

## TiVo Inc. v. EchoStar Corp.

No. 09-1374, Fed. Cir. (Mayer, Lourie,\* Rader)

***Although we have acknowledged that good faith may be an indicator that redesigned products are more than colorably different, we have also made it clear that a lack of intent alone cannot save an infringer from a finding of contempt.***

On March 4, 2010, the Federal Circuit affirmed the district court's judgment finding EchoStar in contempt of the permanent injunction regarding U.S. Patent 6,233,389, which related to a multimedia time warping system that allows television users to simultaneously record and play (time-shift) television broadcasts using a digital video recorder (DVR). The district court imposed almost \$90 million in sanctions for the contempt. The Federal Circuit stated:

[A] district court must make a two-part inquiry in finding a defendant in contempt of an injunction in a patent infringement case. First, the court must determine whether a contempt hearing is an appropriate forum to adjudge infringement by the redesigned product. The court may do this by comparing the accused product with the original infringing product to determine if 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" exist. Where the court finds that to be the case, a new trial is necessary to determine further infringement and the court may not proceed with a contempt finding. Only in cases where the court is satisfied on the threshold inquiry of forum appropriateness can a court inquire whether the redesigned product continues to infringe the claims as previously construed by the court.

EchoStar argues that it was impermissible for the district court to try issues relating to continued infringement by EchoStar's modified software in a contempt proceeding. According to EchoStar, its modifications to the infringing DVR software were so substantial that TiVo should have been required to litigate its claims over the modified software in a separate infringement action. . . . We conclude that the district court did not abuse its discretion in finding that EchoStar's modified software raised no substantial open questions of infringement. . . .

EchoStar argues that a contempt hearing is proper only when the redesigned devices are alleged to infringe in the exact same manner that has already been adjudicated to infringe. We disagree. The test for colorable differences is not divorced from the scope of the claim that has previously been found to have been infringed. Modifications that EchoStar made to its software based on what it alone considered to be the basis of the jury's infringement finding cannot guarantee the creation of substantial open issues with respect to infringement. Where the court is clearly convinced, based on evidence presented at trial, that there are no substantial open issues on continuing infringement of the asserted claims, we see no reason to disallow summary proceedings. EchoStar's proposed standard would make it almost impossible for a district court to employ a contempt proceeding to enjoin infringing products. Compelling the parties to undertake a new trial every time there is a dispute over previously adjudicated infringing products would fail to serve the goals of judicial economy. [W]e have made clear that the presence of a new issue does not necessarily preclude the district court from making use of a contempt proceeding to determine continued infringement. . . .

Finally, we reject EchoStar's argument that evidence of its good faith suffices to protect it from any finding of contempt. EchoStar argues that it paid 15 engineers to spend 8000 hours on the redesign, which took a year. Similarly, it stresses the fact that it obtained an opinion of noninfringement from a respected patent law firm. It further contends that the redesign compromised performance in order to avoid infringement of TiVo's patent, giving it a product inferior to what it previously had. In light of this evidence, EchoStar argues, the district court was prohibited from utilizing a contempt hearing in this case. We disagree and conclude that EchoStar misreads our law. Although we have acknowledged that good faith may be an indicator that redesigned products are more than colorably different, we have also made it clear that a lack of intent alone cannot save an infringer from a finding of contempt. It was clearly within the district court's discretion to give appropriate weight to EchoStar's good faith arguments, but not to accept them. The district court has presided over this case for over five years. Given its familiarity with the parties, the patent at issue, and the infringing products, in addition to the well articulated reasoning for

its decision, we do not find an abuse of discretion in the court's decision to hold contempt proceedings.

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