

August 4, 2009

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By Electronic Filing

The Honorable David Folsom
United States District Court
for the Eastern District of Texas
Federal Building
500 North Stateline, 3rd Floor
Texarkana, TX 75501

Re: *TiVo, Inc. v. EchoStar, et al.* Case No. 2-04CV-01

Your Honor:

We write to inform the Court that the Patent and Trademark Office issued an initial office action yesterday rejecting claims 31 and 61 of TiVo's '389 patent as invalid in light of two prior patents. The claims the PTO found invalid are the same claims at issue in the contempt proceedings previously before the Court (and now before the Federal Circuit) and in TiVo's currently pending request for sanctions. EchoStar believes two portions of the PTO's decision are directly relevant to the Court's pending sanctions ruling, because they confirm the reasonableness of EchoStar's positions on its designaround and in the contempt proceedings. Accordingly, EchoStar respectfully requests that the Court consider the office action as part of the record for purposes of its pending ruling on sanctions.

As a predicate to its invalidity analysis, the PTO had to consider the scope of various claim terms. The PTO found that "parsing video and audio data" meant "detecting video frames and then generating an index or table of the start of the detected video frames and their storage location on a hard drive." (Office Action at 4.) EchoStar respectfully submits that the PTO's interpretation of the "parsing" limitation not only supports EchoStar's position in the contempt proceedings on which the Court has already ruled, but demonstrates conclusively that EchoStar's position that it had designed around the patent in good faith was a reasonable one. TiVo's position on both contempt and now sanctions is premised on the core notion that no one, including EchoStar, could have thought that removing start code detection and the index of start codes took its DVRs outside the scope of the claims. Specifically, TiVo's position was that start code detection and indexing was *irrelevant* to the scope of the claims and therefore that elimination of that function was also irrelevant. Today's PTO decision shows that TiVo was wrong. And although that decision is not final,

The Honorable David Folsom
August 4, 2009
Page Two

and thus the invalidity of the claims is not yet finally established, the fact that the PTO examiner concluded that “parsing video and audio data” meant “detecting video frames and then generating an index or table of the start of the detected video frames and their storage location on a hard drive” conclusively demonstrates that EchoStar’s belief that start code detection is highly relevant to the claims — indeed is required by them — was eminently reasonable. Thus, although this Court has held that validity is not properly part of these contempt proceedings, the PTO order is highly relevant to the decisions the Court has made, and has pending, on contempt.¹

The PTO also had to consider the scope of the claim terms regarding the automatic flow control of the source object by the transform object. The PTO found that the automatic flow control of the source object meant that “data is automatically buffered (e.g., self-regulated) . . . until the main memory 36 is available to receive data.” (Office Action at 7.) EchoStar respectfully submits that the PTO’s interpretation of the automatic flow control limitation demonstrates that EchoStar’s position that it had designed around the source object and automatic flow control limitations in good faith was a reasonable one. The PTO effectively found that, just as TiVo asserted at trial and the specification makes clear (at column 8:47-49), the automatic flow control of the source object requires blocking of the source object’s access to the buffer it fills until that memory “is available to receive data.” TiVo’s position in the contempt proceedings, however, was that blocking of the source object’s access to that buffer to prevent overwriting was irrelevant, and thus the removal of such blocking and the possibility of overwriting was irrelevant to whether EchoStar’s designaround was more than colorably different from the infringing products. Yesterday’s PTO decision shows that TiVo was wrong in asserting that blocking of the source object is irrelevant, and EchoStar’s belief that blocking is highly relevant to the claims was more than reasonable.

A copy of the PTO’s decision is attached for the Court’s convenience.

¹ Moreover, the PTO found the '389 patent invalid under an application of the claims consistent with what TiVo asserted at trial. As EchoStar argued during the contempt proceedings, TiVo’s expansion of the claims during the contempt proceedings to require only PID filtering and buffering without blocking was not only improper because it was beyond the adjudicated scope of the claims, but would also render the '389 patent invalid based on a far wider range of prior art covering PID filtering and buffering than the art considered by the PTO in this most recent office action.

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The Honorable David Folsom
August 4, 2009
Page Three

Sincerely,

Rachel Krevans

Rachel Krevans

cc: Counsel of Record
(Via Electronic Filing)

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 4, 2009, all counsel of record who are deemed to have consented to electronic service are being served with a copy of the letter dated August 4, 2009 to The Honorable David Folsom from Rachel Krevans via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Rachel Krevans
Rachel Krevans