

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

TIDEL TECHNOLOGIES, INC. and	§	
TIDEL ENGINEERING, L.P.	§	
	§	
Plaintiffs	§	
	§	
v.	§	No. 2:07-CV-77
	§	
FIRE KING INTERNATIONAL, INC,	§	
FIRE KING INTERNATIONAL, LLC,	§	
FKI SECURITY GROUP, LLC, and	§	
FIRE KING SECURITY PRODUCTS, LLC	§	
	§	
Defendants.	§	

**MOTION AND MEMORANDUM IN SUPPORT OF MOTION TO EXCLUDE
EXPERT REPORTS, DECLARATIONS AND TESTIMONY OF WILLIAM G. WAITES**

I. MOTION

Plaintiffs, Fire King International, Inc., Fire King International, LLC, FKI Security Group, LLC and Fire King Security Products, LLC (“Fire King”) move this Court, pursuant to Federal Rule of Evidence 702, to exclude the expert reports, declarations and proffered testimony of William G. Waites, who has been identified as an expert witness by Defendant Tidel Engineering, L.P. (“Tidel”). In support of this motion, Fire King states that: 1) Mr. Waites is not qualified, by his own standards (or any objective standard), to opine on the subject matter of his report; and 2) the opinions proffered by Mr. Waites are not sufficiently reliable to survive the Court’s gatekeeper function under *Daubert v. Merrell Dow Pharmaceuticals*, 509 U.S. 579 (1993) and *Kumho Tire Co. v. Carmichael*, 526 U.S. 137 (1999).

II. INTRODUCTION

Mr. Waites’s opinions simply cannot pass the threshold test for admissibility under Federal Rule of Evidence 702 and *Daubert*. His opinions are the product of no, or, at best, an

unreliable methodology. He also blatantly mischaracterizes the data on which his opinions rely. It is simply not feasible to enter into a discussion of each and every flaw in his expert reports and deposition testimony due to the wide-ranging problems with them. Therefore, Fire King will attempt to highlight only the most egregious shortcomings. Accordingly, as set forth below, the Court should exclude Mr. Waites's reports, declarations and proffered testimony.

III. SUMMARY OF PROFFERED REPORTS AND DECLARATIONS

Tidel disclosed William G. Waites as its technical expert on both its infringement claims relating to the '510¹ and '034² Patents and its invalidity claims regarding the '252 Patent³ on January 21, 2009. In that report, Mr. Waites incorporates the expert reports and declarations tendered by him in the United States District Court for the Northern District of Texas, Dallas Division, Civil Action Number 3:07-CV-0655 ("Dallas Action").⁴ The incorporated documents are the May 7, 2008 initial expert report in the Northern District action,⁵ the July 9, 2008 Declaration,⁶ the August 11, 2008 Declaration⁷ and the December 15, 2008 Supplemental Declaration.⁸ Additionally, Mr. Waites tendered a report "In Rebuttal To FireKing's Experts [sic] Reports" on February 5, 2009.⁹ This report was a rebuttal of the opinions offered by Fire King's expert witnesses regarding the invalidity of the '034 and '510 Patents and the infringement of the '252 Patent.

¹ See U.S. Pat. No. 5,813,510 ("the '510 Patent"), attached as Exhibit 1.

² See U.S. Pat. No. 5,742,034 ("the '034 Patent"), attached as Exhibit 2.

³ See U.S. Pat. No. 7,063,252 ("the '252 Patent"), attached as Exhibit 3.

⁴ See Waites January 9, 2009 Expert Report ("Marshall Initial Report"), p. 50, a copy of the Marshall Initial Report is attached as Exhibit 4, without exhibits.

⁵ A copy of the May 7, 2008 report is attached as Exhibit 5 without exhibits.

⁶ A copy of the July 9, 2008 Declaration is attached as Exhibit 6.

⁷ A copy of the August 11, 2008 Declaration is attached as Exhibit 7.

⁸ A copy of the December 15, 2008 Supplemental Declaration is attached as Exhibit 8.

⁹ A copy of this Rebuttal Expert Report is attached as Exhibit 9 without exhibits.

IV. ARGUMENT

A. Legal Standard

Federal Rule of Evidence (“Fed. R. Evid.”) 702 permits expert testimony if such testimony will be helpful to the trier of fact. An expert may be qualified by knowledge, skill, experience, training or education. Fed. R. Evid. 702. In *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), the Supreme Court indicated that a trial court must act as a gatekeeper by making “a preliminary assessment of whether the reasoning or methodology underlying the testimony is scientifically valid or whether that reasoning or methodology can be applied to the facts in issue.” *Id.* at 592-93. While *Daubert* allows for some flexibility in the determination of whether expert testimony will be allowed, “the existence of sufficient facts and a reliable methodology is in all instances mandatory.” *Hathaway v. Bazany*, 507 F.3d 312, 318 (5th Cir. 2007). The court must “make certain that an expert, whether basing testimony upon professional studies or personal experience, employs in the courtroom the same level of intellectual rigor that characterizes the practice of an expert in the relevant field.” *Dart v. Kitchens Bros. Mfg. Co.*, 253 Fed. Appx. 395, 398 (5th Cir. 2007) (citations omitted). “The proponent of the expert testimony must prove reliability by a preponderance of the evidence.” *Id.*

Accordingly, for an expert’s testimony to be admissible, the expert must be qualified, the expertise asserted must be relevant to the facts of the case (helpful to the trier of fact), and the expert’s testimony must be reliable (based on valid methodology). *Daubert*, 509 U.S. at 588-89, 591-93; Fed. R. Civ. P. 702. Mr. Waites’s “expert opinions” do not demonstrate any of these conditions to admissibility. For these reasons, Fire King moves this Court to exclude the expert report and declarations of William G. Waites and to exclude any proffered testimony of Mr. Waites at any trial of this matter.

B. Mr. Waites Is Not Qualified To Testify As An Expert In This Litigation.

In order to qualify as an expert in a patent case, the proffered expert must have the knowledge of a person of ordinary skill in the relevant art. *See Flex-Rest, LLC v. Steelcase, Inc.*, 455 F.3d 1351, 1360-61 (Fed. Cir. 2006).

1. Mr. Waites Does Not Qualify As A Person Of Ordinary Skill In The Art Even Under His Own Definition.

According to Mr. Waites, “one of ordinary skill in the art at the time of the filing of the ‘252 patent would have a high degree of computer skills (including software design and programming) as well as experience and training with electronic locks.”¹⁰ Mr. Waites, however, does not meet these requirements.¹¹ Mr. Waites does not have a degree in engineering or computer science.¹² He has published a total of one scientific article in his life, in approximately 1970.¹³ Further, Mr. Waites’s cash management experience and computer training is dated and unrelated to the technology at issue in this case. Mr. Waites has experience in the banking industry as a marketing representative and a “systems engineer;” however his most recent experience in this field occurred in 1981.¹⁴ Mr. Waites agrees that this experience was limited “strictly to keep[ing] track of the data of the transactions of the various machines.”¹⁵ Mr. Waites has not written any form of software since 1999 or 2000 when he wrote queries, which Waites himself admits do not constitute software programs, and he has not written a software program since approximately 1997.¹⁶ Because any experience Mr. Waites possesses is decidedly dated, he is not a person of ordinary skill in the art at the time of the invention and he is not qualified to

¹⁰ See July 9, 2008 Declaration of Bill Waites, ¶ 4, Exhibit 6.

¹¹ See Marshall Initial Report p.1, attached as Exhibit 4.

¹² See the Transcript of the January 25, 2009 Deposition of William Waites (“Waites Deposition”) at pp. 37-38. Cited portions of the Waites Deposition are attached as Exhibit 10.

¹³ See Waites Depo p. 18.

¹⁴ See *id.* pp. 28-29.

¹⁵ See *id.* p. 30.

¹⁶ See *id.* pp. 46-47.

offer expert opinions in this case even under his own definition. *See also Flex-Rest, LLC v. Steelcase, Inc.*, 455 F.3d 1351, 1360-1 (Fed. Cir. 2006); *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1362 n.4 (Fed. Cir. 2008). *See also U.S. v. Frabizio*, 445 F. Supp. 2d 152, 160 (D.Mass. 2006).

2. Mr. Waites Does Not Qualify As A Person Of Ordinary Skill In The Art Under Any Objective Measure.

Mr. Waites's own curriculum vitae provided with his expert report demonstrates that he lacks any formal education that would be relevant to the products in question. He has no formal education in computer, software or network engineering upon which to draw upon in order to form his conclusions.¹⁷ Likewise, Mr. Waites has no work experience relevant to the products or technology in question.¹⁸

Mr. Waites's experience in computer technology is extremely outdated. He boasts of receiving an IBM Certificate in System/7 and 1800 applications.¹⁹ The certificates are not currently offered by IBM and do not appear to have been offered for at least 20 years.²⁰ IBM lists all training courses it offers at www.ibm.com.²¹ None of the certificates alleged to be held by Mr. Waites are in their current offering, especially training on the system/7 and the system 1800 since these products were retired at least 25 years ago.²² Additionally, IBM lists all certifications at <http://www-03.ibm.com/certify/>, and none of Mr. Waites's certifications match the current certification offerings by IBM.

¹⁷ See Marshall Initial Report p.1, attached as Exhibit 4. *See also* Waites Depo pp. 37-38.

¹⁸ *See id.*

¹⁹ See Marshall Initial Report p.1, attached as Exhibit 4.

²⁰ See exhibit attached to the declaration of James Francis, attached as Exhibit 11.

²¹ See exhibit attached to the declaration of James Francis, attached as Exhibit 11.

²² See exhibit attached to the declaration of James Francis, attached as Exhibit 11.

Mr. Waites also indicates that he believes that the 8088 processor is a computer processor from the 1990s.²³ The 8088 has not been used as a personal computer processor in over 27 years.²⁴

C. Mr. Waites's Opinions Are Not A Product Of A Reliable Methodology.

1. Anonymous Sources Are Not Reliable.

The "authority" Mr. Waites cites to support his conclusions lack any reliability. At no point in any of his reports or declarations does Mr. Waites cite to a single treatise. Instead, Mr. Waites relies on such sources as Tech-faq.com, Airforce-technology.com and Wikipedia.com.²⁵ None of these sources list an author.²⁶

Anonymous sources are inherently unreliable, and may not form the basis of an expert opinion. In *Loussier v. Universal Music Group, Inc.*, 2005 U.S. Dist. LEXIS 37545, * 14-15 (S.D.N.Y. July 14, 2005)²⁷ the plaintiff alleged that the defendants willfully infringed his copyright to a song by using a portion of that song in a song included on The Marshall Mathers LP by Eminem. *Id.* at *2. The plaintiff sought to introduce printouts from www.eBay.com and www.epinions.com to establish sales of certain "mix tapes" and fan reviews regarding the song that allegedly infringed plaintiff's patent. Additionally, plaintiff argued that even if the court excluded the printouts from the two websites, his expert witness should be permitted to testify about these printouts "because it is the type of information reasonably relied upon by experts in the field." *Id.* at *11. The court found, however, that "a district court is not bound to accept expert testimony based on **questionable data** simply because other experts use such data in the

²³ See Waites Depo p. 112-13.

²⁴ See exhibit attached to the declaration of James Francis, attached as Exhibit 11.

²⁵ See exhibit attached to the declaration of James Francis, attached as Exhibit 11.

²⁶ See *id.*

²⁷ A copy of this case is attached as Exhibit 12.

field.” *Id.* at *15 (quoting *United States v. Locascio*, 6 F.3d 924, 938 (2^d Cir. 1993) (emphasis added)).

The holding in *Loussier* is instructive. Here, as there, the Plaintiff “has not shown that experts in the relevant field reasonably rely on anonymous postings on websites” *Id.* at *15. Indeed, neither Tidel nor Mr. Waites has even attempted to demonstrate that such postings are reasonably relied upon. Moreover, here, as in *Loussier*, any testimony or opinions relying upon these anonymous sources would not be based on sufficient facts or data and therefore would not be the product of reliable principles and methods. *Id.* See also Fed. R. Evid. 702. Accordingly, all opinions offered by Mr. Waites in reliance on these sources should be excluded.

2. Waites Improperly Worked Backward From His Conclusion.

Rather than basing his conclusions on reliable evidence, Ms. Waites clearly began his analysis by starting with the desired conclusion, then twisting select facts to support that conclusion. Specifically, Tidel has made no secret of its dislike of the Court’s construction of “economy safe” as found in claim 1 of the ‘034 Patent. After a failed motion for “clarification,” Tidel now attempts to circumvent the court’s construction by having Mr. Waites reconstrue the term “economy safe,” from claim 1 of the ‘034 Patent. He does so by defining the term “PC board” from the construed definition for “economy safe” to mean “personal computer board” as opposed to the common meaning, “printed circuit board.”²⁸ Mr. Waites provides no explanation or support for this new definition.²⁹ Mr. Waites then applies his new definition for economy safe to the V1R and V2R units by concluding, without any analysis or support, that “the V1R and V2R have neither a PC board or printer [and therefore] [t]he court’s definition is that the V1R

²⁸ See Marshall Initial Report at p. 5 (Exhibit 4); See also Waites Depo p. 106.

²⁹ See Marshall Initial Report at p. 5 (Exhibit 4).

and V2R are economy safes.”³⁰ To the contrary, the V1R and V2R have printed circuit boards, as any cursory examination of the products reveals. Although Mr. Waites did not physically examine the products, he also could have found this information on Fire King’s website. The service manual for the NKL Auditlok XLV safes,³¹ which include both the D8 and V series safes, clearly depicts that Fire King’s safes have lock boards, CPU boards. Both the premises and the conclusions of Mr. Waites are unreliable.

4. Waites Failed To Inspect The Accused Products.

Further evidence that Mr. Waites’s conclusions are unreliable is his failure to inspect the accused products about which he opines. Mr. Waites states in his Expert Report that his method of comparison of the claims of the ‘510 and ‘034 Patents to the accused products involved only a review of the Fire King literature, not the products themselves.³² He admits to only reviewing the products and Fire King deposition testimony *after* creating the “Comparison Tables” attached to his report when he states that he compared the claims of Tidel’s patents to the “published Autobank literature” and confirmed his opinions by a “review and inspection” of Fire King’s products and his “review” of deposition testimony.³³ While it is impossible to guess how thorough Mr. Waites was in his review of deposition testimony, his inspection of Fire King’s products and source code was woefully lacking and completely inadequate to provide any foundation for his opinions. The inspection by Mr. Waites and Tidel’s representatives of Fire King’s products lasted approximately 30 minutes.³⁴ Three safes were set up for Tidel’s review at the request of counsel. These safes were the D8C, the V2R, and a V1C.³⁵ Mr. Waites took no

³⁰ See *id.* at p. 17.

³¹ See Fire King service manual and parts book Exhibit 16.

³² See Marshall Initial Report at p. 6 (Exhibit 4).

³³ See Marshall Initial Report at p. 6 (Exhibit 4).

³⁴ See Waites Depo pp. 147, 154.

³⁵ See *Declaration of Jim Francis* attached as Exhibit 11. For a more accurate understanding of Mr. Waites’s complete failure to actually inspect the accused products, the court should review the videotape of the so-called

notes at the inspection.³⁶ Rather, Mr. Waites relied on a Tidel employee to perform the inspection.

During the inspection, Tidel's engineer Flynt Moreland operated the safes instead of Mr. Waites because, according to Mr. Waites, "Flynt knows quite a bit about how to operate a safe, I would have had [to rely on] the manual, [which would have] taken much longer."³⁷ During Mr. Waites's deposition, counsel asked Mr. Waites if he believed that the V2R had printed circuit boards. He responded that it did not.³⁸ When asked what he had done to investigate whether or not the V2R had printed circuit boards, he responded that he looked at the figures (later acknowledged to be the figures of the '252 patent) and determined that it had a UIB (universal interface board) and that he did not consider that to be a printed circuit board.³⁹ He also stated that he believed the UIB of the V-Series safes to be external to the safe.⁴⁰ Mr. Waites confirmed that he has never seen a UIB and explained that he couldn't see any circuit board in the VIC or the V2R because "everything was covered up by a metal plate." He then acknowledges making no effort to remove the plate or even asking a Fire King engineer, who was present to assist in the inspection of the products, to remove the screwed on cover to the electronics compartment.⁴¹ Mr. Waites decided not to try to remove the UIB to inspect the circuitry because it looked to him "like it was bolted in there pretty good."⁴² He added that "I'm not about to go in your safe and

inspection. Fire King intends to seek leave of court to submit the inspection video, which it proposes to tender as Exhibit 13 hereto.

³⁶ See Waites Depo p. 152.

³⁷ See Waites Depo pp. 153-154.

³⁸ See *id.* p. 118.

³⁹ See *id.* pp. 119-120.

⁴⁰ See *id.* p. 118.

⁴¹ See *id.* pp. 118-119.

⁴² See *id.* p. 119.

take it apart.”⁴³ The V2R has two types of printed circuit boards, lock boards and universal interface boards which are present in every V2R.⁴⁴

When asked if he had done anything further to investigate during the product inspection he responded “No.”⁴⁵ Mr. Waites admits that he did not include any information gained from the product inspection in his reports.⁴⁶ According to Mr. Waites, in order to determine whether any of Fire King’s products infringed Tidel’s patents the “best source [is] using the literature,” i.e., the manuals and the brochures.⁴⁷ Mr. Waites has not reviewed any Fire King software or source code because he didn’t feel that he needed to in preparing his report.⁴⁸

The claims of both the ‘510 and the ‘034 Patents encompass how the devices function. Specifically, they indicate how the devices process data and generate reports. The source code of the Fire King products, however, reveals that the devices do not allow “selective generation of reports by individual bill receiving apparatus, by selected bill receiving apparatuses and by all of said bill receiving apparatuses”),⁴⁹ as required by every independent claim of the ‘034 Patent.⁵⁰ Examining the source code would also reveal whether the accused devices can accommodate “selective preparation of any one or more of the following reports: an audit trail, bill deposits by user, instances of access to said safe, instances of removal or handling of said bill box, chronological transactions by user, total chronological transactions, end of shift examine reports by user, zero reports, and end of the day balancing reports.”⁵¹

⁴³ See *id.* p. 119.

⁴⁴ See Declaration of Terry Densmore ¶ 5, attached as Exhibit 14. See also exhibit attached to the declaration of James Francis, attached as Exhibit 11.

⁴⁵ See *Waites depo.* p. 119.

⁴⁶ See *id.* p. 226.

⁴⁷ See *id.* pp. 227-228.

⁴⁸ See *id.* p. 149.

⁴⁹ See claims 1, 5, and 9 the ‘034 Patent, attached as Exhibit 2.

⁵⁰ See Declaration of Terry Densmore, attached as Exhibit 14.

⁵¹ See ‘034 patent, claims 4 and 9 (Exhibit 2).

As for the '510 Patent, a review of the Fire King source code would have revealed that the control system of the Fire King products does not "enabl[e] said coin select switches to cause said money dispenser to dispense said coins in selected denominations, and decrementing said credit amount as said money dispensing mechanism dispenses said coins." If the Fire King product had "coin select switches," it does not, the product source code would allow the control system to cause the coin select switches to dispense coins of selected denominations. It does not. Because Mr. Waites chose to ignore the source code, however, he was unable to identify this shortcoming in his "review" and "inspection" of Fire King's products.

Since the claims clearly indicate that the control mechanism (described as a controller board 38 with a CPU at Col. 9, Lines 3-16 of the '034 Patent) accomplishes specific tasks, Mr. Waites could not have ascertained whether or not the control systems of the Fire King products could accomplish these tasks without inspecting the source code. The failure to inspect the source code of the product is a failure to inspect the product itself. Mr. Waites's opinions have no foundation in any inspection of any of the accused products. Tidel and Mr. Waites also failed to inspect a McGunn Easy 120V, despite Tidel's allegations that this product also infringes. An expert report based on conjecture of what the products can do and how they are constructed cannot serve to educate the Court or the trier of fact.

Further, in analyzing whether Tidel's products infringe the '252 patent, Mr. Waites merely relied on input from Tidel employees and failed to conduct an independent investigation of Tidel's products.⁵² Mr. Waites did not review any of the network configurations used by any of Tidel's customers.⁵³ Mr. Waites hasn't asked how Tidel's customers network between

⁵² See Waites Depo pp. 199-204.

⁵³ See *id.* p. 173.

stores.⁵⁴ He did not find out what the various components are for the Tidel source code.⁵⁵ Mr. Waites hasn't asked what the message flow is for the Sentinel.⁵⁶ Mr. Waites has not read any emails in this case sent by or to Tidel.⁵⁷ Mr. Waites admits that "all I've been told about is 7-Eleven[;] I don't know what they [Tidel] have."⁵⁸ Mr. Waites acknowledges that Tidel provided him with the Sentinel Interface Specifications but he "did not really go through [they];" he "probably spent an hour thumbing through it."⁵⁹ Instead he consulted the Sentinel user guide which Mr. Waites agrees does not "tell you what commands are sent to make certain events happen."⁶⁰ Mr. Waites further admits that "there's a lot of information you won't get from reading the operator's guide."⁶¹ Other than consulting the Tidel user guides, Mr. Waites's inquiry into whether Tidel products infringed the '252 patent was limited to asking Tidel's employees questions regarding whether any of Tidel's allegedly infringing products could perform specific functions and visiting two customer locations which contained stand alone Sentinels that were not connected.⁶² Mr. Waites repeatedly emphasizes that he "was told" that one Sentinel could not control another Sentinel and that accounting data could be uploaded and software could be downloaded.⁶³ However, Mr. Waites admits that he would "have to look at the brochures to get the names of [the Sentinels]."⁶⁴

Mr. Waites's reliance on Tidel employees for information has led to inaccuracy in his conclusions. For example, Mr. Waites was told that one Sentinel could not initiate the physical

⁵⁴ See *id.* p. 193.

⁵⁵ See *id.* p. 182.

⁵⁶ See *id.* p. 164.

⁵⁷ See *id.* p. 196.

⁵⁸ See *id.* p. 195.

⁵⁹ See *id.* pp. 173-174, 176.

⁶⁰ See *id.* pp. 174, 182-83.

⁶¹ See *id.* p. 183.

⁶² See *id.* pp. 185-86, 195-96.

⁶³ See *id.* pp. 199-204.

⁶⁴ See *id.* p. 194.

event at another Sentinel; Mr. Waites stated “I’ve been told it can’t.”⁶⁵ However, in an email exchange and in response to the question “Is it possible to have the coin unit 15 meters away from the SCD?” Flynt Moreland of Tidel states that “you would need to run from the SCD to make your selection to the BCD to get your coins.”⁶⁶ In Mr. Waites’s deposition, he stated that this email indicates that the SCD *can* initiate a physical event at the BCD to dispense coins.⁶⁷ Mr. Waites then repeats that “I was told that ... one Sentinel could not control another Sentinel is what I was told.”⁶⁸ In analyzing whether Tidel’s products infringe the ‘252 patent, Mr. Waites has improperly relied on input from Tidel employees and failed to conduct an independent investigation of Tidel’s products.

4. Proper Methodology Would Compare Patent Claims To Accused Products.

In determining whether a claim has been infringed, “the claim as properly construed must be compared to the *accused device* or process.” *Carroll Touch, Inc. v. Electro Mech. Sys., Inc.*, 15 F.3d 1573, 1576 (Fed. Cir. 1993 (emphasis added)). In analyzing whether Fire King’s products infringe Tidel’s ‘034 patent, Mr. Waites improperly compared the ‘034 patent **with Fire King’s ‘252 patent**, not with Fire King’s **products**. Mr. Waites states in his deposition that he was of the opinion that the V2R lacked printed circuit boards based upon his review of the drawings of the ‘252 Patent.⁶⁹ As the basis for this conclusion, Mr. Waites states that he was “relying mainly on the figure” from Fire King’s ‘252 patent rather than any of Fire King’s actual products.⁷⁰ Had Mr. Waites inspected the V2R, he would have found that the V2R actually possessed three printed circuit boards.⁷¹ Because he compared patent claims to patent drawings

⁶⁵ See Waites Depo pp. 201–202.

⁶⁶ See TID_144979, attached as Exhibit 15.

⁶⁷ See Waites Depo p. 205.

⁶⁸ See *id.* p. 206.

⁶⁹ See *id.* pp. 118-120.

⁷⁰ See *id.* at pp. 119-120.

⁷¹ See Fire King service manual and parts book Exhibit 16.

rather than patent claims to the accused products, Mr. Waites reached incorrect opinions regarding the presence and make up of the PC boards on Fire King's products; therefore, his expert report and testimony is fundamentally flawed and unreliable.

5. Waites's Understanding of Patent Law is Unsound.

In some instances, Mr. Waites's patent analysis is plainly wrong. For example, Mr. Waites's analysis of whether claim four of the '034 patent is anticipated or rendered obvious by the prior art is inaccurate. Claim four includes a limitation that "said control system and said retrieving means accommodate selective preparation of any one or more of the following reports" and then lists a number of reports.⁷² Mr. Waites incorrectly believes that in order for a prior art reference to anticipate claim four, it would have to disclose the selective preparation of all of the reports listed.⁷³ However, since the claim clearly states that the selective preparation of any one of the reports listed would infringe that element of claim four, a prior art reference would only need to disclose the selective preparation of any one of the reports listed. *See Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556, 1573 (Fed. Cir. 1986) (citing *Peters v. Active Manufacturing Co.*, 129 U.S. 530, 537 (1889) ("that which infringes if later anticipates if earlier"))).

Further, Mr. Waites appears confused regarding the basic structure of patent claims. By definition, a dependent claim contains each and every limitation of the claim(s) from which it depends in addition to its own claim elements. *See* 37 CFR § 1.75(c) ("Claims in dependent form shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim"). However, with respect to claim four of the '510 patent which depends

⁷² *See* the '034 Patent, col. 5, ll. 43-50.

⁷³ *See* Waites Depo p. 144-45.

from claim one, Mr. Waites feels that there are “more limitations in claim one than claim four.”⁷⁴ “There is more to claim one than just claim four.”⁷⁵ When asked “[d]oes claim four have all the elements of claim one?”, Waites replied “no.”⁷⁶ Clearly, in some instances, Mr. Waites’s analysis of the patents at issue is plainly wrong.

6. Waites’s Opinions Lack Proper Support.

The principal problem with Mr. Waites’s report is not simply that he fails to find all elements of the claims within the accused products, which by itself is a fatal flaw, or even that his entire analysis of the accused products is based on anonymous literature and fails to incorporate an inspection of the products, though that too is fatal. The overwhelming problem with the reliability of Mr. Waites’s testimony and report is that he offers no evidence to support his conclusions. Mr. Waites merely creates a table for each patent, in which a first column displays the patent claims and a second column refers to Fire King literature, including marketing brochures.⁷⁷ Throughout most of Mr. Waites’s report, the reader is never provided any reasoning or rationale for finding the elements of the claims in the literature cited. He fails to indicate how these citations are relevant and how they disclose each and every claim limitation. Occasionally, Mr. Waites does actually put his own words into his table, but in the form of conclusions. He offers no support, analysis or discussion – only his conclusions and random statements.

The lack of any substantive discussion and the repeated inclusion of conclusions without supporting analysis renders Mr. Waites’s opinion meaningless and wholly unreliable. The

⁷⁴ See Waites Depo p. 92-93.

⁷⁵ See *id.* p. 92-93.

⁷⁶ See *id.* p. 92-93.

⁷⁷ See Marshall Initial Report at p. 6 (Exhibit 4).

random spattering of conclusory statements by Mr. Waites in his “expert report” is useless to the Court and the trier of fact.

Mr. Waites, in his deposition testimony, does attempt to provide a basis for his recent reconstruction of PC board to mean “personal computer board.” He states that he believes that because the “PC” in “PC board” is capitalized in the specification, it must be referring to a personal computer board rather than a printed circuit board.⁷⁸ Mr. Waites also states that whenever someone says “a PC board with a CPU, to me, that said personal computer.”⁷⁹ He states that “anytime we say PC . . . we mean personal computer.”⁸⁰ Then he acknowledges that electrical engineers would use the term PC board to refer to a printed circuit board.⁸¹

Mr. Waites offers no discussion or analysis of the only reasonable inference, that the PC board is in fact a printed circuit board, because it does not accommodate Tidel’s theory of infringement. He also offers no explanation as to why he begins with a conclusion and then attempts to make that conclusion fit Tidel’s interpretation of the patent. Incredibly, Mr. Waites completely avoids any discussion or analysis of the remaining elements of an “economy safe,” which are the bill validators and the printer, before restating his conclusion. As Mr. Waites himself points out in his own testimony, the source of his definition is “Bill Waites.”⁸²

Mr. Waites also offers no discussion, analysis or support for his conclusion that “[t]he UIB and the economy safe have no PC board. The circuit board’s components on each has the intelligence to perform and communicate with the central controller.”⁸³ He also offers no discussion, analysis or support for his conclusion that “[o]f course, a unique network address is

⁷⁸ See Waites Depo p. 106.

⁷⁹ See *id.* p. 106.

⁸⁰ See *id.* p. 106.

⁸¹ See *id.* p. 106.

⁸² See *id.* pp. 114-115.

⁸³ See Marshall Initial Report at p. 6 (Exhibit 4).

required for each slave device that is controlled by the ‘034.’⁸⁴ The magistrate judge was not required “to admit opinion evidence that is connected to existing data only by the ipse dixit of the expert.” *Burleson v. Texas Dept. of Criminal Justice*, 393 F.3d 577, 587 (5th Cir. 2004)(quoting *GE v. Joiner*, 522 U.S. 136, 146, 118 S. Ct. 512, 139 L. Ed. 2d. 508 (1997)). See also *Guile v. United States*, 422 F.3d 221, 227 (5th Cir. 2005).

V. CONCLUSION

For the foregoing reasons, the Court should exclude any and all opinions offered by William G. Waites.

Respectfully submitted,

/s/ James M. Francis

Carl R. Roth
Brendan C. Roth
Amanda A. Abraham
Law Office of Carl R Roth
115 N Wellington Suite 200
P O Box 876
Marshall, TX 75670
Phone: (903) 935-1665
Fax: (903) 935-1797
Email: br@rothfirm.com

and

⁸⁴ See *id.*

P. Douglas Barr
Kentucky Bar No. 81758
Stephen C. Hall
Kentucky Bar No. 84409
James M. Francis
Kentucky Bar No. 89834
STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, KY 40507-1801
Phone: (859) 231-3000
Fax: (859) 253-1093

Counsel for Defendants

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was served via the Court's ECF system
on March 13, 2009 on the following:

Kenneth W. Biermacher, Esq.
Kane Russell Coleman & Logan PC
3700 Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201-7207
kbiermacher@krcl.com

Charles E. Phipps, Esq.
Locke Liddell & Sapp LLP
2200 Ross Avenue, Suite 2200
Dallas, TX 75201-6776
cphipps@lockelord.com

/s/ James M. Francis
James M. Francis

Counsel for Fire King International, Inc.

433320.133020/561782.4