

United States Court of Appeals

FOR THE FEDERAL CIRCUIT

—◆◆◆—
TIVO INC.,

Plaintiff-Appellee,

—v.—

ECHOSTAR CORPORATION ECHOSTAR DBS CORPORATION, ECHOSTAR TECHNOLOGIES CORPORATION, ECHOSPHERE LIMITED LIABILITY COMPANY, ECHOSTAR SATELLITE LLC, and DISH NETWORK CORPORATION,

Defendants-Appellants.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS IN CASE NO. 2:04-CV-01
JUDGE DAVID FOLSOM

**SUPPLEMENTAL BRIEF OF DEFENDANTS-APPELLANTS
ON REHEARING EN BANC**

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CERTIFICATE OF INTEREST

Counsel for Defendants-Appellants certify the following:

1. The full name of every party or amicus represented by us is:

EchoStar Corporation
EchoStar DBS Corporation
EchoStar Technologies Corporation
Echosphere Limited Liability Company
EchoStar Satellite LLC, and
Dish Network Corporation

2. The foregoing parties are the real parties in interest.
3. The following are parent corporations and publicly held companies that own 10% or more of the stock of any party represented by us:

EchoStar Communications Corporation k/n/a Dish Network Corporation, a publicly traded company is the parent corporation that holds, indirectly and through a series of wholly owned entities, 100% of the stock of Defendants-Appellants EchoStar DBS Corporation k/n/a Dish DBS Corporation, Echosphere L.L.C., and EchoStar Satellite L.L.C. k/n/a Dish Network L.L.C.

EchoStar Corporation, a publicly traded company is the parent corporation that holds, indirectly and through a series of wholly owned entities, 100% of the stock of Defendant-Appellant EchoStar Technologies Corporation k/n/a EchoStar Technologies L.L.C.

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INTRODUCTION¹

In *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530-32 (Fed. Cir. 1985), this Court scoured the history, precedent, and policy of contempt, holding that contempt requires that the redesign be only colorably different from the adjudicated device, and that it infringe the patent. It also announced a series of internally consistent and mutually reinforcing principles for determining when differences are more than colorable. All of those aspects of *KSM* are correct and should be reaffirmed. Two modifications to *KSM*, however, would bring the contempt law of this Circuit into harmony with that of its sister circuits.

Any standard this Court crafts must satisfy several criteria, as *KSM* does. Obviously, it must be consistent with Supreme Court precedent, most notably the direction that contempt cannot lie where there is a “fair ground of doubt as to the wrongfulness of the defendant’s conduct.” *Cal. Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 618 (1885). The standard should effect the purpose of contempt, which is not to give the patentee a shortcut for proving that a defendant committed some *new* act that might eventually be a basis for liability, but rather to give the patentee a way to prove quickly that a defendant violated the order

¹ This brief and EchoStar’s supplemental reply will use the following abbreviations: “OB” (EchoStar’s opening brief before the panel); “Resp.” (TiVo’s panel brief); “Reply” (EchoStar’s panel reply brief); “Supp. OB” (this brief) and “Supp. Resp.” (TiVo’s supplemental response).

implementing the judgment the patentee already secured. It should properly balance the rights of the patentee against those of the accused infringer, while fueling the Patent Act’s overarching goal of promoting innovation by encouraging innovative redesigns. Finally, the standard should be manageable and predictable.

None of these criteria will be met if this Court adopts a standard that sustains the contempt finding here, where the following facts are not disputed:

1. ***Accused features eliminated.*** EchoStar removed from the adjudicated devices the very features that TiVo had matched to its claim limitations at trial—including a feature TiVo had described as “the genius, the core of this invention.” OB 10-16, 38-50.
2. ***New features accused.*** With those accused features removed, TiVo had to match up its claim limitations to *new and different* features of EchoStar’s redesigned products. OB 47-55.
3. ***New theories advanced.*** The new infringement accusations depended on theories never addressed or adjudicated in the earlier action, requiring resolution of new factual disputes. OB 30-32.
4. ***Validity position contradicted.*** TiVo’s new infringement theory that one feature of EchoStar’s product (the PID filter) “parses video and audio” flatly contradicted the position it successfully took at trial to save its claims from invalidation. OB 53-55.
5. ***Battle of experts.*** The District Court could not assess the differences between the new and old products without resolving conflicting expert testimony about what the new device does and how it does it. OB 31-32.
6. ***Innovation.*** EchoStar’s redesign achieved what TiVo’s experts and inventor thought impossible—an innovation sufficiently different from TiVo’s device that it motivated EchoStar to file a patent application. OB 16, 29-30.

7. ***Diminished performance.*** To avoid infringement, EchoStar sacrificed performance both by substituting a feature that could *miscalculate* where a desired video frame is for a feature that always *knows* in advance where the frame is, and by substituting a feature that allows *some overwriting* of video for a feature that *never does*. OB 30, 32-33.
8. ***Magnitude of effort.*** It took 15 engineers a year—working 8,000 hours, changing 20,000 lines of code, and tending to thousands of customer complaints—to complete the redesign. OB 9, 30, 33.
9. ***Opinion letters.*** Before proceeding, EchoStar solicited guidance from a respected patent firm—which complimented EchoStar for exercising “the very upper echelon of care that clients have taken,” A5347—and then secured three opinions confirming that the contemplated redesign avoided five different claim limitations. OB 16, 32-33, 36.

See generally OB 28-29.

Any approach that permits a contempt citation in these circumstances—where, as now-Chief Judge Rader noted in his dissent from the panel decision, there is “little similarity between the former infringement proceedings and the issues now before this court”—would not only eviscerate the principles of *KSM*, but would also have profound consequences in the real world. Slip op., dissent at 2. It would be imprudent for any company that devised a brilliant design-around after being enjoined for infringement to implement its innovation. Any such company would have to ask itself: “If all the effort EchoStar expended, every precaution EchoStar took, and everything EchoStar achieved were not enough to protect EchoStar from contempt, how exactly can we protect ourselves from

contempt?” If this Court affirms the District Court, the only truthful answer to that question will be, “You can’t.”

As to the Disablement Provision, no court has ever departed from the bedrock rule that a contempt order cannot be sustained unless the defendant “violated a clear and unambiguous order that leaves *no uncertainty* in the minds of those to whom the order is addressed.” *Perez v. Danbury Hosp.*, 347 F.3d 419, 424 (2d Cir. 2003) (emphasis added) (quotation marks and alterations omitted). Nor is there any recognized exception to this rule for a defendant who could have appealed an ambiguous interpretation—which is almost always the case. This Court should not abandon these principles. It should not sustain a contempt order that, as here, is based on a reading that would have rendered the order illegal in the first instance; that was never requested by the plaintiff or suggested by the district court until the contempt proceeding; and that a Judge of this Circuit believed “no reasonable patent attorney would” have adopted, slip op., dissent at 3.

ISSUES PRESENTED AND SHORT ANSWERS

(a) Following a finding of infringement by an accused device at trial, under what circumstances is it proper for a district court to determine infringement by a newly accused device through contempt proceedings rather than through new infringement proceedings? What burden of proof is required to establish that a contempt proceeding is proper?

A finding of contempt is appropriate only where there is no *fair ground of doubt as to the wrongfulness of the defendant’s conduct*. In the case of a

standard injunction against further patent infringement—an otherwise unambiguous injunction against making or using the adjudicated device and other devices that are no more than colorably different from it—there are at least three circumstances where the defendant’s conduct is not wrongful:

1. where the redesigned product is more than *colorably different* from the device previously held to infringe (for then, the injunction is not violated); or
2. where the redesigned product *does not infringe* (for then, the injunction is not violated); or
3. where the defendant engaged in *diligent, good-faith efforts to comply* with the injunction and had an *objectively reasonable basis* to believe that it was in compliance (for then, the defendant did not act wrongfully).

A fair ground of doubt on any of these questions means that contempt is improper, and the allegation that the redesign infringes must be resolved in a new infringement proceeding. Further, each of these is an independent basis for defeating contempt; none is a threshold test for determining whether there will be a contempt proceeding.

The patentee must prove any predicate of a contempt citation by *clear and convincing evidence*, including that the redesigned product is only colorably different, that it infringes, and that the violation was wrongful.

(b) How does “fair ground of doubt as to the wrongfulness of the defendant’s conduct” compare with the “more than colorable differences” or “substantial open issues of infringement” tests in evaluating the newly accused device against the adjudged infringing device? *See Cal. Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 618 (1885); *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1532 (Fed. Cir. 1985).

As noted above, the overarching question in determining whether contempt is warranted is whether there is a *fair ground of doubt as to the wrongfulness of the defendant’s conduct*. With respect to a standard patent-infringement injunction, when the patentee fails to prove by clear and convincing evidence that the redesigned product is *merely colorably different* from the adjudicated device, there is no violation of the injunction and the defendant’s conduct is not wrongful. The “fair ground of doubt” test creates breathing room around the “more than colorably different” test—if there is a fair ground of doubt as to whether the test is satisfied, contempt is inappropriate.

The “colorable differences” test itself requires comparing the redesigned product with the adjudicated device. They are no more than *colorably different* only if they are *essentially the same*. By contrast, they are more than *colorably different* if there are any *substantial open issues* that would need to be tried with respect to infringement. There is a substantial open issue of infringement at least where:

1. infringement would not result from the application of traditional principles of claim and issue preclusion in a new action (including where the claim limitations do not map onto the redesigned product in the same way that the patentee mapped them onto the adjudicated product in the original case); or
2. the patentee would not be entitled to summary judgment of infringement in a new action; or
3. experts have a genuine, material disagreement about how claim limitations map onto the new device.

(c) Where a contempt proceeding is proper, (1) what burden of proof is on the patentee to show that the newly accused device infringes (*see KSM*, 776 F.2d at 1524) and (2) what weight should be given to the infringer's efforts to design around the patent and its reasonable and good faith belief of noninfringement by the new device, for a finding of contempt?

For a standard patent-infringement injunction, the patentee must prove infringement by clear and convincing evidence, just as the patentee must prove every factual basis for contempt by clear and convincing evidence. Although a pure heart alone is no defense to contempt, proof that the defendant engaged in diligent, good-faith efforts to comply with the injunction and had an objectively reasonable basis to believe that it was in compliance raises a fair ground of doubt as to the wrongfulness of the defendant's conduct—thus precluding contempt.

(d) Is it proper for a district court to hold an enjoined party in contempt where there is a substantial question as to whether the injunction is ambiguous in scope?

No. Contempt must be based on an unmistakable violation of a clear and unambiguous order, and it is not appropriate to hold an enjoined party in contempt

where there is a substantial question as to whether the injunction barred the party's acts. So long as the defendant has a reasonable basis for reading the order as it did, contempt is improper. This contempt-specific rule applies even if the defendant failed to challenge an ambiguous order in an earlier appeal.

SUMMARY OF ARGUMENT

I. With respect to standard patent-infringement injunctions that are otherwise unambiguous, *KSM* articulated a set of rules that subsequent panels have not consistently applied. This Court should reaffirm those core principles and adopt two modifications that would align this Circuit's contempt law with the rules that govern contempt in all other contexts.

A. *Fair Ground of Doubt.* *KSM* was correct that the overarching principle with respect to any contempt proceeding is that civil contempt is “a severe remedy, and should not be resorted to where there is *fair ground of doubt* as to the wrongfulness of the defendant's conduct.” *KSM*, 776 F.2d at 1525 (quoting *Cal. Artificial Stone*, 113 U.S. 609 at 618) (emphasis added in *KSM*). That is the standard the Supreme Court articulated over a century ago, the standard that the other circuits routinely apply in nonpatent cases, and the standard this Circuit, and others before it, historically applied in patent cases. Under this standard, contempt is obviously improper when there is a fair ground of doubt as to whether the

injunction was violated, but it is also improper when there is a fair ground of doubt as to whether any violation was wrongful.

Applying this principle to a standard patent-infringement injunction, there are at least three distinct circumstances in which contempt is improper.

B. Colorable Differences. The first circumstance is where the patentee fails to prove that the redesigned product is only colorably different from the adjudicated product, for then there is *more than* a fair ground of doubt as to whether the defendant even violated the injunction. The central question in the colorable differences analysis is whether “there are substantial open issues with respect to infringement to be tried.” *KSM*, 776 F.2d at 1532. *KSM* sets out the three core principles—relating to issue preclusion, summary disposition, and genuine, material factual disputes—for determining whether there are substantial open issues.

KSM's three core principles are internally consistent, mutually reinforcing, and correct. They flow from the Supreme Court's direction to consider whether “the defendant continued to make [the product] ... *in the manner in which it was proved he did make them*”—since a different manner of making the product was never found to infringe and therefore should not be the basis for contempt. *Cal. Artificial Stone*, 113 U.S. at 613 (emphasis added). They also put into practical effect this Court's admonition that “the modifying party generally deserves the

opportunity to litigate the infringement question at a new trial.” *Arbek Mfg., Inc. v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995). These principles are fair to both sides, encourage innovation, and are definite and manageable.

Under these principles, the contempt ruling in this case cannot stand.

C. *Infringement Inquiry.* The second circumstance where contempt is improper is where the patentee fails to prove that the redesign infringes, for then, again, there is *more than* a fair ground of doubt as to whether the injunction (as properly construed) was even violated. As *KSM* correctly observed, “[t]he authorities are uniform that the modified device must be an infringement to find contempt of such an injunction.” 776 F.2d at 1528. But *KSM*’s description of the mechanics of the contempt inquiry—specifically, the relationship between the colorable differences inquiry and the infringement inquiry—warrants a modification. The colorable differences inquiry is not a threshold question en route to a contempt proceeding; and, as *KSM* elsewhere acknowledged, determining infringement is not the ultimate objective of a contempt proceeding. The two are independent inquiries in a contempt proceeding, and the patentee’s failure to prove either of them raises a fair ground of doubt. This correction would bring patent contempt law in line with contempt law generally.

D. *Diligence and Reasonable Basis.* The third circumstance where contempt is improper is where a defendant undertakes diligent, good-faith efforts

to comply with the injunction and has an objectively reasonable basis for believing that it did.

Such circumstances raise at least *a fair ground of doubt* as to whether the defendant's conduct was wrongful. Moreover, this rule, consistently followed by other circuits, flows from the Supreme Court's standard, which asks not whether there is a fair ground of doubt as to whether the defendant *violated the injunction*, but whether there is a "fair ground of doubt as to the *wrongfulness* of the defendant's conduct." *Cal. Artificial Stone*, 113 U.S. at 618 (emphasis added). At times, this Court, too, has embraced this principle, as reflected in its oft-quoted statements that contempt is a "shield protecting the patentee against an infringer's *flagrant disregard* for court orders," but "not a sword for wounding a former infringer who has made a *good-faith effort* to modify a previously adjudged or admitted infringing device to remain in the marketplace." *Arbek*, 55 F.3d at 1570 (citation omitted) (emphasis added). But this Court has not applied the standard consistently.

Under this principle alone, contempt was improper here, since EchoStar diligently strove to comply with the injunction by devising a noninfringing design-around, OB 9-16, and reasonably relied on opinions of respected patent lawyers that the design-around succeeded, OB 16.

E. Clear and Convincing Evidence. *KSM* correctly recited the universal rule in contempt cases that “the movant bears the heavy burden of proving violation by clear and convincing evidence.” *KSM*, 776 F.2d at 1524. That means that, at the very least, “it must be shown, by clear and convincing evidence, that there was a valid order in place, the defendant had knowledge of the order, and the order was disobeyed.” *Yancheng Baolong Biochem. Prods. Co. v. United States*, 406 F.3d 1377, 1381 (Fed. Cir. 2005) (citation omitted). It is, in other words, the “violation” that must be proven “by clear and convincing evidence,” *KSM*, 776 F.2d at 1524, which means clear and convincing proof that the differences were merely colorable, not just that the redesign infringes.

II.A. The Granny Goose Standard. In view of the “serious penalties [that] can befall those who are found to be in contempt of court injunctions,” the rule is that “those against whom an injunction is issued should receive fair and precisely drawn notice of what the injunction actually prohibits.” *Granny Goose Foods, Inc. v. Bhd. of Teamsters Local No. 70*, 415 U.S. 423, 444 (1974). *Granny Goose* stands for the “basic principle” that “[a]mbiguities and omissions in orders redound to the benefit of the person charged with contempt.” *Abbott Labs. v. TorPharm, Inc.*, 503 F.3d 1372, 1383 (Fed. Cir. 2007) (citation omitted). A contempt citation must be reversed unless the defendant “violated a clear and unambiguous order that leaves *no uncertainty* in the minds of those to whom the

order is addressed.” *Perez*, 347 F.3d at 424 (emphasis added) (quotation and alterations omitted).

B. Contempt Cannot Be Sustained. The contempt order here fails this standard. First, Chief Judge Rader’s statement that “*no reasonable patent attorney* would have read the ... provision” as the District Court did, slip op., dissent at 3 (emphasis added), necessarily means that the District Court’s reading is not free of ambiguity. Second, the District Court’s reading of the order as prohibiting noninfringing design-arounds would have been illegal. Third, *Granny Goose, Abbott*, and other cases confirm that the injunction must be read in light of what transpired at the injunction hearing (which neither the District Court nor the panel majority examined properly). In light of all this, EchoStar’s reading of the order was correct. But even if the Court disagrees, contempt is inappropriate so long as EchoStar’s reading was reasonable, which it plainly was.

C. Waiver. The panel was mistaken in holding that EchoStar waived its position on interpretation of the injunction by failing, on direct appeal from the judgment, to hypothesize and challenge the interpretation that the District Court adopted for the first time two years later. There is no such exception to *Granny Goose*. And *Travelers Indemnity Co. v. Bailey*, 129 S. Ct. 2195 (2009), is not to the contrary because (1) it was not a contempt case and (2) it involved a clear order.

If this Court were to create an exception to *Granny Goose* based on a defendant's failure to appeal a potential interpretation, the exception would swallow the rule. Because injunctions are *always* immediately appealable, most defendants have the opportunity to challenge adverse interpretations of orders issued against them.

ARGUMENT

I. THE DISTRICT COURT ERRED IN FINDING ECHOSTAR IN CONTEMPT OF THE INFRINGEMENT PROVISION BECAUSE THERE WAS A FAIR GROUND OF DOUBT AS TO THE WRONGFULNESS OF ECHOSTAR'S CONDUCT.

This Court's first three questions relate to how to enforce a standard injunction against further patent infringement—an otherwise unambiguous injunction against making or using the adjudicated device and other devices that are no more than colorably different from it. We demonstrate in this section that this Court's opinion in *KSM* articulated a set of rules and core principles that are correct, workable, and unobjectionable, but that there are two respects in which *KSM*'s principles should be modified. We begin with the Supreme Court's fair ground of doubt standard, which *KSM* correctly adopted as the overarching standard. *See infra* Point I.A. We then demonstrate and describe more fully three distinct circumstances in which contempt is improper under this standard—each of which makes contempt improper here: (1) the patentee fails to prove that the redesigned product is only colorably different, *see infra* Point I.B.; (2) the

defendant devises a design-around that does not infringe, *see infra* Point I.C.; and (3) the defendant undertook diligent, good-faith efforts to comply with the injunction and had an objectively reasonable basis for believing in that it was in compliance, *see infra* Point I.D. We then explain why the patentee’s standard of proof for each of these inquiries is clear and convincing evidence. *See infra* Point I.E.

A. A Finding of Contempt Is Improper Whenever There Is a Fair Ground of Doubt as to the Wrongfulness of the Defendant’s Conduct.

The Supreme Court first articulated the “fair ground of doubt” standard over a century ago, in *California Artificial Stone*, which involved a contempt proceeding on a patent injunction. The patent at issue covered a form of concrete sidewalk pavement that is laid out in blocks, to reduce cracking. The defendant was found liable for infringement. The defendant then implemented a design-around, which gave “the pavement the appearance of being made in detached blocks.” 113 U.S. at 613. That technique ““afford[ed] to a very large extent, the advantages ... obtained by the use of the ... patent.”” *Id.* at 614.

The patentee filed for contempt. The circuit court split over whether the defendant’s continued infringement amounted to contempt and certified the case to the Supreme Court. For jurisdictional reasons, the Supreme Court did not resolve that question. Instead, it remanded with explicit “directions to the circuit.” *Id.* at

618. The Court observed that “[h]ad the defendant continued to make concrete pavements ... in the manner in which it was proved he did make them, and which the court decided to be an infringement, there could have been no doubt that he would have violated the decree.” *Id.* at 613. The Court then directed:

If the judges disagree there can be no judgment of contempt; and the defendant must be discharged. The complainant may then either seek a review of that decision in this court, or bring a new suit against the defendant for the alleged infringement. The latter method is by far the most appropriate one where it is really a doubtful question whether the new process adopted is an infringement or not. *Process of contempt is a severe remedy, and should not be resorted to where there is fair ground of doubt as to the wrongfulness of the defendant’s conduct.*

Id. at 618 (emphasis added).

California Artificial Stone established two principles in addition to the “fair ground of doubt” principle. *First*, “a new suit against the defendant for the alleged infringement” is the norm, and the “severe remedy” of contempt is the exception. That must be so because contempt is such “a potent weapon” and can be “deadly.” *Int’l Longshoremen Ass’n, Local 1291 v. Phila. Marine Trade Ass’n*, 389 U.S. 64, 76 (1967). *Second*, there is “no doubt” that contempt is appropriate where the defendant makes new products in the same “*manner in which it was proved he did make them, and which the court decided to be an infringement.*” If, however, the defendant is not alleged to have infringed in that same manner, there is a fair ground of doubt as to the wrongfulness of the defendant’s conduct.

In the century since *California Artificial Stone*, the courts of appeals have consistently applied the “fair ground of doubt” standard to contempt motions arising in patent and nonpatent cases alike.² As this Court has noted, “this court,” too, “ha[s] evaluated, as a threshold question in deciding whether summary contempt proceedings are proper, whether there is ‘fair ground for [sic] doubt as to the wrongfulness of the defendant’s conduct.’” *Abbott Labs.*, 503 F.3d at 1380 n.3; *MAC Corp. of Am. v. Williams Patent Crusher & Pulverizer Co.*, 767 F.2d 882, 884-85 & n.6 (Fed. Cir. 1985) (quoting the standard nine times, describing it as a “well-settled principle,” and noting that the district court “correctly looked to the law in denying [the plaintiff’s] motion on the basis of a ‘fair ground of doubt’”); *KSM*, 776 F.2d at 1525, 1528 (citing it three times); *id.* at 1533, 1536, 1537 (Newman, J., concurring). But this Court has not consistently mentioned this standard, and has not always seemed to apply it. *See, e.g., Int’l Rectifier Corp. v. Samsung Elecs. Co.*, 361 F.3d 1355, 1359 (Fed. Cir. 2004) (reciting contempt standard of review without stating “fair ground of doubt” standard).

² *See, e.g., Panther Pumps & Equip. Co. v. Hydrocraft, Inc.*, 566 F.2d 8, 21 (7th Cir. 1977) (patent case); *Am. Foundry & Mfg. Co. v. Josam Mfg. Co.*, 79 F.2d 116, 118 (8th Cir. 1935) (same); *Latino Officers Ass’n of N.Y.C., Inc. v. City of New York*, 558 F.3d 159, 164 (2d Cir. 2009) (non-patent case); *Hanley v. Pac. Live Stock Co.*, 234 F. 522, 531 (9th Cir. 1916) (same).

B. Because EchoStar’s Redesigned Device Was More Than Colorably Different From the Adjudicated Device, EchoStar Did Not Violate the Injunction and Its Conduct Was Therefore Not Wrongful; Contempt Is Inappropriate If There Is a Fair Ground of Doubt on This Issue.

In any contempt case, the touchstone is the language of the order in question. Here, as in most standard patent-infringement injunctions, the relevant provision prohibits products “only colorably different” from the product found to infringe. A162. Consequently, if EchoStar’s redesigned products are *more than* colorably different from the adjudicated products, its conduct falls outside the injunction entirely, and there would necessarily be more than a fair ground of doubt as to the wrongfulness of the defendant’s conduct.

1. KSM supplies three core principles for assessing colorable differences.

KSM took great care in drawing the line between a redesign that is more than colorably different from the adjudicated product and one that is not. A redesigned device is merely colorably different from the adjudicated device only if the two devices are “essentially the same.” *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1324 (Fed. Cir. 2008); *KSM*, 776 F.2d at 1531 (“without essential change”) (quoting *Radio Corp. of Am. v. Cable Radio Tube Corp.*, 66 F.2d 778, 782 (2d Cir. 1933)). *KSM* holds that the central question in the colorable differences analysis is whether “there are substantial open issues with respect to infringement to be tried.” *KSM*, 776 F.2d at 1532. The *KSM* Court surveyed decades of precedents and

assessed the policy ramifications of various approaches to the “colorable differences” standard. Three core principles emerged:

1. ***Issue preclusion as a guide.*** A court should “utilize principles of claim and issue preclusion (*res judicata*) to determine what issues were settled by the original suit and what issues would have to be tried.” *Id.* at 1532. Under this principle, there must be a substantial open issue of infringement if the claim limitations do not map onto the redesigned product in the same manner that the fact-finder decided was an infringement at trial. *See Cal. Artificial Stone*, 113 U.S. at 613, 618.
2. ***Summary disposition as a guide.*** “[A] party may seek relief by way of contempt proceedings only if the issues are appropriate for summary disposition.” *KSM*, 776 F.2d at 1531.
3. ***Genuine dispute in testimony.*** If experts or other witnesses have a genuine and new factual disagreement about what the new device does or how claim limitations map onto the new device, there is a substantial open issue of infringement. *Id.*

2. *KSM’s* core principles are correct.

KSM’s core principles on colorable differences respect and reflect the purposes of contempt, the origins of the phrase, and the various competing policies and interests.

Precedent. *KSM’s* core principles are faithful to the Supreme Court’s “fair ground of doubt” standard. In particular, they flow from *California Artificial Stone’s* direction to address whether “the defendant continued to make [the products] ... *in the manner in which it was proved he did make them*”—since a different manner of making the products was never found to infringe and therefore should not be the basis for contempt. 113 U.S. at 613 (emphasis added). Further,

these principles put into practical effect this Court's admonitions, also uniformly followed by other circuits, that courts must "exercis[e] restraint in affording the patent owner the benefit of contempt proceedings," *KSM*, 776 F.2d at 1525, and "the modifying party generally deserves the opportunity to litigate the infringement question at a new trial," *Arbek Mfg., Inc. v. Moazzam*, 55 F.3d at 1570 (Fed. Cir. 1995).

Purpose of contempt. These principles are also necessary to ensure that contempt proceedings are limited to their legitimate purpose. A contempt proceeding is not supposed to be a bonus for the winner of a patent suit, a shortcut for proving that the defendant committed some *new* act that might be an independent basis for liability. It is instead an expedited mechanism for proving that the defendant violated the order implementing the judgment the patentee already secured. *See KSM*, 776 F.2d at 1525 (while injunctions usually prohibit "further infringement," it is "not as to any and every possible infringement") (citation omitted). A judgment of infringement is secured for "the particular device," based upon a particular theory, which mapped particular claim terms onto the device in a particular way. *Id.* So *KSM* was correct that a contempt order is improper unless the redesign is essentially the same as the product that was the basis of the judgment in the first place, as judged by whether the new claim of infringement raises open issues.

Open issues are necessarily raised whenever claim limitations map onto the redesigned product differently from the adjudicated product. And claim and issue preclusion must control the determination of whether an issue of infringement is “open.” If “changes in facts essential to a judgment will render collateral estoppel inapplicable in a subsequent action raising the same issues,” *Montana v. United States*, 440 U.S. 147, 159 (1979), then those same “changes in facts” must suffice to preclude using the same judgment as the basis for a contempt citation.

Original usage. This approach to colorable differences also accords with the term’s original use in patent cases, dating back more than 150 years. When a patentee won a judgment of infringement with a royalty award for each unit of a product, the next question that often arose was which products were covered by the royalty. The courts applied the “colorable differences” concept as a way of describing the universe of devices that the judgment covered—the devices that had to be treated as though the jury had already found them infringing. *See, e.g., Flat Slab Patents Co. v. Turner*, 285 F. 257, 272-74 (8th Cir. 1922) (holding that where patentee attempted to include additional constructions in the accounting, the standard to be applied was “whether the changes or differences between these constructions and his old construction which was declared to infringe are, in a patent sense, substantial, or only colorable”; the issue is “whether the new construction is within what the decree has declared to constitute an infringement”);

Murray v. Orr & Lockett Hardware Co., 153 F. 369, 370 (7th Cir. 1907) (“if it should be found that the additional types contain only colorable departures from the adjudged infringing type, the decree for an injunction and an accounting and an order of reference could be extended to cover them specifically”). When courts grappled with how to apply an injunction to a redesigned device, they applied the same standard, simply asking whether this was essentially a device that *had already been found* to infringe. See, e.g., *Higby v. Columbia Rubber Co.*, 18 F. 601, 602 (C.C.D. Mass. 1883) (stating that, “if a patent has been fully discussed and understood in the trial of the case, and if, in the light of that discussion, it is clear to the court that the change which has been made in a machine or a manufacture is merely colorable,” contempt is proper); *Onderdonk v. Fanning*, 2 F. 568, 569 (C.C.E.D.N.Y. 1880) (holding that “the question raised by the new machine cannot be presented by a motion for an attachment for contempt” because “the alteration made in the bed was not so plainly colorable as to entitle the plaintiff to an attachment against [the defendant] for contempt”).

Balance of competing interests and patent policy. This approach also strikes the optimal balance between the rights of the patentee and the accused infringer and represents the best accommodation of competing public policies embodied in the Patent Act. The Tenth Circuit captured these opposing interests in a passage this Court later quoted in *KSM*:

“Allowing the patentee to proceed by a summary contempt proceeding in all cases would unnecessarily deter parties from marketing new devices that are legitimately outside the scope of the patent in question. On the other hand, to require in each instance the patentee to institute a new infringement suit diminishes the significance of the patent and the order of the court holding the patent to be valid and infringed.”

KSM, 776 F.2d at 1530 (quoting *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 233 (10th Cir. 1968)).

For the accused infringer, the stakes are astronomical. A defendant confronting contempt not only faces extraordinarily harsh sanctions but also loses critical rights. In an ordinary infringement trial, a defendant may litigate issues of claim construction that are raised by the specific product in question. It would also be constitutionally entitled to a jury trial on any disputed issue of how the claim limitations map onto the accused product. And it can often force the patentee to moderate its claim constructions and theory of infringement to avoid invalidity problems.

In a contempt proceeding, the accused infringer loses all of these constitutional and procedural protections. The validity finding and the claim constructions are typically frozen. *See KSM*, 76 F.2d at 1529. *But see Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1350 (Fed. Cir. 1998) (resolving a new issue of claim construction against the defendant). That means that the defendant loses any opportunity to seek legitimate

constructions that put the redesign outside the claim scope, and the patentee is free to take aggressive positions on infringement that it would never take if still confronting the prospect of invalidity.

A defendant should not lose these protections or risk the indelible stain of contempt unless it is clear that the redesigned device is essentially the same as the adjudicated device, such that the jury effectively has already resolved against the defendant all the issues of infringement raised by the redesign.

This approach does not in any way “diminish[] the significance of the patent and the order of the court holding the patent to be valid and infringed.” *KSM*, 776 F.2d at 1530 (citation and internal quotation marks omitted). To the contrary, it respects the patent and gives the order the fullest force that it can legally bear. In every other realm, winning a lawsuit simply entitles the plaintiff to the legal benefit of that win. A plaintiff is legally entitled to apply principles of res judicata to avoid having to relitigate the same products and issues against the defendant. But when the defendant is accused of violating the same law, albeit in a different way, contempt is not the proper remedy. *See, e.g., Chao v. Gotham Registry, Inc.*, 514 F.3d 280, 284, 293 (2d Cir. 2008). A patentee deserves no greater rights than any other plaintiff.

Notably, even if a patentee fails to persuade the court to hold the defendant in contempt, it has ample means through a new action to protect its patent rights

and enforce its legitimate power to exclude. The patentee can seek a preliminary injunction if (unlike here) the infringement case is clear-cut. The patentee can also seek attorneys' fees and treble damages. And the patentee could still prevail without a full-blown jury trial, for it can always try to seek summary judgment based on a combination of collateral estoppel and additional facts that are not genuinely disputed.

The core principles of *KSM* also advance the central policies of the Patent Act. To encourage innovation, the legal system must enable patentees to enforce patent rights and exercise their right to exclude once they prove infringement. But when it comes to design-arounds, there are innovators on both sides of the “v.,” and any departure from the core *KSM* principles will significantly diminish innovation by former infringers, notwithstanding the strong public interest in encouraging redesigns. *See WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1355 (Fed. Cir. 1999) (“patent law encourages competitors to design or invent around existing patents”); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992) (design-arounds spur innovation and promote competition, which benefit consumers). A rule that is too liberal in “[a]llowing the patentee to proceed by a summary contempt proceeding ... would unnecessarily deter parties from marketing new devices that are legitimately outside the scope of the patent in question.” *KSM*, 776 F.2d at 1530 (quoting *McCullough Tool*, 395 F.2d at 233).

This case perfectly illustrates how an infringement verdict can spur innovation, for there is no dispute that EchoStar achieved two breakthroughs that TiVo's own inventors thought impossible. *See* OB 12, 15-16. Departing from the core *KSM* principles would be a windfall to patentees and a blow to competition, as former infringers would likely choose to avoid the risk of contempt by either agreeing to unwarranted licenses or abandoning the market altogether.

Finally, these guidelines are predictable and manageable. Principles of res judicata are familiar and definite and are, therefore, more likely to provide concrete guidance to parties and lower courts than other alternatives. Neither the parties nor the public interest would be well served by nebulous standards that allowed a district court simply to say, "I know contempt when I see it."

3. Regardless of how the colorable differences standard is formulated, EchoStar cannot be held in contempt.

Since *KSM*, panels of this Court have at times mentioned one or more of these core principles. But this Court has not always scrupulously followed them. *See, e.g., Additive Controls*, 154 F.3d at 1350 (addressing a "question of claim construction [that] was a new issue in the case," even though that issue had never been preclusively determined against the defendant). The District Court and the panel majority reached the wrong conclusion here because they did not apply *any* of these principles as *KSM* intended.

EchoStar's panel briefing detailed the stark differences between the redesigned receivers and the devices that were before the jury. OB 10-16. Putting aside for the moment the magnitude of EchoStar's efforts and its reliance on opinions from respected independent counsel (the significance of which we address *infra* Point I.D), the argument about the differences revolves around a host of undisputed points, enumerated in the Introduction to this brief. *See supra* pp. 2-3. Chief Judge Rader, in his dissent from the panel decision, aptly summarized these points as follows:

A full examination of the disputed claim shows little similarity between the former infringement proceedings and the issues now before this court. The accused structures are different. The theories of infringement are different. The pertinent claim constructions apply in ways that are different. The parties' positions have flip-flopped. The modified method operates in a significantly different way from the old. Indeed, the only thing that is not different is the identity of the parties themselves.

Slip op., dissent at 2. Certainly, under the *KSM* principles outlined above, changes this substantial yield far more than colorable differences. But regardless of the precise contours of the standard, a finding that these differences were merely colorable would deter the innovative design-arounds that the patent laws are intended to encourage.

Application of the core KSM principles. Because the panel briefing fully explains how the redesigned receivers are far more than colorably different from

the originals, *see* OB 27-38; Reply 11-18, we merely summarize here how the three core *KSM* principles apply to these facts.

If TiVo had brought a new suit to challenge the redesign, it could not have prevailed by invoking traditional principles of claim or issue preclusion. Because it had to map the claim limitations onto different features in a different way, it could not have shown that the jury verdict already addressed and disposed of its new mapping. OB 38-55.

For example, as to the “parses video and audio data” limitation, the jury must have concluded that start-code detection satisfied this claim limitation. That is what TiVo’s expert testified to, that is what TiVo characterized as “the genius, the core of the invention,” A6216, and that is what TiVo argued to the jury. *See* OB 14, 28; Reply 12. Removing start-code detection *necessarily* made the receivers operate differently from the ones the jury found to infringe. OB 15, 52-55; Reply 21-22.

The different devices do not become essentially the same merely because both had a PID filter—a distinct feature that everyone agrees performs an entirely different function than does start-code detection. OB 52-55; Reply 18-22. No principle of claim or issue preclusion would support (much less compel) the conclusion that a PID filter satisfies the “parses” limitation. Indeed, the jury undoubtedly *rejected* that position. Perhaps, as the District Court observed, “there

is no way to determine the thought process of the jury” with absolute certitude. But if “there is no way to know,” then the point cannot be established under the rules of issue preclusion. Maybe it is theoretically imaginable that “[s]ome or even all members of the jury may have believed from the testimony that parsing was satisfied by PID filtering rather than start-code detection.” A23. But even if settled rules of issue preclusion were dramatically loosened, this hypothesis could not support a contempt finding. Only the most imaginative jury could have concluded that the PID filter was the feature that met the claim limitation “parses video and audio data.” To fend off EchoStar’s invalidity challenge at trial, TiVo insisted that the PID filter did *not* satisfy that claim limitation; it told the jury that that claim limitation was all about the start-code detection, which a named inventor testified was essential to his invention. *See* OB 13-16, 34-35, 52-55; Reply 18-20. Contempt should not rest on musings about what a creative jury could have concluded, but only on a firm conviction as to what it had to have found.

So, too, for the various claim limitations relating to “flow control.” The jury found that the adjudicated devices satisfied all the flow control limitations—eight separate claim limitations in all—by the manner in which a faucet fills a pitcher, which in turn empties into a bucket. That was TiVo’s metaphor, and all that it argued to the jury. OB 10-13; Reply 12-13, 23-25. EchoStar’s design-around removed the faucet. Issue preclusion would never allow a court to leap to the

conclusion that the jury actually found that a receiver with *no* faucet satisfied those eight claim limitations. Moreover, TiVo's contempt argument was based on an *entirely new* infringement theory, requiring TiVo to find alternate structures to satisfy the "extracts," "converts," "fills," "source object," "transform object," "buffer," and "automatic flow control" limitations. No jury resolved any of these issues against EchoStar. *See generally* OB 27-34, 38-52; Reply 16-17. Finally, TiVo's contempt position depended on a new argument that the claimed steps did not have to be performed in the recited order,³ reinforcing the conclusion that the jury never found that EchoStar's design-around met the flow control limitation. All of these issues are substantial, they are new, and they are open.

The same conclusion follows from the other two *KSM* principles, the ones based on summary judgment principles and the complementary one based on genuine disputes of fact. EchoStar presented both expert and fact testimony about how the redesign worked and why the claim limitations cannot be mapped onto the redesigned features. OB 10-18. TiVo's expert disagreed, but with little more than vague assertions that "the current products [operate] the same way now as they did

³ Nearly every line of the asserted claims compels the conclusion that the steps must be performed in the recited order. OB 39-42; Reply 28-30. The testimony supports this conclusion, *see, e.g.*, OB 44-46, 50, and the argument was raised before the District Court and preserved on appeal. OB 50; Reply 29-31. The panel majority erred in stating otherwise, a statement that, though now vacated, lower courts will surely view as authoritative in future cases involving TiVo's patent.

at trial.” A5124. Some of the many factual disputes are catalogued in EchoStar’s panel briefing. OB 30-32. For reasons explained there, a jury almost certainly would not be permitted to credit TiVo’s expert in an actual infringement trial. OB 30-32. But for present purposes, the more important point is that these were genuine and material disputes of fact. These witnesses were not called simply to translate computer software into English. They had fundamentally different answers as to how the claim limitations mapped onto these new devices. OB 31-32. If TiVo had brought a separate proceeding, none of these issues could have been resolved against EchoStar on summary judgment, and certainly none had been resolved by the previous jury, which grappled with a different configuration. The earlier injunction did not empower the District Court to resolve these substantial issues unilaterally in summary proceedings.

Ramifications of upholding contempt. Affirming a finding of contempt on the facts of this case would bleed *KSM* of all meaning. A company that has devised a design-around after having been enjoined for infringement would find little solace in *KSM*’s cautions about what needs to be proven for contempt. Instead, before implementing the innovation, any rational company would have to ask itself:

If it is not enough to remove the features that the patentee accused; to force the patentee to accuse different features and adopt a new theory of infringement that maps the claim limitations onto the product in a new way; to present credible experts that dispute fundamental questions about how the new product works and how it relates to the claim terms; to achieve what the inventors thought was impossible; and to sacrifice performance in the interest of avoiding infringement—then what exactly is enough to avoid contempt?

If the District Court’s decision is affirmed, there would be no answer. There would be no reliable way to determine how a redesigning party could be safe from contempt. In this radically different regime, businesses adjudged to have infringed would confront irresistible pressures to capitulate rather than innovate.

On the flip side, the patentee—liberated from any concern that an aggressive, broad infringement position would risk invalidation of its patent—would have every incentive to press a contempt motion. And it would be easy. The patentee would simply have to present an expert to pronounce the sort of unsupported conclusions that TiVo’s expert made here—that “the current products [operate] the same way now as they did at trial,” A5124, or “the remaining limitations ... are met for the same reasons given at trial,” A5125—and rest its case. *See* OB 45-49; Reply 21-22, 24-28.

Most companies facing an injunction would opt to forgo the redesign and simply capitulate—no matter how innovative their redesign. The downside is too severe, and its likelihood too unpredictable, to risk. The practical result is that

patentees would effectively expand their exclusionary powers far beyond their proper bounds.

There is simply no standard that permits *this* contempt finding to be sustained without robbing all enjoined defendants of any confidence that they can safely design around.

C. Because EchoStar’s Redesigned Device Did Not Infringe, EchoStar Did Not Violate the Injunction and Its Conduct Was Not Wrongful; Contempt Is Inappropriate If There Is a Fair Ground of Doubt on This Issue.

If, through faithful application of the core *KSM* principles, a patentee carries its heavy burden of proving that a redesigned product is only colorably different from the adjudicated product, the patentee will often be able to prove infringement as well. After all, if product A infringes, and product B is essentially the same as product A, then product B will usually also infringe. But not necessarily. For example, a merely colorable difference in product B might avoid literal infringement—and prosecution history estoppel may then bar resort to the doctrine of equivalents.

Whatever the standard for “colorable differences,” however, a patentee cannot prevail on a contempt motion without proving that the redesigned product infringes. *See KSM*, 776 F.2d at 1528 (“The authorities are uniform that the modified device must be an infringement to find contempt of such an injunction.”) (citing numerous cases). *KSM* was also correct in holding, more specifically, that

the patentee must prove infringement even where, as there, the injunction does not expressly impose that limitation. *Id.* (“Nevertheless, devices which could not be enjoined *as infringements* on a separate complaint cannot possibly be deemed enjoined *as infringements* under an existing injunction in contempt proceedings.”). This is because the basis for the injunction is the statute authorizing courts to issue injunctions to “prevent the violation of any right secured by patent,” 35 U.S.C. § 283, and, at least for a first-time infringer, the injunction may not legally go further, *see Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1365 (Fed. Cir. 1998). An injunction that simply says “thou shalt not infringe” would be illegally overbroad and vague. *Int’l Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312, 1316-17 (Fed. Cir. 2004). But by operation of law, a standard patent-infringement injunction—which prohibits specific products and products not more than colorably different from them—is always read to include that limitation. *Id.* at 1316. After all, “[i]nfringement is the *sine qua non* of violation of an injunction against infringements.” *KSM*, 776 F.2d at 1528. Thus, a noninfringing redesign cannot violate a standard patent-infringement injunction. At the very least, it raises a fair ground of doubt as to the wrongfulness of the defendant’s conduct, for where a standard patent-infringement injunction is involved, there is nothing in the least bit wrongful about a noninfringing product.

Although *KSM* correctly resolved most of the issues it decided, its description of the mechanics of the inquiry—specifically, the relationship between the “colorable differences” inquiry and the infringement inquiry—warrants modification. *KSM* directs district courts first to apply the “colorable differences” analysis to decide “*whether contempt proceedings are appropriate,*” and then, in a second stage, *to conduct a contempt proceeding* to discern “whether an injunction against infringement has been violated.” *Id.* at 1532 (emphasis added). This characterization of the two inquiries is out of step with prevailing contempt law.

The *entire process* of deciding whether defendant’s conduct was wrongful—and whether there is a fair ground of doubt on that question—is the “contempt proceeding.” The “colorable differences” analysis is a critical component of the “contempt proceeding”—usually, *the* critical component. It is about whether the defendant *violated the order*. The “colorable differences” inquiry is not a threshold question en route to a contempt proceeding, and, as *KSM* elsewhere acknowledged, determining infringement is not the ultimate objective of a contempt proceeding.

To be clear, the critique here is of *KSM*’s description of the two inquiries, not of the order in which they should be addressed. Courts should ordinarily resolve the “colorable differences” inquiry before conducting any infringement analysis. Reversing the order could lead to the paradoxical situation where the

judge concludes that the redesign does infringe, but then concludes that the product is more than colorably different so that the infringement question should have been addressed by a jury. The point is simply that the two inquiries are of equal status as components of a contempt proceeding, and the “colorable differences” inquiry should not be viewed as the gateway to a contempt proceeding.

This correction would bring patent contempt law in line with contempt law generally. The Supreme Court’s direction in *California Artificial Stone*, for example, did not contemplate that a court would start with a threshold inquiry as to whether a contempt proceeding is appropriate and then proclaim “this is now a contempt hearing.” Nor do the various regional circuits apply such a two-stage analysis outside the patent context. *See, e.g., infra* pp. 38-42, 45-46 (citing numerous cases, none of which applies a two-stage analysis).

In any event, whether or not this Court adopts this modification, the outcome in this case is clear: As our panel briefing demonstrated at length, TiVo failed to prove infringement. *See* OB 38-55; Reply 18-31.

D. Because EchoStar Engaged in Diligent, Good-Faith Efforts to Comply With the Court’s Injunction and Had an Objectively Reasonable Basis for Believing That It Had Complied, There Is a Fair Ground of Doubt as to Whether Its Conduct Was Wrongful.

For the reasons already discussed, contempt must fail here under either of the two inquiries that this Court has embraced—colorable differences and infringement. But this Court should recognize a third and independent way to raise

a fair ground of doubt, which also precludes contempt here: Although a pure heart *alone* is not enough to overcome contempt, *see McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 191 (1949); *Additive Controls*, 154 F.3d at 1353, contempt is not proper when a defendant undertook diligent, good-faith efforts to comply with an injunction *and* had an objectively reasonable basis for believing that it was in compliance.

Under such circumstances, there is necessarily a fair ground of doubt as to whether the defendant *violated* the injunction, or at least as to whether the defendant acted *wrongfully*. When, for example, a respected patent firm issues a reasonable and independent analysis finding that the redesigned device does not infringe at all, that must mean that there is at least a fair ground of doubt as to whether the defendant violated an injunction against producing essentially the same device. At a minimum, the defendant's reasonable reliance on such an opinion, along with diligent efforts, gives rise to a "fair ground of doubt as to the *wrongfulness* of the defendant's conduct," *Cal. Artificial Stone*, 113 U.S. at 618 (emphasis added), which is the correct focus of the contempt inquiry. The very word "contempt" bespeaks an affront to the court's authority. The contempt statute speaks in similar terms of culpability, granting a district court "power to punish ... contempt of its authority" for "[d]isobedience or resistance to its lawful ... order, ... decree, or command." 18 U.S.C. § 401(3) (emphasis added).

Contempt is inappropriate for an honest, objectively reasonable disagreement about the application of the injunction to the redesigned device.

At times, this Court has embraced this principle, holding, for example, that contempt is a “shield protecting the patentee against an infringer’s *flagrant disregard* for court orders,” but “not a sword for wounding a former infringer who has made a *good-faith effort* to modify a previously adjudged or admitted infringing device to remain in the marketplace.” *Arbek*, 55 F.3d at 1570 (citation omitted) (emphasis added); *see* OB 25–27 (quoting examples of similar language in this Court’s cases). Formulations like this accord with historical usage. *See, e.g., Kreplik v. Couch Patents Co.*, 190 F. 565, 567 (1st Cir. 1911) (“a mere colorable attempt at evasion”); *Phillips v. Detroit*, 19 F. Cas. 512, 513 (C.C.E.D. Mich. 1877) (No. 11,101) (contempt proper where the changes to the product were “plainly a subterfuge”).

Although this Court has not explicitly adopted this principle as a separate basis for finding a fair ground of doubt as to the wrongfulness of defendant’s conduct, other circuits uniformly follow the rule that “if a defendant’s action ‘appears to be based on a good faith and reasonable interpretation of (the court’s order),’ he should not be held in contempt.” *Vertex Distrib. Inc. v. Falcon Foam Plastics, Inc.*, 689 F.2d 885, 889 (9th Cir. 1982) (citation omitted); *id.* at 891-92 (concluding that “defendants were ... not in contempt” because their stance on

what the order required was reasonable and they “had made every reasonable effort to comply with the court’s order”).⁴ In fact, they consistently hold that even if an injunction is couched in the most objective and verifiable of terms—so there is no question of interpretation, and the violation of the order is clear—“a person who attempts with reasonable diligence to comply with a court order should not be held in contempt.” *Newman v. Graddick*, 740 F.2d 1513, 1522-25 (11th Cir. 1984) (citation omitted) (Commissioner of Department of Corrections could not be held in contempt even though he plainly violated order requiring him to ensure that each inmate be furnished with 60 square feet of living space).⁵

The Second Circuit recently applied these principles in *Chao v. Gotham Registry, Inc.*, 514 F.3d 280 (2d Cir. 2008). There, the defendant was adjudicated

⁴ See also *Ga. Power Co. v. NLRB*, 484 F.3d 1288, 1292 (11th Cir. 2007) (no contempt because “we cannot conclude that the [plaintiff] has established, by clear and convincing evidence, that [the defendant’s] actions ... were based on an unreasonable interpretation of the clear and unambiguous directive of our order”); *Wash. Metro. Area Transit Auth. v. Amalgamated Transit Union, Nat’l Capital Local Div.* 689, 531 F.2d 617, 622 (D.C. Cir. 1976) (district court committed reversible error in finding union in contempt of order requiring workers to return to work, without considering evidence of the union’s good faith or its efforts to substantially comply).

⁵ See also *Peppers v. Barry*, 873 F.2d 967, 969 (6th Cir. 1989) (in the face of a clear violation, contempt improper where “the record shows that the defendants took all reasonable steps to achieve substantial compliance with the district court’s injunction”); *United States v. Rizzo*, 539 F.2d 458, 465-66 (5th Cir. 1976) (overturning contempt citation where there was no question that the defendant violated a court order to produce certain patient payment cards, where the

to have failed to pay its workers overtime wages in connection with a particular work arrangement. *Id.* at 283-84. The district court issued an injunction requiring the company to comply with the Fair Labor Standards Act's overtime provisions. *Id.* at 284. When the company then decided not to pay overtime in connection with a different work arrangement, the Secretary of Labor filed a petition for contempt. On appeal, the Second Circuit found that defendants were in violation of the Act, and thus necessarily in violation of the injunction. *Id.* The court nevertheless concluded that contempt was improper, because *ex ante* there had been a "substantial question" as to what the law was (and, therefore, what the injunction required). *Id.* at 292. Giving the company the benefit of the uncertainty, the court held that it would be "unreasonable that [the defendant] be required on pain of contempt, to arrive at a correct answer to such a difficult question of first impression." *Id.* In so ruling, the court also found it important that the defendant had been "reasonably diligent and energetic in attempting to comply" with the injunction, including seeking advice of counsel, even though "these steps did not exhaust all means available to [the defendant] to ensure" that it was not violating the law. *Id.* at 293.

defendant discharged his "duty to make in good faith all reasonable efforts to comply").

So too here. When a patentee is seeking the harsh punishment of contempt, it is not enough to persuade the court that the device falls on the wrong side of the colorable differences or infringement lines. The patentee cannot prevail where, as here, the defendant diligently strives to comply with the injunction by devising a noninfringing design-around and reasonably relies on opinions of respected patent lawyers that the design-around succeeded. OB 9–16. An effort that consumed 8,000 man-hours and rewrote 20,000 lines of code is not an utter irrelevancy. Nor are three detailed opinion letters from a leading patent firm concluding that the redesign is not just different, but is noninfringing, and lauding EchoStar for exercising diligence “in the very upper echelon of care that clients have taken.” A5347. The point, again, is not that this evidence shows EchoStar’s pure heart (although it does). Rather, this evidence raises a fair ground of doubt as to whether the device was more than colorably different, and thus, whether EchoStar violated the injunction—or, at least, a fair doubt as to whether EchoStar’s conduct was objectively wrongful.

E. Clear and Convincing Evidence Is Required for Each Predicate Finding Necessary to Support a Contempt Citation.

KSM correctly recited the universal rule in contempt cases that “the movant bears the heavy burden of proving violation by clear and convincing evidence.” *KSM*, 776 F.2d at 1524 (citing various cases). This is the standard that the other circuits routinely apply to all predicates of a contempt finding. *See, e.g., In re Gen.*

Motors Corp., 61 F.3d 256, 258 (4th Cir. 1995); *Project B.A.S.I.C. v. Kemp*, 947 F.2d 11, 16 (1st Cir. 1991); 11 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE: CIVIL § 2960 at 591 (2d ed.). It was also the standard applied to patent cases before this Court was created. *See, e.g., Telling v. Bellows-Claude Neon Co.*, 77 F.2d 584, 585 (6th Cir. 1935).

The controversy in this appeal is over *what* must be proven by clear and convincing evidence—specifically, whether the heightened standard applies to the colorable differences analysis. The answer is yes. “[I]t must be shown, by clear and convincing evidence, that there was a valid order in place, the defendant had knowledge of the order, and the order was disobeyed.” *Yancheng Baolong Biochem. Prods. Co. v. United States*, 406 F.3d 1377, 1381 (Fed. Cir. 2005) (citation omitted). In other words, at a minimum, it is the “*violation*” that must be proven “by clear and convincing evidence.” *KSM*, 776 F.2d at 1524. Where, as here, the order prohibits the defendant from making products that are “only colorably different” from the “Infringing Products,” the patentee must prove that the defendant violated this specific directive—by adducing clear and convincing evidence that the products were only colorably different (and, of course, that they infringe).

The District Court agreed that *infringement* must be proven by clear and convincing evidence, A18, but nonetheless concluded that TiVo has “no burden”

with respect to the “colorable differences” analysis, A44; *see also* slip op. at 8 (stating that the issue “is left to the discretion of the trial court”). That ruling depends on *KSM*’s mistaken premise that the colorable differences inquiry is not itself part of a “contempt proceeding,” but only a threshold inquiry that determines whether a contempt proceeding will be held. The premise is wrong for reasons explained above. *See supra* pp. 35-36. But even if the premise were right, the conclusion would still be wrong. The heightened evidentiary standard helps to ensure that the “severe remedy” of contempt is reserved for only the clearest cases. *KSM*, 776 F.2d at 1524-25. That purpose cannot be achieved unless the heightened standard applies to all elements of the ultimate finding, especially the one that typically dominates contempt proceedings in patent cases.

Consistent with these principles, this Court has applied the heightened standard of proof to both the “colorable differences” test and infringement. For example, in upholding one contempt finding, this Court observed that “[c]lear and convincing evidence ... supports [the trial judge’s] finding that there is no more than a colorable difference,” *Abbott*, 503 F.3d at 1381, an observation that would have been superfluous if that were not the relevant standard of proof. And in *KSM* and later cases, this Court stated that to “show contempt, the patent owner must prove by clear and convincing evidence that ‘the modified device falls *within the admitted or adjudicated scope of the claims* [which is the focus of the colorable

differences test] and is, therefore, an infringement,” *Arbek*, 55 F.3d at 1569 (emphasis added) (quoting *KSM*, 776 F.2d at 1530).

II. THE DISTRICT COURT ERRED IN HOLDING EHOSTAR IN CONTEMPT OF THE DISABLEMENT PROVISION BECAUSE THERE IS AT LEAST A SUBSTANTIAL QUESTION AS TO WHETHER THE INJUNCTION IS AMBIGUOUS.

This Court’s final question is whether it is “proper for a district court to hold an enjoined party in contempt where there is a substantial question as to whether the injunction is ambiguous in scope.” The answer is no. The Supreme Court and all the circuits agree that any ambiguity in an injunction precludes a contempt citation, for contempt is permissible only when the order is so “clear and unambiguous ... that [it] leaves *no uncertainty* in the minds of those to whom the order is addressed.” *Perez v. Danbury Hosp.*, 347 F.3d 419, 424 (2d Cir. 2003) (emphasis added) (quotation marks and alterations omitted). *See infra* Point II.A.

Whatever level of ambiguity suffices to defeat a finding of contempt, it existed here, where the District Court took the unprecedented step of interpreting an injunction to prohibit EchoStar from ever using millions of receivers even if they were indisputably noninfringing. A finding of contempt cannot stand when a member of this Court finds that EchoStar’s reading was not only plausible, but superior—and indeed, that “*no reasonable patent attorney* would have read the ... provision” as the District Court did. Slip op., dissent at 3 (emphasis added). *See infra* Point II.B. Moreover, EchoStar did not waive the interpretation when it did

not appeal an unnatural reading of an injunction that no one previously had suggested. *See infra* Point II.C.

A. Under *Granny Goose*, Any Reasonable Question Whether an Injunction Is Ambiguous Precludes a Contempt Finding.

Like the answers to the Court’s first three questions, the answer to the last one begins with the principle that a contempt ruling cannot be sustained if there is a “fair ground of doubt as to the wrongfulness of the defendant’s conduct.” *Cal. Artificial Stone*, 113 U.S. at 618. In view of the “serious penalties [that] can befall those who are found to be in contempt of court injunctions,” the Supreme Court has insisted that “those against whom an injunction is issued should receive fair and precisely drawn notice of what the injunction actually prohibits.” *Granny Goose Foods, Inc. v. Bhd. of Teamsters Local No. 70*, 415 U.S. 423, 444 (1974). That requires a clear statement of “what the court intend[ed] to require and what it mean[t] to forbid.” *Int’l Longshoremen Ass’n, Local 1291 v. Phila. Marine Trade Ass’n*, 389 U.S. 64, 76 (1967); *see* Fed. R. Civ. P. 65.

As this Court has recognized, *Granny Goose* stands for the “basic principle” that “[a]mbiguities and omissions in orders redound to the benefit of the person charged with contempt.” *Abbott*, 503 F.3d at 1383 (quoting *Ford v. Kammerer*, 450 F.2d 279, 280 (3d Cir. 1971)). The circuits uniformly follow this principle, reversing contempt citations unless the defendant “violated a clear and unambiguous order that leaves *no uncertainty*.” *Perez*, 347 F.3d at 424 (emphasis

added) (quotation and alterations omitted); see *Salazar v. District of Columbia*, 602 F.3d 431, 443 (D.C. Cir. 2010); *Chao*, 514 F.3d at 292; *United States v. Saccoccia*, 433 F.3d 19, 28 (1st Cir. 2005); *Grace v. Ctr. for Auto Safety*, 72 F.3d 1236, 1241 (6th Cir. 1996); *Project B.A.S.I.C.*, 947 F.2d at 17; *NBA Props., Inc. v. Gold*, 895 F.2d 30, 32 (1st Cir. 1990); *Ford v. Kammerer*, 450 F.2d 279, 280 (3d Cir. 1971).

The Supreme Court’s decision in *Granny Goose* illustrates this principle. There, several employers alleged that a union breached a collective bargaining agreement by striking. 415 U.S. at 427. The state court “issued a temporary restraining order enjoining all existing strike activity,” and the union removed the case to federal court, where the union moved to dissolve the injunction—while acknowledging that it was still bound by it. *Id.* at 428-430. The district court denied the motion. About six months later, the union struck again. The district court held the union in contempt, explaining that its own order was intended to convert the state court’s temporary restraining order into a preliminary injunction. *Id.* at 429-30. The Supreme Court reversed, holding that “[e]ven were we to assume that the District Court had intended by its ... order to grant a preliminary injunction, its intention was not manifested in an appropriate [clear and definite] form.” *Id.* at 443.

Applying this same principle, this Court reversed a contempt order in *Abbott Laboratories*. In 2004, Judge Richard Posner, sitting as a district court judge,

enjoined Apotex from “manufacturing, using, selling or offering to sell [a specified] generic” drug. 503 F.3d at 1376. This Court affirmed. *Id.* at 1376-77. Apotex thereafter collaborated with another company to file an Abbreviated New Drug Application (“ANDA”) for that generic drug with a “paragraph IV certification.” *Id.* at 1377. It did not deny that the ANDA filing was an act of infringement, but argued that the language of the injunction did not actually prohibit infringement, but merely “manufacturing, using, selling or offering to sell” the drug—which Apotex was not doing. Rejecting this hyper-technical interpretation of his original injunction, Judge Posner found Apotex in contempt. *Id.*

This Court reversed, applying the principle that “‘ambiguities and omissions in orders redound to the benefit of the person charged with contempt.’” *Id.* at 1383 (citation omitted). Even though Apotex could have surmised that Judge Posner would consider the ANDA filing to violate the injunction, and even though Apotex neither sought clarification nor raised the issue on appeal, this Court reversed the contempt citation because the injunction “contain[ed] no ‘*explicit notice*’ to Apotex that the filing of a new ANDA ... was forbidden.” *Id.* at 1383 (emphasis added) (citation omitted); *see also Chao*, 514 F.3d at 292 (discussed above).

B. The Contempt Finding in This Case Cannot Be Sustained.

Under these cases, EchoStar “cannot be said to have violated a clear and unambiguous order that leaves no uncertainty in the minds of those to whom the order is addressed.” *Perez*, 347 F.3d at 424 (quotation marks and alterations omitted).

First, Chief Judge Rader’s statement that “*no reasonable patent attorney* would have read the ... provision” as the District Court did, slip op., dissent at 3 (emphasis added), necessarily means that the District Court’s reading is not free of ambiguity. Our panel briefing demonstrates why EchoStar was not just reasonable but correct to read the plain language of the Disablement Provision as requiring disablement only of infringing DVR functionality, and thus not prohibiting noninfringing design-arounds for the millions of receivers already placed at homes. Among other things, (1) the injunction was directed at “Infringing Products,” which naturally means “products that infringe”; (2) the District Court’s reading requires that same phrase to mean two different things in consecutive sentences; and (3) the plain language of the injunction applied to the DVR functionality that was found to infringe, not to any DVR functionality, even if it did not infringe. OB 59-62; Reply 7-9.

Second, it would have made no sense for EchoStar to read the order as the District Court now does, because any such order would have been unlawful. OB

22-23. This Court has assured parties that a court facing “an overly broad injunction during a contempt proceeding” must “interpret it according to the rule of law ... from *KSM*,” which holds that “contempt proceedings ... are available only with respect to devices previously admitted or adjudged to infringe, and to other devices which are no more than colorably different therefrom and which clearly are infringements of the patent.” *Int’l Rectifier*, 383 F.3d at 1316 (citation omitted). This rule means that the District Court’s *post hoc* reading was wrong. At a minimum, this interpretational guideline has to mean that the District Court’s current broad reading was far from clear. It was stunning to learn that the District Court would find EchoStar in contempt “[e]ven if EchoStar had achieved a non-infringing design-around.” A26.

Third, as *Granny Goose*, *Abbott*, and other cases confirm, context matters. The propriety of contempt sanctions depends on what actually transpired during the injunction proceedings. The Supreme Court found ambiguity in *Granny Goose* in part from the employers’ failure to “attempt at that time to present their case for a preliminary injunction” and the union’s failure to “attempt at that time to present its defense.” 415 U.S. at 442. Likewise here, TiVo never sought the sort of “curse-on-the-hardware” injunction that it now advocates, and the District Court never indicated that it was issuing such an injunction. Indeed, unlike the plaintiffs in those cases, TiVo actually took a position directly contrary to the District

Court’s current reading of the injunction, insisting that its proposed injunction was “narrow” and that it was seeking to enjoin only “infringement of the patent by the devices adjudged to infringe and infringement by devices no more than colorably different therefrom”—“nothing more, nothing less.” A7354; *see* OB 6-7, 55-57, 66; Reply 4-7.

In light of these facts, Chief Judge Rader was correct that EchoStar’s reading of the injunction was the proper one. But for EchoStar to prevail, this Court need not even address this issue, much less agree—contempt is improper so long as EchoStar’s reading was *reasonable*, which it plainly was. *See supra* Point I.D (explaining that contempt is improper if there is a reasonable basis for the defendant’s interpretation of the order). As the cases discussed above confirm, it does not matter that the judge who issued the order read it differently from how EchoStar read it, or even that he thought it clear. The relevant inquiry is only what the injunction says on its face, and whether the order would be clear to a reasonable person confronting the injunction under the circumstances in which it was issued. “Put bluntly, a court’s intentions and its orders are two different things.” *Project B.A.S.I.C.*, 947 F.2d at 18.

C. EchoStar Did Not Waive Its Right to Contest the District Court’s New Interpretation of the Disablement Clause.

Both the panel majority and the District Court believed that the *Granny Goose* principles are inapplicable here. The panel believed “that EchoStar waived

any argument that the injunction was overbroad” by not appealing the interpretation that the District Court later adopted. Slip op. at 23. That is incorrect.

1. *Granny Goose* applies even if a party could have appealed the interpretation of an unclear injunction.

Neither the *Granny Goose* principle that a finding of civil contempt is improper unless it is clear nor the universal rule that in a contempt proceeding “[a]mbiguities and omissions in orders redound to the benefit of the person charged with contempt,” *Abbott*, 503 F.3d at 1383 (citation omitted), allows for a wholesale exception for situations where a party could have appealed a yet-to-be-expressed possible interpretation. In *Abbott*, the defendant “had notice of the possibility” that the order covered any further infringement by the drug in question. Slip op. at 21; *see* 503 F.3d at 1382-83. There, as here, there was an intervening appeal. 503 F.3d at 1376-77. The defendant *could* have challenged the adverse interpretation of the order in that appeal, but did not. Similarly, in *Granny Goose*, the union *could* have immediately appealed the meaning of the order declining to dissolve the injunction. *See* 28 U.S.C. § 1292(a)(1). In *Chao*, too, the defendant *could* have appealed the literal interpretation of the injunction to cover any further violation of the overtime laws. *See supra* pp. 39-40. Yet in these cases (and, for that matter, all the contempt cases cited in the briefs of both parties), the appellate courts reviewing civil contempt citations never even paused to ask whether the

defendant had pursued an appeal on other grounds or had an opportunity to appeal and opted not to.

2. The cases the District Court and the panel majority invoked create no exception to *Granny Goose*.

Neither TiVo nor the District Court nor the panel majority has cited a single case suggesting that a defendant's failure to appeal a potential interpretation creates an exception to *Granny Goose*'s rule about when parties may be held in contempt. No case could even arguably create such an exception unless it (1) arose in the context of a contempt proceeding, which has its own set of protections, and (2) involved an order that was unclear.

TiVo and the panel majority invoked *Travelers Indemnity Co. v. Bailey*, 129 S. Ct. 2195 (2009). *See* Resp. 30-31; slip op. at 22. *Travelers*, however, could not have carved out an exception to *Granny Goose*, because it was not a contempt case and the order in question was clear.

Travelers concerned a standard application of res judicata in the Johns-Manville bankruptcy proceeding. Johns-Manville's insurance companies were among the deepest pockets, and asbestos claimants were lining up to seek compensation directly from them. In a settlement between the insurance companies and the claimants, the insurance companies contributed millions of dollars to a settlement fund, and the asbestos claimants agreed to sue only the fund, and not the insurance companies, for their claims. 129 S. Ct. at 2198-99. The

bankruptcy court issued a series of orders implementing that settlement. These orders were affirmed on direct appeal all the way up to the Second Circuit. *Id.* at 2201-02.

Ten years after the orders issued, certain asbestos claimants sued one of the debtor's insurers, in apparent violation of the previously affirmed orders. The claimants had an interpretive argument as to why the orders did not preclude their suits. *Id.* at 2199-200. They also argued that the bankruptcy court never had jurisdiction in the first place to issue the orders (because a bankruptcy court cannot ordinarily block claims against anyone other than the debtor). *Id.* at 2201-02. Rejecting both arguments, the bankruptcy court enforced its decade-old orders and enjoined the pending actions. *Id.* at 2200-01. The claimants appealed this order. On appeal, the Second Circuit agreed with the bankruptcy court that the new actions clearly violated the old orders, but held that the bankruptcy court never had jurisdiction to issue the orders in the first place.

The Supreme Court reversed. It agreed with the lower courts that the orders clearly barred the actions against the insurers. *Id.* at 2203-04. But the Court held that "it was error for the Court of Appeals to reevaluate the Bankruptcy Court's exercise of jurisdiction" in the original case. *Id.* at 2205. The claimants who were trying to sue the insurance companies were parties to the original action. They could have argued in the earlier appeal on direct review of the orders—as one

objector did—that the bankruptcy court had exceeded its jurisdiction. *Id.* at 2101-02, 2205. “[O]nce the ... orders became final on direct review,” however, “they became res judicata to the parties and those in privity with them.” *Id.* (citations and quotation marks omitted).

Travelers might have been marginally relevant if TiVo had returned to the District Court to seek an *interpretation* and *enforcement* of the original order, as the insurer in *Travelers* did. But it has no bearing on a contempt case. Very different rules apply to the two different enforcement mechanisms. In any event, to the extent *Travelers* applies at all, it supports EchoStar’s position, not TiVo’s. The Supreme Court held that the *jurisdictional* challenge was waived because the argument was evident from the start and could have been raised before. But the Court did not bar the claimants from pressing their *interpretation* of the decade-old orders. To the contrary, the Court grappled with, and resolved, the arguments about how to interpret those orders. 129 S. Ct. at 2204.

The panel majority also invoked *Carborundum Co. v. Molten Metal Equipment Innovations, Inc.*, 72 F.3d 872, 883 (Fed. Cir. 1995), which it correctly described as a case “where a defendant had failed to follow an injunction *that the court had clarified during the proceedings.*” Slip op. at 20 (emphasis added). The district court there resolved a purported ambiguity in the original proceedings, leaving the defendant with no doubt as to what the injunction meant. 72 F.3d at

883 n.10. *Carborundum* would be relevant if, upon issuance of the injunction, either party had asked the District Court, “Do you mean to prohibit even noninfringing design-arounds?” and the District Court had unequivocally answered “Yes.” But since no one sought any such clarification, the holding is inapplicable.

3. The proposed exception to *Granny Goose* would be unfair and undesirable.

If this Court were to apply the proposed new exception to *Granny Goose*—i.e., that contempt is appropriate where the as-yet-unexpressed interpretation could have been challenged in the earlier direct appeal—the exception would swallow the rule. An injunction is *always* immediately appealable, which means that most defendants have an opportunity to challenge potential adverse interpretations of orders issued against them. Whatever the scope of the proposed exception, there are good reasons that no court has ever applied any such exception to *Granny Goose*.

First, such an exception would be unfair. The whole point of the *Granny Goose* rule is to reserve the “deadly” and “potent weapon” of contempt for the clearest violations of a court’s order. *Int’l Longshoremen*, 389 U.S. at 76. A party should not be expected to appeal an interpretation never suggested by its opponent. *See United States v. Wells*, 127 F.3d 739, 742-43 (8th Cir. 1997) (defendants did not waive argument that “could only have [been] raised ... if they had anticipated ... a position that the government adopted for the first time in a supplemental

brief”); *Cal-Almond, Inc. v. Dep’t of Agric.*, 67 F.3d 874, 880 (9th Cir. 1995) (no waiver of right to challenge specific remedies where “it was not until our remand that the specifics of fashioning remedial relief came into focus”), *vacated on other grounds*, 521 U.S. 1113 (1997).

Such a rule would grant district judges unfettered power to inflict serious harm on companies without warning, based on novel interpretations of orders—which defendants view as implausible (at best)—and without giving defendants the chance to advocate against such interpretations. Such a rule would thus force a defendant, against its interest, to envision every possible unfavorable reading of every injunction, however unlikely, and raise those issues in this Court on direct appeal so that the Court could issue an advisory opinion on what the correct reading is (and whether that reading is lawful). And if the injunction were in effect pending appeal, the defendant would have to refrain from any potentially prohibited conduct because it would be admittedly on notice of those possible readings even conduct that “no reasonable ... attorney would have read” the order to prohibit. Slip op., dissent at 3.

Second, although such a rule would be problematic in any context, it is particularly so in the patent context, where there is a strong public interest against reading an order to prohibit noninfringing conduct. If such an order may ever be

tolerated, it should not be by default, but only where the court made it absolutely clear that it intended such a stark departure from the norm.

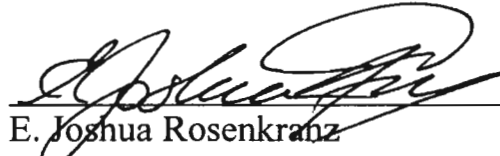
Third, the exception would be limitless and unmanageable. As articulated by the panel majority, the exception might not apply to *any* interpretation, but only those that cross a certain threshold of plausibility. Maybe it would apply only where the defendant “had notice of the possibility” of the interpretation, or maybe only where “[i]t would ... have been reasonable for one to read the injunction” in the manner proposed (a seemingly different standard). Slip op. at 21. Whatever the correct line, it would be nearly impossible for defendants to anticipate where it lies. Moreover, applying such a Draconian waiver principle would flood this Court with appeals of every conceivable interpretation of an injunction. It would set this Court up as the editor-in-chief of patent injunctions, which is hardly the highest and best use of this Court’s scarce resources.

CONCLUSION

The District Court’s judgment should be vacated, along with any relief arising therefrom.

Dated: July 26, 2010

Respectfully submitted,



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Dated: July 26, 2010

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CERTIFICATE OF SERVICE

The undersigned certifies that on the 26th day of July, 2010, two copies of the foregoing Supplemental Brief of Defendants-Appellants on Rehearing En Banc were served, via overnight Federal Express and electronic mail, on all counsel of record identified on the service list below as indicated.

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