AMERICAN ARBITRATION ASSOCIATION
COMMERCIAL TRIBUNAL, LOS ANGELES

ASR DATA ACQUISITION & ANALYSIS, LLC, a Texas limited liability company,
Claimant.

v.

GUIDANCE SOFTWARE, INC.,
Respondent and Cross-Claimant.

ORDER OF INJUNCTION

Upon good cause so appearing, Respondent GUIDANCE SOFTWARE, INC., a California corporation, its principals, owners, agents, successors and assigns (hereinafter referred to as GUIDANCE) are hereby enjoined as follows:

1. GUIDANCE is prohibited from selling, distributing or marketing the software which it has been improperly selling under the RSCASE trademark or any other Computer Software, as defined below, unless all such sales, distribution, or marketing are in full and complete compliance with the October 15, 1997 Exclusive Licensing Agreement (hereinafter referred
to as "Agreement") including, but not limited to, RECITAL D thereof and Sections 1.2, 1.5, 1.6, 2.3, 2.5, 3.1(A and B), 3.2, 3.3, 4.5, 4.5(a), 4.5(c) thereof. The term "Computer Software" shall mean all Windows versions of software which assist in analyzing all or a portion of a computer’s software, operating systems, internal codes, file structure, directory structure, computer hardware markings and/or identifiers so as to determine the state of the computer, its storage media and its software on a given date and time of examination. Such concept includes the ability to prevent changes to the computer’s software and/or internal components and developing a “snapshot” of the computer software and operating systems as of the date and time of examination.

2. GUIDANCE is prohibited from selling, distributing or marketing any Computer Software (as defined above in paragraph 1) under the trademark ENCASE or any other trademark other than EXPERT WITNESS.

3. GUIDANCE is prohibited from committing any acts which would slander, libel or constitute trade disparagement of Claimant ASR DATA ACQUISITION & ANALYSIS, LLC, a Texas limited liability company, its principals, owners, successors and assigns (hereinafter referred to as "ASR DATA") or ASR DATA’s trademark EXPERT WITNESS.

4. GUIDANCE is ordered to provide to ASR DATA with copies of the current and all future versions of the Computer Software (which it has been improperly selling under the trademark ENCASE) in accordance with section 2.5 of the Agreement.

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3. This injunction shall continue for the term of the Agreement in accordance with section 5.2 (Term) thereof.

Respectfully submitted,

Dated: July 20, 1997

[Signature]

Louis J. Knobbe, Esq.
Arbitrator
The arbitration was conducted over three days during which testimony was presented and documentary evidence was introduced. The arbitrator, having considered the entire record and the legal argument of counsel, including the June 6, 1989 letter and enclosure from Respondent's counsel and the June 23, 1989 letter and enclosures from Claimant's counsel, finds and determines as set forth hereinafter.

**DISCUSSION**

A. **The Claims**

This matter arises out of the relationship between the parties as evidenced by the Agreement, to be discussed hereinafter. Both parties made claims of breach of contract against each other and seek damages and injunctive relief based upon these alleged breaches.

B. **The Agreement**

The evidence shows that Claimant established a business for a specialized data acquisition and forensic analysis software product for use with a Macintosh computer operating system. This software was sold under the trademark EXPERT WITNESS. Claimant offered Respondent and Respondent accepted an exclusive license to create and market Windows-based software products utilizing the same concept and in the Agreement, Respondent agreed, inter alia, that it:

1. "Shall use and put forth its reasonable best efforts to (i) promote the Expert Witness Concept and sales of the Product throughout the entire world; (ii) act in a manner designed to maximize benefit to both Parties to this Agreement; (iii) update, supplement, and further
develop the Expert Witness concept, products, materials
and marketing tools in furtherance of the parties' mutual
interest; and (iv) devote such time efforts to the
fulfillment of the parties' obligations and objectives
under this Agreement as are reasonable and appropriate.
(See Section 4.5 of the Agreement).
2. Pay a license fee to claimant pursuant to Article
III of the Agreement.
3. Provide Claimant with a "copy of any version (past,
present, or future) of or modification or enhancement to
said executable program immediately upon" Claimant's
written request therefor (see Section 2.5 of the
Agreement).
C. Breaches Of The Agreement By Respondent
The arbitrator finds, as more specifically set forth
hereinafter, that Claimant has shown by a preponderance of the
evidence that Respondent breached the Agreement.
1. Breach Of The Best Efforts Clause
The evidence is overwhelming that Respondent is in breach
of the best efforts clause. Beginning less than a year after
the October 15, 1997 date of the Agreement, Respondent ceased
promoting the Expert Witness Concept and changed the name of
the software product to Respondent's trademark ENCASE. Since
the fall of 1998, Respondent has totally failed to "act in a
manner designed to maximize benefit to both parties." Rather,
the evidence is overwhelming that all of Respondent's efforts
have been to maximize Respondent's benefits to the detriment
of Claimant and Claimant's principal Andrew S. Rosen.
The evidence, moreover, is overwhelming that not only did Respondent cease all efforts to benefit Claimant but did just the opposite and disparaged the reputation of Claimant and Andrew S. Rosen.

2. Breach Of The Obligation To Pay A License Fee

The preponderance of evidence shows that the Respondent failed since October, 1998 to pay to Claimant the license fees due for software subject to Article III of the royalty terms of this Agreement.

The preponderance of evidence is that the damages owed to Claimant by Respondent are at least $2,000,000.

3. Breach Of The Failure To Provide Versions Of The Windows Software

The preponderance of evidence shows that Respondent has refused since October, 1998 to respond to requests from Claimant for the updated versions of the WINDOWS software as Respondent is obligated to provide pursuant to Section 2.5 of the Agreement.

D. Respondent's Defenses

Respondent asserts that it rightfully terminated the Agreement because of material breaches by Claimant of the Agreement. The Respondent's position is that (a) the Agreement requires the mark EXPERT WITNESS to be registrable as a trademark in the U.S. Patent and Trademark Office; (b) that the trademark EXPERT WITNESS must be free of any possible trademark infringement claims (including any possible criminal liability for using a counterfeit mark) and (c) Respondent is damaged by being associated with Mr. Andrew S. Rosen.
E. Alleged Breaches Of The Agreement By Claimant

The arbitrator finds, as more specifically set forth hereinafter, that Respondent has not shown that Claimant has breached the Agreement.

1. Registrability Of The EXPERT WITNESS Trademark

The unambiguous language of the Agreement does not require that the EXPERT WITNESS mark be registrable. The Agreement merely recites that "an application for federal trademark registration with respect to the mark "EXPERT WITNESS" for use with such software, idea and concept is anticipated to be filed within ninety (90) days after the date on which this Agreement is executed." (Emphasis added.) The preponderance of evidence proves that Claimant has fulfilled this obligation. The recent Office Action by the Examining Attorney, Vanessa J. Cooper, of the U.S. Patent and Trademark Office, is not relevant. In fact, even if registrability was required by the Agreement (which it does not), this initial refusal would not be relevant. Such refusals are commonplace and the Examining Attorney states in her refusal that "although the Examining Attorney has refused registration, the applicant may respond to the refusal to register by submitting evidence and arguments in support of registration."

2. Civil And/Or Criminal Liability

Respondent's expert witness, Antonio R. Sarabia, II, Esq., opined that the termination by Respondent was justified because of potential civil and criminal liability for using the mark EXPERT WITNESS on the Windows-based software. The arbitrator fails to find any tenable basis for Mr. Sarabia's
conclusion. The Lanham Act, the California Business and
Profession Code § 14320 and Penal Code § 350 all have in
common the requirement that the mark in dispute be confusingly
similar to another's mark. No credible evidence of likelihood
of confusion was presented. Respondent's trademark expert,
Mr. Sarabia, was specifically queried as to whether the EXPERT
WITNESS software might overlap the services provided by a
third party. Expert Witness Services, Inc. Mr. Sarabia opined
that "Lawyers might, yes." (Emphasis added). Even if the
Agreement required that the mark be free of civil liability
(which the Agreement does not), the evidence of what "might"
occur is wholly deficient in proving likelihood of confusion.
The arbitrator further notes that the Agreement specifically
includes an indemnity for civil damages. As to the potential
for criminal liability, no credible evidence was produced by
Respondent or Respondent's expert witness. Besides requiring
that the mark at issue be confusingly similar, California
Penal Code 350 requires that this mark be a "counterfeit of a
mark" and defines counterfeit as "a spurious mark that is
identical with, or confusingly similar to, a registered mark
and is used on or in connection with the same type of goods or
services." (Emphasis added). No evidence was offered that
provides any basis for concluding that the use of EXPERT
WITNESS mark could be an infraction of the Penal Code.

3. Respondent Is Damaged By Mr. Rosen's Reputation

The arbitrator fails to find any basis for termination of
the Agreement by Respondent on this (or any other ground).
Respondent was represented by counsel during the negotiation
of the Agreement. There is no evidence that Respondent's
counsel ever attempted to include any "disclosure" provision
in the Agreement that would have required Mr. Rosen to reveal
the things which Respondent now contends provide a basis for
its termination of the Agreement.

Even if relevant (such relevance not having been proven)
there is no credible evidence that Respondent's principal,
Shawn McCreight, was misled by Claimant's principal. What is
clear from the testimony, however, is that Mr. Shawn
McCreight, on March 31, 1999, deliberately smeared and
disparaged Claimant's principal, Andrew Rosen, to at least one
potential customer of the EXPERT WITNESS software, namely

F. Respondent's Counterclaims

Respondent counterclaimed for Breach of Contract, Decision,
and Permanent Injunction. The arbitrator finds, after
considering all of the evidence, that Respondent has not
proven any counterclaims against Claimant.

G. Summary

In summary, the arbitrator finds that Claimant is
entitled to an Order of Injunction, money damages, interest,
the administrative fees, the arbitrator's compensation and its
attorney's fees. The arbitrator has not attempted to outline
all of the evidence as to any particular claim or issue, nor
has the arbitrator attempted to address herein all positions
taken by the parties. The arbitrator has considered all of
the evidence and has weighed the credibility of the witnesses
in reaching the determinations herein.
Dated: July 20, 1995

Louis J. Robba
Sitting as Arbitrator

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