents, and he has had no business relationship with ActiveVideo or with Mr. Hoarty since 1995.

B. Verizon's Evidentiary Objections to ActiveVideo's Inventor Notebooks Are Without Merit and Should be Overruled

1. Inventor Notebooks Offered to Corroborate the Inventor's In-Court Testimony are Not Hearsay

The contemporaneous inventor notebooks are not hearsay because they are offered to corroborate Mr. Hoarty's own testimony at trial regarding the dates of invention, and both Mr. Hoarty and Mr. Serlin are fully capable of authenticating the notebooks.

The Advisory Committee Notes for Federal Rule of Evidence 801 states that "[i]f the witness admits on the stand that he made the statement and that it was true, he adopts the statement and *there is no hearsay problem.*" Fed. R. Evid. 801(d) advisory committee's note (emphasis added). It is only when the author of the notebooks refuses to testify that hearsay is implicated. *See, e.g.*, *Shu-Hui-Chen*, 347 F.3d at 1308 (upholding a Board of Patent Appeals and Interferences decision to exclude as hearsay a *non-testifying* inventor's notebook because he

failed to testify). Here, Mr. Hoarty is testifying at trial and ActiveVideo will offer the notebooks to corroborate Mr. Hoarty's in-court testimony. Because Mr. Hoarty will adopt the truth of any statements made in the notebooks, there is no hearsay problem.

In addition, ActiveVideo may introduce the notebooks for the non-hearsay purpose of rebutting "an express or implied charge against the declarant of recent fabrication." Fed. R. Evid. 801(d)(1)(B). Verizon's expert reports have already challenged ActiveVideo's asserted date of invention, and, thus, ActiveVideo is entitled to rebut these charges with Mr. Hoarty's testimony, fully corroborated by the inventor notebooks. Accordingly, Verizon's hearsay objections should be overruled.

2. Even if Found to be Hearsay, the Inventor Notebooks are Admissible Under Several Hearsay Exceptions

Even if the Court finds portions of the inventor notebooks are hearsay, they fall within several hearsay exceptions.

a. Fed. R. Evid. 803(3) – Then Existing State of Mind Exception

The inventor notebooks show Mr. Hoarty's state of mind at the time of invention, and, as such, fall under an exception to the hearsay rule. A statement is not excluded by the hearsay rule if it is a "statement of the declarant's then existing state of mind . . . ." Fed. R. Evid. 803(3). It is well established that "conception of the invention consists in the complete performance of the mental part of the inventive art." *Townsend v. Smith*, 36 F.2d 292, 295 (CCPA 1929). Here, the inventor notebooks are being offered as evidence of Mr. Hoarty's state of mind on a particular date, namely when the invention was conceived in his mind. Hence, they fall under the exception and should not be excluded under the hearsay rule.

b. Fed. R. Evid. 803(16) – Ancient Documents Exception

Most of the inventor notebooks fall within the ancient document exception of Federal

Rule of Evidence 803(16), which exempts statements "in a document in existence twenty years or more the authenticity of which is established." Fed. R. Evid. 803(16). An ancient document is properly authenticated if, for example, the document "(A) is in such condition as to create no suspicion concerning its authenticity, (B) was in a place where it, if authentic, would likely be, and (C) has been in existence 20 years or more at the time it is offered." Fed. R. Evid. 901(b)(8). The Fourth Circuit recognizes the "ancient document" rule with no added conditions. *See Horne v. Owens-Corning Fiberglas Corp.*, 4 F.3d 276, 283-84 (4th Cir. 1993). Here, the inventor notebooks from 1988–1991 are in perfect condition, considering their age; they were stored in a box in Mr. Hoarty's garage, where he would typically store this type of document; and the documents have been in existence for twenty years or more. Thus, they are authenticated ancient documents that should not be excluded under the hearsay rule.

c. Fed. R. Evid. 803(6) – Business Records Exception

The notebooks fall under the business record exception to the hearsay rule. Under this rule, a document that was "kept in the course of a regularly conducted business activity, and if it was the regular practice of that business activity to make the [document]," is not excluded under the hearsay rule. Fed. R. Evid. 803(6). Here, the inventor notebooks were kept in the course of a regularly conducted business activity of a small startup company, namely documenting the conception of inventions and the reduction to practice of those inventions by raising funds, hiring personnel, and working toward a commercial implementation of the inventions.

d. Fed. R. Evid. 807 – Residual Exception

ActiveVideo's extensive body of evidence showing the early dates of invention should be admitted under the residual exception even if the Court finds some to be hearsay. Under the residual exception to the hearsay rule, a statement is not excluded as hearsay:

if the court determines that (A) the statement is offered as evidence of a material

> fact; (B) the statement is more probative on the point for which it is offered than any other evidence which the proponent can procure through reasonable efforts; and (C) the general purposes of these rules and the interests of justice will best be served by admission of the statement into evidence.

Fed. R. Evid. 807. Here, the issue of conception is a material fact that is corroborated by the notebooks. As courts have recognized, "notebook records are obviously of prime importance in proving the elements of invention." *Shu-Hui-Chen*, 347 F.3d at 1308. As such, the notebooks are more probative than any other evidence ActiveVideo can procure. Finally, it is in the interest of justice that the jury be presented the complete story about the dates of invention so that it can accurately determine the credibility of Mr. Hoarty's testimony.

III. CONCLUSION

For the foregoing reasons, ActiveVideo respectfully submits this bench memorandum in support of the admissibility of Mr. Hoarty's notebooks.

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Respectfully submitted,

/s/ Stephen E. Noona

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CERTIFICATE OF SERVICE

I herby certify that on July 13, 2011, I will electronically file the foregoing with the Clerk of the Court using the CM/ECF system, which will send a notification of such filing (NEF) to the following:

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