

In The 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 REPLY 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.

4. The names of all law firms and the partners or associates that appeared for the parties now represented by us in the District Court or are expected to appear in this Court are:

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A	Joint Appendix
AIPLA Br.	Brief of Amicus Curiae American Intellectual Property Law Association
Amazon.com Br.	Brief of Amici Curiae Amazon.com, Inc., Hewlett-Packard Co., Microsoft Corp., and Newegg Inc.
CCIA Br.	Brief of Amicus Curiae Computer & Communications Industry Association
FTC Br.	Brief of Amicus Curiae Federal Trade Commission
IP Law Profs. Br.	Brief of Amici Curiae Professors of Intellectual Property and Competition Law and Economics
IPO Br.	Brief of Amicus Curiae Intellectual Property Owners Association
Law Profs. Br.	Brief of Amici Curiae Law Professors Erwin Chemerinsky, et al.
NYIPLA Br.	Brief of Amicus Curiae New York Intellectual Property Law Association
OB	EchoStar Panel Opening Brief
Reply	EchoStar Panel Reply Brief
Resp.	TiVo Panel Response Brief
SAP Br.	Brief of Amicus Curiae SAP America, Inc.
Slip op.	<i>TiVo Inc. v. EchoStar Corp.</i> , No. 2009-1374 (Fed. Cir. Mar. 4, 2010)
Supp. OB	EchoStar En Banc Opening Brief
Supp. Resp.	TiVo En Banc Response Brief

* EchoStar's Panel Opening Brief incorrectly cited to the District Court's 2006 Injunction as Ad1-3. The correct citation to the 2006 injunction is A161-63, which is reproduced in the addendum to this brief.

INTRODUCTION

TiVo calls for radical changes in this Circuit’s contempt law, proclaiming that a drastic overhaul is needed to protect defenseless patentees from “unscrupulous” infringers who “avoid enforcement using extravagant claims about irrelevant or trivial changes.” Supp. Resp. 4. But that is not what happened here. TiVo is not a defenseless patentee, but a highly resourced and litigious business whose products are a household name. And EchoStar did not “avoid enforcement”: EchoStar has already paid TiVo over \$100 million in damages for infringement by the original products, and to comply with the injunction it executed “the largest effort [it had] ever undertaken to replace existing software in the field.” A5271. Reputable independent counsel lauded EchoStar for exercising “the very upper echelon of care that clients have taken.” A5347. And TiVo has never disputed that EchoStar’s redesign removed accused features and achieved two feats of innovation that TiVo’s own inventors considered impossible.

When TiVo saw that EchoStar had a new competing product, it chose not to file a new lawsuit and seek a preliminary injunction. Instead, it moved for contempt, a drastic remedy that is highly disfavored. Since a contempt citation cannot be sustained under prevailing law, TiVo’s main gambit is to gut the *KSM* standard and remake the law. For two centuries, the rule has been that contempt is improper if the redesign is more than “colorably different” from the adjudicated

product. TiVo would make contempt citations available—and virtually unreviewable—any time a district court concludes that the defendant did not “succeed in avoiding infringement,” regardless of how substantially the product was changed. Supp. Resp. 23. A defendant’s only protection would be the possibility that a district court might conclude it cannot “understand the changes,” or cannot “confidently conclude” that the redesigned product also infringes. Supp. Resp. 24-25.

TiVo’s new and unpredictable rule trammels important policies. As the FTC points out, “[t]he mere threat of a summary civil contempt proceeding”—particularly one that is not based upon definite and familiar principles such as issue preclusion—“can deter design arounds by inhibiting rather than fostering innovation and competition.” FTC Br. 9. TiVo’s standard would risk punishing innovation with contempt, and, worse, deterring companies from innovating at all. That explains why TiVo’s revolutionary proposal finds virtually no support from amici.

As to the Disablement Provision, here, too, TiVo upends settled law. The rule has always been 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). Yet TiVo urges the opposite—that “any ambiguity should be resolved against” the defendant. Supp.

Resp. 52 (capitalization altered). That is simply wrong. But it is also unavailing here, because, as Chief Judge Rader correctly concluded, the provision was not even ambiguous: “[N]o reasonable patent attorney would have read the ... provision” as the District Court did. Slip op., dissent at 3.

In the end, this case presents this Court with a stark choice: Adhere to the core standards elaborated in *KSM*, which are clear, fair, balanced, and grounded in precedent, or announce a new standard that is uncertain, unbalanced, unwise, and unprecedented—and that turns contempt from a shield into a sword, to kill innovation.

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.

While conceding that *KSM* “has worked well in practice,” Supp. Resp. 15, TiVo proposes a standard that overrules *KSM*, undermines the policies that animated it, and bears no relation to the language of the injunction in *this* case. Yet even under TiVo’s new standard, EchoStar’s contempt citation should be reversed.

A. TiVo’s Standard Would Eviscerate *KSM*, Defying Precedent and Undermining Patent Policy.

1. TiVo proposes abandoning the long-standing rule that a court cannot find contempt if the redesign is more than colorably different from the adjudicated product.

As TiVo recognizes, the long-standing rule is that contempt can never lie—and infringement must be adjudicated in a new suit—if a redesign is more than colorably different from the adjudicated product. Supp. Resp. 13-14. TiVo proposes abolishing that rule, and instead having the judge ask only “whether modifications to an adjudicated product in fact *succeed in avoiding infringement.*” Supp. Resp. 23 (emphasis added). Even a dramatically different redesign could warrant contempt under that scheme, unless the district court concludes that the new issues raised by the redesign “are genuinely too substantial to be resolved without a new suit,” Supp. Resp. 44—which would occur only if the issues are “too novel or difficult to be adjudicated confidently in enforcement proceedings, in which a violation must be proven by clear and convincing evidence,” Supp. Resp. 15. TiVo would permit contempt so long as the judge “understand[s] the changes” and “confidently conclude[s]” that the redesigned product also infringes, regardless of the differences between the redesign and the adjudicated product. Supp. Resp. 24-25. This new “understanding-and-confidence test” has no basis in precedent.

For starters, allowing contempt for dramatically different products is anathema to the concept of “colorable differences,” which was devised as a way to

determine which devices could be deemed to have been *already* found infringing and therefore subject to a royalty. Supp. OB 21-22. It would have been unthinkable for a judge to grant a plaintiff supplemental damages for other products just because he was “confident[]” he could “understand” the technology and conclude that those products clearly infringed too, albeit in different ways.

It also would have been unthinkable to the Supreme Court in the circumstance where the defendant was no longer making the products “in the manner in which it was proved he did make them.” *Cal. Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 613 (1885). The Court instructed that the process of contempt “should not be resorted to where there is fair ground of doubt as to the wrongfulness of the defendant’s conduct.” *Id.* at 618. Those were not mere “comments” to be ignored, Supp. Resp. 16-17, 24; they were the Court’s considered guidance to the lower court and the parties as to how the case should proceed on remand. By contrast, TiVo can point to no Supreme Court decision supporting its understanding-and-confidence test. Supp. Resp. 24-25. Other circuits pre-*KSM* certainly never authorized contempt on that basis. *See* Supp. OB 17-26.

Not only is TiVo’s understanding-and-confidence test without precedent, but it would eradicate this Court’s entire contempt jurisprudence. Under the *KSM* line of cases, contempt *always* requires proof that any differences between adjudicated

and redesigned products are merely colorable—that the products are “essentially the same”—before reaching infringement. *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1324 (Fed. Cir. 2008). TiVo’s proposed standard would skip such a showing entirely, leaping directly to infringement. It would ignore repeated admonitions that courts must “exercis[e] restraint in affording the patent owner the benefit of contempt proceedings,” *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1525 (Fed. Cir. 1985), and 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).

In TiVo’s regime, the only constraint on the power to adjudicate contempt would be the judge’s own sense of whether the “questions ... are too novel or difficult to be adjudicated confidently.” Supp. Resp. 15. That is no real constraint at all, and certainly not a question that could meaningfully be reviewed on appeal. *See* Law Profs. Br. at 7-8, 18-19 (contempt is uniquely subject to abuse).

Finally, TiVo does not dispute that *KSM* articulated three core principles to inform the colorable differences analysis, *see* Supp. OB 18-26, but TiVo rejects them all. First, despite *KSM*’s direction that a court should “utilize principles of claim and issue preclusion (*res judicata*) to determine what issues were settled by the original suit,” 776 F.2d at 1532, TiVo insists “that preclusion principles” do not “define the outer limits of enforcement.” Supp. Resp. 25. Indeed, TiVo would

eliminate any assessment of “what the jury must have concluded in reaching its verdict.” Supp. Resp. 44. Second, TiVo dismisses as “confuse[d]” (Supp. Resp. 26-27) *KSM*’s direction that contempt is permissible “only if the issues are appropriate for summary disposition,” 776 F.2d at 1531. Third, TiVo rejects *KSM*’s holding that there is a substantial open issue of infringement, and contempt is impermissible, if experts have a genuine factual disagreement about what the redesigned product does or how claim limitations map onto it. *Compare* 776 F.2d at 1531 *with* Supp. Resp. 27.

TiVo characterizes its new confidence-and-understanding test as a version of the *KSM* standard “[a]ppplied flexibly and with appropriate deference to district courts.” Supp. Resp. 12. But it’s not. It does to *KSM* the same thing it does to this Court’s power to review contempt decisions: nullify it.

2. TiVo’s proposed standard is inconsistent with sound policy.

TiVo offers no persuasive reason to abandon a standard that concededly “has worked well in practice.” Supp. Resp. 15. To the contrary, replacing *KSM* with TiVo’s understanding-and-confidence test would wreak havoc with important public policies and interests. TiVo’s proposed test is limitless, standardless, and dangerously stacked against innovation and competition. That is why even leading patentee-side amici have declined to join TiVo in urging the Court to abandon the colorable differences limitation. *See, e.g.*, AIPLA Br. 4, 21; IPO Br. 9.

Public interest in predictability and promoting design-arounds. Because the “contempt standard directly affects firms’ incentives to engage in pro-competitive innovation and design-arounds,” the FTC urges this Court to adopt “a contempt standard that is predictable, administrable, and provides clear guidance to the business community.” FTC Br. at 10. TiVo’s proposed confidence-and-understanding standard fails on every count. While insisting that everything EchoStar did in this case is not enough to avoid contempt, TiVo never explains what a company *can* do to ensure that it has a “successful redesign” that will avoid contempt. Supp. Resp. 31. A business will find scant comfort in the assurance that it is safe unless a court—the same court that already issued an injunction—thinks it “understands” the technology and is “confident[]” that it infringes again, albeit in substantially different ways. Under this standard, different courts will reach different results, defendants will have no principled basis on which to make critical business decisions, and patentees will have every incentive to roll the dice in the hopes of catching their judge in an especially confident moment.

In contrast, as various amici confirm, “[r]eference to claim preclusion law has the benefit of providing a large body of law to guide courts and litigants facing the often-tough issue of whether a summary contempt proceeding is warranted.” AIPLA Br. 9; *see* FTC Br. 7; Amazon.com Br. at 5-12.

Defendants' interest in a jury trial and in avoiding contempt. TiVo blithely argues that judges are just as “capable” of finding facts “fairly” and that “[e]njoined infringers ... cannot credibly complain about the legal form of the proceeding used to test assertions that their new products do not infringe.” Supp. Resp. 30-31. But the interest in having a jury adjudicate liability and damages is not just about “form”: It is a constitutional right, embodied in the Seventh Amendment—“the most transcendent privilege which any subject can enjoy.” 3 WILLIAM BLACKSTONE, COMMENTARIES *379. “Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care.” *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558, 565 (1990) (citation omitted). The right does not depend on proof that juries are more capable than judges.

Also important is a defendant’s interest in avoiding the indelible stain of contempt. TiVo belittles this interest as mere “rhetoric.” Supp. Resp. 30. But the rhetoric about this “deadly” and “potent weapon” is from the Supreme Court, which recognizes that a contempt citation is far more stigmatizing than a verdict imposing liability. *Int’l Longshoremen’s Ass’n, Local 1291 v. Phila. Marine Trade Ass’n*, 389 U.S. 64, 76 (1967).

Rights and interests of patentees. If a patentee that secures an infringement verdict (but no injunction) believes that the defendant is engaging in a new and different act of infringement, the patentee must commence a new lawsuit and prove the new infringement before a jury. It may not invoke the first infringement judgment against a different act of infringement, except to the extent that the two acts are so similar that the judgment is res judicata to the new claim. Nor may the patentee take a shortcut to a second infringement verdict just because the judge thinks he “understands the change” and can “confidently conclude” that the redesigned product also infringes. TiVo has not offered any reason why a patentee should be allowed to secure damages that the original judgment could not support just because the infringement verdict is supplemented by an injunction.

TiVo warns of an epidemic of “determined infringer[s] [who] can make minor changes to a device, drag out judicial proceedings, and seek to exhaust an innovative technology’s useful life.” Supp. Resp. 22. There is no such threat. By definition, a modification that is only minor or “superficially plausible” (Supp. Resp. 29) is merely colorable, and already subject to contempt under *KSM*. And there would be no “endless game of cat-and-mouse,” Supp. Resp. 23, because courts can require recidivists who have tried to get away with “minor changes” to seek preapproval for the next change. *See, e.g., Spindelfabrik Suessen-Schurr v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1577 (Fed.

Cir. 1990) (upholding preapproval provision). This Court should not abandon settled law and stifle competition to address a problem that *KSM* already solves.

Just as *KSM* provides tools to deal with minor and superficial changes, a new proceeding would provide ample tools to address and deter infringement that the patentee considers clear but that is nevertheless different from the prior infringement. The patentee can, for example, seek a preliminary injunction, summary judgment, and enhanced damages and attorneys' fees. TiVo's response is that a preliminary injunction is inadequate because "the defendant may demand a bond." Supp. Resp. 28. But if a bond "makes no sense where the plaintiff has already secured ... both a first infringement judgment and an injunction," Supp. Resp. 29, the judge can decline to order one. *See Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1385 (Fed. Cir. 2006) (noting wide discretion under Rule 65(c)).

Effect on trial practice. TiVo also objects that the *KSM* principles force "plaintiffs ... to present every conceivable variant on their infringement theory," which "would greatly multiply the length and expense of trials." Supp. Resp. 44. But 25 years have passed, and no such effects have been documented.

3. TiVo’s proposed new “clear infringement” standard cannot apply retroactively to an injunction that expressly invokes “colorable differences.”

TiVo acknowledges that “[t]he ultimate question in any injunction-enforcement proceeding is whether the court’s order has been violated.” Supp. Resp. 11. Yet TiVo ignores the language of *this* injunction, which prevents EchoStar from selling the adjudicated product or one that is “only colorably different.” TiVo tries to justify the misdirection by arguing that “[i]t would be circular to allow use of that phrasing in a particular order to control resolution of the general questions the Court has framed for en banc review,” Supp. Resp. 21, and that “[i]njunctive provisions often go beyond barring repetition of previous misconduct and include prophylactic provisions designed to prevent irreparable harm from further violations.” Supp. Resp. 26. These are arguments for adopting a different standard in future injunctions; they cannot justify rewriting *this* injunction or interpreting its words contrary to common usage.

B. Colorable Differences Must Be Proven By Clear and Convincing Evidence.

TiVo concedes that “a patentee ... seeking to enforce an order bears the burden of proving a violation by clear and convincing evidence.” Supp. Resp. 11. That must mean that “colorable differences” must be proven by clear and convincing evidence, since the order itself prohibits EchoStar from making or

using any product that is “only colorably different” from the adjudicated products. Supp. OB 42; *see also* Law Profs. Br. at 13.

TiVo and one amicus argue otherwise. They base their position on *KSM*’s use of the term “procedural analysis” to describe the colorable differences inquiry, insisting that that means that “[t]he determination concerning the appropriateness of adjudicating issues”—even infringement—in contempt proceedings “is a largely discretionary procedural matter, not a factual determination.” Supp. Resp. 20; NYIPLA Br. 11-12. But as two amici explain, *see* IP Law Profs. Br. at 11; Amazon.com Br. at 8-12, *KSM* used that term to describe a standard that invokes “procedural” principles (such as *res judicata* and summary adjudication), in contradistinction to one that revolves around “substantive” principles (such as the doctrine of equivalents) to discern whether there are no “substantial open issues” of infringement. *KSM*, 776 F.2d at 1532. Far from suggesting that the patentee bore no burden of proof as to the central inquiry in a contempt proceeding, *KSM* indicated the opposite. *See* Supp. OB 42-44.

C. EchoStar’s Redesigned Product Was More Than Colorably Different from the Adjudicated Product, as the Open Issues of Infringement Were More Than Substantial.

TiVo has not come close to demonstrating that EchoStar’s redesigned products are merely colorably different from the adjudicated products. Indeed, TiVo has never disputed six of the nine propositions enumerated in the

introduction to EchoStar’s en banc brief: that EchoStar eliminated accused features; which required TiVo to accuse new features; the redesign innovated; yet it sacrificed performance; the effort was Herculean; and EchoStar secured opinions from respected counsel that the redesign does not infringe. Supp. OB 2-3. Several of these points, alone, would prevent TiVo from proving that the differences were merely colorable. TiVo does dispute that it had to apply new theories (which, as argued by one amicus, should in and of itself preclude contempt (SAP Br. at 11)) and contradict its previous validity position, and it offers but a conclusory denial that there was a genuine battle of the experts over material facts. Even if TiVo were right on all these points, it would still not have carried its burden of proving that the differences were merely colorable. But the record categorically contradicts TiVo’s positions on each point.

1. EchoStar overhauled the data flow and buffering system in the Broadcom models.

Claims 31 and 61 present an intricate arrangement of at least eight claim limitations governing data flow and buffering. The limitations precisely specify the interplay among the *physical data source*, the *buffer*, the *source object*, and the *transform object* and how the source object *extracts*, *converts*, and *fills* the claimed buffer, subject to the *automatic flow control* of data.¹ EchoStar provided several

¹ A method claim can be limited to a particular step order “when the method steps implicitly require that they be performed in the order written.” *Interactive Gift*

diagrams to explain the interplay, most notably Figure 2 (depicting what the claims require and what features performed those functions, OB 46) and Figure 3 (depicting, in gray, what features were indisputably removed, and how the data now move through the device, OB 49). These schematics—which TiVo has never disputed—are reproduced again on the following pages.

TiVo has never disputed that EchoStar removed every one of the grayed-out features: the claimed *buffer* filled by the source object (labeled the “record buffer”) and all the software functions that managed the data flow through that buffer, such as the *ioctl* function identified by this Court in the first appeal (by which the source object *extracted* data from the physical data source), the *memcpy* function (by which the source *filled* the buffer), and therefore the *source object* itself. TiVo ignores all these claim terms when it belittles the redesign as just a change from an 11-buffer system to a 10-buffer system. Supp. Resp. 39-43.²

Express, Inc. v. CompuServe Inc., 256 F.3d 1323, 1342 (Fed. Cir. 2001). That is the case here. See Reply 29-30. Contrary to the panel’s assertion, see Slip op. at 18, EchoStar argued that the claim required a specified step order at the hearing and in its post-hearing briefing. See A5427, A5473, A7002-05.

² It is not true that “EchoStar claimed to have implemented a ‘single buffer’ design that eliminated blocking” or that EchoStar “had not focused on” other claim limitations below. Supp. Resp. 41-42 & n.10. EchoStar has argued repeatedly and emphatically that numerous claim limitations cannot map to the redesigned Broadcom boxes. See OB 38-52; Reply 18-31.

Figure 2. Flow of Data in the Old Broadcom Models

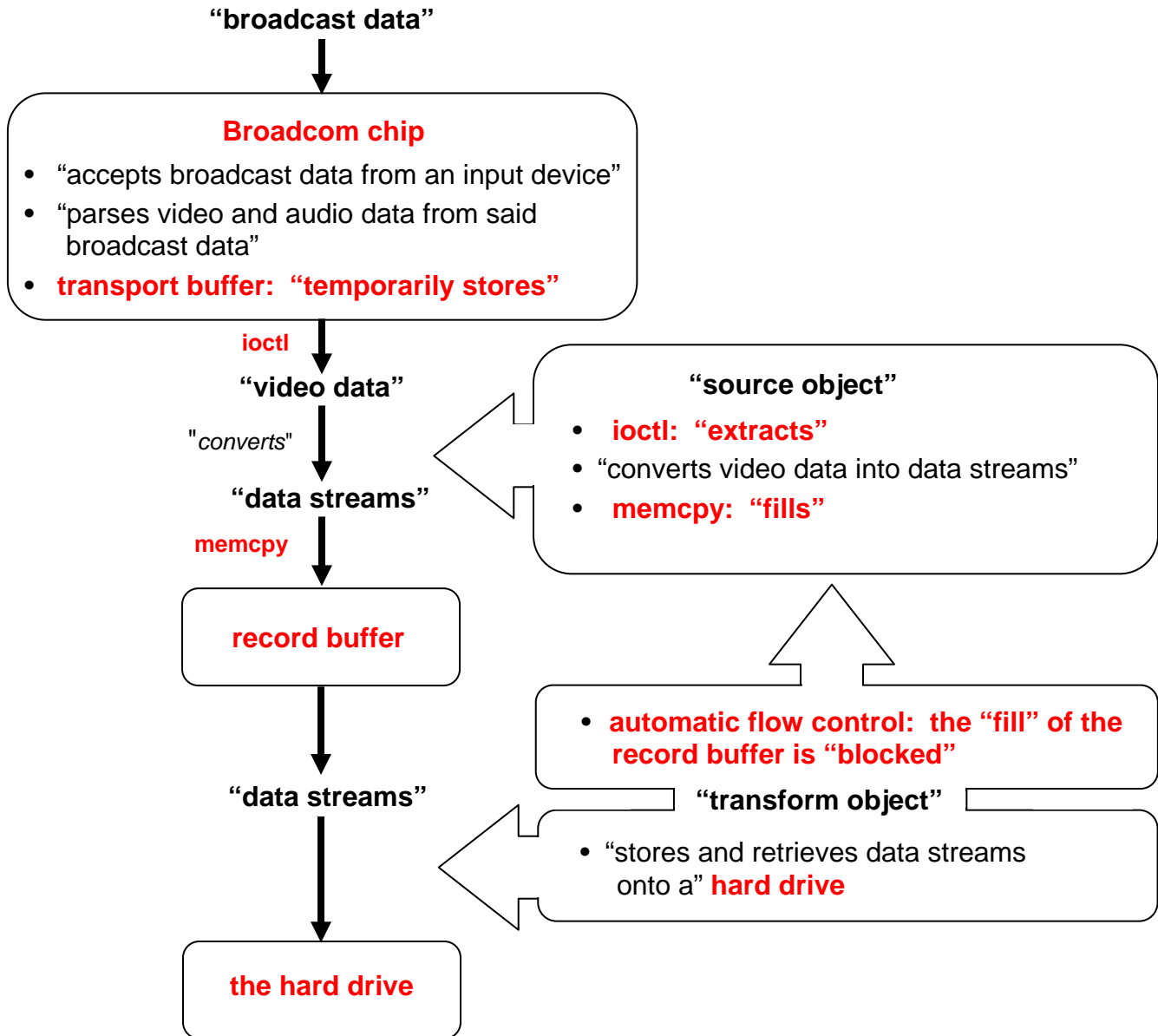
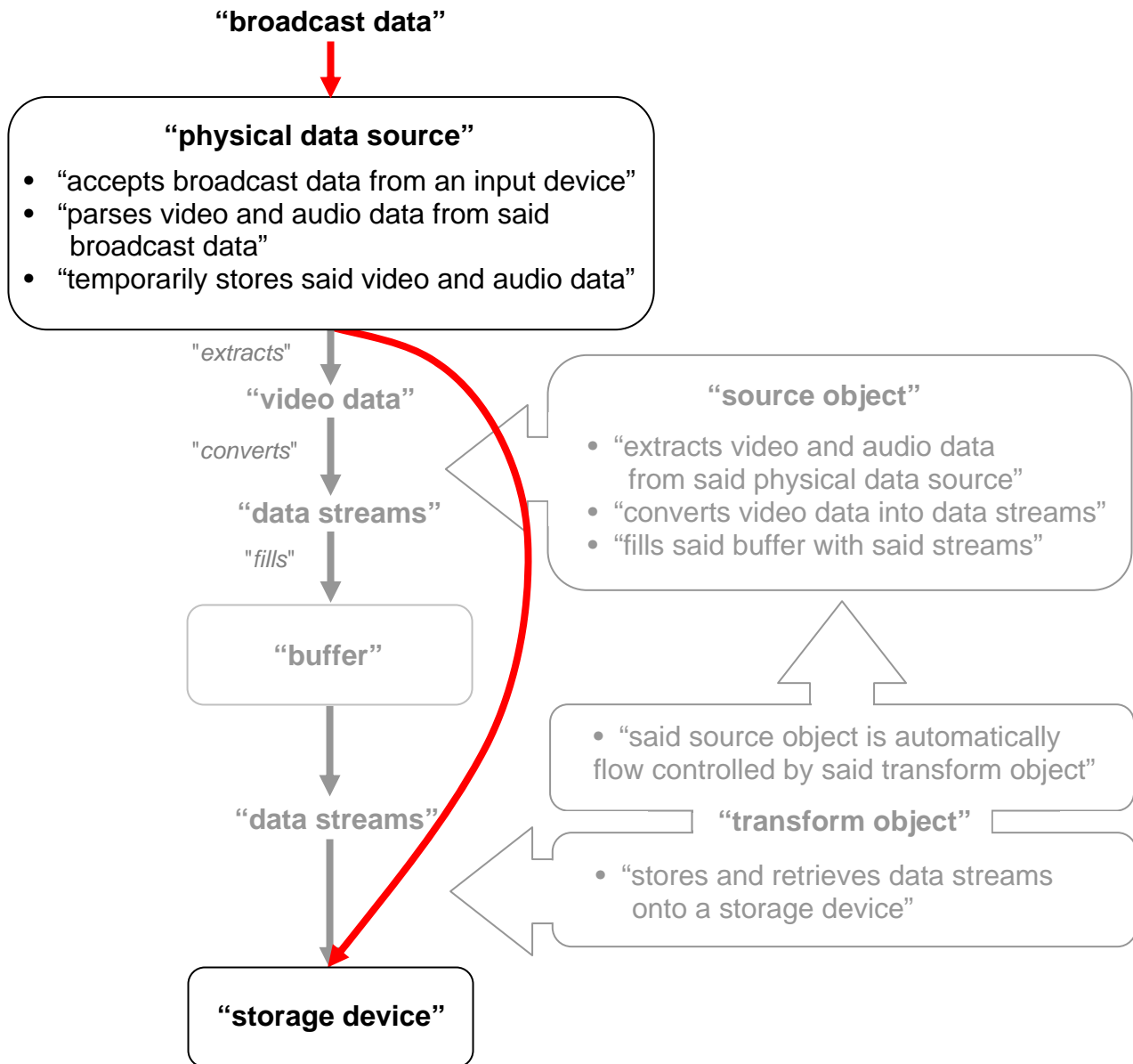


Figure 3. Flow of Data in the Redesigned Broadcom Models



Moreover, the now-removed “record buffer” was the only one filled by the source object, as the claims require. Eliminating that key buffer during the redesign skewed the entire mapping exercise. TiVo now maps all the claim limitations onto completely different features—in a way that no jury has ever assessed. Reply 25-31.

TiVo focuses on one particular claim term—“*automatic flow control*”—arguing that it was construed merely to mean “self-regulated” and that the Broadcom devices obviously are “self-regulated” because otherwise they would not work. Supp. Resp. 41. TiVo identifies several completely different mechanisms by which the redesigned devices supposedly self-regulate, yet none is at all like the self-regulation that was adjudicated, or claimed. As explained, the mechanisms are as different as a toilet’s automatic shut-off valve and its flushing mechanism. *See* OB 50-51; Reply 24.

2. EchoStar’s removal of start-code detection in all models was a dramatic innovation.

TiVo does not deny that at the original trial it mapped the “parsing video and audio data” limitation onto the function that detected the packets’ start codes. Or that EchoStar’s elimination of start-code detection was a huge innovation—something TiVo’s own inventor thought could not be done. OB 15. It follows that eliminating start-code detection made the redesign more than colorably different

from the adjudicated device. TiVo nevertheless argues that the innovation was irrelevant because (1) start-code detection had never been relevant to the particular claims now at issue (claims 31 and 61), Supp. Resp. 38-39; and (2) TiVo had always taken the position that it was the PID filter (and not start-code detection) that performed the “parsing video and audio data” required by those claims, Supp. Resp. 40. Wrong on both counts.

Never before in this litigation (even before the panel) has TiVo made the first argument, which is flatly inconsistent with the arguments and evidence TiVo presented to the jury. TiVo had always treated claims 1 and 32 (referred to at trial as the “Hardware Claims”) and claims 31 and 61 (the so-called “Software Claims”) as describing overlapping attributes of the same invention relating to the “process for the simultaneous storage and play back of multimedia data.” A821. Both sets of claims involve “parsing” (i.e., “analyzing”) “video and audio data.” The Hardware Claims refer to a “Media Switch” that “parses said MPEG stream” consisting of “video and audio” data. A820. The Software Claims refer to a “physical data source” that “parses video and audio data.” A821.

Never once at the trial or on direct appeal did TiVo suggest that the feature performing the “parsing” of “video and audio” data in one pair of claims might be different from the feature performing the same function in the other pair.

Everyone understood them to be the same parsing performed by the same features. Instead the dispute was over *what* feature performed the parsing.

Which brings us to TiVo's second point: It is simply not true that "both sides' experts testified that PID filtering is parsing of video and audio data." Supp. Resp. 40. Consistent with the explanation in the specification, A817, TiVo's expert and its lawyers insisted that the "parsing" described in all four claims was the "genius" of "start-code detection." See Reply 19-21; A1552-53, A1580-82, A3543; A5505. Nowhere did any TiVo expert testify, or any TiVo lawyer argue, that the PID filter performed the function of "parsing video and audio data." TiVo's record cites simply refer to the PID filter as performing *a different type* of "parsing" (analyzing) function than the claims required. For example, in one passage TiVo's expert acknowledged that the PID filter performs "a type of parsing," but emphasized that "you shouldn't confuse that with" the reference to "parsing" in the "claim terms." A5073; Reply 22.

3. The experts vigorously disagreed on material facts.

The substantial disagreement among experts on material points is itself enough to invalidate the contempt citation. TiVo admits there were disputes, but asserts that during the contempt proceeding "the dispute between the experts ... had little to do with 'what the new device does.'" Supp. Resp. 40 n.9 (quoting

Supp. OB 19). That is simply untrue. *See* OB 31-32 (enumerating numerous disputes with contrasting citations as to each).

D. It Was Improper to Hold EchoStar in Contempt Because the Redesigned Product Does Not Infringe.

With respect to infringement, we offer two observations and otherwise rely on our panel briefing. First, as to the buffering and data flow, TiVo has never plausibly mapped the claim terms onto the new devices, *see* OB 47-52; Reply 25-28, and certainly did not do so in the order required by the claim, *see* OB 51-52; Reply 28-31. Second, as to the “parses video and audio data” limitation, TiVo has never credibly explained how it is possible for a PID filter to analyze “*video and audio data from ... broadcast data,*” when the PID filter can see *only* the address on the packet’s electronic envelope and not the video and audio data themselves. OB 52-54; Reply 19-20.

E. 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.

EchoStar has never argued that “[t]he absence of wilfulness,” *alone*, “relieve[s] from civil contempt.” Supp. Resp. 34 (quoting *McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 191 (1949)). EchoStar’s point is simply that proving that the defendant violated the injunction is not always enough to prove contempt. Others agree. *See* IP Law Profs. Br. at 5-6, 9-10, 16; CCIA Br. at 3.

TiVo concedes that there are numerous cases, cited in both briefs, standing for this sensible proposition. One of the cases EchoStar cites, *Chao v. Gotham Registry, Inc.*, 514 F.3d 280, 292-93 (2d Cir. 2008), so obviously supports EchoStar's position that all TiVo can say is that it "finds no support in Supreme Court precedent," Supp. Resp. 35-36, neglecting to mention that there is no contrary Supreme Court precedent either.

Finally, TiVo argues that EchoStar cannot meet these standards. TiVo does not question the prominence or integrity of the independent lawyers who confirmed that EchoStar "was in the very upper echelon of care that clients have taken." A5347. TiVo merely argues that the lawyers' three opinions should be dismissed out of hand because "[c]ounsel provided those opinions ... before EchoStar's redesign was even complete" and "never reviewed the actual modified source code." Supp. Resp. 36. But counsel relied on an accurate description of what the source code would be. TiVo has never pointed to any material difference between the description of the planned code on which counsel relied and the code that EchoStar ultimately wrote and implemented. *See* Reply 14 n.2. There were no such differences. A5234-42, A5304-39, A5339-66. That EchoStar secured the opinions before it implemented the redesign only underscores its diligence.

II. THE DISTRICT COURT ERRED IN HOLDING ECHOSTAR IN CONTEMPT OF THE DISABLEMENT PROVISION BECAUSE THE PROVISION DID NOT PROHIBIT NONINFRINGING DESIGN-AROUNDS AND CONTEMPT CANNOT LIE ABSENT A CLEAR PROHIBITION.

TiVo misreads the Disablement Provision and misapprehends the law.

A. The Disablement Provision Did Not Clearly Prohibit Noninfringing Design-Arounds, or Even Signal the Possibility of Such a Reading.

TiVo contorts the text of the injunction, misstates its context, and mischaracterizes the legal backdrop.

Text. The relevant language in the Disablement Provision is one sentence long: “Defendants are hereby ... ORDERED to ... disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data) in all but 192,708 units of the Infringing Products that have been placed with an end user or subscriber.” A162.

TiVo’s argument depends entirely on the proposition that “[t]he injunction defines ‘Infringing Products’ to mean the eight receiver models ... identified by specific model numbers”—even if they do not infringe. Supp. Resp. 46. Such a counterintuitive reading might be appropriate if the injunction had a “Definitions” section saying “‘Infringing Products’ means any products that carry the following model numbers, regardless of whether they are the same as the devices that were

adjudicated to infringe.” But the purported definition was nowhere near that clear.

It was incorporated into a run-on preamble, which stated in relevant part:

[T]he Court ... enters judgment for Plaintiff against Defendants for willful *infringement* of U.S. Patent No. 6,233,389 (“‘389 patent”), claims ... 31 and 61 (“the Infringed Claims”) by Defendants’ *following DVR receivers* (collectively the “Infringing Products”): DP-501; DP-508; DP-510; DP-522; DP-625; DP-721; DP-921; and the DP-942.

A161 (emphasis added). This preamble merely communicated that a receiver can be an “Infringing Product” only if it was one of the eight models in the form that the jury considered and found infringing.

The panel briefing explains several reasons why the preamble cannot be read as an instruction to substitute the eight model numbers wherever the injunction uses the term “Infringing Products.” OB 59-62; Reply 7-9. There are others. For instance, even TiVo concedes that this mechanical substitution does not work when those words appear in the very next sentence of the Disablement Provision, which reads: “The DVR functionality ... shall not be enabled in any new placements of the Infringing Products,” as distinguished from the already-placed units covered by the first sentence of the Disablement Provision. A162. Using TiVo’s definition of “Infringing Products,” that sentence would mean that “[t]he DVR functionality shall not be enabled in any new placements of the following eight models,” which would mean that EchoStar may never sell any products with any of those eight model numbers with any DVR functionality—whether

infringing or noninfringing. But TiVo insists that the prohibition against noninfringing DVR functionality did not apply to all receivers, but only to those that were already in the field. Resp. 21. So TiVo is taking the position that “Infringing Devices” has two different meanings in adjacent sentences.

TiVo also places great stock in the parenthetical directing EchoStar to “disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data).” A162; *see* Supp. Resp. 46. But all that meant was that in disabling “*the* DVR functionality”—the very DVR functionality that the jury found to infringe, in its existing, infringing form—EchoStar could not disable some of the functionality (e.g., fast-forward) and leave other functionality (e.g., rewind and pause) intact.

Context. TiVo does not explain how it can maintain that the injunction should be read to prohibit noninfringing design-arounds, when it declared that it was seeking an order that would enjoin only “infringement of the patent by devices adjudged to infringe and infringement by devices no more than colorably different therefrom”—“nothing more, nothing less.” OB 58. At a minimum, that context is relevant to how anyone in EchoStar’s position should have read the injunction.

TiVo tries to raise a contextual point of its own, referencing a debate over a different sentence of the injunction—namely, the sentence governing “new placements,” Supp. Resp. 50; A7355; *see* Reply 3-4, but its argument only

confirms the reasonableness of EchoStar’s reading. TiVo *tried* to persuade the District Court not to use the words “Infringing Products” in that sentence, arguing that those words would allow EchoStar to download software that it deemed noninfringing. A7355. But TiVo failed; the District Court rejected its argument and kept those words in, without any suggestion that TiVo was misreading those words. TiVo has never explained why its own argument to the District Court—essentially that “Infringing Products” means products that actually infringe in their current infringing form—should not apply with equal force to those same words in the previous sentence.

Finally, TiVo tries to forge a concession out of EchoStar’s motion for a “stay pending its first appeal based on the alleged harm of ‘be[ing] required to disable the DVR functionality’ of its receivers.” Supp. Resp. 50 (quoting A6107). But EchoStar’s justification for a stay was not that the injunction barred it from *ever* devising a design-around for receivers already in customers’ homes. Rather, EchoStar needed the stay because *it did not yet have a design-around ready*, which meant that immediate compliance would have required EchoStar to shut off all DVR functionality, with disastrous consequences. OB 58-62.

Legal backdrop. TiVo does not deny that the Patent Act authorizes courts to issue injunctions only “to prevent” further infringement, 35 U.S.C. § 283, or that this Court has held that judges have no authority to enjoin “lawful noninfringing

activities,” *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1998); Supp. OB 49. The point here is not that EchoStar was entitled to “assume the order does not mean what it plainly says,” Supp. Resp. 51, but rather that EchoStar was entitled to read the injunction against the backdrop of governing law—as set out in Supp. OB 48-50 and *Int’l Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312, 1316 (Fed. Cir. 2004)—without having to conjure hypothetical readings that would have been illegal.

TiVo insists that this Court’s rules concerning contempt are subject to exceptions though couched in “categorical” terms. Supp. Resp. 51. Perhaps so. But TiVo never sought an exception, and the District Court had not suggested it was departing from the norm. Contrary to TiVo’s assertion, upon issuing the injunction the District Court did not make any “factual findings,” much less “detailed” ones, in support of a prohibition that encompassed noninfringing conduct. Supp. Resp. 51. Under these circumstances, Chief Judge Rader is right that “*no reasonable patent attorney would have read the ... provision*” as the District Court did. Slip op., dissent at 3 (emphasis added).

B. Contempt Cannot Lie Unless an Injunction Clearly Prohibited the Defendant’s Conduct.

TiVo’s assertion that any ambiguity should be resolved against the defendant, Supp. Resp. 52, is beside the point if Chief Judge Rader is correct that the provision applied only to infringing products—for then there is no ambiguity at

all. But if TiVo's interpretation of the injunction is also plausible, then the language is indeed ambiguous—and TiVo's statement of the rule is wrong.

For support, TiVo relies mainly upon an inaccurate paraphrase of the Supreme Court's *Granny Goose* standard. *Granny Goose* does not say that a party is merely entitled to "fair notice of what an injunction prohibits." Supp. Resp. 45. It says 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) (emphasis added). Those four excised words matter. There is a big difference between "fair notice" that an injunction *might* be interpreted in a particular way (though even that standard is not met here) and "fair and precisely drawn notice of what [it] actually prohibits."

TiVo tries to discount *Granny Goose* on the ground that the Court there "did not find ambiguity." Supp. Resp. 48 (alterations and internal quotation marks omitted). That reading is untenable for reasons already explained, Supp. OB 49-50, which is why every circuit—including this Circuit and the Fifth Circuit—adheres to the rule that there can be no contempt finding unless the defendant "violated ... a *clear and unambiguous* order that leaves *no uncertainty*." *Perez v. Danbury Hosp.*, 347 F.3d 419, 424 (2d Cir. 2003) (emphasis added) (internal quotation marks and alterations omitted); *see* Supp. OB 45-46 (citing numerous

cases); *Baddock v. Vallard (In re Baum)*, 606 F.2d 592, 593 (5th Cir. 1979) (noting that “[t]he judicial contempt power is a potent weapon which should not be used if the court’s order upon which the contempt was founded is vague or ambiguous” and that “the court’s order ‘must set forth in specific detail an unequivocal command’”) (citations omitted).³

With the requirement that an injunction be “clear and definite” comes the corollary that if an injunction’s requirements are not “precisely drawn,” then “[a]mbiguities and omissions in orders redound to the benefit of the person charged with contempt.” *Abbott*, 503 F.3d at 1383 (citation omitted). TiVo does not deny that this, too, is a rule that every circuit embraces. *See* Supp. Resp. 53-54. Yet TiVo urges this Court not just to ignore its own precedent, but to adopt the diametrically opposite rule—that any ambiguity should be resolved *against* the defendant. Supp. Resp. 52. To be sure, TiVo purports to limit its rule to circumstances where the defendant “never sought clarification.” *Id.* But that is the same as abolishing the clarity requirement altogether. A defendant can *always*

³ Contrary to TiVo’s assertion, Federal Circuit law governs issues of the interpretation of this patent injunction, since they bear “an essential relationship” to matters committed to this Court’s exclusive jurisdiction. *Biodex Corp. v. Loredan Biomed., Inc.*, 946 F.2d 850, 858-59 (Fed. Cir. 1991); *see Int’l Rectifier Corp. v. Samsung Elecs. Co.*, 361 F.3d 1355, 1359 (Fed. Cir. 2004) (“[T]his court reviews a district court’s decision granting, denying, or modifying an injunction, in a patent case ... applying Federal Circuit law.”). But it does not matter, as Fifth Circuit law is the same.

“seek clarification”—and could have in each case cited in EchoStar’s en banc brief, including *Granny Goose* and *Abbott*. See Supp. OB 46-47.

Contrary to TiVo’s assertion, *McComb* does not stand for the proposition that “the burden of any uncertainty in the decree is on [the defendant’s] shoulders.” Supp. Resp. 52 (citation omitted). There, unlike here, the decree was perfectly clear: The injunction plainly and unmistakably ordered a recidivist violator of wage laws not to violate those laws again. *McComb*, 336 U.S. at 189. But the defendant then proceeded to violate those laws. The question in *McComb* was whether the defendant could defend against contempt on the ground that it was not sure whether its subsequent conduct violated those laws. The Supreme Court held that ignorance of the law was no defense—but in no way suggested that it was overruling the long-standing rule that any ambiguity in an injunction must be resolved in favor of the defendant. See generally Law Profs. Br. at 6-13, 20-23.⁴

The black-letter rule that ambiguities are resolved against contempt has not led to an epidemic of “experimentation with disobedience,” much less a regime

⁴ TiVo cites multiple Fifth Circuit cases that are similarly distinguishable. Most involved a situation where the injunction was clear. See, e.g., *United States v. Brown*, 561 F.3d 420, 438 (5th Cir. 2009) (“[I]ittle interpretation is necessary to understand” the provision); *FTC v. Gladstone*, 450 F.2d 913, 915 (5th Cir. 1971) (relevant language was “plain [and] unambiguous”). In another case, the court found that “through the guise of clarifying the scope of the injunction,” defendants were “merely attempting to argue the same theory that [previously] failed.” *Martin’s Herend Imps., Inc. v. Diamond & Gem Trading U.S. Co.*, 195 F.3d 765, 770-71 (5th Cir. 1999).

that “radically constrict[s] the enforceability of court orders.” Supp. Resp. 55 (citation omitted). The reason is that current law does not tolerate any “creative interpretation.” *Id.* (citation omitted). Nor does EchoStar “urge[]” a standard that “depend[s] on the enjoined party’s subjective state of mind.” Supp. Resp. 54; *see* Supp. OB 50. The current rule protects the defendant from contempt only if its interpretation of the order is objectively reasonable in light of the language of the injunction, the context, and the legal backdrop. In other words, the scope of the injunction must actually be ambiguous; ambiguities cannot be crafted *post hoc*.

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

EchoStar is not arguing that contempt is unavailable because the injunction was illegally overbroad when issued. And it is not suggesting a “rule that infringers may choose not to challenge injunction terms they consider overbroad—safe in the knowledge that ... they can obey the injunction only to the extent they choose, waiting to litigate their overbreadth challenge as defense to contempt.” Supp. Resp. 57. EchoStar’s point is that absent clear language to the contrary, the prevailing legal backdrop would require parties to read the injunction to cover only infringing products. *Int’l Rectifier v. IXYS*, 383 F.3d at 1316-17. The point, in other words, is that if the provision was indeed intended to prohibit noninfringing products, then the injunction failed to give “fair and precisely drawn notice of what [it] *actually* prohibits.” *Granny Goose*, 415 U.S. at 444 (emphasis added).

TiVo concedes that “[a] party that received inadequate notice—as in *Granny Goose* or *Abbott*—may indeed raise that defense in an enforcement proceeding” and “*Travelers* ... creates no ‘exception’ to the principles of fair notice.” Supp. Resp. 58. That means that EchoStar’s argument about the proper interpretation of the injunction is not waived and neither is EchoStar’s use of the legal backdrop as an aid in interpretation.

In short, the injunction cannot reasonably be read as TiVo asserts, but even if it could, it is at least ambiguous and any ambiguity precludes contempt.


CONCLUSION

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

Dated: October 12, 2010

Respectfully submitted,

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ADDENDUM – 2006 INJUNCTION

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

TIVO INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	2:04-CV-1-DF
	§	
ECHOSTAR COMMUNICATIONS CORP., et al.	§	
	§	
Defendants.	§	

AMENDED FINAL JUDGMENT AND PERMANENT INJUNCTION

Pursuant to Rule 58 of the Federal Rules of Civil Procedure and in accordance with the jury verdict delivered on April 13, 2006 and with the Court’s contemporaneously filed orders, the Court thereby enters judgment for Plaintiff against Defendants for willful infringement of U.S. Patent No. 6,233,389 (“389 patent”), claims 1, 5, 21, 23, 32, 36, 52, 31 and 61 (“the Infringed Claims”) by Defendants’ following DVR receivers (collectively the “Infringing Products”): DP-501; DP-508; DP-510; DP-522; DP-625; DP-721; DP-921; and the DP-942. The jury in this case found EchoStar’s infringement to be willful, but the Court, finding that Echostar did not act in bad faith and that this is not an “exceptional case,” has determined that there should be no enhancement of damages and no award of attorneys fees pursuant to 35 U.S.C. Sections 284 and 285. The Court also enters judgment for Plaintiff on Defendants’ counterclaims for declaratory judgment of non-infringement, invalidity, and unenforceability.

IT IS THEREFORE ORDERED THAT Plaintiff shall have and recover from Defendants, jointly and severally, the total sum of \$73,991,964.00, together with prejudgment

interest at the rate of prime, said prejudgment interest in the total sum of \$5,367,544.00¹, together with supplemental damages in the amount of \$10,317,108.00, together with post-judgment interest on the entire sum calculated pursuant to 28 U.S.C. § 1961. The amounts awarded in this judgment shall bear interest from the date of judgment at the lawful federal rate.

IT IS FURTHER ORDERED THAT

Each Defendant, its officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice hereof, are hereby restrained and enjoined, pursuant to 35 U.S.C. § 283 and Fed. R. Civ. P. 65(d), from making, using, offering to sell, selling, or importing in the United States, the Infringing Products, either alone or in combination with any other product and all other products that are only colorably different therefrom in the context of the Infringed Claims, whether individually or in combination with other products or as a part of another product, and from otherwise infringing or inducing others to infringe the Infringed Claims of the '389 patent.

Defendants are hereby **FURTHER ORDERED** to, within thirty (30) days of the issuance of this order, disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data) in all but 192,708 units of the Infringing Products that have been placed with an end user or subscriber. The DVR functionality, i.e., disable all storage to and playback from a hard disk drive of television data) shall not be enabled in any new placements of the Infringing Products.

Defendants shall forthwith provide written notice of this judgment, and the injunction

¹ The prejudgment interest and supplemental damages award herein do not cover the time period from August 1, 2006 to the date of entry of this Order. Consistent with the contemporaneously filed order addressing prejudgment interest and supplemental damages, the Court will award additional prejudgment interest and supplemental damages after receipt of additional information from Plaintiff's damages expert.

ordered herein, to: their officers, directors, agents, servants, representatives, attorneys, employees, subsidiaries and affiliates, and those persons in active concert or participation with them, including any and all manufacturers, distributors, retailers, and service providers who have been involved in the making, using, selling, offering for sale or importing of any Infringing Products; and to all other persons or entities involved in any way with the making, using, selling, offering for sale or importing of any Infringing Products. Defendants shall take whatever means are necessary or appropriate to ensure that this order is properly complied with.

This injunction shall run until the expiration of the '389 patent.

This Court retains jurisdiction over Defendants to enforce any and all aspects of this Judgment and Permanent Injunction.

The Court further retains jurisdiction to award Plaintiff amounts for supplemental damages, interest, costs, attorneys fees and such other or further relief as may be just and proper.

All relief not specifically granted herein is denied. All pending motions not previously ruled on are denied. This is a Final Judgment and is appealable.

SIGNED this 8th day of September, 2006.



DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

CERTIFICATE OF SERVICE

The undersigned certifies that on the 12th day of October, 2010, two copies of the foregoing Supplemental Reply 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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**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME
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1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) or FRAP 28.1(e).

- The brief contains 6,956 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii), or
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Dated: October 12, 2010 ORRICK, HERRINGTON & SUTCLIFFE LLP

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No. 2009-1374

**IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

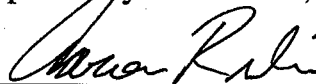
TIVO v. ECHOSTAR

DECLARATION OF AUTHORITY

In accordance with Fed. Cir. R. 47.3(d), and 28 U.S.C. § 1746, I, Aaron Rubin, hereby declare under the penalty of perjury that E. Joshua Rosenkranz, attorney of record for Defendants-Appellants, has authorized me to sign the foregoing Certificate of Compliance with Type-Volume Limitation, Typeface Requirements, and Type Style Requirements on his behalf.

Executed on October 12, 2010

Respectfully Submitted,



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