

## 10th Circ. OKs Testimony On Bankruptcy In Royalty Case

By **Cara Salvatore**

*Law360, New York (October 25, 2016, 4:02 PM EDT)* -- The Tenth Circuit ruled Tuesday that Mitchell International Inc. doesn't owe royalties to Vehicle Market Research Inc. over a valuation program for car insurers, finding that the introduction of evidence about differing bankruptcy valuations by the owner of VMR didn't flout a previous Tenth Circuit ruling — especially since the testimony was introduced by the owner's own lawyer.

VMR's lawsuit said Mitchell had lifted parts of a computer program that helped insurance companies value cars after crashes, and owed it \$4 million in royalties. After a Kansas federal jury disagreed, VMR told the Tenth Circuit that testimony about VMR founder and owner John Tagliapietra's valuation of the company in his bankruptcy went against an earlier Tenth Circuit ruling in the case. There, the Tenth Circuit found that Tagliapietra's contention that VMR was owed \$4 million was not so grossly inconsistent with his earlier zero valuation of the company that it counted as judicial estoppel — an extreme measure that prevents a statement from being introduced if it's highly inconsistent with a previous statement.

On Tuesday, a three-judge Tenth Circuit panel said discussions at trial of Tagliapietra's valuation of his VMR stock during the bankruptcy were fair game. VMR's lawyer introduced the line of questioning after emphasizing at sidebar that she preserved all objections around a motion in limine ruling that had allowed the topic to be delved into. Mitchell had wanted to use the purported inconsistency to cast doubt on Tagliapietra's credibility at trial.

"VMR claims we held in VMR I that Mr. Tagliapietra's statements in his bankruptcy proceeding were consistent with his prayer for relief here. We find no support for this position in VMR I," the panel said. "The sole question before us in VMR I was 'whether the statements by VMR and Mr. Tagliapietra in the litigation against Mitchell were so clearly contrary to the statements made by Mr. Tagliapietra in his bankruptcy proceeding that VMR should be judicially estopped from proceeding with its suit against Mitchell.' Although we held they were not, nowhere in that decision do we indicate the statements were consistent or that the bankruptcy valuation will be irrelevant on remand."

Therefore, it was acceptable that the bankruptcy valuation was introduced and discussed during the trial, it said.

The court also found that the judge properly deleted a sentence from a proposed jury instruction regarding a Mitchell executive's deposition. The final jury instruction put the jury on notice that the executive was giving the company's position, not his own.

VMR and Mitchell were once business associates. VMR had licensed a product to Mitchell called TLSS that was essentially an algorithm to value total-loss cars for insurance purposes. Under the deal, “Mitchell agreed to pay a \$1.00 royalty each time it used VMR’s product, up to a maximum of \$4.5 million. Mitchell paid VMR royalties of between \$200 and \$3,300 monthly until September 2005,” the Tenth Circuit said.

But Mitchell released its own product in November 2005 and stopped using the VMR product.

Tagliapietra filed for Chapter 7 in October 2005, giving VMR’s value to him as zero.

In early October 2009, VMR sued Mitchell for \$4 million. Two weeks later, the bankruptcy court finished Tagliapietra’s bankruptcy and discharged his debts; the trustee listed the VMR value for Tagliapietra as “unknown.”

Judges Harris Hartz, Robert Bacharach and Carolyn McHugh sat on the panel for the Tenth Circuit.

Vehicle Market Research is represented by Nora Kane of Stinson Leonard Street LLP.

Mitchell International was represented by Scott Schutte and Tedd Warden of Morgan Lewis & Bockius LLP.

The case is Vehicle Market Research Inc. v. Mitchell International Inc., case number 15-3243, in the U.S. Court of Appeals for the Tenth Circuit.

--Editing by Brian Baresch.