
Patent Contempt - A Changed Standard

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On April 20, 2011, the en banc Federal Circuit changed the standard for deciding when a contempt proceeding is the right way to evaluate whether a modified product continues to infringe. *TiVo Inc. v. EchoStar Communications Corp.*, No. 2009-1374.

In 2006, a jury found that EchoStar had infringed a TiVo patent relating to digital video recorder (DVR) technology. The district court permanently enjoined further infringement and ordered EchoStar to disable the DVR functionality in the adjudged satellite receivers. EchoStar modified its software and continued to provide DVR services. In 2008, TiVo moved to enforce the injunction. After further proceedings, the district court found EchoStar in contempt.

After a divided panel of the Federal Circuit affirmed, the court granted *en banc* review, posing broad questions pertaining to the use of contempt proceedings.

After *en banc* review, the court held that the provision of the injunction requiring EchoStar to disable all DVR functionality in the adjudged receivers gave EchoStar clear notice of what it was required to do. Because EchoStar had fair notice, its failure to challenge the scope or substance of the

disablement provision on direct appeal foreclosed raising any such challenge as a defense to enforcement in the contempt proceeding.

As to the anti-infringement portion of the injunction, the *en banc* court revised the standard for deciding when contempt proceedings may be used to evaluate a purported re-design. In *KSM Fastening Systems v. H.A. Jones Co.*, 776 F.2d 1522 (Fed. Cir. 1985), the court had established a two-step test. At step one, the district court was to determine whether contempt proceedings were appropriate by examining whether the adjudged and modified products were "more than colorably different," such that they raised "substantial open questions of infringement." If the modified product was not more than colorably different, then the district court could proceed to step two and determine whether the modified product still infringed, in which case a contempt finding was warranted. The *en banc* Federal Circuit declared this two-step framework "unworkable."

In its place, the court established the following framework. *First*, a district court may entertain a contempt proceeding based on "a detailed accusation from the injured party setting forth the alleged facts constituting the contempt." A decision to hold such a proceeding will be reviewed only for abuse of discretion.

Second, the adjudged infringer's good faith in attempting to design around the patent is irrelevant to whether its modifications are in fact significant enough to avoid violation of the injunction.

Third, "the party seeking to enforce the injunction must prove," by clear and convincing evidence, "both that the newly accused product is not more than colorably different from the product found to infringe and that the newly accused product actually infringes." In this inquiry, "[t]he primary question

... should be whether the newly accused device is so different from the product previously found to infringe that it raises 'a fair ground of doubt as to the wrongfulness of the defendant's conduct.'" Thus, "[w]here one or more of those elements [of the original product] previously found to infringe has been modified, or removed, the court must make an inquiry into whether that modification is significant." If it is, contempt is inappropriate and the claim of continued infringement must be pursued in a new proceeding.

Applying this new standard, the court remanded the case for further findings concerning whether EchoStar's modified DVRs are more than colorably different from its original devices and continue to infringe in relevant respects.

Judge Lourie wrote the court's *en banc* opinion, joined by Judges Newman, Mayer, Bryson, Moore, O'Malley, and Reyna. In partial dissent, Judge Dyk, joined by Chief Judge Rader and Judges Gajarsa, Linn, and Prost, would have held that the injunction's disablement provision was not sufficiently clear to be enforceable in contempt and that no remand was required to determine that EchoStar's modified software made its newly-accused receivers more than colorably different from those adjudged at trial.

Note: WilmerHale represents TiVo in this matter.

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