



AMSTER, ROTHSTEIN & EBENSTEIN PATENT LAW ALERT

TIVO V. ECHOSTAR: FEDERAL CIRCUIT REVISITING THE STANDARD FOR CONTEMPT OF INJUNCTION EN BANC

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On May 14, 2010, the U.S. Court of Appeals for the Federal Circuit agreed to rehear en banc the decision of the three-judge panel in *TiVo Inc. v. EchoStar Corp.*, 597 F.3d 1247 (Fed. Cir. 2010) relating to the standards for evaluating contempt of an injunction in a patent case. The decision of the full Federal Circuit could have far-reaching implications for companies who elect to design around a patent after facing an injunction at the conclusion of a patent trial.

Prior Proceedings

In 2004, TiVo sued EchoStar for infringement of U.S. Patent No. 6,233,389 which generally covers technology for digital video recorders (“DVR”). Following a jury trial verdict of infringement, TiVo was awarded \$74 million in damages and EchoStar was enjoined from selling the satellite receivers that were found to infringe and ordered to disable the DVR functionality in existing receivers. *TiVo Inc. v. EchoStar Commc’ns Corp.*, No. 2:04-CV-1-DF, 2006 U.S. Dist. LEXIS 64293 (E.D. Tex. Aug. 17, 2006). The Federal Circuit affirmed the relevant parts of the first decision of the district court. *TiVo, Inc. v. EchoStar Commc’ns Corp.*, 516 F.3d 1290 (Fed. Cir. 2008). EchoStar did not appeal the injunction issue to the Federal Circuit at this stage and instead made efforts to design around the ‘389 Patent by modifying its receivers. For a discussion of the district court decision and other contemporaneous decisions on injunctions in patent cases, see Anthony F. Lo Cicero and Charles R. Macedo, *Courts Write History on Permanent Injunctions In Patent Actions*, IP Law 360, Aug. 21, 2006, available at http://www.arelaw.com/downloads/ARElaw_history.pdf.

Believing that the modified EchoStar receiver still violated the ‘389 Patent, TiVo made a motion to the district court arguing that EchoStar was in contempt of the injunction. After holding several hearings on the TiVo motion, the district court evaluated the modified EchoStar products and found EchoStar in contempt. *TiVo Inc. v. Dish Network Corp.*, 655 F. Supp. 2d 661, 666 (E.D. Tex. 2009). The district court rejected EchoStar’s argument that EchoStar redesigned its products “so that they were more than colorably different from the adjudged infringing devices,” awarded sanctions for the contempt, and ordered EchoStar to seek court approval before implementing further design-arounds. *TiVo Inc.*, 597 F.3d at 1251-52.

On appeal, the Federal Circuit affirmed the contempt finding and sanctions, finding that contempt proceedings, rather than a new trial for infringement, were an appropriate venue for evaluating whether the modified products infringed.

The Questions On Review

The Federal Circuit vacated its prior decision and identified the following questions for en banc review:

1. Following a finding of infringement at trial, under what circumstances is it proper for a district court to determine infringement by a newly accused device through contempt proceedings rather than through new infringement proceedings? What burden of proof is required to establish that a contempt proceeding is proper?

2. What is the proper test for evaluating the newly accused device against the adjudged infringing device?
3. Where a contempt proceeding is proper, (a) what burden of proof is on the patentee to show that the newly accused device infringes and (b) what weight should be given to the infringer's efforts to design around the patent and its reasonable and good faith belief of non-infringement by the new device, for a finding of contempt?
4. Is it proper for a district court to hold an enjoined party in contempt where there is a substantial question as to whether the injunction is ambiguous in scope?

The Court has invited briefs of amici curiae from the interested public and it is likely that numerous parties from divergent fields will weigh in on this important issue.

A decision is not expected until the fall.

If you have questions about this case or the law of injunctions generally, please do not hesitate to contact us.

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