

2009-~~2009~~-1374

IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

TIVO, INC.,

*Plaintiff-Appellee,*

v.

DISH NETWORK CORPORATION, ECHOSTAR DBS CORPORATION,  
ECHOSTAR TECHNOLOGIES CORPORATION, ECHOSPHERE L.L.C.,  
ECHOSTAR SATELLITE L.L.C., and ECHOSTAR CORPORATION,

*Defendants-Appellants.*

**EMERGENCY MOTION FOR A STAY PENDING APPEAL  
OF THE DISTRICT COURT'S PERMANENT INJUNCTION**

**FILED**  
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## TABLE OF CONTENTS

TABLE OF AUTHORITIES.....	ii
I. PRELIMINARY STATEMENT.....	1
II. ECHOSTAR’S REDESIGN EFFORTS .....	3
III. THE DISTRICT COURT’S ORDER .....	6
A. The Court’s “Colorably Different” Analysis.....	7
B. The Court’s Infringement Analysis .....	9
IV. THE DISTRICT COURT’S ORDER SHOULD BE STAYED.....	10
A. EchoStar’s Appeal Will Likely Succeed .....	11
1. There Are Substantial Infringement Disputes That Can Only Be Resolved in a Trial .....	11
2. The Injunction Covers Only “Infringing Products” .....	14
3. Reading the Injunction to Prevent Design-Arounds Is Contrary to This Court’s Case Law.....	16
4. EchoStar Was Not Required to Challenge the Scope of the Injunction in the Prior Appeal .....	17
B. The Remaining Factors Favor Staying the Injunction.....	19
V. CONCLUSION .....	20

## TABLE OF AUTHORITIES

### Cases

<i>Abbott Labs. v. Torpharm, Inc.</i> , 503 F.3d 1372 (Fed. Cir. 2007) .....	17, 18
<i>Bates v. Coe</i> , 98 U.S. 31 (1878).....	13
<i>Int’l Longshoremen’s Ass’n, Local 1291 v. Phila. Marine Trade Ass’n</i> , 389 U.S. 64 (1967) .....	16
<i>International Rectifier Corp. v. IXYS Corp.</i> , 383 F.3d 1312 (Fed. Cir. 2004) .....	17
<i>KSM Fastening Sys., Inc. v. H.A. Jones Co., Inc.</i> , 776 F.2d 1522 (Fed. Cir. 1985) .....	2, 14, 16, 18
<i>New Hampshire v. Maine</i> , 532 U.S. 742 (2001).....	12
<i>Phila. Marine Trade Ass’n v. Int’l Longshoremen’s Ass’n, Local 1291</i> , 368 F.2d 932 (3d Cir. 1966)) .....	18
<i>Standard Havens Products, Inc. v. Gencor Industries, Inc.</i> , 897 F.2d 511 (Fed. Cir. 1990) .....	10
<i>TiVo, Inc. v. EchoStar Commc’ns Corp.</i> , 516 F.3d 1290 (Fed. Cir. 2008) .....	1, 6
<i>Union Paper-Bag Machine Co. v. Murphy</i> , 97 U. S. 120 (1877).....	13

## I. PRELIMINARY STATEMENT

In a prior appeal following a jury trial, this Court reversed the district court's judgment that the "Hardware claims" of TiVo's '389 patent were infringed by EchoStar's DVRs (digital video recorders) but affirmed the judgment of infringement as to two "Software claims" (claims 31 and 61) and thus dissolved the stay of the injunction that had been in effect during the appeal. *TiVo, Inc. v. EchoStar Commc'ns Corp.*, 516 F.3d 1290, 1312 (Fed. Cir. 2008). While the appeal was pending, EchoStar redesigned the infringing DVRs to remove key features that TiVo had emphasized to prove infringement. Nevertheless, after the stay was lifted, TiVo moved to hold EchoStar in contempt of the injunction. Yesterday, the district court granted TiVo's motion, ordering EchoStar to stop distributing its redesigned DVRs and to disable within 30 days more than six million redesigned DVRs that have been placed in homes (Ex. 1.), which would leave more than 12 million people without DVR service.

The district court recognized that EchoStar's redesigned DVRs lacked several features that TiVo's infringement expert relied on to prove infringement, but it deemed those changes irrelevant. The court allowed TiVo, through a new infringement expert who disregarded his predecessor's testimony, to craft entirely *new* infringement theories based on *different* features. As long as those newly identified features were also in the adjudicated DVRs, the district court held, TiVo could proceed with its new infringement theories by way of contempt. The district court also decided it did not need to compare the redesigned and infringing DVRs or perform an infringement analysis because, in its estimation, EchoStar's redesign

did “not affect express elements of the disputed claims” even though the features EchoStar removed were identified at trial as meeting those same claim limitations and were described by TiVo as being key features of its invention. The district court did perform a cursory infringement analysis, but in doing so disregarded both the claim language and the way the redesigned DVRs actually worked. Finally, as a backup to its primary holding, the district court explained that whether the redesigned DVRs actually infringed was irrelevant in any event, since the original injunction had prevented EchoStar from even *attempting* a design-around.

This extraordinary order runs afoul of this Court’s repeated admonitions that unless a design-around is a ruse, the question of whether it still infringes should be resolved in a new action—with the due process of a jury trial—rather than in a summary contempt proceeding. *See, e.g., Arbek Mfg., Inc. v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995) (contempt is an extraordinary remedy limited to “flagrant disregard for court orders,” not “a sword for wounding a former infringer who has made a good-faith effort to modify a previously adjudged or admitted infringing device to remain in the marketplace”); *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1531 (Fed. Cir. 1985) (contempt is inappropriate where “substantial issues” exist with respect to infringement).

The district court’s contempt order is unprecedented and, if left to stand, will not just devastate EchoStar but will send a chilling message to anyone who, following an infringement verdict, attempts to act responsibly and avoid further infringing activities. Here, EchoStar’s redesign eliminated the features TiVo relied

on at trial to show infringement. If, despite these changes, the district court can strip EchoStar of due process, including the right to a jury trial, and allow TiVo to pursue new theories by way of summary contempt, no redesigning infringer is safe.

EchoStar therefore requests that this Court stay the district court's order until EchoStar's appeal is resolved. Further, because the injunction requires immediate compliance, EchoStar requests that the Court immediately stay the order pending its decision on this motion. The district court denied EchoStar's request for a stay (Ex. 2 (Mem. Op.) at 35) and TiVo's counsel has indicated that TiVo opposes this motion and will file a response.

## **II. ECHOSTAR'S REDESIGN EFFORTS**

In April 2006, after the jury returned an infringement verdict against EchoStar, it set out to determine whether it could change its DVRs so they no longer infringed. Ex. 3 (2/17/09 Tr.) at 184-186. By June 2006, EchoStar engineers had determined that it might be possible to remove aspects of the DVRs that had been central to the infringement verdict, yet still have functioning DVRs, and they began writing test code for one DVR to determine the concept's feasibility. *Id.* at 187-197. EchoStar also retained Fish & Richardson, which issued three written opinions shortly after the district court issued its injunction in August 2006, concluding that the design-around, if implemented, would not infringe, either literally or under the doctrine of equivalents. Exs. 4, 5, 6 (Opinions). This was hardly the end of the matter, though, since the success of the feasibility study did not mean that the design-around would work in the field,

much less that it could be made to work for *all* of EchoStar's DVR models. Ex. 3 (2/17/09 Tr.) at 233-234, 239-242.

Fifteen EchoStar engineers, devoting more than four man-years of effort, participated in what was “the largest effort [EchoStar has] ever undertaken to replace existing software in the field.” Ex. 7 (2/18/09 Tr.) at 19; Ex. 8 (Minnick Decl.) at ¶¶ 8-12. The redesign involved five DVR models that fell into two categories—the Broadcom DVRs and the 50X DVRs—each having distinctly different sets of computer code. Ex. 8 (Minnick Decl.) at ¶ 20. EchoStar rolled out its new software for each model as it was ready, in stages, so that only a subset of customers received the new software at one time. *Id.* at ¶ 21.

By late October 2006, EchoStar was ready to begin the first transmission of new code from its satellites to a small group of customers' DP-522 Broadcom DVRs, where it was downloaded into flash memory. *Id.* at ¶ 22. All DVR (and other) functionality was disabled and the DVRs were then re-booted, and the new software was loaded from flash memory into RAM, overwriting the old infringing code. *Id.* at ¶¶ 21-22. EchoStar began downloading subsequent versions of its new software to the other DVRs in the field over the next several months and did not complete the process until April 2007. *Id.* at ¶¶ 22-23. On numerous occasions, the new software created problems—sometimes resulting in thousands of customer

complaints per day—that could be fixed only by downloading further software revisions. Ex. 7 (Tr. 2/18/09) at 15, 53; Ex. 8 (Minnick Decl.) at ¶ 12.<sup>1</sup>

Among other things, EchoStar’s redesign disabled the video frame start-code detection that TiVo’s infringement expert, Dr. Gibson, testified, consistent with the patent, was the “pars[ing]” of the claims. *Compare* Ex. 9 (’389 patent) col.5:3-20, col.6:40-46; Ex. 10 (3/30/06 PM Tr.) at 100-105; Ex. 11 (3/31/06 AM Tr.) at 29-30; (Gibson); Ex. 12 (Gibson Tr. Gr. 92) (highlighting the “SCD” or start-code detector) *with* Ex. 3 (2/17/09 Tr.) at 164-166; Ex. 8 (Minnick Decl.) at ¶ 15. As a result, the DVRs became incapable of detecting start codes, the first step in creating the index table that was central to TiVo’s infringement case. *See, e.g.*, Ex. 8 (Minnick Decl.) at ¶ 15; Ex. 13 (3/30/06 AM Tr.) at 26, 29 (Barton); Ex. 10 (3/30/06 PM Tr.) at 72-73. Indeed, at oral argument, TiVo’s counsel told this Court that the index table was the “genius, the core of this invention.” Ex. 14 (10/4/07 Fed. Cir. Tr.) at 38-39.

The redesigned Broadcom DVRs also lack the operations TiVo’s trial expert identified for the “extracts” and “automatic flow control” claim limitations.<sup>2</sup> *See*

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<sup>1</sup> The district court impliedly criticized EchoStar for not making its redesign efforts known when it sought a stay of the injunction. Ex. 2 at 5-6. In reality, EchoStar was not certain its efforts would be successful and, as the early problems with the software show, initially they were not. Thus, EchoStar’s redesign work did not lessen its need for a stay. Without the stay, EchoStar would have been forced to disable millions of customers’ DVRs in early October 2006, leaving most of its customers without DVR capability for months before the new, noninfringing DVR software could have been provided. Ex. 8 (Minnick Decl.) at ¶ 24.

<sup>2</sup> In particular, Gibson identified the blocking operations performed by the “Ioctl” and “Memcpy” functions of the DP-721 DVR for these two limitations.  
(continued...)

Ex. 3 (2/17/09 Tr.) at 217-224. As a result, while the invention's flow control processes eliminate the risk of overwriting (and thus losing) program data by blocking data transfer—a focus of TiVo's trial proof (Ex. 11 (3/31/06 AM Tr.) at 44; Ex. 13 (3/30/06 AM Tr.) at 54-56)—the redesigned DVRs can, and sometimes do, overwrite data (Ex. 3 (2/17/09 Tr.) at 224-225, 229-231).

### III. THE DISTRICT COURT'S ORDER

It was undisputed that EchoStar made both of the changes discussed above—i.e., that EchoStar had disabled the start-code detect and indexing elements in its redesigned DVRs (Ex. 3 (2/17/09 Tr.) at 164-166), and that it had eliminated from the Broadcom DVR software the features Gibson identified at trial for “flow control” of the source object (*id.* at 174-177). Nevertheless, TiVo insisted the redesigned DVRs still infringed on other grounds.

With regard to “parsing,” instead of relying on the start-code detection it emphasized at trial, TiVo argued during the contempt hearing that “PID” filters<sup>3</sup> in the redesigned DVRs (rather than start-code detection) met the “parses” limitation.

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(...continued)

Ex. 11 (3/31/06 AM Tr.) at 31, 45-46; Exs. 15, 16 (Gibson Tr. Graphics 94, 120); *TiVo*, 516 F.3d at 1310 (“the jury could permissibly find that the ‘Ioctl’ command, the relevant portion of the source object in the EchoStar DVRs, extracts video and audio data from the physical data source”). There was no dispute that the DP-522/-625 DVRs’ “Hal\_Read” function performs the same operations in those DVRs. Ex. 3 (2/17/09 Tr.) at 223-224; *id.* at 174-177.

<sup>3</sup> A PID (“packet identifier”) filter is how DVR and non-DVR satellite TV receivers select a single program from the multi-program transport stream a satellite transmits. PID filters examine the “headers” of the packets in the transport stream for the PIDs specific to a particular channel, permitting only packets with PIDs for the specified channel to pass. Ex. 7 (2/18/2009 Tr.) at 218-219.

Ex. 2 (Mem. Op.) at 16-17, 21-22. In response to EchoStar's objection that this new theory involved "open issues of infringement," the court decided that, unless TiVo's new theories were inconsistent with its trial theories, the new theories could be pursued in contempt proceedings, with the only limitation on those theories being "the patent claims as construed by this Court." *Id.* at 21-22.

**A. The Court's "Colorably Different" Analysis**

The court first purported to consider whether the redesigned DVRs were more than colorably different from the infringing DVRs, but it never performed a proper analysis under this Court's case law. *Id.* at 25. For example, the court did not compare the redesigned and infringing DVRs, but rather looked to "EchoStar's own characterizations of its modifications ('start-code detection,' 'indexing,' and 'blocking')." *Id.* Deciding that these terms "appear nowhere in the claim language as written or construed," it held the changes "do not relate to elements of the pertinent claims" and thus concluded that contempt proceeding were appropriate. *Id.* at 26. In reaching this conclusion, it ignored TiVo's proof at trial that "parsing" was start-code detection and that the "flow control" involved the blocking operations identified by Gibson. *See supra* pages 5-6. The court also stated that EchoStar's internal documents and engineers sometimes used the term "parsing" to refer to PID filtering, but it did not consider what PID filtering actually entailed. Ex. 2 (Mem. Op.) at 26-27. Finally, the court noted that EchoStar's experts

testified at trial that PID filtering was “pars[ing]” (*id.*), but it failed to acknowledge that this testimony was an essential part of EchoStar’s unsuccessful defense.<sup>4</sup>

While holding EchoStar to the trial testimony of its experts, the court ignored the trial testimony of TiVo’s experts on validity, where—contrary to what he argued at the contempt hearing—he asserted that “parsing” *was not* PID filtering. Ex. 17 (4/11/06 PM) at 3:12-24 (Storer testifying that while “you *might* call [PID filtering] even a type of parsing,” this was not the claimed “pars[ing],” which could occur only *after* program data were selected (by the PID filters) and converted to MPEG format). The court’s opinion was silent on Storer’s about-face, although during the hearing the court acknowledged that “both parties have totally switched their position since trial” on whether PID filtering met the “parsing” limitations. Ex. 7 (2/18/09 Tr.) at 217-218.

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<sup>4</sup> Specifically, TiVo’s expert had argued that PID filtering met the “tuning” and “converting” limitations of the Hardware claims (Ex. 13 (3/30/06 AM Tr.) at 87-90), while EchoStar’s experts argued that PID filtering met the “parsing” limitations (Ex. 18 (4/7/06 AM Tr.) at 111), leaving nothing to satisfy the tuning and converting elements of the claims. Whether PID filtering met the parsing limitation was also a major part of EchoStar’s invalidity defense. Ex. 19 (4/10/06 AM Tr.) at 38-39; Ex. 7 (2/18/09 Tr.) at 215-216.

During the contempt proceedings, EchoStar tried to explain to the district court that, having lost at trial when it argued that PID filtering was parsing, EchoStar had to take a position during the contempt proceeding consistent with the verdict. Ex. 7 (2/18/09 Tr.) at 215-216. Moreover, EchoStar objected that in reversing *its* position, TiVo was applying the claims to the redesigned DVRs in a manner inconsistent with its validity arguments during trial. Ex. 20 (Ex. A to EchoStar’s 2/19/09 Offer of Proof); Ex. 7 (2/18/09 Tr.) at 215-16. The district court, however, refused even to hear these arguments. Ex. 21 (2/4/09 Order) at 3.

With regard to the “flow control” limitations, the court did not question that EchoStar eliminated the very operations Gibson identified as meeting the “extracts” and “flow control” limitations. *See supra* pages 5-6. To the contrary, the court acknowledged that EchoStar’s redesigned DVRs no longer prevented data loss the same way that data loss was prevented in the infringing DVRs, but it determined that the *amount* of data loss was insignificant, and with that excuse never considered the significance of the differences between the two. Ex. 2 at 27.

### **B. The Court’s Infringement Analysis**

Just as it short-circuited the “colorably different” analysis, the court also concluded that it could treat the infringing and redesigned DVRs the same because “EchoStar’s modifications do not affect elements of the disputed claims as construed.” *Id.* at 29. Nevertheless, it performed a perfunctory infringement analysis, relying again on EchoStar’s internal references to PID filtering as parsing and “[n]umerous experts, some of them EchoStar’s own, [who] have testified that PID filtering is a form of parsing.” *Id.* The court also stated that according to the patent, “[a] PID filter is [a] transport multiplexor, which is a type of physical data source envisioned by the ’389 Patent.” *Id.* The section of the patent cited by the court, however, does not say that. Instead, that section describes Figure 7, and states only that in an alternative embodiment, “the MPEG encoder 703 is replaced with an MPEG2 Transport Demultiplexor.” Ex. 9 (’389 patent) at 6:30-32. Figure 7, moreover, shows that the MPEG encoder 703 is located *upstream* from the parser 705. Thus, the patent contradicts the court’s statement that a transport demultiplexor can be a kind of physical data source, since it does not perform the

“parsing” of the invention but instead outputs data to the parser. Finally, the court rejected EchoStar’s argument that the PID filters cannot perform the claimed parsing because they only analyze the headers of incoming data packets. According to the court, “the claims do not require that parsing be completed on the payloads of the incoming data rather than their headers.” Ex. 2 (Mem. Op.) at 30. But the claims’ physical data source “parses *video and audio data*” and it was undisputed that the payloads of the data packets, not the headers, contain video and audio data. Ex. 7 (2/18/09 Tr.) at 219.

The district court’s infringement analysis for the flow control limitation also was contradicted by the claim language. Specifically, the limitation states that the “source object is automatically flow controlled by the transform object.” That is, flow control is the regulation of the source object. In focusing on how data is “extracted from the circular buffer” in EchoStar’s DVRs (Ex. 2 (Mem. Op.) at 30), however, the court failed to recognize that the source object of the claims does not *extract* data from the claimed buffer. Instead, the source object *fills* the buffer, the exact opposite of extraction. *See* Ex. 9, ’389 patent, claim 31 (“wherein said source object . . . fills said buffer with said streams”).

#### **IV. THE DISTRICT COURT’S ORDER SHOULD BE STAYED**

Determining whether an injunction should be stayed pending appeal involves four considerations: (1) the likelihood of success on the merits; (2) the harm to the moving party; (3) the harm to the non-moving party; and (4) the public interest. *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990). Where the harm resulting from denying the stay is

considerable, however, the moving party need only raise a “substantial” issue, a lesser showing than “likelihood of success.” *Id.* at 515.

**A. EchoStar’s Appeal Will Likely Succeed**

**1. There Are Substantial Infringement Disputes That Can Only Be Resolved in a Trial**

Contempt is inappropriate where “there is ‘more than a colorable difference’ between the accused product and the adjudged infringing product such that ‘substantial open issues with respect to infringement to be tried’ exist.” *Abbott Labs.*, 503 F.3d at 1380 (quoting *KSM*, 776 F.2d at 1532). Here, EchoStar engaged in a good-faith design-around that forced TiVo to rely on new—and strenuously disputed—theories of infringement. Accordingly, contempt was inappropriate.

The court’s contrary conclusion was based on a misapplication of this Court’s law. The court recognized, for example, that this Court requires a comparison of the redesigned DVRs to the infringing DVRs, but then failed to do that. The court’s justification—that the changes do “not affect an element of the claim” (Ex. 2 (Mem. Op.) at 28)—is obviously wrong. EchoStar eliminated the features that, according to TiVo, corresponded to specific claim limitations. *See supra* pages 5-6. Indeed, EchoStar completely eliminated the capability that TiVo had described to this Court as the “genius, the core of this invention.” *Id.* To say that these changes did not bear on the elements of the claims ignores everything that occurred at trial and afterward.

Once it became clear that TiVo was relying on new infringement theories that conflicted with its prior (and successful) infringement and invalidity positions,

the district court should have required TiVo to pursue these theories in a new action. This is because a contempt finding requires the patentee to prove that the modified devices fall within the “admitted or adjudicated scope of the claims.” *KSM*, 776 F.2d 1532. Contrary to the court’s analysis (Ex. 2 (Mem. Op.) at 23-24), the *adjudicated* scope of a claim involves more than just claim construction. The district court’s claim construction—which EchoStar did not challenge or attempt to change in the contempt proceedings, but instead accepted and applied—was just the first step. Adjudication of the scope of the claims also required applying the claims as construed to the accused product and the prior art. Thus, the claims’ adjudicated scope necessarily turned not only on the district court’s claim construction, but also on TiVo’s theories and proof of infringement and validity that were presented at trial, accepted by the jury, and affirmed in post-trial rulings and on appeal.

The court’s reliance on what *EchoStar*’s experts unsuccessfully asserted at trial was also incorrect. The jury obviously rejected their testimony about PID filtering and, in finding the patent valid and infringed, accepted TiVo’s position that PID was *not* the claimed “parsing.” *See supra* page 7 n.4. That the court held EchoStar to its failed position, but allowed the TiVo to contradict its successful position, turns the concept of judicial estoppel on its head. *See New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (“Where a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position, especially if

it be to the prejudice of the party who has acquiesced in the position formerly taken by him.”) (citations and quotations omitted). Moreover, given the narrow scope of contempt proceedings, it was improper to allow TiVo to rely on new theories that would have undermined the patent’s validity at trial.

Finally, the district court’s attempt to read the claims on the redesigned products was obviously insufficient. For example, the court’s reliance on what EchoStar *called* PID filtering internally (*see supra* page 7) flies in the face of 130 years of Supreme Court precedent. *Union Paper-Bag Machine Co. v. Murphy*, 97 U.S. 120, 125 (1877) (“in determining the question of infringement, the court or jury, as the case may be, are not to judge about similarities or differences by the names of things, but are to look at the machines or their several devices or elements in the light of what they do, or what office or function they perform, and how they perform it”); *see also Bates v. Coe*, 98 U.S. 31, 42 (1878) (“Devices in one machine may be called by the same name as those contained in another, and yet they may be quite unlike, in the sense of the patent law . . .”). Additionally, it was undisputed that a PID filter looks only at the headers of data packets, not the payload where the video and audio data are contained. Thus, the court clearly was wrong when it concluded that this undisputed fact was irrelevant to whether a PID filter “parses (analyzes) *video and audio data*.” *See supra* pages 9-10. The court’s focus on the *extraction* of data from a buffer for the “flow control” limitation was similarly contrary to the express language of the claims, which requires regulation of the source object as it *fills* the buffer. *Id.* Under these circumstances, TiVo

could not have come close to carrying its burden of proving infringement by “clear and convincing evidence.” *See Arbek*, 55 F.3d at 1569; *KSM*, 776 F.2d at 1531-32 (holding that contempt is inappropriate if expert or other testimony subject to cross-examination is needed to resolve substantial issues).

## **2. The Injunction Covers Only “Infringing Products”**

In an alternative finding, the district court determined that its prior injunction was not limited to infringing products, stating that “[e]ven if EchoStar had achieved a non-infringing design-around, this Court would still find that EchoStar is in contempt of this Court’s permanent injunction.” Ex. 2 (Mem. Op.) at 31. This finding was apparently based on a combination of the fact that the model numbers did not change and the hardware did not change. But neither of those “facts” can be dispositive here—and, in reality, the hardware in the Broadcom boxes did change (Ex. 8 (Minnick Dec.) at ¶ 15), a fact the court ignored. As this Court recognized, the infringement verdict was based on “the interaction of software and hardware in the accused DVRs,” *TiVo*, 516 F.3d at 1309, so the change in either software or hardware could result in a non-infringing DVR.

In actuality, the district court’s injunction was unambiguously limited to infringing products. It referred to the “jury verdict,” the “Infringed Claims,” and “Infringing Products,” and it went on to require EchoStar to “disable the DVR functionality” of the “Infringing Products” in the field. Ex. 22 (Injunction) at 1-2. It further stated that whether another product was “colorably different” from the Infringing Products had to be judged “in the context of the Infringed Claims.” *Id.*

By its terms, therefore, the injunction covered only “Infringing Products.” Moreover, the circumstances surrounding the issuance of the injunction confirm this. Among other things, in seeking the injunction, TiVo told the court that it only sought to enjoin “infringement of the patent by devices adjudged to infringe and infringement by devices no more than colorably different therefrom”—“nothing more, nothing less.” Ex. 23 at 10.<sup>5</sup>

In sum, the injunction cannot be read as covering anything other than the DVRs found to infringe (pre-modification) and other DVRs no more than colorably different from them. Once EchoStar disabled the DVRs in its customers’ homes, installed new software lacking the key features TiVo identified for infringement, and disabled key hardware in the Broadcom DVRs, EchoStar had complied with the injunction’s “disable” requirement and the DVRs were no longer “Infringing Products.”<sup>6</sup> That EchoStar did not also take the purely formal step of changing the DVRs’ model numbers is irrelevant.

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<sup>5</sup> That TiVo realized that it could not seek to enjoin EchoStar from supplying all DVR services is not surprising. TiVo never claimed that its patent broadly covered all DVR technology. Ex. 17 (4/11/06 AM Tr.) at 65-66.

<sup>6</sup> In its order, the court states that EchoStar had initially proposed restricting the injunction to “infringing software,” but that the court rejected it, thus suggesting that court rejected the idea of a redesign. Ex. 2 (Mem. Op.) at 5 (citing Ex. 24 (EchoStar’s Opp. to Injunction Motion) at 17). But this was a complete distortion of what actually occurred. The dispute was not over whether the injunction would prevent redesigns. Instead, it concerned TiVo’s request that the court order EchoStar to “recall and retrieve from their distributors and retailers the Infringing Products” that were not yet in customers’ homes—and thus had not yet had software downloaded on them. *Compare* Ex. 25 (TiVo’s proposed injunction) at ¶ 5 *with* Ex. 26 (6/28/06 Tr.) at 134:5-21. That the injunction contains nothing

(continued...)

### 3. **Reading the Injunction to Prevent Design-Arounds Is Contrary to This Court's Case Law**

This Court has left no doubt that infringement is critical to any contempt proceeding in a patent case. As this Court observed in *KSM*, this “universal rule” reflects the principle that “[a]n enjoined party is entitled to design around the claims of a patent without the threat of contempt proceedings with respect to every modified device.” 776 F.2d at 1526. Although the district court ignored all the evidence of EchoStar’s good faith (Ex. 2 (Mem. Op.) at 15), contempt is inappropriate where, as here, the defendant has made a good-faith effort to design around the patent at issue. *See supra* page 2.

For contempt to be found, moreover, it must also be shown that the injunction allegedly violated was “clear and unambiguous.” In *KSM*, for example, this Court stated that before contempt can “be brought to bear against a party for violation of an order, ‘one basic principle built into Rule 65 is that those against whom an injunction is issued should receive fair and precisely drawn notice of what the injunction actually prohibits.’” *KSM*, 776 F.2d at 1526 (citation omitted). *See also Int’l Longshoremen’s Ass’n, Local 1291 v. Phila. Marine Trade Ass’n*, 389 U.S. 64, 76 (1967) (holding that because contempt “is a potent weapon,” injunctive orders must be framed “so that those who must obey them will know what the court intends to require and what it intends to forbid”). Along this line,

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similar to TiVo’s request to recall DVRs, suggests that EchoStar, in fact, prevailed on the issue.

this Court recognizes that orders must be narrowly construed in contempt actions to ensure that contempt is not premised on ambiguous commands, and thus that all ambiguities in an order must be resolved in favor of the defendant (here, EchoStar). *Abbott Labs. v. Torpharm, Inc.*, 503 F.3d 1372, 1382 (Fed. Cir. 2007). Thus, even if it were possible to interpret the present injunction as covering non-infringing products, it was not “clear and unambiguous” in this respect.

**4. EchoStar Was Not Required to Challenge the Scope of the Injunction in the Prior Appeal**

According to the district court, EchoStar’s current position is a challenge to the scope of the injunction and EchoStar cannot challenge the injunction’s scope in the contempt proceeding because it chose to ignore the injunction rather than challenge it in the prior appeal. Ex. 2 (Mem. Op.) at 33. But EchoStar did not “ignore” the injunction—it devoted significant resources to a redesign effort in order to comply with it. Moreover, as discussed above, EchoStar did not challenge the scope of the injunction in the prior appeal for the simple reason that EchoStar interpreted it as this Court’s case law required—that it applied only to *infringing* products and thus permitted a design-around. The district court’s *ex post facto* ban against redesigns was not just contrary to law (*see supra* pages 16-17), it was never even part of the judgment in the prior appeal. Thus, EchoStar could not have challenged it.

Contrary to the district court’s opinion (Ex. 2 at 33-34), this Court has repeatedly recognized that the scope of an overbroad patent injunction can be challenged in a subsequent contempt proceeding. In *International Rectifier Corp.*

*v. IXYS Corp.*, 383 F.3d 1312 (Fed. Cir. 2004), for example, this Court was faced with a direct appeal (*id.* at 1316-17), but it could not have been clearer in stating that an overbroad injunction can also be challenged in a subsequent contempt action. *Id.* at 1316 (“[i]f a trial court is faced with an overly broad injunction during a contempt proceeding, the court should interpret it according to the rule of law quoted from *KSM* above [i.e., that injunctions can prohibit only infringement of the “adjudicated devices” and devices “not more than colorably different from the adjudicated devices”]). Moreover, *KSM* itself involved an appeal from a contempt finding in which this Court allowed a challenge to an injunction that had been entered pursuant to the parties’ agreement and not challenged in a direct appeal. *KSM*, 776 F.2d at 1523-24. And in the seminal *International Longshoremen’s* case, the Supreme Court allowed an order to be challenged in a contempt action even though it had already been affirmed in an earlier appeal. 389 U.S. at 76; *Phila. Marine Trade Ass’n v. Int’l Longshoremen’s Ass’n, Local 1291*, 368 F.2d 932, 933 (3d Cir. 1966); *Abbott*, 503 F.3d at 1379-80 (although injunction issued in prior action with no appeal, its scope could be challenged in a subsequent contempt action).

In sum, because the injunction (construed narrowly, with all ambiguities resolved in EchoStar’s favor) did not “clearly and unambiguously” cover anything other than *infringing* DVRs, there was no need for EchoStar to challenge the injunction’s scope in the prior appeal, and the law of the case and the mandate rule are irrelevant. But even if that were not so, this Court has always recognized that

an overbroad injunction can be challenged either in a direct appeal *or* in a subsequent contempt proceeding. In either event, therefore, EchoStar's conclusion that there was no need to challenge the injunction's scope in the prior appeal cannot justify the district court's refusal, in this contempt proceeding, to limit the injunction's scope in the manner directed by this Court's cases.

**B. The Remaining Factors Favor Staying the Injunction**

The three remaining factors that should be considered—irreparable harm to the moving party, substantial harm to the non-moving party, and the public interest—also favor a stay.

The harm to EchoStar from denying a stay would be considerable. The injunction affects more than 6 million EchoStar DVRs and 12 million people. Ex. 7 (Tr. 2/18/09) at 154. Without being able to offer DVR service to these and potential future customers, EchoStar would lose an untold number of them and hundreds of millions of dollars *per month*. *Id.* at 128-31. Customers lost would be unlikely ever to return, so prevailing in this appeal would do little to reverse EchoStar's losses. Ex. 27 (Martin Decl.) at 3-4. Clearly, the injunction would gravely and irreparably harm EchoStar.

In contrast, despite the court's conclusory statements (Ex. 2 (Mem. Op.) at 34-35), it is hard to see how a stay would cause TiVo any harm. TiVo prospered while the injunction was stayed during the prior appeal, even though EchoStar's redesigned DVRs remained available. Ex. 28 (DX 5190 (2/2/09, Survival Picture Improves for TiVo, L.A. Times) at 1-2); Ex. 29 (DX 5201) at ECHOT1000-104007-104021 (“This was another solid quarter for TiVo, our fifth straight of

Adjusted EBITDA profitability and we are well on our way to delivering our first Adjusted EBITDA positive year,' said Tom Rogers, President and CEO of TiVo.”). EchoStar has already paid TiVo more than \$100 million in damages (Ex. 7 (2/18/09 Tr.) at 121:13-24), and damages are obviously adequate compensation. Moreover, another lawsuit between the parties is pending concerning whether the redesigned DVRs infringe. Ex. 30. Ultimately, if TiVo prevails in that action, it can then legitimately enjoin the modified DVRs and receive additional damages.

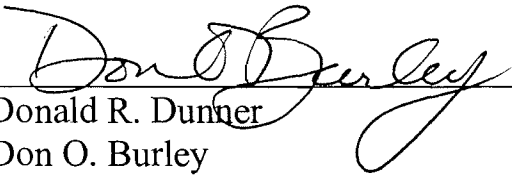
Finally, the public will be significantly harmed if there is no stay. Absent a stay, the more than 12 million people noted previously who have EchoStar DVRs in their homes will be without DVR service until EchoStar can either obtain a reversal of the order from this Court or redesign them a second time (assuming the district court approves the redesign). Ex. 1 at 3. And no member of the public (not TiVo’s customers or anyone else) will be harmed if the stay is granted.

## **V. CONCLUSION**

This Court has never before permitted a party that engaged in a good-faith design-around by removing features that were accused of infringement to be stripped of due-process protections in a summary contempt proceeding. Yet, that is exactly what the district court did here. Therefore, EchoStar requests that this Court immediately stay the district court’s injunction until EchoStar’s appeal is resolved.

Dated: June 3, 2009

Respectfully submitted,

  
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*Attorneys for Defendants/Appellants  
Dish Network Corporation, et al.*

2009-\_\_\_\_

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IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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TIVO, INC.,

*Plaintiff-Appellee,*

v.

DISH NETWORK CORPORATION, ECHOSTAR DBS CORPORATION,  
ECHOSTAR TECHNOLOGIES CORPORATION, ECHOSPHERE L.L.C.,  
ECHOSTAR SATELLITE L.L.C., and ECHOSTAR CORPORATION,

*Defendants-Appellants.*

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**TEMPORARY STAY ORDER**

UPON CONSIDERATION of Defendants' EMERGENCY MOTION FOR  
A STAY PENDING APPEAL OF THE DISTRICT COURT'S PERMANENT  
INJUNCTION, filed on June 3, 2009, it is ORDERED that:

The district court's injunction, entered on June 2, 2009, will be temporarily stayed pending receipt of TiVo's response and Defendants' reply thereto. This temporary stay is not based on a consideration of the merits, but is granted to preserve the status quo while the Court considers the parties' papers.

FOR THE COURT:

Date: \_\_\_\_\_

\_\_\_\_\_

2009-\_\_\_\_

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IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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TIVO, INC.,

*Plaintiff-Appellee,*

v.

DISH NETWORK CORPORATION, ECHOSTAR DBS CORPORATION,  
ECHOSTAR TECHNOLOGIES CORPORATION, ECHOSPHERE L.L.C.,  
ECHOSTAR SATELLITE L.L.C., and ECHOSTAR CORPORATION,

*Defendants-Appellants.*

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**STAY ORDER**

UPON CONSIDERATION of the EMERGENCY MOTION FOR A STAY  
PENDING APPEAL OF THE DISTRICT COURT'S PERMANENT  
INJUNCTION, filed on June 3, 2009, it is ORDERED that:

The motion is GRANTED, and the district court's injunction, entered on  
June 2, 2009, will be stayed pending resolution of the present appeal.

FOR THE COURT:

Date: \_\_\_\_\_

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

TIVO, INC. v. DISH NETWORK CORPORATION, ET AL.

No. 2009-\_\_\_\_\_

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 27(a)(7) and 47.4(a), counsel for defendants-appellants Dish Network Corporation, EchoStar DBS Corporation, EchoStar Technologies Corporation, EchoSphere L.L.C., EchoStar Satellite L.L.C., and EchoStar Corporation, certify the following:

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

Dish Network Corporation, EchoStar DBS Corporation,  
EchoStar Technologies Corporation, EchoSphere L.L.C.,  
EchoStar Satellite L.L.C., and EchoStar Corporation.

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 any party represented by us are:

Dish Network Corporation (“DNC”) (formerly known as EchoStar Communications Corporation), a publicly traded company, is the parent corporation that holds, indirectly and through a series of wholly owned entities, 100% of the stock of defendants-appellants EchoStar DBS Corporation (now known as Dish DBS Corporation), EchoSphere L.L.C., and EchoStar Satellite L.L.C. (now known as Dish Network L.L.C.). DNC has no parent corporation.

EchoStar Corporation, a publicly traded company, is the parent corporation that holds, indirectly and through a series of wholly owned entities, 100% of the stock of defendant-appellant EchoStar Technologies Corporation (now known as EchoStar Technologies L.L.C.). EchoStar Corporation has no parent corporation.

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

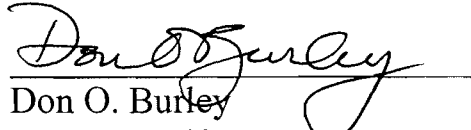
Harold J. McElhinny, Rachel Krevans, Karl J. Kramer,  
Charles S. Barquist, Emily A. Evans, Alison M. Tucher,  
Marc J. Pernick, Seth M. Galanter, Robert M. Harkins,  
Jason A. Crotty, Paul A. Friedman, Scott F. Llewellyn,  
Peter P. Meringolo, Ann Aronovitz Citrin, Kristina  
Paszek, Jay Hoon Lee, Nancy S. Halpin  
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FINNEGAN, HENDERSON, FARABOW,  
GARRETT & DUNNER, L.L.P.

Date: June 3, 2009

Respectfully submitted,

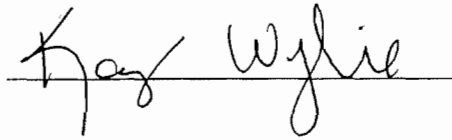


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**CERTIFICATE OF SERVICE**

I hereby certify that two copies of the foregoing EMERGENCY MOTION FOR A STAY PENDING APPEAL OF THE DISTRICT COURT'S PERMANENT INJUNCTION were served by Federal Express (and that a courtesy copy, without exhibits, was sent by facsimile) on this 3rd day of June, 2009, on the following counsel of record:

Morgan Chu  
IRELL & MANELLA LLP  
1800 Avenue of the Stars, Suite 900  
Los Angeles, CA 90067  
E-mail: *mchu@irell.com*

A handwritten signature in cursive script, reading "Kay Wylie", is written over a horizontal line.