

1 Q. Mr. Racz, do you believe that you have to actually build
2 your invention in order to get a patent on it?

3 A. No, sir.

4 Q. Did you or the others at Internet Plc have experience
5 with physically building the kind of devices that you've
6 talked about?

7 A. No, I had 10 years manufacturing experience. We'd
8 actually built up a very large plant. We'd expanded into
9 bathrooms and other areas, but I didn't have any
10 manufacturing experience in consumer electronics. I realized
11 that we'd need a -- an EDE, an electronic design engineering
12 partner, and so we -- we went out and looked for one.

13 Q. Were you able to find any partners?

14 A. I would say, yes, we found two -- two main partners.
15 One was an electronic design engineering firm based here in
16 the United States, which is Cadence or Tality, as they were
17 later renamed. And the other one was a French company called
18 Gemplus. They were in the hardware/software side.

19 Q. Did you get the sense that your project was important to
20 Tality and Gemplus?

21 A. Very much so, yes, sir.

22 Q. Who were some of the folks you worked with at Gemplus?

23 A. We were working with all the senior management, a lot of
24 directors, all the way up to the chairman, founder, and major
25 shareholder of the company.

1 Q. Did anyone at Gemplus communicate to you that they
2 believed your idea was important to them?

3 A. Frequently, sir, yes.

4 Q. Mr. Racz, I put up Plaintiffs' Exhibit 194. What is
5 this document?

6 A. This is a letter from Stephen Landau who was put in
7 charge of evaluating initially with us and then working with
8 us on the project. And he was telling me about meetings and
9 conversations he'd been having with Mark Lassus, who was the
10 chairman and founder of Gemplus.

11 Q. And what --

12 A. And --

13 Q. I'm sorry. I was just going to -- what was he
14 explaining about?

15 A. He -- he was explaining that he wanted to join the board
16 and also wanted to invest in Smartflash and Internet Plc.

17 Q. The chairman of Gemplus did?

18 A. Yes, sir.

19 Q. What about these other folks listed in the middle
20 paragraph?

21 A. Those were other founders of Gemplus. One of them, I
22 think, had actually left Gemplus at that time, Gilles
23 Lisimaque. Another one was Jean-Pierre Gloton, who was
24 another founder. They were interested in joining the board
25 as technical advisors and also investing funds in the

1 business.

2 Q. Now, the author of the letter, is that the one -- is
3 that Steven Landau?

4 A. Yes, sir. Yes.

5 Q. Was Mr. Landau interested in your ideas?

6 A. He actually came and joined our company later, sir, and
7 came to work for Internet Plc. He left Gemplus.

8 Q. Did you actually go out then and design players?

9 A. Yes, we did, sir.

10 Q. Mr. Racz, I put up some pages from Plaintiffs' Exhibit
11 141.02. What are we looking at?

12 A. This is one of the reader player designs that we
13 developed with Tality after they were renamed from Cadence.
14 This is one of three designs named Sidney, and this
15 particular one was using a smart card as the data carrier.

16 Q. And, Mr. Racz, what does this -- this drawing represent?

17 A. This is a more advanced version. It was Pablo, and this
18 had a touch screen interface.

19 Q. Did you ever make models of some of your players beyond
20 just conceptual drawings?

21 A. Yes. Yes, we did so. Yes, we -- we developed phone
22 models, which designed to get the form and function, the feel
23 of the product, an indication of what it would look like in
24 real life. That's a precursor to prototypes.

25 Q. Mr. Racz, did you ever show these models or those

1 presentations to Gemplus?

2 A. Yes, we shared them with Gemplus.

3 Q. Who was -- you had -- did you tell us there were two
4 partners that you had?

5 A. Yes, yes.

6 Q. Partner companies? Which was the partner company that
7 helped you design those drawings?

8 A. That was Cadence who later became known as Tality.

9 Q. And did you and Cadence or Tality take the drawings to
10 Gemplus?

11 A. Yes, we did, sir.

12 Q. The devices you showed us, did they use swappable memory
13 cards?

14 A. Yes, they did.

15 Q. Why did your company start designing things it would use
16 as swappable memory card?

17 A. Because that was the fastest and easiest route to
18 market, sir.

19 Q. Is it costly to engage in a design process like what
20 you've described?

21 A. Extremely costly, yes, sir.

22 Q. Mr. Racz, how did you have the money to begin developing
23 those products?

24 A. I made quite a bit of money from Tri-Flow from my
25 previous venture. I'd invested myself, and I also got a lot