

TiVo's Time Warp Patent Claims Valid: PTO

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Thursday, Nov 29, 2007 --- The United States Patent and Trademark Office on Thursday issued a final decision that all claims of a TiVo Inc. patent, which the company is currently trying to enforce in litigation against EchoStar Communications Corp., are valid.

The decision marks the end of a nearly three-year *ex parte* reexamination process requested by EchoStar, and cannot be appealed.

"We are disappointed in the Patent and Trademark Office's decision. The decision, however, does not impact in any way our pending appeal to the Federal Circuit. We are hopeful that the Federal Circuit will reverse the district court and find that we do not infringe Tivo's patent," EchoStar said in a statement.

"We are extremely pleased that the PTO has now found all claims of the time warp patent to be valid after conducting a reexamination of the patent requested by EchoStar," TiVo said in a message to investors.

"Today's decision by the PTO brings us another step closer to ending EchoStar's continued infringement and we are hopeful that the United States Court of Appeals for the Federal Circuit will uphold the district court judgment of patent infringement and reinstate the injunction," the company said.

TiVo asserted its time warp patent, which covers a method of recording one program while playing back another, against satellite television provider EchoStar in January 2004 in a suit filed in the U.S. District Court for the Eastern District of Texas. A few months before the trial in 2006, EchoStar petitioned the PTO to reexamine the patent's hardware claims.

EchoStar told the PTO that there was prior art that showed the hardware claims in TiVo's patent were obvious. The PTO agreed to reexamine the patent, U.S. Patent Number 6,233,389.

In July, the PTO issued a communication during the reexamination procedure preliminarily rejecting 23 claims of the patent, which related to hardware, while affirming the remaining 42 claims, which related to software.

Patent examiner David E. Harvey said in that communication that there were two prior patents, U.S. Patent Numbers 6,788,882 and 5,614,940, that independently described all the parts of the '389 patent. Harvey said combining the '882 and '940 patent was obvious, making the '389 patent

obvious as well.

While the PTO was reevaluating the claims of the '389 patent, TiVo and EchoStar have continued litigation.

At trial, Colorado-based EchoStar said TiVo was using litigation to attempt to compensate for its failures in the market after losing \$650 million since its launch a decade ago. TiVo countered that it had pioneered the technology in the market.

In April 2006, a Texas jury found that Echostar, the parent company of the DISH satellite TV service, had willfully infringed nine claims in the '389 patent. Two of those were software claims, while the rest were hardware claims.

A few months after the jury verdict, Judge David Folsom of the Eastern District of Texas ordered Echostar to pay more than \$89 million, and ordered the company to stop selling and to turn off its infringing DVRs.

EchoStar appealed the district court's decision and the U.S. Court of Appeals for the Federal Circuit stayed the injunction pending the outcome of the appeal. Both sides have filed briefs with the Federal Circuit and are currently awaiting scheduling of the hearing on the matter.

Matthew Zinn, TiVo's general counsel, said that since the validity of two of the claims EchoStar had been found to infringe had been confirmed since July, the new decision did not directly affect the case.

Still, he said, "This ruling is significant in that there's no further argument with regard to the validity of the patent."

A copy of the PTO's decision was not immediately available.

The case is not the only patent dispute between the two rivals. In April 2005, EchoStar countersued TiVo and South Korean electronics maker Humax USA Inc., charging the companies with patent infringement related to its DVR technology. That case has been stayed pending reexamination of the patents-in-suit.

The patent in the case is U.S. Patent Number 6,233,389.

TiVo is represented in the reexamination by Sterne Kessler Goldstein Fox PLLC, and in the litigation by Irell & Manella LLP. EchoStar is represented by attorneys with Morrison & Foerster LLP and Young Pickett & Lee.

The case is TiVo Inc. v. Echostar Comm et al., case number 2:04-cv-00001-DF, in the U.S. District Court for the Eastern District of Texas.

--Additional reporting by Amanda Ernst, Erin Coe and Shannon Henson