

No. 2009-1374

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

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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.*

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Appeal from the United States District Court for the Eastern District of Texas in  
Case No. 2:04-CV-01, Judge David Folsom

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**BRIEF FOR PLAINTIFF-APPELLEE TIVO INC.  
ON REHEARING EN BANC**

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## CERTIFICATE OF INTEREST

Counsel for Plaintiff-Appellee TiVo Inc. certifies the following:

1. The full name of every party or amicus represented by us is:  
TiVo Inc.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by us is:  
Not applicable
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by us are:  
BlackRock Inc. directly or indirectly owns 10% or more of TiVo's stock.
4. The names of all law firms and the partners or associates who appeared for the party or amicus now represented by us in the trial court or agency or are expected to appear in this Court are:

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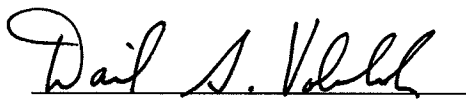
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A	Joint Appendix
Dissent	<i>TiVo Inc. v. EchoStar Corp.</i> , No. 2009-1374 (Fed. Cir. Mar. 4, 2010) (Rader, J., dissenting)
ESEBBr.	EchoStar En Banc Brief
ESPBr.	EchoStar Panel Opening Brief
ESPRBr.	EchoStar Panel Reply Brief
RR	EchoStar Reply in Support of Petition for Rehearing En Banc
Slip op.	<i>TiVo Inc. v. EchoStar Corp.</i> , No. 2009-1374 (Fed. Cir. Mar. 4, 2010)
Stay Mot.	EchoStar Emergency Motion for a Stay Pending Appeal of the District Court's Permanent Injunction (June 3, 2009)
TiVoPBr.	TiVo Panel Brief

## INTRODUCTION

This case tests whether courts can realistically enforce the right to exclude—and their own clear commands. Over four years ago, EchoStar was ordered to stop infringing TiVo’s DVR patent, and to “disable all storage to and playback from a hard disk drive of television data” in specific receivers. Since then, it has made billions more dollars by refusing to disable and continuing to infringe. It has manipulated current law by exaggerating inconsequential changes, dragging out proceedings, exploiting stays, and disregarding a plain order. Now it seeks to make enforcement even harder. If the injunction in this case cannot, at long last, be enforced, EchoStar will have shown how determined infringers can destroy the value of patents.

TiVo created and marketed the first commercially practicable consumer DVR—one of the great innovations of the last two decades. Once TiVo’s patent issued in 2001, EchoStar, a large transmitter of satellite television signals, made a business decision. Rather than work with TiVo to provide DVR service, as others did, it unilaterally provided infringing DVR capability using its own receivers. Nine years later, courts have repeatedly vindicated TiVo’s patent rights in theory, but never effectively enforced its right to exclude. Instead, EchoStar’s strategic gamble has been handsomely rewarded.

TiVo obtained a verdict of willful infringement in 2006. The district court found that TiVo was “a relatively new company with only one primary product”; that its “primary focus is on growing a customer base specifically around the product with which [EchoStar’s] infringing product competes”; that the “availability of the infringing products leads to loss of market share ... at a critical time in the market’s development”; and that customers lost to EchoStar were ones TiVo “will not have the same opportunity to capture once the market matures.” A213. It entered an injunction prohibiting further infringement and independently requiring EchoStar to “disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data)” in its adjudicated products. A162.

EchoStar obtained a stay from this Court, arguing that it would lose “\$90 million *per month*” if it were “required to disable the DVR functionality” of installed receivers. A6105, 6107. Its ensuing appeal likewise suggested no confusion about the injunction’s meaning, and raised no challenge to its terms. As was later revealed, however, when EchoStar sought the stay it had already secured opinions of counsel it later relied on to argue it had a non-infringing redesign. Shortly after the stay issued, it began downloading modified software—finishing before it even filed its opening brief. To TiVo and the courts, EchoStar said nothing. To investors EchoStar said it was “working on” a design-around

(A6314), but its general counsel publicly cautioned that until “a court concludes that yes, indeed, it is a valid workaround, we can’t say we’ve got one” (A8715). No court has ever said any such thing.

In January 2008, this Court affirmed the infringement judgment with respect to claims 31 and 61 of TiVo’s patent. The same day, EchoStar announced that the injunction would have “no effect,” because it had downloaded “improved” DVR software that it unilaterally claimed “does not infringe.” A7954.

TiVo moved to enforce the straightforward terms of the Disablement Provision. A6232-6251. EchoStar insisted that any enforcement proceeding also consider continued infringement. Over nine months, including a three-day evidentiary hearing, EchoStar had every opportunity to be heard. As to disablement, it now argued that “all storage to and playback from a hard disk” could only mean *infringing* storage and playback. As to infringement, for some receivers it argued only that packet identification (PID) filters did not “parse,” although at trial both sides’ experts had testified that they did. For others it also argued that its devices no longer had “automatic flow control,” because they used ten data buffers instead of eleven—an insignificant change. And although it had spent millions advertising its devices as “Better than TiVo” during the infringement appeal, now it claimed its “improved” products must be substantially different because they performed worse. A23, 7954; ESEBBr. 3.

The district court carefully considered EchoStar's arguments, but correctly found them insubstantial. A24-26. It found EchoStar in violation of the injunction.

By the time EchoStar sought its second stay from this Court, its infringement strategy had proved stunningly effective. Between the first and second stays, TiVo lost 25% of its DVR subscribers, while EchoStar's nearly doubled. A8676, 8679. Now, EchoStar argued, forcing it to stop using TiVo's DVR technology would cost it "several hundred million dollars *per month*." Stay Mot. 19. Thus, EchoStar received billions in DVR-related revenue after the injunction issued, while TiVo's revenue dwindled to about \$200 million a year. Today, EchoStar continues to prosper while technology and markets evolve apace and TiVo is irreparably harmed—despite the intervening conclusion of a panel majority that the district court properly applied current law and acted well within its discretion in enforcing both provisions of its order.

TiVo is a defendant far more than a plaintiff in patent cases. It wants balanced legal standards, fairly applied. In contrast, EchoStar's position is neither balanced nor factually well-founded. In EchoStar's world, unscrupulous infringers may exploit competitors' inventions; ignore clear injunctions; avoid enforcement using extravagant claims about irrelevant or trivial changes; and force perpetual litigation over conduct that generates vast profits while inflicting irreparable harm

on patentees seeking to market their own inventions in fast-moving technological fields. In that world, large infringers would have a clear roadmap for litigation abuse, but there would be nothing meaningful left of injunction enforcement or a patentee’s right to exclude.

### **SHORT ANSWERS TO EN BANC QUESTIONS**

1. A court may use enforcement proceedings to assess whether a modified product continues to infringe unless the modifications raise “substantial open issues of infringement.” Because that determination is a largely discretionary procedural question, it carries no separate burden of proof—although the district court in this case found that TiVo would have carried any such burden by clear and convincing evidence.

2. The “substantial open issues of infringement” standard, which properly focuses the “colorable differences” standard, is consistent with the “fair ground of doubt” and “really a doubtful question” language of *California Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609 (1885).

3. The factual predicates for violation of an injunction must be proven by clear and convincing evidence. No weight should be given to the infringer’s good faith or any “reasonable efforts” to comply. Where a violation is found, those factors may be considered in fashioning an equitable remedy.

4. A district court may enforce an injunction so long as the enjoined party had fair notice of what was required or prohibited. If there is ambiguity in an injunction (which there was not here), the enjoined party must seek timely clarification. If it does not, it assumes the risk that any ambiguity will later be resolved against it.

### **SUMMARY OF ARGUMENT**

I.A. The overarching question in any injunction-enforcement proceeding is whether the patentee has demonstrated a violation by clear and convincing evidence. This heightened burden balances the interest in enforcing patent rights and court orders against interests in fair notice and encouraging genuine design-arounds.

B. Under current law, courts decide whether it is appropriate to adjudicate continued infringement in an enforcement proceeding by (i) comparing the accused and adjudicated products in light of the claims as previously construed and (ii) determining whether any difference raises an infringement question that is too substantial to be resolved without a new suit. This determination is committed to the district court and reviewed for abuse of discretion. Properly applied, as it was here, this “substantial open issues” standard has worked well in practice and is consistent with both the “colorable differences” tradition on which it builds and the Supreme Court’s discussion in *Molitor*.



The Court should clarify that whether there are “substantial open issues” will not necessarily be evident at the outset of proceedings. As in non-patent cases, district courts must adequately inform themselves about the facts and arguments before making any determination. Whether enforcement proceedings are appropriate is a largely discretionary procedural determination, not a factual finding, and carries no separate burden of proof. If there is such a burden, however, the district court found that TiVo carried it by clear and convincing evidence.

C. Any standard must ensure that patentees and courts can meaningfully enforce infringement injunctions. The right to exclude can reward innovation only if reliably enforced. Determined infringers should not be allowed to make minor changes to enjoined devices, drag out judicial proceedings, and exhaust a new technology’s useful life while continuing a lucrative course of infringement and inflicting irreparable harm on patentees. The problem is particularly acute in rapidly evolving fields and for devices involving software or other features that can be modified with relative ease but little substance in ways that are not immediately transparent to a court.

D. EchoStar would effectively limit enforcement to situations where there is *no* open, non-precluded issue—even if the patentee’s position is clearly correct. Such extreme restrictions would only encourage gamesmanship and

evasion. New actions are inadequate to deter violations, improperly force patentees to bring serial litigation, and cannot redress irreparable harm. In contrast, a balanced enforcement standard will not discourage genuine redesigns. Even enjoined infringers are subject to enforcement only if a court concludes that a redesign raises no substantial new issue and clearly continues to infringe. Moreover, an infringer can always seek clarification about compliance from the court. Finally, EchoStar's attempt to create a thinly-veiled "good faith" exception to enforcement is precluded by established law—and, in any event, unsupported by the wholly inadequate opinions of counsel on which EchoStar relies.

E. Under any appropriate standard, the injunction was properly enforced here. Many of EchoStar's software changes were evidently directed at avoiding limitations that appear only in claims not involved here.

EchoStar's sole argument as to some units was that they no longer "parse" video and audio data because EchoStar no longer uses a "Media Switch" for start code detection and indexing. The claims at issue, however, do not require a Media Switch, start code detection, or indexing. Moreover, EchoStar's receivers still use PID filtering, which both sides' experts testified at trial meets the "parses" limitation.

For other units, EchoStar also argued that it eliminated "automatic flow control" by bypassing the "copy" buffer through which data from each of ten

“transport” buffers previously passed before being written to the hard drive.

Eliminating this “programming convenience” did not cause significant data loss or eliminate self-regulation in the essentially unchanged transport buffers.

TiVo did not change infringement theories. At trial, TiVo’s experts testified that PID filtering is parsing and defended validity on other grounds. Likewise, TiVo’s theory of flow control remains focused on the self-regulated movement of data through buffers. In any event, a modified device need not infringe in exactly the way proven at trial. Requiring plaintiffs to present evidence supporting every conceivable infringement theory to obtain a meaningful injunction would greatly multiply trials’ length, complexity, and cost. To preclude enforcement, product modifications must raise new issues that are genuinely too substantial to be resolved without a new suit.

II. An enjoined party is entitled to fair notice of what was required or prohibited. The injunction here unambiguously provided such notice, directing EchoStar to disable “all” DVR functionality in the adjudicated receivers. EchoStar’s strained arguments only confirm the injunction’s clarity. Its various proposals for a relaxed fair-notice standard—for example, allowing parties to disregard court orders that contain “*any ambiguity*” (ESEBBr. 44 (emphasis added))—are foreclosed by precedent. A party that could seek clarification but, like EchoStar, proceeds without doing so assumes the risk of a later unfavorable

construction. *See McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 192-193 (1949). And because EchoStar had fair notice, its failure to challenge the Disablement Provision on direct appeal forecloses any challenge now. That provision provides an independent basis for affirmance.

## **ARGUMENT**

### **I. DISTRICT COURTS MAY ENFORCE THEIR ORDERS IN CIVIL CONTEMPT PROCEEDINGS WHENEVER A VIOLATION IS CLEARLY ESTABLISHED**

The Court's first three questions address when and how an anti-infringement injunction should be enforced against an infringer that has modified its devices in ways that it contends are sufficient to avoid the patent. A sound enforcement framework must appropriately balance the interest in enforcing patents and court orders against an interest in encouraging genuine redesigns. *See, e.g., KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530 (Fed. Cir. 1985). To do that, district courts familiar with the previously adjudicated products, the technology, and the parties must inform themselves about the issues raised by product modifications. Where, as here, the changes do not raise substantial open issues of infringement and the products clearly still infringe, courts must be able to enforce their injunctions.

EchoStar and TiVo agree that the ultimate question in enforcement proceedings is whether the court's order has clearly been violated. ESEBBBr. 41. We also agree that whether issues may appropriately be adjudicated in an

enforcement proceeding is not necessarily a threshold question readily separated from the merits. ESEBBr. 35. We disagree, however, about the proper standard for deciding when enforcement proceedings are appropriate. Although EchoStar purports to apply *KSM*, it would tilt the playing field sharply in favor of serial infringers, profoundly narrowing the scope that existing law gives district courts to consider and resolve issues raised by product changes. Finally, of course, we disagree about how any standard applies to the facts here, which EchoStar grossly mischaracterizes.<sup>1</sup>

**A. Violation Of An Injunction Must Be Established By Clear And Convincing Evidence**

The ultimate question in any injunction-enforcement proceeding is whether the court's order has been violated. A party—including a patentee—seeking to enforce an order bears the burden of proving a violation by clear and convincing evidence. *See, e.g., KSM*, 776 F.2d at 1524; *Martin v. Trinity Indus., Inc.*, 959 F.2d 45, 47 (5th Cir. 1992); ESEBBr. 41.<sup>2</sup> The district court applied that burden here. A25-26.

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<sup>1</sup> Some amici supporting or appearing to lean toward EchoStar discuss only abstract legal principles under which TiVo would still prevail here. Others base their analysis on EchoStar's factual mischaracterizations without referencing the actual record. Microsoft, meanwhile, fails to disclose its role in litigation involving the patent at issue here. *See* 2:09-cv-259 (E.D. Tex.).

<sup>2</sup> “Because civil contempt proceedings are not unique to patent law,” Fifth Circuit precedent governs many issues in this appeal. *Eagle Comtronics, Inc. v. Arrow Commc'ns Labs., Inc.*, 305 F.3d 1303, 1313 (Fed. Cir. 2002).

This heightened burden protects against abuse of the enforcement process. Unless the enjoining court can clearly conclude that proffered modifications do not cure the adjudicated infringement, it may not enforce its injunction against the modified device. This standard inherently balances the interest in enforcing patent rights and court orders against the interest in encouraging genuinely innovative redesigns.

**B. The “Substantial Open Issues of Infringement” Standard Appropriately Guides Courts’ Discretion In Determining Whether Enforcement Proceedings Are Appropriate**

Under current law, district courts asked to enforce an anti-infringement injunction against a modified device proceed by analyzing the changes relied on by the enjoined infringer and determining whether, in light of the claims as previously construed, they raise questions that are too substantial to be resolved in an enforcement proceeding. *KSM*, 776 F.2d at 1532. Applied flexibly and with appropriate deference to district courts, this is a balanced and workable standard.

**1. “Substantial Open Issues” Properly Focuses The “Colorable Differences” Standard And Is Consistent With *Molitor*’s “Fair Ground Of Doubt” Language**

In *KSM*, this Court observed that the standard for “whether infringement should be adjudicated in contempt proceedings ... is difficult to articulate with precision, since it involves, to a large extent, the exercise of judicial discretion.”

776 F.2d at 1530. Surveying the relevant history, the Court found broad agreement

that “proceedings by way of contempt should not go forward if there is more than a ‘colorable difference’ in the accused and adjudged devices.” *Id.* The Court noted, however, that “stating that the ‘difference’ must be more than ‘colorable’ provides little guidance,” and that there was “wide variance” in the case law on the standard for determining whether differences were “colorable.” *Id.*<sup>3</sup> It therefore reframed the colorable differences standard in two ways.

*First*, before *KSM*, some courts simply compared modified and adjudicated devices to determine whether they were more than “colorably different.” *See, e.g., Interdynamics*, 653 F.2d at 98-99. If not, the court would enforce the injunction without analyzing infringement—as happened below in *KSM*. If so, the patentee had to file a new suit.

*KSM* recognized the inadequacy of pure product-to-product comparisons. For example, some product changes may not relate to the patent claims at issue, and thus may shed no real light on the question of continuing infringement. *See*

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<sup>3</sup> The “colorable differences” standard can be traced to *Odiorne v. Winkley*, 18 F. Cas. 581, 582 (C.C.D. Mass. 1814) (Story, J.), which is also considered the first case to articulate the doctrine of equivalents, *see Charles Greiner & Co. v. Mari-Med Mfg., Inc.*, 962 F.2d 1031, 1036 (Fed. Cir. 1992). Some courts accordingly used the doctrine of equivalents to analyze whether a modified product violated a previous injunction. *See, e.g., Interdynamics, Inc. v. Firma Wolf*, 653 F.2d 93, 96, 98-99 (3d Cir. 1981); *Atlantic Giant Powder Co. v. Dittmar Powder Mfg. Co.*, 9 F. 316, 317 (C.C.S.D.N.Y. 1881). Others focused on whether changes were material enough to preclude a clear finding of infringement. *E.g., McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 233-235 (10th Cir. 1968); *Valentine v. Reynolds*, 28 F. Cas. 871, 871-872 (C.C.S.D.N.Y. 1844).

*KSM*, 776 F.2d at 1528. *KSM* therefore stressed the necessity of evaluating how the changes on which an enjoined infringer relies actually relate to the patent claims. *Id.* at 1528-1529 (“It may, in some cases, only be necessary to determine that the modified device has not been changed ... in a way which affects an element of a claim.”).

*Second*, *KSM* clarified the “colorable differences” standard by directing courts to ask instead whether modifications to a device present “substantial open issues of infringement.” This formulation is less likely to cause confusion, either on its face or by association with prior, conflicting “colorable differences” cases.

Under *KSM*, courts compare modified and adjudicated products to determine what has changed, and then analyze the changes in light of the claims as previously construed. They determine whether any new infringement issue raised by the changes is too substantial to be addressed in a relatively streamlined proceeding in which the ultimate finding of continuing infringement must be made by clear and convincing evidence. *KSM*, 776 F.2d at 1532; *see also, e.g., Stryker Corp. v. Davol Inc.*, 234 F.3d 1252, 1260 (Fed. Cir. 2000); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1350 (Fed. Cir. 1998).

In other words, courts effectively ask:

1. What are the differences between the modified and adjudicated products?



2. How do those differences relate to the claims as previously construed? What new questions of infringement, if any, do they raise?
3. Are those new questions substantial? Specifically, are they too novel or difficult to be adjudicated confidently in enforcement proceedings, in which a violation must be proven by clear and convincing evidence?

District courts have broad discretion in applying the “substantial open issues” standard. “So long as the district court exercises its discretion to proceed or not to proceed” within the general constraints set by the standard, this Court will “defer to its judgment.” *KSM*, 776 F.2d at 1532; *see* *TiVoPBr.* 19 (abuse-of-discretion review).

The “substantial open issues” standard—sometimes still framed in terms of “colorable differences”—has worked well in practice. *E.g.*, *Aero Prods. Int’l, Inc. v. Intex Recreation Corp.*, 2005 WL 1182430 (N.D. Ill. May 11, 2005); *Brine, Inc. v. STX, L.L.C.*, 367 F. Supp. 2d 61 (D. Mass. 2005). This case is no exception. EchoStar and the panel dissent make sweeping claims about removed features, changed theories, inconsistent positions, and battles of experts. *ESEBBr.* 2-3, 32. As discussed below (I.E), however, and in TiVo’s panel brief (at 32-60), none of this withstands scrutiny. Both the district judge who presided over the original proceedings and the panel majority carefully examined EchoStar’s modifications and found them insubstantial in light of the adjudicated claims. *See* A23-26; slip op. 8-18.

As *KSM* recognized, the “substantial open issues” approach is also consistent with *Molitor*’s “fair ground of doubt” and “really a doubtful question” language. 776 F.2d at 1532. In *Molitor*, a circuit judge and district judge, sitting together as a “circuit court” (essentially a trial court, *see* 1 Rev. Stat. §§ 609, 629 (2d ed. 1878)), disagreed on whether a modified device violated an infringement injunction, with the presiding judge concluding that it did not. They certified that issue to the Supreme Court. The Court held it lacked jurisdiction, because certification was reserved for purely legal questions. 113 U.S. at 615-617.

In comments at the end of its opinion, the Court addressed what might happen on remand. It noted that, if the lower-court judges could not resolve their disagreement, judgment would be entered in accordance with the presiding judge’s opinion of no violation. 113 U.S. at 613, 618.<sup>4</sup> Then, the patentee could either bring a regular appeal to the Supreme Court or file a new infringement suit. *Id.* at 618. The Court continued:

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*.

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<sup>4</sup> The Court was not saying that any disagreement precluded enforcement. Its observation that “[i]f the judges disagree there can be no judgment of contempt,” 113 U.S. at 618, followed from a statutory requirement that “any difference of opinion between the judges” be resolved by treating “the opinion of the presiding justice or judge” as “the opinion of the court,” 1 Rev. Stat. § 650.

*Id.* (emphasis added).

Having resolved the case before it on jurisdictional grounds, the *Molitor* Court did not consider the question presented here, let alone purport to establish any comprehensive standard for assessing when enforcement proceedings are appropriate. Indeed, the Supreme Court has never referred back to this passage.

It is, however, instructive that, in *Molitor*, product changes were thoroughly explored in enforcement proceedings in the trial court. The Court never suggested that the circuit court’s detailed consideration of the “mixed question of fact and law” raised by those changes, 113 U.S. at 617, was improper in an enforcement proceeding. Rather, the choice on remand in *Molitor* was between “a new suit” and further *appellate* “review” in a properly-noticed appeal. *Id.* at 618. In that context, the Court’s suggestion that a new lawsuit would be more appropriate if continuing infringement remained “really a doubtful question” is no different from saying that violation of an injunction must be proven by clear and convincing evidence. *Cf. Fox v. Capital Co.*, 96 F.2d 684, 686 (3d Cir. 1938).

## **2. The Appropriateness Of Enforcement Proceedings Is Not Necessarily A Threshold Question**

We agree with EchoStar that *KSM* should be clarified to affirm that whether issues are too substantial to be adjudicated in enforcement proceedings is not necessarily a threshold question to be answered at the outset of proceedings.

In non-patent cases, courts asked to enforce orders do not generally inquire first whether the alleged violations are too complex or novel to be addressed. They focus instead on what they need to know about the facts and the parties' positions, and then on whether there has clearly been a violation. *See, e.g., Martin*, 959 F.2d at 47; *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423 (7th Cir. 1985). Decisions about how to order the proceedings are left to the court's sound discretion.

The same approach is appropriate in cases involving purported redesigns. Indeed, EchoStar agrees that it would be "out of step with prevailing contempt law" to require that district courts always decide "whether contempt proceedings are appropriate" as a "threshold question," only later considering "whether an injunction against infringement has been violated." ESEBBr. 35; *accord* FTC Br. 18.

As a practical matter, when an enjoined infringer begins using a modified product, neither the patentee nor the enjoining court will typically have the information necessary to evaluate the nature and significance of the modifications. The legal standards for injunction enforcement must allow the patentee to put the matter at issue before the court and require the infringer to explain its product changes and why it believes they avoid the patent claims. Only after being

adequately informed on all points can the court properly assess the issues raised and determine whether they can be resolved in the enforcement context.

This assessment and resolution may well require targeted discovery, expert analysis, adversary presentation, and findings of fact. *See, e.g., Additive Controls*, 154 F.3d at 1349; *Brine*, 367 F. Supp. 2d at 65; *Wetherill v. New Jersey Zinc Co.*, 29 F. Cas. 832, 833-834 (C.C.D.N.J. 1874); 3 Robinson, *The Law of Patents for Useful Inventions* 647 (1890) (court may examine “the performance by the defendant of the forbidden acts ... through the aid of experts or other proper witnesses”); NYIPLA Br. 17-18 (enforcement proceedings, while streamlined, need not be “summary” in a pejorative sense). Many patents relate to non-transparent technology. As Judge Posner has explained, for example, “[n]o judge is qualified to determine by looking at a heap of powder ... whether a change in the process by which a chemical is made has altered the chemical structure of the product without scientific testing conducted by experts.” *Abbott Labs. v. Apotex, Inc.*, 455 F. Supp. 2d 831, 839-840 (N.D. Ill. 2006) (subsequent history omitted). Similarly, most judges do not read computer code. Courts must be able to rely on conventional forms of adversary presentation to understand the changes an infringer has made in its product, and to assess “how claim limitations map onto the new device” (ESEBBr. 19), without automatically relegating the patentee to an entirely new suit. If they cannot, infringement injunctions will be unenforceable

against almost any purported redesign—particularly in areas, such as software, where changes are easily made but their real significance is not immediately obvious.

At any point in this process, a court may conclude that the issues raised are too substantial to be resolved confidently in an enforcement proceeding and remit the patentee to a new suit. Sometimes, this will become clear near the outset. *See First Years, Inc. v. Munchkin, Inc.*, 2009 WL 3482205, at \*1 (W.D. Wis. Oct. 26, 2009). Sometimes, that will happen as matters unfold. Sometimes, given the overlap between the “substantial open questions” inquiry and the ultimate infringement question, the court will essentially answer both questions simultaneously when it decides whether the injunction should be enforced. *See, e.g., Stryker*, 234 F.3d at 1260; *Additive Controls*, 154 F.3d at 1350; *Aero Prods.*, 2005 WL 1182430, at \*3-6.

### **3. No Burden Of Proof Attaches To The Determination Whether Contempt Proceedings Are Appropriate**

The determination concerning the appropriateness of adjudicating issues in enforcement proceedings is a largely discretionary procedural matter, not a factual determination. It therefore carries no separate burden of proof. *See* A18-19; slip op. 8; NYIPLA Br. 11-12. To the extent the district court needs subsidiary facts to make its determination, it may sensibly require either party or both to come

forward with relevant evidence and argument—taking due account of the fact that, at the outset, most of the relevant information will be in the infringer’s hands.

EchoStar argues that here the injunction uses “colorable differences” language in defining what it prohibits, thus requiring clear and convincing proof on that point to establish a violation. ESEBBBr. 18. The use of “colorable differences” language in injunctions flows, however, from its use in prior decisions. *See, e.g., International Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312, 1316 (Fed. Cir. 2004); *KSM*, 776 F.2d at 1526. It 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.

In any event, the answer to this question does not affect the outcome here. If there is a burden to establish the appropriateness of enforcement proceedings, the district court found that TiVo carried it “by clear and convincing evidence.” A25 n.6.

**C. The Applicable Standard Must Ensure That District Courts Retain A Meaningful Ability To Enforce Their Orders**

In formulating and applying any standard, it is important for this Court to reaffirm that injunctions may be enforced not only where a device is unchanged or changed only cosmetically—thus presenting *no* open issue of infringement—but also where product changes require some investigation to understand and evaluate. In such cases, an enjoining court may proceed so long as it can ultimately conclude

that the changes are not significant and that making, using, or selling the modified devices clearly violates the court's injunction.

This pragmatic approach to enforcement is critical because, as *KSM* recognized, “to require in each instance the patentee to institute a new infringement suit [would] diminish[] the significance of the patent and the order of the court holding the patent to be valid and infringed.” 776 F.2d at 1530 (quoting *McCullough*, 395 F.2d at 233). The right to exclude can provide an incentive to innovate—including a sound basis for the commercialization of inventions—only when it can be reliably enforced, even against a determined and resourceful infringer. *See, e.g., Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 429-430 (1908).

As this case demonstrates, even with the possibility of eventual enforcement, a determined infringer can make minor changes to a device, drag out judicial proceedings, and seek to exhaust an innovative technology's useful life while continuing profitable infringement and inflicting irreparable market harm on the patentee. TiVoPBr. 3; IPO Br. 3. This is particularly true for devices that involve software or other complex products and processes that can be modified with relative ease but often with little transparency or substance. Changes to such products require some analysis, and can easily appear more significant than they are. Unduly restricting the ability to test such changes through enforcement



proceedings would not promote balance in the law. It would only condemn patentees—and the investors, suppliers, customers, joint-venturers, and other commercial partners who respect and rely on their patents—to an endless game of cat-and-mouse.

That result would also erode respect for the orders entered in patent cases. The power to enforce injunctions “is a necessary and integral part of the independence of the judiciary, and is absolutely essential to the performance of the duties imposed on them by law.” *Gompers v. Buck’s Stove & Range Co.*, 221 U.S. 418, 450 (1911). The more constrained a court’s authority to enforce its orders, the more likely litigants are to engage in gamesmanship by doing the bare minimum necessary to escape enforcement without actually complying. *See McComb*, 336 U.S. at 192-193; *Maggio v. Zeitz*, 333 U.S. 56, 69 (1948) (“The procedure to enforce a court’s order ... should not be so inconclusive as to foster experimentation with disobedience.”); *Calculagraph Co. v. Wilson*, 136 F. 196, 199 (C.C.D. Mass. 1905) (“The attempt to see how near one can come to an infringement and escape it involves great danger, and is not looked upon with favor by courts.”), *quoted in KSM*, 776 F.2d at 1535 (Newman, J., concurring in part); TiVoPBr. 36. Instead, district courts must be able to consider whether modifications to an adjudicated product in fact succeed in avoiding infringement—and, where they clearly do not, to enforce their original decrees.

**D. EchoStar’s Arguments For Constricting Enforcement Are Unpersuasive And Would Improperly Tip The Enforcement Balance Against Aggrieved Patentees**

EchoStar pays lip service to the goal of balancing the interests of patentees and those of enjoined infringers. ESEBBr. 2. What it actually proposes, however, is an approach to injunction enforcement that would tip the scales radically in favor of serial infringement.

**1. An Injunction May Be Enforced Despite The Need To Resolve New Issues Raised By The Infringer’s Changes**

EchoStar argues, in effect, that injunctions should only be enforced when a district court can apply principles of preclusion to determine that a modified device continues to infringe in the “same manner” as the adjudicated device. ESEBBr. 16. It relies largely on *Molitor*’s statement that “[h]ad the defendant continued to make concrete pavements ... in the manner in which it was [previously] proved he did make them, and which the court [previously] decided to be an infringement, there could have been *no doubt* that he would have violated the decree.” ESEBBr. 16 (quoting *Molitor*, 113 U.S. at 613) (emphasis added). Enforcement of patent injunctions, however, has never been restricted to cases involving exact repetitions of prior infringement. *Molitor*’s passing reference to the clearest possible violation does not suggest any such limitation.

The functional point of standards such as “substantial open issues of infringement” is instead to define a range of cases in which (i) modifications to an

adjudicated device may require some analysis to understand and evaluate, but (ii) the enjoining court can, after appropriate inquiry, understand the changes and confidently conclude that the modified product still falls within the scope of the previous injunction. That is why the critical issue is not whether any issue raised by an infringer's change is "open" (ESEBBr. 20), but whether it is *substantial*. See, e.g., *Additive Controls*, 154 F.3d at 1350. EchoStar would abandon this balanced approach. Although *KSM* recognized that preclusion principles can help a court focus on any new issue raised by a modification, 776 F.2d at 1532, using them to define the outer limits of enforcement would be a sharp and ill-advised departure from established law. Indeed, the Supreme Court has warned about the cycle of evasion that would occur if enforcement of injunctions were limited to preventing mere replication of previous violations:

Civil contempt is avoided today by showing that the specific plan adopted by respondents was not enjoined. Hence a new decree is entered enjoining that particular plan. Thereafter the defendants work out a plan that was not specifically enjoined. Immunity is once more obtained because the new plan was not specifically enjoined. And so a whole series of wrongs is perpetrated and a decree of enforcement goes for naught.

*McComb*, 336 U.S. at 192-193.

EchoStar errs in contending (ESEBBr. 24) that prevailing plaintiffs in "every other realm" receive protection only against "having to relitigate" issues fully resolved in earlier proceedings, and that an injunction prohibiting more than the exact conduct giving rise to the original judgment would thus give patentees

“greater rights than any other plaintiff.” Injunctions often go beyond barring repetition of previous misconduct and include prophylactic provisions designed to prevent irreparable harm from further violations. *E.g.*, *FTC v. Ruberoid Co.*, 343 U.S. 470, 473 (1952) (FTC “is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past” and “cannot be required to confine its road block to the narrow lane the transgressor has traveled,” lest its order “be by-passed with impunity”); *United States v. Campbell*, 897 F.2d 1317, 1323 (5th Cir. 1990) (injunction required defendant “to notify the IRS of the intent to participate in the organization or sale of any tax shelter” and “wait 30 days thereafter”); *see also FTC v. National Lead Co.*, 352 U.S. 419, 431 (1957) (“those caught violating the [law] must expect some fencing in”). Similar scope is necessary to give anti-infringement injunctions any real value.

EchoStar and some amici also confuse the concept of “summary” enforcement proceedings with “summary” judgment. ESEBBr. 7, 31; Achusnet Br. 10-11; GE Br. 16-17. The summary judgment standard distinguishes between legal and factual questions in proceedings at law. In enforcement proceedings, “the issue ... is violation *vel non* of the injunction.” *KSM*, 776 F.2d at 1528. An equity court may find any fact relevant to that determination. *E.g.*, *Additive Controls*, 154 F.3d at 1351 (reviewing “factual findings in contempt proceedings for clear error”); *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, 91 F.3d 914, 920

(7th Cir. 1996) (“[T]he court is obligated to resolve material issues of fact raised by the party seeking a finding of contempt.”). Enforcement orders in all areas of the law routinely include judicial findings of fact. *E.g.*, *SEC v. Levine*, 671 F. Supp. 2d 14, 17-26 (D.D.C. 2009). Patent proceedings are no different. *E.g.*, *Armament Sys. & Procedures, Inc. v. Double 8 Sporting Goods Co.*, 57 F. Supp. 2d 681, 682-684 (E.D. Wis. 1999); *see also eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (traditional rules of equity apply “in patent disputes no less than in other cases”).

## **2. A New Action Is Not An Adequate Substitute For Enforcement Of An Injunction**

EchoStar contends that new actions, with the possibility of eventual damage awards, are an adequate substitute for injunction enforcement. ESEBBBr. 24-25. This case refutes that argument. In 2006, EchoStar told this Court that complying with the district court’s injunction by ceasing to offer DVR service would cost it “\$90 million *per month*.” A6105. It then proceeded, under the shelter of an appellate stay, to double its DVR subscriber base in just three years, while TiVo’s fell by nearly 25%. A8676, 8679. By 2009, EchoStar told the Court that forgoing DVR service—now twice adjudicated to infringe TiVo’s patent—would cost it “hundreds of millions of dollars *per month*.” Stay Mot. 19. With infringement generating that sort of current and growing reward, EchoStar was obviously untroubled by the prospect that eventually, after much litigation, it might have to

pay damages that might otherwise seem sizable—such as the approximately \$215 million awarded to TiVo here in supposed compensation for three *years* of post-injunction infringement. *See* NYIPLA Br. 16 (agreeing that “the economics may justify” incurring the risk of paying damages); A2; Doc. 988 at 7, No. 2:04-cv-1 (E.D. Tex. Sept. 4, 2009).<sup>5</sup>

Meanwhile, damages by definition cannot compensate for the irreparable harm caused by an enjoined party’s continued infringement. In issuing the injunction here, the district court made extensive findings concerning harm to TiVo, including that “the availability of the infringing products leads to loss of market share ... at a critical time in the market’s development” and that specific market characteristics meant customers lost early were ones TiVo “will not have the same opportunity to capture once the market matures.” A213. In enforcement, the court confirmed that, since the injunction issued, “EchoStar has gained millions of customers ... now potentially unreachable by TiVo.” A27. Damages cannot compensate TiVo for the commercial advantages EchoStar has improperly gained through *nine years* of infringement.

It is no answer to say that in a new action the patentee may seek a preliminary injunction. Among other things, the defendant may demand a bond, which could be very large. Fed. R. Civ. P. 65(c); *Sanofi-Synthelabo v. Apotex*,

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<sup>5</sup> EchoStar has made similar choices to game the litigation system in the past. *See, e.g.,* TiVoPBr. 41 n.12; A6247-6248.

*Inc.*, 470 F.3d 1368, 1384-1385 (Fed. Cir. 2006) (\$400 million bond). That may make sense where a plaintiff has not previously proved infringement. It makes no sense where the plaintiff has already secured, at great cost, both a first infringement judgment and an injunction.

As Justice Story recognized long ago, a central purpose of injunctive relief is to protect patentees from “the necessity of perpetual litigation, without ever being able to have a final establishment of [their] rights.” 2 Story, *Commentaries on Equity Jurisprudence, as Administered in England and America* § 931 (13th ed. 1886). Requiring a patentee to pursue a new lawsuit each time the enjoined infringer makes any superficially plausible (or simply opaque) modification to its device would make a mockery of that principle. Especially in rapidly evolving technical fields, patent injunctions would have no meaning and no worth.

### **3. EchoStar’s Concerns About Chilling Design-Around Efforts Do Not Withstand Scrutiny**

In contrast, there is no substance to EchoStar’s dire predictions about the prospect of injunction enforcement chilling legitimate efforts to design around patents. *See* ESEBBBr. 25.

First, injunctions bind only parties already adjudicated to have infringed in ways that cause irreparable harm. Anyone else may freely seek to design around the patent.

Even an enjoined infringer remains free to try new designs, subject to “the risk that the enjoining court may find [its] changes to be too insubstantial” to avoid continued infringement. *KSM*, 776 F.2d at 1526. Such a finding could be made either in enforcement proceedings or (as EchoStar argues) in a new action. EchoStar cannot explain why the former but not the latter would improperly chill real innovation. Indeed, in enforcement proceedings, the need for clear and convincing evidence shields even a serial infringer in truly doubtful cases. Where, however, examination shows that a “new” product still clearly infringes, failing to enforce the injunction serves no legitimate interest.

EchoStar points to the infringer’s inability to make validity arguments in enforcement proceedings and to the lack of jury trials. ESEBBr. 23. Validity may not be challenged in enforcement because the infringer was able (and bound) to raise every validity argument in the original action. *KSM*, 776 F.2d at 1529. As to jury trials, in enforcement proceedings courts properly find the facts. *Supra* pp.26-27. EchoStar never argues that courts are less capable than juries of doing so fairly, or explains why a fair judicial process for determining continued infringement by clear and convincing evidence will chill real innovation by enjoined infringers any more than the possibility of a new jury trial under a preponderance standard.

Instead, EchoStar’s argument seems to rest largely on rhetoric about the “indelible stain of contempt.” ESEBBr. 24. Civil contempt, however, is merely



the legal mechanism for seeking non-punitive enforcement of a court order. *See, e.g., McComb*, 336 U.S. at 191. Enjoined infringers—particularly large, seasoned, and aggressive commercial litigators, *see, e.g., TiVoPBr.* 41 n.12—cannot credibly complain about the legal form of the proceeding used to test assertions that their new products do not infringe. In contrast, restricting courts’ authority to adjudicate issues in contempt directly impedes courts’ ability to enforce their orders.

Likewise, requiring a party that has already obtained an injunction to file a new infringement action means, by definition, that the existing injunction will go unenforced—even if the patentee is clearly correct that a “new” product still infringes. Whatever concern may exist about the term “contempt” (or the incentive to produce follow-on innovations), the solution is not to allow infringers to escape practical enforcement of injunctions.

Indeed, under-enforcement of injunctions diminishes innovation, by eroding the value of patents. It also reduces the incentive to produce a true design-around, by reducing the consequences of merely rehashing infringement. EchoStar argues that “when it comes to design-arounds, there are innovators on both sides of the ‘v.’” *ESEBBr.* 25. That is true only if the previous infringer produces a *successful* redesign. The public has no interest in encouraging enjoined infringers to make minor product changes that, as here, drag out legal proceedings—and impose irreparable harm on patentees—while in fact clearly continuing to infringe.

Furthermore, an enjoined infringer with a possible design-around—especially one like EchoStar—is scarcely powerless to protect itself from contempt. It is armed not only with the specification and patent claims, which provide notice of what conduct is prohibited, *see* 35 U.S.C. § 112, but also with claim constructions, the adjudicated devices, and the infringement judgment. *See Oakley, Inc. v. Sunglass Hut Int’l*, 316 F.3d 1331, 1347 (Fed. Cir. 2003). Here, EchoStar was not free to consult its own, self-serving perception of what the jury must have thought, rather than the claims as construed and the actual trial evidence. *See* TiVoPBr. 36 (quoting ESPBr. 10). It is hard to imagine, for example, how EchoStar could have believed that its modified DVRs no longer “parsed” (i.e., “analyzed”) video and audio data, when they retained PID filters that EchoStar’s own trial experts testified met that limitation. TiVoPBr. 44-49.

If genuinely doubtful about its compliance, an enjoined infringer can seek clarification from the court. *See, e.g., Schaefer Fan Co. v. J&D Mfg.*, 265 F.3d 1282, 1284-1285 (Fed. Cir. 2001) (special master reviewed whether “proposed future designs” would violate order); *Broadview Chem. Corp. v. Loctite Corp.*, 474 F.2d 1391, 1392-1393 (2d Cir. 1973) (declaratory judgment action); *see also McComb*, 336 U.S. at 192 (“Respondents could have petitioned the District Court for a modification, clarification or construction of the order.”); *Regal Knitwear Co. v. NLRB*, 324 U.S. 9, 15 (1945) (similar). Parties who instead “undert[ake] to

make their own determination of what the decree meant” “kn[ow] they act[] at their peril.” *McComb*, 336 U.S. at 192.

Here, by the time EchoStar filed its opening brief on direct appeal, it had already downloaded modified software to its DVRs. A5258-5260. Yet, until this Court decided that appeal, EchoStar never even informed the district court of its position that the injunction would now have “no effect.” A15, 7954. An enjoined infringer that chooses to proceed unilaterally may not complain that its right to innovate has been improperly chilled when a court later finds, by clear and convincing evidence, that its modified design continues to infringe.

#### **4. Good Faith Is Not Relevant To Continuing Infringement**

Finally, citing *Molitor*, EchoStar argues that enforcement is improper where there is doubt about the “wrongfulness” of an infringer’s conduct, and that the injunction may not be enforced against it here because it allegedly acted reasonably and in good faith. ESEBBr. 36-41. Established law, however, precludes the use of any “good faith” test, however supplemented or disguised. *See* FTC Br. 14-16; AIPLA Br. 12-14; NYIPLA Br. 19-20; IPO Br. 17-18; GE Br. 26-27.

First, nothing in *Molitor* supports a “wrongfulness” test separate from the question of continued infringement. Even if the case purported to define a test at all, the phrase “fair ground of doubt as to the wrongfulness of the defendant’s

conduct,” 113 U.S. at 618, conveys only the obvious point that it is “wrongful” to infringe a patent, particularly in violation of a previous injunction. The Court’s comments simply reflect that violation of an injunction must be clearly shown. *Cf. id.* (new suit more appropriate “where [infringement] is really a doubtful question”).

Indeed, the Supreme Court has made quite clear that “[t]he absence of wilfulness does not relieve from civil contempt”; that intent “matters not”; and that “[a]n act does not cease to be a violation of a ... decree merely because it may have been done innocently.” *McComb*, 336 U.S. at 191. This Court follows the same rule, *see Additive Controls*, 154 F.3d at 1353, as do other circuits, including the Fifth, *see supra* n.2; *Waffenschmidt v. MacKay*, 763 F.2d 711, 726 (5th Cir. 1985); FTC Br. 15 (citing cases).<sup>6</sup>

EchoStar attempts to sidestep this rule by arguing that enforcement is improper if an enjoined infringer made “diligent, good-faith efforts to comply with an injunction *and* had an objectively reasonable basis for believing that it was in

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<sup>6</sup> EchoStar repeatedly cites the statement in *Arbek Manufacturing, Inc. v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995), that contempt “is not a sword for wounding a former infringer who has made a good-faith effort to modify a[n] ... infringing device.” ESEBBr. 11, 38; ESPBr. 19, 25, 32, 37. *Arbek*, however, did not involve the good or bad faith of a modified design. The Court simply found no abuse of discretion in a district court’s ruling that enforcement proceedings were unwarranted. *See* 55 F.3d at 1570. Nothing in *Arbek* purports to depart from uniformly contrary precedent and make good faith relevant—uniquely—in cases involving injunctions against infringement.

compliance.” ESEBBr. 37. If this argument is meant to raise the clear-and-convincing evidence bar still higher, it lacks either support or justification. If it is meant to make subjective good faith a defense to enforcement, it is squarely foreclosed. *E.g.*, *McComb*, 336 U.S. at 191.

Of the cases EchoStar cites from other circuits (ESEBBr. 38-40), several stand only for the uncontroversial proposition that *inability* to comply with an injunction precludes enforcement. *E.g.*, *Newman v. Graddick*, 740 F.2d 1513, 1528 (11th Cir. 1984) (“Good faith is no excuse for noncompliance. Inability to comply, however, is a complete defense.” (citations omitted)). Others deal with “substantial compliance,” which may excuse minor violations where “every reasonable effort” has been made to comply. *E.g.*, *Vertex Distrib., Inc. v. Falcon Foam Plastics, Inc.*, 689 F.2d 885, 892 (9th Cir. 1982). EchoStar cannot argue that it satisfies either standard (*see* A5375-5376), and neither line of authority supports adoption of a new rule precluding enforcement even where the enjoining court finds clear and convincing proof that modifications to a product, however reasonable or well-intentioned, fail to avoid continuing infringement.

As for *Chao v. Gotham Registry, Inc.*, 514 F.3d 280, 291 (2d Cir. 2008), the court there applied circuit precedent holding that a party seeking to enforce an injunction “must ... prove that ... the defendant has not been reasonably diligent and energetic in attempting to comply.” That standard finds no support in

Supreme Court precedent. Adopting it in patent cases would be a boon to infringers, encouraging gamesmanship and evasion. Instead, “[t]he crucial issue in civil contempt proceedings ... is ... simply whether the Court’s order was in fact violated.” *NLRB v. Crown Laundry & Dry Cleaners, Inc.*, 437 F.2d 290, 293 (5th Cir. 1971) (Wisdom, J.). In any event, EchoStar was not “reasonably diligent” here. *See infra* I.E.

Indeed, EchoStar could not prevail here even under its novel good-faith-plus-objective-basis test. For an “objectively reasonable basis,” EchoStar relies on non-infringement opinions it obtained. ESEBBr. 11, 37, 41.<sup>7</sup> Counsel provided those opinions, however, before EchoStar’s redesign was even complete. A24. They never reviewed the actual modified source code, relying instead on EchoStar’s representations and two or three documents EchoStar gave them. *Id.*; A5282-5283, 5330-5331, 5347 (“Q.... Has your firm ever reviewed the actual implementation? A. No. I’ve heard a little bit about it ..., but I don’t really know for sure exactly what it is.”), 7647. Hence, “they [we]re writing [opinions] based on characterizations ... by EchoStar and not on an independent examination of the ... software.” A5128. They also ignored trial testimony that PID filtering meets

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<sup>7</sup> EchoStar argues briefly (ESPBr. 36) that the time and money spent on its redesign are “objective proof of material differences.” As the district court recognized (A23), there is no necessary correlation between resources expended and actual avoidance of a patent’s limitations. Moreover, much of EchoStar’s effort was directed at avoiding claims not at issue in this case. *See infra* I.E.1.

the parsing limitation. A6168, 6203. And their opinions include statements that EchoStar’s own expert contradicted. A5337-5339. The district court rightly refused to give these opinions any weight. A23-24.

Although asserted good faith, diligence, and reasonable beliefs are irrelevant in assessing continuing infringement, they may be considered in fashioning the appropriate remedy for violation of an injunction. *See, e.g., Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559, 582 (5th Cir. 2005) (“Upon a finding of contempt, the district court has broad discretion in assessing sanctions[.]”); *Bate Refrigerating Co. v. Gillett*, 30 F. 683, 684-685 (C.C.D.N.J. 1887); *cf. Cooke v. United States*, 267 U.S. 517, 538 (1925). Where a serial infringer truly acted in good faith the court might impose a purely compensatory remedy, whereas in other circumstances the court might take further steps to encourage future compliance. *See Stryker*, 234 F.3d at 1260 (“conclusory nature” of opinion of counsel justified enhanced remedies). This approach preserves ample incentives for enjoined infringers to act conscientiously in attempting to design around an injunction, without depriving courts of their necessary power to enforce their orders and protect the rights of patentees.

**E. The Injunction Against Infringement Was Appropriately Enforced In This Case**

Under any appropriate standard, the facts here—discussed at length in TiVo’s panel brief (at 32-60)—offer a textbook case for injunction enforcement.

They also illustrate why an enjoined infringer's representations about its changes cannot be accepted at face value. Using only one expert witness, TiVo was able to prove by clear and convincing evidence that EchoStar's software changes were insignificant in the context of the previously adjudicated claims.

**1. EchoStar's Modifications Were Primarily Directed At Claims No Longer At Issue**

EchoStar's characterization of its product changes is highly misleading. The jury found that EchoStar infringed two distinct sets of claims. Claims 1 and 32 require (i) a "Media Switch" that "parses said MPEG stream" and (ii) that "said MPEG stream is separated into its video and audio components." A820, 822. Those claims, however, are no longer at issue. A5053. Claims 31 and 61, involved here, have different limitations. They require a "physical data source" that "parses" (*i.e.*, "analyzes") "video and audio data from ... broadcast data." A377, 821. They do *not* require that a Media Switch perform the parsing, or that an MPEG stream "is separated into its video and audio components." A5054.

Many of EchoStar's modifications were evidently directed at avoiding claims 1 and 32, by bypassing the Media Switch that detected start codes before storage and separated the MPEG stream through indexing. A5054, 5058-5062, 5065. EchoStar's assertion that it eliminated the "genius" and "core" of TiVo's invention and achieved what TiVo "thought impossible" (ESEBBr. 2) relates solely to those claims (*see* TiVoPBr. 45). Discussing them, TiVo's counsel



remarked that “[t]he genius, the core of this invention is *separation*.” A6216 (emphasis added). That statement had nothing to do with the claims at issue here, which do not require separation, and only illustrates how easily an enjoined infringer can exaggerate its modifications’ significance. As to claims 1 and 32, eliminating start-code detection and indexing might have been meant as a new way of producing an inferior product. *See* ESEBBBr. 3 (“substituting a feature that could *miscalculate* where a desired video frame is for a feature that always *knows*”). Neither change, however, prevents EchoStar’s DVRs from continuing to meet the “parses video and audio data” limitation of claims 31 and 61. A23-25.<sup>8</sup> Many of EchoStar’s arguments about the significance of its changes are therefore fundamentally misdirected.

EchoStar was also constrained by the fact that, because it was remotely modifying software in existing receivers, it could not add to or fundamentally change the hardware. A5090. For example, EchoStar conceded that it “did not design-around the infringing flow control instructions in the 50X receivers because of the limitations of the chips in those receivers.” Doc. 900, ¶ 120, No. 2:04-cv-1 (E.D. Tex. Feb. 10, 2009); A5231.

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<sup>8</sup> The point is not that “parse” means something different in different claims. *See* Dissent 9. “Parses” was construed to mean simply “analyzes.” A373, 377. Only claims 1 and 32, however, require parsing by a Media Switch and the separation of an MPEG stream.

**2. EchoStar's Changes With Respect To Claims 31 And 61 Were Minor And The Modified Devices Clearly Continue To Infringe**

Focusing properly on the claims at issue, it was not difficult for the district court to conclude that EchoStar's changes were immaterial and that the modified receivers continued to infringe. A23-26. EchoStar's sole argument as to the 50X units was that they no longer parsed video and audio data. A5292, 5523-5524. In the original proceedings, however, both sides' experts testified that PID filtering is parsing of video and audio data. *See* A2950 (EchoStar's expert Dr. Rhyne), 3128-3129 (EchoStar's expert Dr. Polish), 3500 (TiVo's expert Dr. Storer), 7729 (Dr. Polish); *see also* A5074-5079; TiVoPBr. 45-47. They also agreed that PID filters are part of the "physical data source," the structure that "parses" in claims 31 and 61. *E.g.*, A2875 (EchoStar's expert Dr. Johnson), 1662-1663 (TiVo's expert Dr. Gibson); *see also* A7784 (EchoStar's counsel). It is undisputed that EchoStar's receivers still use PID filters (A48, 5067, 5071), which it even calls "parsers" (A5069, 5080, 5291). Under *any* standard, a district court must have the authority to enforce an anti-infringement injunction where, as here, a device continues to operate in a way that both sides' experts testified at trial meets the only claim limitation the infringer contends its modifications have avoided.<sup>9</sup>

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<sup>9</sup> Contrary to EchoStar's argument, the dispute between the experts over enforcement had little to do with "what the new device does" (ESEBBr. 19) and much to do with what conclusions flowed from agreed technical facts. *See* ESPBr.

The district court was on equally solid footing with respect to the buffering changes in EchoStar’s Broadcom receivers. EchoStar claimed to have implemented a “single buffer” design that eliminated blocking. But neither multiple buffers nor blocking is a claim limitation. A23 (“‘automatic flow control’ means ‘self-regulated’ and is not limited to ... blocking”); A821 (“*a* buffer” (emphasis added)). In reality, EchoStar simply bypassed an *eleventh* buffer, called the “copy” buffer, through which an exact copy of data in each of ten transport buffers passed before being written to the hard drive. TiVoPBr. 10, 49-51. Eliminating that “programming convenience” (A5107-5108) had no material impact on the amount of data loss, which is one thing that automatic flow control seeks to minimize. As with the adjudicated products, loss was minimal but unavoidable. A24, 5116-5121, 7637-7638. Meanwhile, the data flow through the ten transport buffers remained carefully controlled and self-correcting, using hardware and software mechanisms essentially unchanged from trial. A5107-5108. As the district court found, EchoStar’s “change from eleven buffers to ten” is far too trivial to defeat enforcement of the injunction. A24; slip op. 11 (agreeing this change “was not a major redesign of the software”).<sup>10</sup>

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31-32. Indeed, the real “battle” was between what EchoStar’s expert said at the enforcement hearing and what he had said at trial. *See* A5510-5515.

<sup>10</sup> As the panel majority noted, “EchoStar seeks to magnify the significance of its buffer redesign by arguing that the modifications resulted in skewing of the infringement mapping asserted by TiVo at trial.” Slip op. 11. TiVo, however,

### **3. EchoStar’s Argument About New Infringement Theories Is Wrong On Both Facts And Law**

EchoStar is wrong factually and legally when it says that enforcement proceedings were precluded because it “removed from the adjudicated devices the very features that TiVo had matched to its claim limitations at trial,” forcing TiVo to adopt different infringement theories. ESEBBr. 2; *see also* Dissent 6-8.

TiVo’s experts testified at trial that PID filtering is parsing and that the PID filters are part of the “physical data source,” the structure that “parses” in claims 31 and 61. A3500, 1662-1663, 5071-5072, 5077-5079. TiVo did not take the opposite view “[t]o fend off EchoStar’s invalidity challenge at trial” (ESEBBr. 29). EchoStar’s invalidity argument with respect to claims 31 and 61 focused on two prior art devices: the “MediaStream” and the “Screamin’ Streamer.” TiVo did not rely on the absence of “parsing” in either device in defending the validity of claims 31 and 61 (or claims 1 and 32). *See* TiVoPBr. 48-49. TiVo’s validity expert, Dr. Storer, distinguished both devices based on the absence of a “transform object,” and further distinguished the MediaStream based on the lack of any documentation of “flow control.” 4/11/06 AM Tr. 56-59, 61, 66-69. EchoStar’s argument again rests on an erroneous reading of testimony relating to the “Media Switch” and

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fully met EchoStar’s “challenge” (ESPBr. 51) with respect to the limitations EchoStar had not focused on below. *See* TiVoPBr. 49-60. This evidence, including unrebutted expert testimony and detailed claim charts, more than suffices to support the district court’s decision. *See* A5123-5126, 8016-8039.

“separated” limitations of claims 1 and 32—neither of which appears in the claims at issue here. TiVoPBr. 49; A3542-3543, 5073-5074.

Likewise, bypassing the copy buffer hardly forced TiVo to change theories on automatic flow control. *See* A5122, 5181-5182. At trial, TiVo presented evidence that showed, among other things, a self-regulated flow of data in and out of buffers that helped minimize data loss and limit instances in which data was written to and read from the same buffer simultaneously. TiVo illustrated that theory with examples of structures and code from the DP-721 units (which are no longer at issue) and unrebutted expert testimony about finding “similar” flow control in the other units. A1678-1679. At the enforcement hearing, TiVo relied on the same theory to prove automatic flow control—demonstrating that the modified devices minimized (without eliminating) data loss and self-regulated the flow of data in and out of the ten transport buffers, which remained essentially unchanged. A5106, 5109-5122.

In any event, it has never been the rule that an injunction against infringement is unenforceable unless the modified device infringes in exactly the same way as the adjudicated device. In *American Foundry & Manufacturing Co. v. Josam Manufacturing Co.*, 79 F.2d 116, 119 (8th Cir. 1935), the court noted that the precise infringement issue raised in enforcement proceedings was not in the trial judge’s mind when he found infringement. Nonetheless,

the fact that the particular (or similar) construction or features here involved were not before the court in the infringement suit is not determinative that a later construction cannot be properly handled in [a] contempt proceeding. If this were not true, the decree would lose much of its real value [and] .... not only would a patentee be subject to endless harassment by litigation, but the decree of the court would, by such easy indirection, be robbed of much of its effectiveness.

*Id.* at 120; *see also, e.g., Calculagraph*, 136 F. at 198.

A contrary rule would be unworkable. If plaintiffs had to present every conceivable variant on their infringement theory to obtain meaningfully enforceable injunctions, it would greatly multiply the length and expense of trials. TiVoPBr. 39; NYIPLA Br. 10.<sup>11</sup> And where, as here, alternative theories were presented to the jury, it is untenable to allow an enjoined infringer to decide for itself, as EchoStar has, what the jury must have concluded in reaching its verdict. TiVoPBr. 40; *see also Blair v. Jeannette-McKee Glass Works*, 161 F. 355, 358 (C.C.W.D. Pa. 1908) (condemning a “too ready inclination on the part of defendants to assume that they are outside of the patent, while merely pursuing the same practice in a modified form”). To preclude enforcement, an enjoined infringer’s modifications instead must raise new issues that are genuinely too substantial to be resolved without a new suit. The district court properly concluded that EchoStar’s changes do not raise such issues and that the modified devices

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<sup>11</sup> Nor does EchoStar explain how its rule would work when, for example, an injunction is entered pursuant to a consent decree or an expert testifies at trial, without elaboration or contradiction, that a particular limitation is met.

clearly continue to infringe. These conclusions are amply supported by the record and certainly involve no abuse of discretion or clear error. *See* TiVoPBr. 18-20.

## **II. AN INJUNCTION IS ENFORCEABLE WHERE, AS HERE, A PARTY HAD FAIR NOTICE OF ITS TERMS**

The Court's fourth question is whether a court may "hold an enjoined party in contempt where there is a substantial question as to whether the injunction is ambiguous in scope." All agree that a party must have fair notice of what an injunction prohibits. EchoStar has had every opportunity, in these enforcement proceedings, to argue that the injunction's Disablement Provision did not provide such notice. Both the district court and panel majority properly rejected those arguments on the merits. *See* A26-A27; slip op. 20-24. They also properly concluded that, because it had fair notice, EchoStar waived any substantive challenge to the injunction's terms by failing to raise it on direct appeal. EchoStar's plain violation of the Disablement Provision provides an independent ground for affirmance.

### **A. The Disablement Provision Gave EchoStar Fair Notice**

An injunction must provide "fair and precisely drawn notice of what [it] actually prohibits." *Granny Goose Foods, Inc. v. Brotherhood of Teamsters*, 415 U.S. 423, 444 (1974) (discussing Fed. R. Civ. P. 65(d)). The Disablement Provision easily satisfies that standard.

## 1. Text

The text of the Disablement Provision is pellucid. *See* TiVoPBr. 21-23. It directs EchoStar 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. The injunction defines “Infringing Products” to mean the eight receiver models found by the jury to infringe, identified by specific model numbers. A161. Thus, the injunction commands EchoStar to disable any DVR functionality in enumerated receivers already in use. EchoStar has never complied.<sup>12</sup>

EchoStar’s textual arguments only confirm the injunction’s clarity. EchoStar argues that “TiVo’s reading: (1) insinuates the word ‘permanent’ into the text; (2) alters ‘*the* DVR functionality’ into ‘*all* DVR functionality’; and (3) interprets the phrase ‘Infringing Products’ to mean something other than ‘products that infringe.’” ESPRBr. 8; *see also* ESEBBr. 48. “Permanent,” however, is in the title of the injunction (A161); and the order specifies that it “run[s] until the expiration of the ’389 patent” (A163). The order also expressly defines “disable *the* DVR functionality” to mean “disable *all* storage to and playback from a hard disk drive of television data.” A162 (emphasis added). And it expressly defines

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<sup>12</sup> The injunction does not “prohibit EchoStar from ever using millions of receivers.” ESEBBr. 44. Receivers can still be used for their primary purpose—providing customers with television-transmission services.



“Infringing Products” to mean the adjudicated receiver models, without reference to any further finding of infringement. ESPRBr. 8; *see* A161. EchoStar may not disregard that textual definition in favor of one it supposedly deems more “natural” (ESPRBr. 8; ESEBBr. 48). *See* TiVoPBr. 22 (citing *Burgess v. United States*, 553 U.S. 124, 129-130 (2008)); *cf.*, *e.g.*, *Meese v. Keene*, 481 U.S. 465, 484 (1987) (statutory definitions “exclude[] unstated meanings.”). Finally, the heart of EchoStar’s clarity argument—that “all” DVR functionality means only “the DVR functionality that was found to infringe, not ... any DVR functionality” (ESEBBr. 48)—is absurd. *See, e.g., Cohens v. Virginia*, 19 U.S. (6 Wheat.) 264, 348 (1821) (“The term ‘*all cases*,’ means *all*, without exception[.]”); TiVoPBr. 23.<sup>13</sup>

## 2. Precedent

As TiVo has explained (TiVoPBr. 23-24 & n.7), injunctions held not to provide fair notice have been starkly different from the order here. Typically they prohibited violations of a statute; were not addressed to the relevant party; or did not state the specific conduct later deemed in violation of the order (here, failing to disable “all storage to and playback from a hard disk drive of television data”

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<sup>13</sup> In addition, while the panel majority upheld enforcement here on *de novo* review (slip op. 20), under regional precedent courts addressing fair-notice arguments give “[g]reat deference [to] the interpretation ... of an injunctive order by the [issuing] court.” *Alabama Nursing Home Ass’n v. Harris*, 617 F.2d 385, 388 (5th Cir. 1980); *accord Amado v. Microsoft Corp.*, 517 F.3d 1353, 1358 (Fed. Cir. 2008).

(A162)). EchoStar still has not cited any fair-notice case remotely similar to this one. *See* ESEBBr. 46-47.

*Granny Goose*, for example, held that a preliminary injunction could not be enforced because *it never issued*. *See* 415 U.S. at 445 (“There being no order to violate, the District Court erred in holding the Union in contempt[.]”).<sup>14</sup> Thus, contrary to EchoStar’s suggestion (ESEBBr. 49), *Granny Goose* did not “f[*in*]d ambiguity”; rather, it concluded that there was unambiguously no violation of any order. Similarly, in *Abbott Laboratories v. TorPharm, Inc.*, 503 F.3d 1372, 1383 (Fed. Cir. 2007), there was no language in the injunction that could be read to prohibit the enjoined party’s conduct (filing an abbreviated new drug application). *See also id.* at 1376-1377 (quoting the injunction). Here, the injunction plainly mandates disablement of “all” DVR functionality in specified receivers.

Finally, in *Chao* the court, applying deferential review, upheld denial of a contempt motion because the underlying conduct raised “such a difficult question of first impression” regarding construction of a statute, 514 F.3d at 292. That approach is difficult to reconcile with *McComb*, which involved an injunction barring violation of the same statute. *See* 336 U.S. at 189. In any event, interpreting the Disablement Provision presents no novel or difficult question.

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<sup>14</sup> A temporary restraining order had issued, but it expired before the alleged violation. The Court rejected the argument that the order was transformed into a preliminary injunction by operation of law. *See* 415 U.S. at 440-445.

Moreover, while in *Chao* the question involved statutory interpretation, here EchoStar’s purported uncertainty involves the meaning of the order itself—something the district court could have clarified easily and definitively on request.

### 3. Non-Textual Arguments

EchoStar also offers three non-textual arguments for lack of notice.

*First*, it relies repeatedly (ESEBBBr. 4, 13, 44, 48, 56) on Chief Judge Rader’s conclusion (Dissent 3) that “no reasonable patent attorney” would read the Disablement Provision as the district court did. Like that court and the panel majority, TiVo obviously disagrees with that conclusion. The salient point, however, is that even strongly-held dissenting views do not demonstrate that the injunction was unclear. In *McComb*, for example, the Supreme Court held the enjoined parties in contempt even though two Justices—and the district court and the court of appeals—deemed the injunction insufficiently clear. *See* 336 U.S. at 196 (Frankfurter, J., dissenting).

*Second*, EchoStar (ESEBBBr. 49-50) renews its focus on the Disablement Provision’s drafting history. As TiVo has explained, however (TiVoPBr. 31 n.10), *Travelers Indemnity Co. v. Bailey* holds that, as with a statute, when an injunction is clear its drafting history is irrelevant—even if arguments about what it would reveal “may well be right.” *See* 129 S. Ct. 2195, 2204 (2009). In any event, the history here favors TiVo, which *expressly addressed* in the district court the issue

EchoStar now contends was never raised. *See* TiVoPBr. 24-25. TiVo urged the court to reject EchoStar’s proposal to limit the injunction to “infringing” software, arguing that it was “an invitation for ... mischief” and would “only result in EchoStar providing what it deemed as ‘non-infringing’ DVR software to its already-found-to-be-infringing DVRs, creating the opportunity for interminable disputes to determine what exactly is ‘infringing DVR software.’” A7355; *see also* A15 (district court noting this history). That, of course, is precisely what has occurred.

Accordingly, there is no basis for EchoStar’s repeated claims (ESEBBr. 4, 51, 55) that, until these enforcement proceedings, no one ever suggested giving the Disablement Provision its plain meaning. Indeed, EchoStar itself sought a stay pending its first appeal based on the alleged harm of “be[ing] required to disable the DVR functionality” of its receivers. A6107. This “motion, filed even as EchoStar was developing and preparing to roll out its workaround, in no way demonstrates EchoStar’s contrary understanding of the disablement provision.” Slip op. 22; *see also Oakley*, 316 F.3d at 1347 (enjoined party’s conduct “demonstrate[s] that the ... injunction is not unclear to” it).

*Third*, EchoStar argues (ESEBBr. 4, 13, 48) that it cannot be faulted for not reading the injunction to mean what it says because that reading would have made the order “unlawful” or “illegal.” That is unavailing. A party that considers an

order unlawful may appeal or seek redress from the issuing court. It may not assume the order does not mean what it plainly says.

In any event, although the Disablement Provision's merits are not properly before the Court (*see* TiVoPBr. 30-32; *infra* II.C), it is an entirely sound equitable remedy. *See* TiVoPBr. 26-30. It was based on detailed factual findings, *see* A213; reflected the district court's familiarity with the technology and the parties; and, as just discussed, was designed in part to prevent precisely the type of evasion that EchoStar has attempted. While EchoStar argues (ESPBr. 56; ESPRBr. 6) that patent injunctions cannot remedy past harm or reach noninfringing activity, those categorical assertions depart from two established principles of equity. *First*, equity is case-specific, and courts have great flexibility in exercising equitable powers. *E.g.*, *Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946); *Seymour v. Freer*, 75 U.S. 202, 218 (1869). *Second*, any statutory limit on courts' equitable powers must be unambiguous. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 (1982). The Patent Act affirmatively grants power to issue injunctions to "prevent" violations of patent rights; it does not specify any limit on equity powers, let alone do so unambiguously. *See* 35 U.S.C. § 283; *see also* *Weinberger*, 456 U.S. at 320 (courts should favor "that [statutory] interpretation which affords a full opportunity for equity courts to [act] ... in accordance with their traditional practices." (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 330 (1944))). Moreover,

undoing the effects of past misconduct also serves to prevent future violations. *See Porter v. Warner Holding Co.*, 328 U.S. 395, 400 (1946) (“Future compliance may be more definitely assured if one is compelled to restore one’s illegal gains[.]”). Finally, this Court’s precedent refutes EchoStar’s contention that noninfringing activity may never be enjoined. *See Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1985); TiVoPBr. 28-29; AIPLA Br. 19-21; GE Br. 3.

**B. Any Ambiguity Should Be Resolved Against EchoStar, Which Never Sought Clarification**

Perhaps because there is no real doubt about what the Disablement Provision requires, EchoStar argues that “*any ambiguity*” in an injunction precludes enforcement. ESEBBr. 44 (emphasis added). Alternatively, it argues that any ambiguity must be resolved in its favor in determining fair notice. ESEBBr. 45-47. Even if there were ambiguity (which there is not), both arguments are foreclosed.

“The mere fact that ... interpretation is necessary does not render [an] injunction so vague and ambiguous that a party cannot know what is expected[.]” *United States v. Brown*, 561 F.3d 420, 438 (5th Cir. 2009) (internal quotation marks omitted). On the contrary, if an enjoined party could seek clarification but fails to do so, “the burden of any uncertainty in the decree is on [its] shoulders.” *McComb*, 336 U.S. at 193. Thus, both Supreme Court and governing regional precedent reject EchoStar’s arguments. *See also id.* at 192; *Gulf King Shrimp Co. v. Wirtz*, 407 F.2d 508, 517 (5th Cir. 1969) (“If ... Gulf King had doubts about the

meaning of any part of the injunction, it could have sought ... clarification.”);

*Martin’s Herend Imports, Inc. v. Diamond & Gem Trading U.S. of Am. Co.*, 195 F.3d 765, 771 (5th Cir. 1999).<sup>15</sup>

Where a party could not seek clarification, or sought clarification unsuccessfully, ambiguities may be resolved in its favor. *See International Longshoremen’s Ass’n v. Philadelphia Marine Trade Ass’n, Local 1291*, 389 U.S. 64, 70-72 (1967) (rejecting contempt finding where clarification was refused); *United States v. Apex Oil Co.*, 579 F.3d 734, 740 (7th Cir. 2009) (Posner, J.) (“[I]f the decree remains ambiguous after efforts at clarification, ... the defendant cannot be held in contempt for violating it.”). Where, however, a party could have obtained clarification but instead “undertook to make [its] own determination,” it may not complain about ambiguity later. *McComb*, 336 U.S. at 192; *see also FTC v. Gladstone*, 450 F.2d 913, 915 (5th Cir. 1971) (affirming contempt even though “[a]rguably the specification was overbroad,” because “the appropriate remedy was a petition ... for clarification ... or an appeal”; “[i]nstead, Gladstone chose to take matters into his own hands”).<sup>16</sup> That is EchoStar’s situation here.<sup>17</sup>

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<sup>15</sup> *See also, e.g., Chaganti & Assocs., P.C. v. Nowotny*, 470 F.3d 1215, 1224 n.2 (8th Cir. 2006); *Star Fin. Servs., Inc. v. AASTAR Mortg. Corp.*, 89 F.3d 5, 14 (1st Cir. 1996); *cf. United States v. Greyhound Corp.*, 508 F.2d 529, 532 (7th Cir. 1974).

<sup>16</sup> EchoStar cites (ESEBBBr. 45, 47) *Abbott*’s quotation of a statement by the Third Circuit that ambiguities are resolved in an enjoined party’s favor. Contrary to EchoStar’s assertion (ESEBBBr. 47), however, *Abbott* did not apply that principle

EchoStar also urges a subjective standard, under which an injunction would be unenforceable unless the enjoined party has “no uncertainty” about its meaning. ESEBBr. 45-46; *see also* ESEBBr. 4, 12-13, 44, 48. That standard is inconsistent with *McComb* and would improperly make enforcement of court orders depend on the enjoined party’s subjective state of mind. *See supra* I.D.4; *cf.* *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 419 (2007) (rejecting subjective obviousness standard); *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (willful infringement is an objective inquiry); IPO Br. 5 (“Patent infringement actions should have fewer, not more, subjective elements.”). Neither *Granny Goose* nor *Abbott* supports such a rule. Each concluded that there was, objectively, no violation of an injunction.

Finally, EchoStar suggests in passing (ESEBBr. 50) that enforcement of the Disablement Provision is improper “so long as EchoStar’s reading was *reasonable*.” Even if EchoStar’s reading were reasonable (which it is not), that would also be wrong. It would be hard to argue, for example, that the enjoined

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(for which the Third Circuit offered no authority). It relied on the injunction’s “plain language.” 503 F.3d at 1383

<sup>17</sup> TiVo has repeatedly noted EchoStar’s failure to seek clarification. TiVoPBr. 3, 15, 16, 20, 26, 31, 32. EchoStar’s panel reply and en banc briefs offer no response. EchoStar was certainly aware of the clarification option: It sought clarification regarding another aspect of the injunction. *See* Doc. 831, No. 2:04-cv-1 (E.D. Tex. June 13, 2008) (“EchoStar Defendants’ Motion for Interpretation of Permanent Injunction”).



parties in *McComb* adopted a wholly unreasonable reading of the order at issue there, as the district court, the court of appeals, and two Justices all thought the injunction insufficiently clear. *See* 336 U.S. at 196 (Frankfurter, J., dissenting). Yet, the Supreme Court held the parties in contempt. There is also no rationale for EchoStar's rule, which would encourage parties *not* to seek clarification of ambiguities if they could instead adopt any "reasonable" reading that happened to suit them. That is not how parties subject to court orders should behave.

More generally, any of EchoStar's proposed tests would radically constrict the enforceability of court orders. As this case demonstrates, enjoined parties can almost always "stretch[]" to assert some ambiguity in a written order, slip op. 21, or claim they were "uncertain" about its meaning. While EchoStar stresses the enjoined party's interests in fair notice, the interests of the other party, the courts, and the public in compliance with court orders and cessation of irreparable harm are equally weighty. Injunctions are not an inconvenience to be circumvented through creative interpretation. Limiting enforcement as EchoStar proposes would "give tremendous impetus to ... experimentation with disobedience of the law," "prevent accountability for persistent contumacy," and result in "decree[s] of enforcement go[ing] for naught." *McComb*, 336 U.S. at 192, 193; *accord In re Bradley*, 588 F.3d 254, 265-266 (5th Cir. 2009) ("[T]he civil contempt power" "prevent[s] ... experimentation with disobedience of the law.").

**C. EchoStar’s Choice Not To Challenge The Injunction On Direct Appeal Forecloses Any Such Challenge Here**

Because it had fair notice of what the Disablement Provision required, EchoStar was required to raise any objection to those requirements on direct appeal. Its failure to do so waives any such challenge. *See* TiVoPBr. 30-32; *Travelers*, 129 S. Ct. at 2205-2206; *United Student Aid Funds, Inc. v. Espinosa*, 130 S. Ct. 1367, 1380 (2010).

EchoStar argues (ESEBBr. 52, 54) that *Travelers* does not apply in contempt cases. It cites no authority, for good reason: Over 60 years ago, the Supreme Court referred to “the long-standing rule that a contempt proceeding does not open to reconsideration the legal or factual basis of the order alleged to have been disobeyed.” *Maggio*, 333 U.S. at 69, *quoted in, e.g., United States v. Rylander*, 460 U.S. 752, 756 (1983); *see also id.* at 68 (citing *Oriel v. Russell*, 278 U.S. 358 (1929)); *Walker v. City of Birmingham*, 388 U.S. 307, 316 (1967) (no collateral attack allowed even where injunction “unquestionably raise[d] substantial constitutional issues”); TiVoPBr. 30 (citing cases).<sup>18</sup> Unsurprisingly, governing regional precedent holds the same. *See Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1376 (Fed. Cir. 2005) (regional law governs waiver issues);

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<sup>18</sup> EchoStar offers no explanation for its assertion (ESEBBr. 54) that what occurred in *Travelers* and contempt are “two different enforcement mechanisms” to which “[v]ery different rules apply.”

*Western Water Mgmt., Inc. v. Brown*, 40 F.3d 105, 108 (5th Cir. 1994).<sup>19</sup>

EchoStar, in contrast, cites no case allowing a collateral attack on an injunction that provided fair notice but went unchallenged on direct appeal.

EchoStar instead cites (ESEBBr. 49) the statement that courts “faced with an overly broad injunction during a contempt proceeding ... should interpret it” as prohibiting only infringement by the adjudged products and others no more than colorably different. *International Rectifier*, 383 F.3d at 1316. That statement—which no other decision has ever cited—was made in a case in which there was no issue of waiver, because there had been no prior opportunity for appeal. *See id.* at 1314-1315. There is no basis for transforming it into a rule that infringers may choose not to challenge injunction terms they consider overbroad—safe in the knowledge that, if any direct appeal fails, they can obey the injunction only to the extent they choose, waiting to litigate their overbreadth challenges as defenses to contempt. Any such transformation would conflict with the unbroken line of waiver precedent discussed above. *See* ESPRBr. 10-11 (urging the Court to follow *International Rectifier* instead of Supreme Court precedent).

Faced with that precedent, EchoStar seeks to confuse the issue. Neither the district court nor the panel majority held that “failure to appeal a potential

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<sup>19</sup> EchoStar has argued (RR 10 n.2) that *Brown* holds challenges to an injunction foreclosed in a collateral proceeding only if raised on direct appeal. As the case *Brown* cites makes clear, its holding is not so limited. *See NLRB v. Union Nacional de Trabajadores*, 611 F.2d 926, 928 n.1 (5th Cir. 1979).

interpretation creates an exception to *Granny Goose*[]" (ESEBBr. 52; *see* ESEBBr. 52-55)—*i.e.*, that EchoStar waived any *fair-notice* objection to the Disablement Provision. On the contrary, EchoStar has had every opportunity to argue that it could not have understood what it was ordered to do. The problem with that argument is not that it is waived but that it is meritless. *See supra* II.A. Both the district court and the panel addressed and rejected it on that basis. A27; slip op. 21-22. Because EchoStar had fair notice, its failure to raise any challenge to the injunction on direct appeal “waived any argument that the injunction was *overbroad*.” Slip op. 23, *quoted in* ESEBBr. 50-51 (emphasis added). In characterizing that waiver holding as an improper “exception” to *Granny Goose*, EchoStar improperly conflates vagueness or fair notice and overbreadth. *See, e.g., United States Steel Corp. v. United Mine Workers of Am.*, 519 F.2d 1236, 1246 n.19 (5th Cir. 1975) (Wisdom, J.) (explaining the difference). Only the overbreadth argument has been waived.<sup>20</sup>

That waiver holding is compelled by *Travelers* and the other cases cited above. It creates no “exception” to principles of fair notice. A party that received inadequate notice—as in *Granny Goose* or *Abbott*—may indeed raise that defense in an enforcement proceeding. Those cases, however, say nothing about parties,

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<sup>20</sup> The one amicus brief that raises any specific objection regarding the Disablement Provision similarly bases that argument on apparent confusion between the panel’s fair-notice holding and its overbreadth-waiver analysis. *See* Chemerinsky Br. 5, 21-23.

like EchoStar, that *had* fair notice. Such parties may not challenge the *merits* of the injunction as an enforcement defense, because they had a “fair chance” to do so previously. *Travelers*, 129 S. Ct. at 2206; Chemerinsky Br. 20-21 (citing cases).

Applying those principles here will not “flood this Court with appeals.” ESEBBr. 57. On the contrary, encouraging parties to seek prompt clarification of asserted ambiguities will allow district courts to resolve any real question—resulting in fewer enforcement proceedings and fewer appeals.<sup>21</sup> In any event, where, as here, there is no ambiguity; no request for clarification; and no challenge to an injunction’s terms on direct appeal, the proper answer is plain. The court’s order should be enforced in accordance with its terms.

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<sup>21</sup> The ability to seek clarification likewise answers EchoStar’s other purported concerns. *See* ESEBBr. 55-57.

## CONCLUSION

The district court's judgment should be affirmed.

Dated: September 10, 2010

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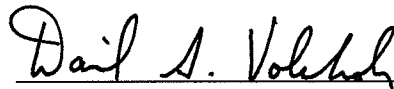
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## CERTIFICATE OF COMPLIANCE

I certify that the foregoing brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(C) in that, according to the word-processing program used to prepare the brief (Microsoft Word), the brief contains 13,998 words, excluding the parts exempted by Rule 32(a)(7)(B)(iii).

  
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