

Nortel Networks – Allocation Trial – Summary of May 22nd, 2014

Day 7 of the allocation trial continued with three witnesses testifying on behalf of the EMEA Debtors and/or the UK pension claimants (UKPC).

Simon Brueckheimer, a Chartered Engineer provided evidence first on behalf of EMEA and the UKPC. He was employed by STC plc and then Nortel for 23 years. Mr. Brueckheimer's affidavit addressed the collaborative nature of research and development (R&D) at Nortel and the contributions of the NNUK labs, including to patents that were sold as part of the sale of the residual patents to Rockstar in 2011. Mr. Brueckheimer testified in Toronto and was cross-examined by the CCC regarding the global nature of R&D and the importance of customers. The Monitor then cross examined Mr. Brueckheimer regarding his knowledge of the Master Research and Development Agreement (MRDA) and the valuation of intellectual property.

Peter Newcombe testified next on behalf of the EMEA Debtors and UKPC in Wilmington. Mr. Newcombe was an engineer at STC plc but began working in optical sales when STC plc was acquired by Nortel. Mr. Newcombe provided evidence regarding the R&D contributions of EMEA inventors and the integrated nature of Nortel's R&D activity globally. In addition, Mr. Newcombe testified regarding the importance of the EMEA region in establishing and maintaining large and key customer relationships for Nortel. He testified that these relationships were important to the post-filing sale of lines of businesses. The Canadian Monitor cross-examined Mr. Newcombe regarding his role when he began working in optical sales and his involvement in the post-filing sale of lines of businesses. The US Debtors cross-examined Mr. Newcombe regarding the role of Nortel's sales force in contributing to the company's revenue and the location of some of Nortel's biggest customers.

Andrew Jeffries testified last on behalf of the UKPC in Wilmington. Mr. Jeffries was a technical expert and manager at Harlow for the wireless line of business. He provided testimony regarding the importance of Harlow's contributions to Nortel's R&D, including specific examples of developments in smart antenna technology made at the Harlow site. Mr. Jeffries was cross-examined by the Monitor regarding his expertise in valuating patents and the global nature of the R&D completed in Harlow. The CCC also cross-examined Mr. Jeffries regarding his pension benefit and Mr. Jeffries testified that as a retiree in the UK he had only lost his indexing.

The parties will attend a conference call with the Courts regarding confidentiality issues on Friday May, 23rd. The trial will resume on Tuesday, May 27th for its eight day as Monday is a US holiday and the US court will not be sitting.

Kerry Stephens and Angela Andersen, on behalf of the EMEA Debtors and UKPC are expected to testify on Tuesday, May 27th, with the remaining fact witnesses being completed the next day. Expert witnesses will begin on Wednesday May 28th and will comprise the remainder of the allocation trial.