

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

TIVO, INC.,

Plaintiff-Appellee,

v.

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

Defendants-Appellants.

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

**TIVO's OPPOSITION TO EHOSTAR'S EMERGENCY MOTION
FOR A STAY PENDING APPEAL**

MORGAN CHU
ANDREI IANCU
CHRISTINE W.S. BYRD
PERRY GOLDBERG
IRELL & MANELLA LLP
1800 Avenue of the Stars, Suite 900
Los Angeles, California 90067
(310) 277-1010

SETH P. WAXMAN
EDWARD C. DUMONT
THOMAS SAUNDERS
WILMER CUTLER PICKERING
HALE AND DORR LLP
1875 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 663-6000

TABLE OF CONTENTS

| | Page |
|--|------|
| TABLE OF AUTHORITIES | ii |
| BACKGROUND | 4 |
| ARGUMENT | 6 |
| I. ECHOSTAR IS UNLIKELY TO SUCCEED ON THE MERITS | 6 |
| A. EchoStar Must Overcome A Highly Deferential Standard Of Review On Two Independent Grounds For Contempt | 6 |
| B. The District Court Did Not Abuse It Discretion In Finding That EchoStar Violated The Disablement Provision | 7 |
| C. The District Court Did Not Abuse Its Discretion In Finding That EchoStar Violated The Infringement Provision | 10 |
| 1. “Parsing” does not require “indexing” | 11 |
| 2. “Automatic flow control” does not require “blocking” | 14 |
| II. THE BALANCE OF HARDSHIPS FAVORS TIVO..... | 15 |
| III. THE PUBLIC INTEREST WEIGHS AGAINST A STAY..... | 18 |
| CONCLUSION..... | 20 |
| CERTIFICATE OF INTEREST | |
| CERTIFICATE OF SERVICE | |

TABLE OF AUTHORITIES

CASES

| | Page(s) |
|--|-----------|
| <i>Abbott Laboratories v. Sandoz, Inc.</i> , 500 F. Supp. 2d 807 (N.D. Ill. 2007)..... | 9 |
| <i>Abbott Laboratories v. TorPharm, Inc.</i> , 503 F.3d 1372 (Fed. Cir. 2007)..... | 7 |
| <i>Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.</i> , 154 F.3d 1345 (Fed. Cir. 1998)..... | 7, 10, 11 |
| <i>CBS Broadcasting Inc. v. EchoStar Communications Corp.</i> , 450 F.3d 505 (11th Cir. 2006) | 18 |
| <i>CBS Broadcasting Inc. v. EchoStar Communications Corp.</i> , 276 F. Supp. 2d 1237 (S.D. Fla. 2003) | 18 |
| <i>Carborundum Co. v. Molten Metal Equipment Innovations, Inc.</i> , 72 F.3d 872 (Fed. Cir. 1995)..... | 10 |
| <i>Del Mar Avionics, Inc. v. Quinton Instrument Co.</i> , 836 F.2d 1320 (Fed. Cir. 1987) | 7, 11 |
| <i>GTE Sylvania, Inc. v. Consumers Union of the United States</i> , 445 U.S. 375 (1980)..... | 10 |
| <i>KSM Fastening Systems, Inc. v. H.A. Jones Co.</i> , 776 F.2d 1522 (Fed. Cir. 1985) | 19 |
| <i>Kewanee Oil Co. v. Bicron Corp.</i> , 416 U.S. 470 (1974) | 18 |
| <i>Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.</i> , 372 F. Supp. 2d 833 (E.D. Va. 2005) | 9 |
| <i>McComb v. Jacksonville Paper Co.</i> , 336 U.S. 187 (1949)..... | 10 |
| <i>Polaroid Corp. v. Eastman Kodak Co.</i> , No. 76-1634-Z, 1985 U.S. Dist. LEXIS 15003 (D. Mass. Oct. 11, 1985), <i>aff'd</i> , 833 F.2d 930 (Fed. Cir. 1986) | 20 |
| <i>Rite-Hite Corp. v. Kelly Co.</i> , 56 F.3d 1538 (Fed. Cir. 1995)..... | 20 |

TABLE OF AUTHORITIES—CONTINUED

| | Page |
|--|------|
| <i>Roche Products, Inc. v. Bolar Pharmaceutical Co.</i> , 733 F.2d 858 (Fed. Cir. 1984) | 9 |
| <i>Smith International, Inc. v. Hughes Tool Co.</i> , 718 F.2d 1573 (Fed. Cir. 1983)..... | 18 |
| <i>TiVo Inc. v. EchoStar Communications Corp.</i> , 516 F.3d 1290 (Fed. Cir.), <i>cert. denied</i> , 129 S. Ct. 306 (2008)..... | 5 |
| <i>Trans-World Manufacturing Corp. v. Al Nyman & Sons, Inc.</i> , 750 F.2d 1552 (Fed. Cir. 1984)..... | 9 |
| <i>United States v. Ryan</i> , 402 U.S. 530 (1971) | 10 |
| <i>United States v. United Mine Workers of America</i> , 330 U.S. 258 (1947)..... | 19 |
| <i>Walker v. City of Birmingham</i> , 388 U.S. 307 (1967) | 10 |
| <i>Western Water Management, Inc. v. Brown</i> , 40 F.3d 105 (5th Cir. 1994)..... | 10 |

This case has been pending since January 2004. In April 2006, a jury found that EchoStar had willfully infringed TiVo's patent. The district court entered an injunction, which both barred future infringement and required EchoStar to disable the DVR functions of specified satellite receivers that EchoStar had wrongfully placed in consumers' homes. This Court stayed the injunction pending appeal. That stay lasted until April 2008. By then, EchoStar had been infringing TiVo's patent, which issued in 2001, for seven years.

When this Court's decision was released, EchoStar announced that the injunction would have no effect because EchoStar had long since downloaded modified software to its DVRs—without notifying this Court, TiVo, or the district court. After another year of proceedings, conducted in scrupulous compliance with the framework established by this Court, the district court has issued a detailed ruling holding EchoStar in contempt of both the infringement and disablement provisions of its injunction. EchoStar now seeks another stay pending another appeal.

The right to exclude conferred by TiVo's patent is empty if it can never be enforced. Since this Court entered its previous stay, TiVo has lost 25% of its DVR subscribers, while EchoStar's have nearly doubled. Ex. 1 (Brunelle Decl. Ex. A). That harm can never be fully redressed through damages. Entry of yet another stay will undermine respect for district court process and severely prejudice TiVo. At long last, the district court's injunction must be permitted to take effect.

The district court’s order rests on two independent grounds, and EchoStar cannot show a likelihood of appellate success on either. As to disablement, EchoStar violated a clear order. It cannot collaterally attack the disablement requirement in a contempt proceeding, and in any event the provision is entirely proper. Disablement is less drastic than physical recall of infringing products EchoStar wrongfully placed in customers’ homes. It prevents EchoStar from gaining an unfair competitive advantage from the wrongful placement, while allowing continued use of adjudicated products to provide television service.

As to infringement, the district court correctly found that the alleged changes to EchoStar’s software are not more than colorable and that its products continue to infringe. EchoStar argues that its modified 50X products avoid one claim limitation (“parses”), and that its modified Broadcom products avoid two (“parses” and “automatically flow controlled”). Both limitations have settled constructions. At trial the technical experts from both sides agreed that the “parses” limitation in Claims 31 and 61 was met by “PID filtering”—a feature EchoStar did not change. As to “automatic flow control,” EchoStar’s trivial change to its buffers to eliminate “blocking” is inconsequential in relation to the limitation as construed.

The district court’s carefully reasoned findings and conclusions are based on detailed analysis of the factual record. Unlike in the first appeal, which addressed claim construction, here this Court will review each step of the district court’s

analysis only for clear error or abuse of discretion. EchoStar cannot meet those standards with regard to either ground for contempt, let alone both.

Moreover, the balance of harms now clearly favors TiVo. EchoStar argues dismissively that “damages are obviously adequate compensation” (Mot. 20) for the harm TiVo would suffer during a new stay; but the district court’s previous findings that TiVo would suffer irreparable harm without an injunction are law of the case, and in any event they have been dramatically borne out. Before the previous stay was entered, TiVo had more DVR subscribers than EchoStar; today, EchoStar has twice as many as TiVo. Ex. 1 (Brunelle Decl. ¶ 5 & Ex. A). Indeed, EchoStar has actively fostered that harm, exploiting the protection of the previous stay to run a \$50 million ad campaign touting its DVRs as “Better than TiVo.” The resulting harm to TiVo is severe and goes well beyond money damages. In contrast, potential harm to EchoStar (the twice-adjudicated infringer) is uncertain to the point of speculation.

As to the public interest, the threat here is not to the “safe[ty]” of “redesigning infringers” (Mot. 3). EchoStar has received ample process, and will get still more review. At this point, the salient threats are to district courts’ ability to enforce their orders and patentees’ ability to enforce their rights, especially against large, aggressive, deep-pocketed competitors. If this Court grants a stay now, then even if—as before—TiVo ultimately prevails on appeal, EchoStar will have won

in practical terms. Eventually EchoStar will pay further damages, which it can easily afford. In the meantime, however, it will be free to continue ignoring the district court's orders and practicing TiVo's invention. In effect, TiVo's injunction will have been turned into a compulsory license for a principal competitor, and the business TiVo has sought to build for itself, based on its own patented invention, will have been stunted forever.

BACKGROUND

When the district court originally entered its injunction, it made specific findings concerning irreparable harm to TiVo. It 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 “DVR customers are ‘sticky customers’” who “tend to remain customers of the company from which they obtain their first DVR,” so that lost customers were ones TiVo “will not have the same opportunity to capture once the market matures.” Ex. 2 (8/17/06 Order 10).

EchoStar sought a stay for the duration of its first appeal, telling this Court that lack of a stay would “prevent EchoStar from providing DVR service” (Ex. 3 (ES 8/28/06 Stay Reply 9)) and thus cost it “\$90 million *per month*” for “the

pendency of the appeal” (Ex. 4 (ES 8/18/06 Stay Mot. 18)). The Court granted the stay in October 2006, accepting EchoStar’s position that “the harm factors militate[d] in its favor.” Ex. 5 (10/3/06 Order 2). That same month, EchoStar began downloading modified, purportedly non-infringing software to installed DVRs. Ex. 6 (2/18/09 Tr. 8:17-10:10 (Minnick)). By the time it filed its opening appellate brief in April 2007, it had downloaded new software to all DVRs covered by the injunction. *Id.*; Mot. 4. EchoStar did not, however, inform this Court, the district court, or TiVo of this purported change in circumstances. Nor did it use the lengthy period of the stay to seek a ruling on its purported design-around. Instead, it used the safe harbor provided by the stay to spend \$120 million advertising its DVR services—including \$50 million for ads touting its DVRs as “Better than TiVo.” ES Ex. 2 (6/2/09 Order 25); Ex. 7 (ES advertisement).

On January 31, 2008, this Court affirmed the verdict of infringement of claims 31 and 61 of TiVo’s patent, noting that its stay would “dissolve when this appeal becomes final.” *TiVo Inc. v. EchoStar Commc’ns Corp.*, 516 F.3d 1290, 1312 (Fed. Cir.), *cert. denied*, 129 S. Ct. 306 (2008). The same day, EchoStar announced its new position that the injunction would have no effect because of its software changes. Ex. 8 (ES 1/31/08 press release). The stay eventually dissolved on April 18, 2008, after the Court denied rehearing.

Predictably, EchoStar’s only response to dissolution of this Court’s stay was to continue accumulating customers. In May 2008, TiVo began contempt proceedings. After repeated attempts by EchoStar to delay or derail the proceedings, the district court held a three-day evidentiary hearing in February 2009. On June 2, 2009, it issued a detailed opinion finding EchoStar in contempt for two independent reasons. Applying the framework established by this Court, it concluded that, despite EchoStar’s claimed modifications, “any differences between the infringing and modified products are no more than colorable” and “no substantial open issues of infringement exist.” ES Ex. 2 (6/2/09 Order 28); *see id.* at 24-28. It then held that TiVo had clearly and convincingly proven ongoing infringement. *Id.* at 28-31.

The court also held that EchoStar had not challenged, sought modification of, or complied with the plain language of the injunction’s mandatory disablement provision. *Id.* at 5, 31-34. Instead, “EchoStar merely ignored this Court’s order because it subjectively believed it to be improper or overly broad.” *Id.* at 33.

ARGUMENT

I. ECHOSTAR IS UNLIKELY TO SUCCEED ON THE MERITS

A. EchoStar Must Overcome A Highly Deferential Standard Of Review On Two Independent Grounds For Contempt

The district court’s contempt finding rests on EchoStar’s violation of two independent provisions of the injunction. *See* ES Ex. 2 (6/2/09 Order 31).

EchoStar must show it is likely to succeed on both. It must also overcome highly

deferential standards of review, a critical component of the analysis about which EchoStar's motion is silent. This Court "review[s] the district court's decision to proceed via a contempt hearing for abuse of discretion," *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1349 (Fed. Cir. 1998), and reviews the court's ultimate "finding of contempt" under the same standard, *Abbott Labs. v. TorPharm, Inc.*, 503 F.3d 1372, 1380 (Fed. Cir. 2007). The district court's factual findings—made after hearing live testimony at the contempt hearing (and the earlier jury and bench trials)—are reviewed for clear error. *Additive Controls*, 154 F.3d at 1351. And many legal issues, including claim construction, are now settled law of the case. *E.g., Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1324 (Fed. Cir. 1987). EchoStar cannot show that the district court clearly erred or abused its discretion as to either (let alone both) of its independent grounds for finding EchoStar in contempt.

B. The District Court Did Not Abuse Its Discretion In Finding That EchoStar Violated The Disablement Provision

EchoStar violated the clear terms of the disablement provision by failing to "disable the DVR functionality" in the units specifically enjoined. Contrary to EchoStar's arguments, the disablement provision is (1) unambiguous and plainly violated, (2) entirely appropriate, and (3) in any event beyond challenge here.

1. The disablement provision is precise and clear. It is limited to eight enumerated models of DVR receivers (the "DP-501; DP-508; DP-510; DP-522;

DP-625; DP-721; DP-921; and the DP-942” units, which are defined as the “Infringing Products”), and applies only to the subset of those products “placed with an end user or subscriber.” ES Ex. 22 (Injunction 1-2). With respect to that subset, EchoStar is required to “disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data).” *Id.* at 2.¹

EchoStar’s violation is equally plain. The enumerated products EchoStar wrongfully placed in consumers’ homes still have DVR functionality. EchoStar may have swapped one version of DVR software for another, but it did not “disable all storage to and playback from a hard disk drive of television data” in the specified products “until the expiration of [TiVo’s] patent.” *Id.* at 2-3.

EchoStar argues (Mot. 14-15) that it was not required to disable “all” DVR functions in the enumerated products, but only *infringing* DVR functionality. That is incorrect. The term “Infringing Products” clearly applied to the adjudicated receivers in their entirety. Indeed, the district court had specifically rejected EchoStar’s request in 2006 for an injunction that would have applied only to adjudicated DVR models loaded with certain software. ES Ex. 2 (6/2/09 Order 5).

2. Contrary to EchoStar’s suggestion (Mot. 16-17), the disablement provision was entirely appropriate and well within the district court’s authority. The court found that EchoStar’s infringement caused irreparable harm to TiVo,

¹ TiVo received lost-profits damages for 192,708 EchoStar DVRs, and did not seek an injunction with respect to those units.

including lost market share. Ex. 2 (8/17/06 Order 10). It also found that DVR customers are “sticky”—they tend not to switch providers. *Id.* The disablement provision prevents EchoStar from continuing to take unfair advantage of its prior wrongful placement of infringing products with such customers. Without the provision, EchoStar could retain customers it attracted with willfully infringing units simply by downloading new, purportedly non-infringing software to the wrongfully-placed units, as it has done here. The provision serves as a field-leveling remedy and prevents EchoStar from forcing perpetual litigation over products wrongfully installed in the first place.

EchoStar’s assertion (Mot. 2) that the provision “prevented EchoStar from even *attempting* a design-around” is incorrect. The provision does not bar EchoStar from introducing new, non-infringing DVR receivers; it only prevents EchoStar from taking unfair advantage of the prior placement of infringing units. Indeed, the district court could have ordered a physical recall of those products.² Instead, it took the much less drastic step of allowing EchoStar to disable DVR

² See, e.g., *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1564-1565 (Fed. Cir. 1984) (district court could order defendant to “recall the [infringing products] from its customers”); *Abbott Labs. v. Sandoz, Inc.*, 500 F. Supp. 2d 807, 846 (N.D. Ill. 2007). This Court and others have long recognized that injunctions in patent infringement actions may do more than merely prohibit further infringement. See *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865-866 (Fed. Cir. 1984) (order to destroy all data generated from “infringing activity” might be appropriate form of injunctive relief); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 372 F. Supp. 2d 833, 842 (E.D. Va. 2005) (ordering willful infringers to “discard or destroy” infringing products).

functions while keeping receivers in customer homes so EchoStar could use them to provide uninterrupted television service.

3. In any event, the disablement provision was part of the injunction this Court sustained in 2008, and cannot be challenged in a contempt proceeding. *See Western Water Mgmt., Inc. v. Brown*, 40 F.3d 105, 108 (5th Cir. 1994) (“[C]ollateral attack on an injunction during contempt proceedings is prohibited if earlier review of the injunction was available.”).³ As the district court found, “[i]nstead of requesting review of th[e] Court’s order by itself or another court, EchoStar merely ignored th[e] Court’s order because it subjectively believed it to be improper or overly broad. This cannot be allowed.” ES Ex. 2 (6/2/09 Order 33).⁴

C. The District Court Did Not Abuse Its Discretion In Finding That EchoStar Violated The Infringement Provision

The district court also found that EchoStar violated the injunction’s infringement provision. Following the procedure established by this Court, the

³ *See also, e.g., GTE Sylvania, Inc. v. Consumers Union of the United States, Inc.*, 445 U.S. 375, 386 (1980) (“[P]ersons subject to an injunctive order issued by a court with jurisdiction are expected to obey that decree until it is modified or reversed, even if they have proper grounds to object to the order.”); *United States v. Ryan*, 402 U.S. 530, 532 & n.4 (1971) (citing *Walker v. City of Birmingham*, 388 U.S. 307 (1967)); *Carborundum Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872, 883 (Fed. Cir. 1995) (affirming contempt order in patent case; defendant “was not free to ignore the court’s order” even if it believed it to be improper).

⁴ EchoStar complains (Mot. 16) that the district court “ignored all the evidence of EchoStar’s good faith.” In fact, the court rejected EchoStar’s protestations. ES Ex. 2 (6/2/09 Order 24-25, 27). In any event, “good faith is irrelevant as a defense to a civil contempt order.” *Additive Controls*, 154 F.3d at 1353; accord *McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 191 (1949).

district court first determined, after a thorough analysis and detailed factual findings (ES Ex. 2 (6/2/09 Order 9-28)), that contempt proceedings were appropriate, because “any differences between the infringing and modified products are no more than colorable” and “no substantial open issues of infringement exist” (*id.* at 28). It then determined that both sets of products at issue (50X products and Broadcom products) still infringe. *Id.* at 28-31. EchoStar cannot demonstrate that the district court erred, let alone abused its discretion, on either point.⁵ The changes EchoStar made to its software were inconsequential in relation to “elements of the pertinent patent claim[s],” *Additive Controls* 154 F.3d at 1350, as authoritatively construed in the original litigation.

1. “Parsing” does not require “indexing”

With respect to the 50X products, EchoStar’s only argument turns on its attempt to graft an “indexing” requirement onto the “parses” limitation. EchoStar concedes that every other limitation is satisfied in exactly the same way the jury found to infringe. ES Ex. 2 (6/2/09 Order 15, 31). The district court correctly rejected EchoStar’s argument and applied the settled construction of the “parses” limitation: “parses” means “analyzes.” *Id.* at 16; Ex. 9 (8/18/05 Order 22). That construction, unchallenged on appeal, is binding law of the case. *Del Mar*

⁵ EchoStar is wrong to suggest (Mot. 14) that contempt is inappropriate if expert testimony is needed. *See Additive Controls*, 154 F.3d at 1350. On EchoStar’s theory, injunctions in cases involving computer source code or other matter not readily understandable by non-experts would be unenforceable.

Avionics, 836 F.2d at 1324. Because the “parses” limitation does not require indexing, EchoStar’s purported change does not relate to a claim element, as construed, and cannot defeat the district court’s finding of contempt. *See* Ex. 10 (2/17/09 Tr. 58:6-62:6, 66:13-68:2, 71:4-72:2, 74:7-76:15, 79:2-86:2 (Storer)).

EchoStar’s argument (Mot. 12-13) conflates the requirements of different claims. Claims 1 and 32 of the TiVo patent, unlike Claims 31 and 61 at issue here, require that the “MPEG stream *is separated* into its video and audio components.” ES Ex. 9 (TiVo patent 12:49-50) (emphasis added). The parties litigated at trial and on appeal whether the creation of an index satisfied the “separated” limitation.⁶ But claims 31 and 61 do not have any “separated” limitation, and evidence regarding the “separated” limitation of claims 1 and 32—on which EchoStar relies almost exclusively to support its indexing arguments—is irrelevant to claims 31 and 61. *See* Ex. 10 (2/17/09 Tr. 58:11-15, 60:3-61:22, 73:3-74:14 (Storer)).

In claims 31 and 61, “parsing” is performed by a “physical data source.” EchoStar represented at the summary judgment hearing that it was “undisputed in the EchoStar products the physical data source is the PID filter hardware. Dr. Gibson identified it as such. Our expert agrees.” Ex. 11 (1/31/06 Tr. 45:6-8). At trial, technical experts from both sides agreed. EchoStar’s expert (Dr. Rhyne), for example, testified as follows:

⁶ It was in that context that TiVo’s counsel said “[t]he genius, the core of this invention is separation.” *Compare* ES Ex. 14 (10/4/07 Tr. 38:18) *with* Mot. 5, 11.

Q. So you'll agree that the EchoStar products do actually parse the MPEG stream?

A. Yes. The Court said analyze, and there are PID filters in those products that examine the MPEG transport stream and do a parsing.

Q. In fact, yesterday you identified, and I think again today, the PID filtering that is responsible for the parsing?

A. Yes. That's what I think is the element within the either ST or Broadcom chips that perform that function.

Ex. 12 (4/7/06 AM Tr. 110:10-20 (Rhyne)); *see also id.* at 111:8-14.⁷

All the EchoStar products contain PID filters, Ex. 19 (2/19/09 Tr. 14:4-6 (Rhyne)), which have not changed since trial, Ex. 10 (2/17/09 Tr. 67:15-19 (Storer)). EchoStar cannot avoid the injunction on the basis of the parsing limitation—and that is the only basis it relies on with respect to its 50X products.⁸

⁷ Dr. Polish (another EchoStar expert) testified similarly: “Q. So it's your opinion that the PID filtering in the FPGA is parsing video and audio data within the meaning of claims 31b and 61b? ... A. Yes.” Ex. 13 (9/1/05 Polish Dep. 310:5-9); *see also* Ex. 14 (4/10/06 AM Tr. 38:2-8 (Polish)); Ex. 15 (4/7/06 AM Tr. 35:17-36:5 (Johnson)); Ex. 16 (3/31/06 AM Tr. 32:18-33:18 (Gibson)). EchoStar's suggestion that TiVo's expert, Dr. Storer, testified to the contrary (Mot. 8, citing 4/11/06 PM Tr. 3:12-24) is incorrect. EchoStar replaces Dr. Storer's word “that” with the term “PID filtering” in brackets; but the antecedent for “that” in Storer's testimony is not “PID filtering” but the “process of translation from the MPEG-2 to the MPEG-1” that occurs in the “receiver card.” Ex. 17 (4/11/06 PM Tr. 2:25-4:4 (Storer)); Ex. 10 (2/17/09 Tr. 73:21-74:14 (Storer)). In fact, Dr. Storer testified that PID filtering satisfied the “parsing” limitation. Ex. 18 (4/11/06 AM Tr. 99:17-100:23 (Storer)) (“Q. Do you agree that the MRX1 LS1-64007 chip does a PID filtering operation ...? A. Oh, I do agree with that, yes. Q. And is that parsing, sir? A. And as I said, I agree that this is parsing, sure.”).

⁸ Also without merit is EchoStar's belated argument (Mot. 13), never made before this contempt proceeding, that PID filtering is not “parsing” because it analyzes only the “header” portions, not the “payload” portions, of MPEG packets. The claims do not distinguish between headers and payloads, and both are parts of an

2. “Automatic flow control” does not require “blocking”

EchoStar contends (Mot. 6, 9) that its Broadcom products no longer satisfy the “automatic flow control” limitation, because EchoStar’s buffering system allegedly does not prevent data loss. As with “indexing,” this purported change does not relate to a claim element. The court construed this limitation to mean “self-regulated” (Ex. 9 (8/18/05 Order 24)), not as requiring blocking to eliminate the possibility of overflow (ES Ex. 2 (6/2/09 Order 26)). EchoStar cannot escape contempt by grafting a blocking requirement onto that binding claim construction.

In any event, the district court specifically compared the buffering systems of the adjudicated products and the modified products, finding that the changes were inconsequential. *Id.* at 27 (detailed factual findings); *see also* Ex. 10 (2/17/09 Tr. 87:9-90:16, 95:18-98:15, 100:4-24, 107:17-109:18, 110:4-112:17). Even if the claims required prevention of data loss, which they do not, the court found that over 99% of the products have been shown to exhibit no overflow at all and, in the 1% of products that did exhibit some overflow, only 0.0002% of the data was lost, which is minimal and would occur in both the original and modified products. ES Ex. 2 (6/2/09 Order 27). The court’s findings, based on a detailed analysis of the

MPEG packet. Ex. 20 (DX 1672 19-20, 125). The whole packet is video and audio data. *See id.*; Ex. 19 (2/19/09 Tr. 11:25-13:2) (EchoStar’s expert Rhyne admitting that he earlier believed PID filtering met the limitation of the full phrase “analyzes video and audio data from said broadcast data”). The district court’s findings on this point are correct, and certainly not clearly erroneous.

factual record, are well supported, and EchoStar cannot show they are clearly erroneous.

II. THE BALANCE OF HARDSHIPS FAVORS TIVO

Whatever EchoStar's chance of success on this new appeal, it is time for EchoStar to begin bearing the risk of harm that may be suffered during further review.

In 2006, the district court both entered an injunction and refused a stay because it found that potential irreparable harm to TiVo, a start-up company built around one patented technology and trying to establish its own position in a rapidly-developing market, far outweighed any harm to EchoStar. *Supra* p. 4. In particular, it recognized that because DVR customers are "sticky," every customer lost by TiVo to an unjoined EchoStar could well be lost forever. *Id.* This ongoing loss of market share in a nascent market has devastating long-term consequences that cannot be remedied by any eventual monetary damages. Ex. 2 (8/17/06 Order 10).

EchoStar has never challenged that analysis with respect to the permanent injunction. But at the outset of its first appeal, EchoStar obtained a stay and then fully exploited the safe harbor it provided. The predictable—indeed, predicted—results are dramatically shown in the comparative chart included here in Exhibit 1. When the Court entered its previous stay, TiVo had *more* DVR subscribers than EchoStar. Ex. 1 (Brunelle Decl. ¶ 5 & Ex. A). Today, EchoStar has *twice as many*

DVR subscribers as TiVo. *Id.* EchoStar's rapid accumulation of market share at TiVo's expense puts the lie to EchoStar's flippant assertion (Mot. 19) that "TiVo prospered while the injunction was stayed." And it well illustrates the justice of the district court's reasoning in its most recent order refusing to grant EchoStar yet another stay:

The harm caused to TiVo by EchoStar's contempt is substantial. EchoStar has gained millions of customers since this Court's injunction issued, customers that are now potentially unreachable by TiVo. As this Court has noted in the past, "loss of market share and of customer base as a result of infringement cause severe injury," and "every day of [EchoStar's] infringement affects [TiVo's] business." ... EchoStar has escaped this Court's injunction for over two years and further delay will be manifestly unjust to TiVo and cause TiVo substantial harm.

ES Ex. 2 (6/2/09 Order 34-35) (citations omitted).

Any harm to EchoStar from failure to grant a stay is speculative and not remotely comparable to the harm TiVo will experience if EchoStar is permitted to continue ignoring the district court's injunction while its legal challenges grind on. EchoStar is a multi-billion-dollar enterprise whose primary business is transmitting satellite television signals. Ex. 21 (ES 3Q/08 10-Q 2, 4). The injunction does not affect that core business. Indeed, millions of EchoStar's customers do not even have a DVR, and those who desire DVR functions can always obtain them from a legitimate source. EchoStar's predictions of harm to itself and its customers (based on a single line of testimony from EchoStar's CEO) should be viewed with

skepticism. The last time it sought a stay, EchoStar did not disclose its work-around efforts to any court. EchoStar's public statements also undercut the dire predictions made in its current motion. During the last appeal, EchoStar's CEO told the public that it would "have a conversation with TiVo regardless of [who won the appeal] about how we can work together" and that this Court's ruling would simply affect "the relative nature of those negotiations and the strength of those negotiations." Ex. 22 (PX 3314). More recently, EchoStar told investors that it "would attempt to provide [DVR] functionality through other manufacturers" if it was enjoined. Ex. 21 (ES 3Q/08 10-Q 48). And earlier this week, EchoStar told TiVo that many of its customers have new DVR models that EchoStar may contend are not covered by the injunction. *See* Ex. 23.

Under these circumstances, EchoStar's request for a stay has nothing to do with preserving a stable and equitable status quo. To the contrary, EchoStar once again seeks to use a stay as a shield for its campaign to alter conditions in its favor. It seeks to continue its long-term (and so far successful) strategy of infringement and delay—all the while increasing its subscriber base at TiVo's expense. Whatever the proper balance between review and enforcement may have been in the past, at this point EchoStar has lost at trial, lost on appeal, and been found in contempt. One party or the other must now bear the risk of commercial harm even though it may ultimately prevail on appeal. To date, TiVo has demonstrated sus-

tained, cumulative, irreparable harm over years of legal wrangling, whereas the potential harm EchoStar asserts is uncertain and subject to mitigation. Even if the potential harms were more balanced, at this point the risk must shift from the prevailing patentee to the adjudicated willful and contemptuous infringer.

III. THE PUBLIC INTEREST WEIGHS AGAINST A STAY

Finally, the public interest weighs strongly against a stay. “[P]ublic policy favors protection of the rights secured by ... valid patents.” *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983). Failure to assure timely, realistic enforcement of the right to exclude substantially impairs the value of patents, along with the “incentive to investors to risk the often enormous costs in terms of time, research, and development” required to invent. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974). Robust protection is particularly important to a start-up company like TiVo, which practices its patents and does not wish to be turned into a patent licensing company. *See* Ex. 1 (Brunelle Decl. ¶ 2).

EchoStar is a large, aggressive competitor, more than willing to pay damages (and face contempt charges) so long as it can continue to do as it likes.⁹

⁹ EchoStar has a remarkably well-documented record of pursuing its business interests with scant regard for legal niceties. *See, e.g., CBS Broad. Inc. v. EchoStar Commc’ns Corp.*, 450 F.3d 505, 523, 526 (11th Cir. 2006) (“inescapable conclusion ... that EchoStar [engaged] in a ‘pattern or practice’” of violating statute “in every way imaginable,” with “no indication that EchoStar was ever interested in complying with the Act”), *aff’g* 276 F. Supp. 2d 1237, 1246 (S.D. Fla. 2003) (“It appears that EchoStar executives ... confronted with the prospect of

Granting a stay here will distort the patent system by encouraging other infringers to make minor changes to their adjudicated products and then seek further stays in order to keep operating even after they are held in contempt. With deep-pocketed infringers, endless cycles of purported change and ensuing litigation will reduce the right to exclude to little more than a compulsory license—and one enforceable only through rounds of litigation that not only drain a patentee’s resources but allow rapidly-evolving modern markets to be shaped by infringing competition in ways that go far beyond monetary harm.

Moreover, the public has an independent interest in ensuring that court orders are respected. *See, e.g., United States v. United Mine Workers of Am.*, 330 U.S. 258, 303 (1947). Here, EchoStar never challenged the terms of the district court’s injunction or asked that court to review or modify its application in light of EchoStar’s purported work-around. As the district court found, EchoStar “merely ignored” the order. ES Ex. 2 (6/2/09 Order 33). While contempt proceedings are “primarily for the benefit of the patent owner,” they also involve “the concept of an affront to the court.” *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985). Granting a stay at this point in this widely-followed case, involving a defendant well known for its aggressive tactics, will sharply undermine respect for district courts’ ability to enforce their orders in patent cases.

cutting off network programming to hundreds of thousands of subscribers, elected instead to break [its CEO’s] promise to the court.”).

For its part, EchoStar invokes its customers' interest in receiving uninterrupted DVR service from EchoStar itself. Mot. 20. That familiar ploy should be rejected.¹⁰ In 2006, EchoStar told this Court that failure to stay the district court's injunction would affect "over three million households" using its DVRs. Ex. 4 (ES 8/18/06 Stay Mot. 20). Having lost on appeal and in contempt proceedings, but never having complied with the injunction, EchoStar now alleges (Mot. 19) that failure to stay will "affect 6 million EchoStar DVRs and 12 million people." Far from supporting EchoStar's motion, that doubling of the number of households with EchoStar DVRs, in less than three years, aptly illustrates why another stay should *not* be granted. Additional delay will merely allow EchoStar to continue growing its customer base at TiVo's expense. The next time EchoStar asserts a work-around, ignores the injunction, defies a contempt finding, and requests a stay, no doubt it will point to millions more customers than it has now. The public has no interest in enabling that pattern of defiance and delay.

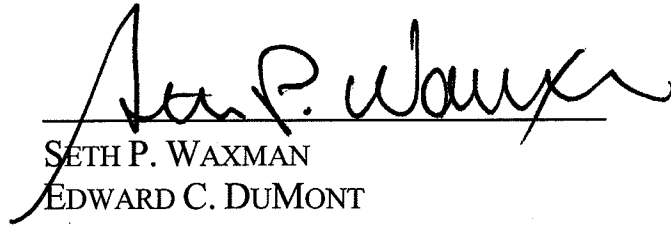
CONCLUSION

EchoStar's motion for a stay pending appeal should be denied.

¹⁰ Uninterrupted DVR service from one provider is hardly necessary to protect any critical public interest. *See Rite-Hite Corp. v. Kelly Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995); *see also Polaroid Corp. v. Eastman Kodak Co.*, No. 76-1634-Z, 1985 U.S. Dist. LEXIS 15003, at *8-9 (D. Mass. Oct. 11, 1985) (interest in protecting patent system outweighs inconvenience denial of stay would cause infringer's 16 million customers), *aff'd*, 833 F.2d 930 (Fed. Cir. 1986) (denying stay).

Dated: June 10, 2009

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Seth P. Waxman", is written over a horizontal line. The signature is fluid and cursive.

SETH P. WAXMAN

EDWARD C. DUMONT

THOMAS SAUNDERS

WILMER CUTLER PICKERING

HALE AND DORR LLP

1875 Pennsylvania Avenue N.W.

Washington, D.C. 20006

(202) 663-6000

MORGAN CHU

ANDREI IANCU

CHRISTINE W.S. BYRD

PERRY GOLDBERG

IRELL & MANELLA LLP

1800 Avenue of the Stars, Suite 900

Los Angeles, California 90067

(310) 277-1010

Attorneys for TiVo Inc.

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:
None
4. There is no such corporation as listed in paragraph 3.
5. 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:

Irell & Manella LLP (Morgan Chu, Christine Byrd, Perry Goldberg, Ben Yorks, Andrei Iancu, Laura Brill,* Alexander Giza, Adam Hoffman, Brian Jones,* Richard Lyon, Michelle Armond,* Brian Krechman)

McKool Smith LLP (Sam Baxter, Garret Chambers)

Patton Tidwell & Schroeder, LLP (Nicholas Patton)

Crowell & Moring (R. Scott Feldmann, Randall Erickson, Steven Rice, Van Nguyen)

Wilmer Cutler Pickering Hale and Dorr LLP (Seth Waxman, Edward DuMont, Daniel Volchok, Thomas Saunders)

Dated: June 10, 2009




Thomas Saunders
Counsel for TiVo Inc.

* No longer with the firm.

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of June, 2009, I caused two copies of TiVo's Opposition to EchoStar's Emergency Motion for a Stay Pending Appeal, along with the exhibits thereto, to be hand-delivered (with courtesy copies sent by electronic mail) to:

Donald R. Dunner
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
901 New York Avenue NW
Washington, DC 20001-4413
(202) 408-4000
Attorney for Defendants-Appellants
EchoStar Corp. et al.



Thomas Saunders