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Recording over Old Standards: *TiVo's* “More Than Colorably Different” Standard for Patent Injunction Contempt Proceedings

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RECORDING OVER OLD STANDARDS: *TIVO'S* “MORE THAN COLORABLY DIFFERENT” STANDARD FOR PATENT INJUNCTION CONTEMPT PROCEEDINGS

Abstract: On April 20, 2011, the U.S. Court of Appeals for the Federal Circuit in *TiVo Inc. v. EchoStar Corp.* overruled *KSM Fastening Systems, Inc. v. H.A. Jones Co.* and outlined a new analysis for patent injunction contempt proceedings when an adjudged infringer has modified an infringing product. In doing so, the court balanced two competing policies: protecting patentee’s exclusive rights through effective, inexpensive patent injunction enforcement and encouraging adjudged infringers to attempt good-faith design-arounds. This Comment argues that by transforming the *KSM* “more than colorable differences” standard from a procedural hurdle to a substantive requirement, the Federal Circuit successfully weighed these policies, fulfilling fundamental goals of the U.S. patent system.

INTRODUCTION

On April 20, 2011, in *TiVo Inc. v. EchoStar Corp.*, the en banc U.S. Court of Appeals for the Federal Circuit overruled its own 1985 decision *KSM Fastening Systems, Inc. v. H.A. Jones Co.*¹ For nearly twenty-five years, *KSM* had dictated the analysis undertaken by district courts in patent injunction contempt proceedings.² Under *KSM*, a court first determined whether a contempt proceeding was appropriate; it then determined whether contempt had occurred.³ Under the new approach, however, courts have broad discretion to hold contempt proceedings.⁴ In enunciating a new structure for such contempt proceedings, the *TiVo* decision represented a careful balance between two fundamental goals of the U.S. patent system: protecting patentees’ ex-

¹ See *TiVo Inc. v. EchoStar Corp. (TiVo VI)*, 646 F.3d 869, 881 (Fed. Cir. 2011) (en banc); *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1531 (Fed. Cir. 1985), overruled by *TiVo VI*, 646 F.3d 869 (Fed. Cir. 2011).

² See *TiVo VI*, 646 F.3d at 880; *KSM*, 776 F.2d at 1530–32.

³ *TiVo Inc. v. Dish Network Corp. (TiVo II)*, 640 F. Supp. 2d 853, 861 (E.D. Tex. 2009), *aff’d in part, rev’d in part en banc*, 646 F.3d 869 (Fed. Cir. 2011); see *KSM*, 776 F.2d at 1528, 1531.

⁴ *TiVo VI*, 646 F.3d 881.

clusive right to their patented technologies, and encouraging competitors to design around patented technologies.⁵

Part I of this Comment outlines the facts and procedural history of *TiVo* including the lower courts' application of the now-overruled *KSM* standard to the case.⁶ Part II examines the two competing policies of patent law implicated by the Federal Circuit's en banc rehearing.⁷ Part III lays out the new standard governing contempt proceedings as announced in *TiVo*.⁸ Finally, Part IV argues that by transforming *KSM*'s "more than colorable differences" standard from a procedural hurdle to a substantive requirement, the Federal Circuit struck the right balance between the patentees' right to have their exclusive right protected and adjudged infringers' right to design around those patents.⁹

I. *TiVo* AND APPLICATION OF THE *KSM* TEST

In 2001, *TiVo* received U.S. Patent 6,233,389.¹⁰ Entitled "Multimedia Time Warping System," the patent's claims cover various features essential to the function of a digital video recorder (DVR).¹¹ A DVR allows users to record and play television broadcasts simultaneously and enables them to fast-forward, rewind, pause, and replay a "live" television program while it is playing.¹²

In 2004, *TiVo* sued *EchoStar*, alleging that *EchoStar* had produced and sold DVR models which infringed upon several claims of its patent.¹³ At trial, the jury found that *EchoStar* had willingly infringed all the asserted claims of *TiVo*'s patent.¹⁴ As a result, in August 2006, the

⁵ See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989); *TiVo VI*, 646 F.3d at 881–83.

⁶ See *infra* notes 10–45 and accompanying text.

⁷ See *infra* notes 46–68 and accompanying text.

⁸ See *infra* notes 69–92 and accompanying text.

⁹ See *infra* notes 93–108 and accompanying text.

¹⁰ *Multimedia Time Warping Sys.*, U.S. Patent No. 6,233,389, at [45] (filed July 30, 1998) (issued May 15, 2001). A patent's claims are the part of the patent in which the patentee particularly points out the subject matter claimed as the invention. 35 U.S.C. § 112 (2006). The patents claims are considered the measure of the invention, and are frequently referred to as the "metes and bounds" of the patentee's right to exclude. See, e.g., *Kara Tech. Inc. v. Stamps.com Inc.*, 582 F.3d 1341, 1347 (Fed. Cir. 2009); *Zenith Labs., Inc. v. Bristol-Myers Squibb Co.*, 19 F.3d 1418, 1424 (Fed. Cir. 1994); *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1257 (Fed. Cir. 1989).

¹¹ *TiVo VI*, 646 F.3d at 876; see '389 Patent cols. 12–18.

¹² *TiVo VI*, 646 F.3d at 876; see '389 Patent, at [57].

¹³ *TiVo VI*, 646 F.3d at 876. *EchoStar* is a group of interrelated companies that comprise the satellite television service marketed as "Dish Network." *TiVo II*, 640 F. Supp. 2d at 857.

¹⁴ *TiVo VI*, 646 F.3d at 877.

U.S. District Court for the Eastern District of Texas issued a permanent injunction.¹⁵ In addition to requiring that EchoStar disable the DVR functionality of its infringing DVRs, the injunction enjoined EchoStar from making, using, selling, or offering to sell the infringing devices and “all other products that are only colorably different therefrom in the context of the Infringed Claims.”¹⁶ The phrase “colorable differences” refers to alterations that do not essentially change the nature of the device, and are made only to evade the permanent injunction.¹⁷ Language enjoining adjudged infringers from producing products that are “only colorably different” from the infringing devices is typical in patent injunctions.¹⁸

Despite the district court’s determination that a stay was unwarranted,¹⁹ the Federal Circuit granted EchoStar’s motion to stay the permanent injunction pending appeal.²⁰ By the time of the appeal, however, EchoStar’s engineers had redesigned the infringing DVR software.²¹ When the Federal Circuit ruled against EchoStar and lifted the stay, EchoStar had already downloaded the modified software into its customers’ DVRs via satellite.²²

TiVo moved for contempt, arguing that EchoStar’s newly designed software was no more than colorably different from the infringing software and therefore violated the injunction.²³ EchoStar contended, however, that the changes were significant enough that the software no longer infringed; accordingly, they argued that they had successfully designed around the patent.²⁴

In the contempt proceedings, the district court applied the contempt analysis set out in 1985 in *KSM*.²⁵ For almost twenty-five years, the two-step inquiry under *KSM* had controlled contempt proceedings

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *KSM*, 776 F.2d at 1531 (quoting *Radio Corp. of Am. v. Cable Radio Tube Corp.*, 66 F.2d 778, 782–83 (2d Cir. 1933)), *overruled* by 646 F.3d 869 (Fed. Cir. 2011).

¹⁸ William C. Norvell Jr., *Violations of Injunctive Orders: Contempt Proceedings in Patent Cases—a Potent Weapon or a Strong Shield?*, INTELL. PROP. L. NEWSL., Fall 1998, at 1, 3.

¹⁹ *TiVo Inc. v. EchoStar Comm’ns Corp. (TiVo I)*, 446 F. Supp. 2d 664, 670 (E.D. Tex. 2006), *aff’d in part, rev’d in part*, 516 F.3d 1290 (Fed. Cir. 2008).

²⁰ *TiVo II*, 640 F. Supp. 2d at 859.

²¹ *Id.* at 857–59.

²² *See id.* at 859.

²³ *See id.* at 859–60.

²⁴ *Id.* at 864. To “design around” is “[t]o make something that performs the same function or has the same physical properties . . . but in a way different enough from the original that it does not infringe the patent.” BLACK’S LAW DICTIONARY 511 (9th ed. 2009).

²⁵ *KSM*, 776 F.2d at 1530–32; *see TiVo II*, 640 F. Supp. 2d at 869–72.

in patent injunction violations.²⁶ Under the *KSM* analysis, the district court was first required to address whether a contempt hearing or a separate suit was a more appropriate setting to determine if the modified device infringed.²⁷ If a contempt hearing was more appropriate, then the court addressed whether the modified product continued to infringe the patent.²⁸

Under *KSM*, the court first determined the threshold procedural question—whether contempt proceedings were the appropriate setting to determine whether the modified device infringed.²⁹ To do so, the court compared the adjudged infringing software with the modified software to determine if the products were more than colorably different, thus leaving substantial open issues of infringement to be tried.³⁰ If the products were more than colorably different, the issues would not have been appropriate for summary disposition through contempt proceedings, and a separate suit would be more appropriate.³¹

In *TiVo*, the district court noted that EchoStar had eliminated from its modified DVRs a feature that TiVo had relied on to demonstrate that the original DVRs infringed, and had replaced it with a new feature.³² TiVo, however, contended that another feature of the modified DVRs still satisfied the same claim limitation in TiVo's patent.³³ Although this feature was present in the original DVRs, TiVo did not point to it to demonstrate infringement prior to the contempt stage.³⁴ Nevertheless, the district court accepted TiVo's contention and concluded that because the claim limitation was still satisfied, the modified DVRs were no more than colorably different.³⁵

Having found the modified software no more than colorably different from the original infringing software, the court concluded that contempt proceedings were appropriate and proceeded to the second step of the *KSM* inquiry.³⁶ This second step, a substantive question of whether the modified product continued to infringe, required the court to examine the modified product in light of the patent's claims as

²⁶ See *TiVo VI*, 646 F.3d at 880; *KSM*, 776 F.2d at 1530–32.

²⁷ *TiVo II*, 640 F. Supp. 2d at 861; see *KSM*, 776 F.2d at 1531.

²⁸ *TiVo II*, 640 F. Supp. 2d at 861; see *KSM*, 776 F.2d at 1528.

²⁹ *TiVo II*, 640 F. Supp. 2d at 861; see *KSM*, 776 F.2d at 1530–32.

³⁰ *TiVo II*, 640 F. Supp. 2d at 861; see *KSM*, 776 F.2d at 1530–32.

³¹ *TiVo II*, 640 F. Supp. 2d at 861; see *KSM*, 776 F.2d at 1531.

³² *TiVo II*, 640 F. Supp. 2d at 864–65.

³³ *Id.* at 865.

³⁴ *TiVo VI*, 646 F.3d at 883.

³⁵ *TiVo II*, 640 F. Supp. 2d at 870–71.

³⁶ *Id.* at 871.

construed in the court’s previous rulings.³⁷ The court found that TiVo proved by clear and convincing evidence that the modified features of the DVRs continued to satisfy the claim limitations, even though they did so in different ways than the features of the original devices.³⁸ As a result, the court found EchoStar to be in contempt of the “Infringement Provision” of the injunction³⁹ and awarded TiVo approximately \$110 million for continued infringement by the modified software and approximately \$90 million in sanctions.⁴⁰

EchoStar again appealed.⁴¹ After a divided panel of the Federal Circuit affirmed the finding of contempt,⁴² EchoStar filed a petition for rehearing en banc.⁴³ The Federal Circuit granted EchoStar’s motion for rehearing, vacating the panel decision, and requested briefing, including amicus briefs, on several issues.⁴⁴ Among its questions, the Federal Circuit asked under what circumstances it is appropriate to decide infringement by a newly accused device through contempt proceedings, rather than new infringement proceedings.⁴⁵

³⁷ *Id.*; see *KSM*, 776 F.2d at 1528.

³⁸ *TiVo II*, 640 F. Supp. 2d at 872.

³⁹ *Id.* at 873.

⁴⁰ *TiVo Inc. v. Dish Network Corp. (TiVo III)*, 655 F. Supp. 2d 661, 666 (E.D. Tex. 2009). In addition to finding EchoStar had violated the injunction by producing DVRs that were no more than colorably different, the district court also ruled that EchoStar had violated a separate provision in the injunction. See *TiVo II*, 640 F. Supp. 2d at 873–74. The injunction’s “Disablement Provision” required EchoStar to disable the functionality in its infringing products. *Id.* at 873. Although EchoStar argued that it complied with this order by downloading its modified software into the infringing DVR units, the district court ruled that the infringing receivers in their entirety were subject to the order. *Id.* at 874. The approximately \$90 million in sanctions was awarded to TiVo on alternative grounds—violating the “Infringement Provision” and, alternatively, for violation of the “Disablement Provision”). See *TiVo III*, 655 F. Supp. 2d at 663, 666.

⁴¹ *TiVo Inc. v. EchoStar Corp. (TiVo IV)*, 597 F.3d 1247 (Fed. Cir. 2010), *withdrawn, vacated on grant of reh’g en banc*, 376 F. App’x 21 (Fed. Cir. 2010).

⁴² *Id.*

⁴³ See *TiVo Inc. v. EchoStar Corp. (TiVo V)*, 376 F. App’x 21, 21 (Fed. Cir. 2010).

⁴⁴ *TiVo V*, 376 F. App’x at 21–22. The Federal Circuit also granted five law professors leave to file an amicus brief in support of the petition. *Id.*; see Revised Brief of Amici Curiae Five Law Professors in Support of Defendants-Appellants’ Petition for Rehearing En Banc at i–ii, *TiVo V*, 376 F. App’x 21 (No. 2009-1374) [hereinafter Five Law Professors’ Brief]. The amici argued that EchoStar’s modifications were not the kind of minor, hypertechnical changes intended to be captured in a contempt hearing by the colorable differences test. Five Law Professors’ Brief, *supra* note 44, at 8. The amici warned that the panel decision threatened the “fragile ecosystem” of the U.S. patent system and introduced considerable uncertainty into the law regarding design-arounds. *Id.* at 1.

⁴⁵ *TiVo V*, 376 F. App’x at 22.

II. CONFLICTING POLICIES IMPLICATED BY EN BANC REVIEW

The question posed by the Federal Circuit highlighted the tension between two conflicting policies of the U.S. patent system.⁴⁶ On the one hand, effective, inexpensive patent injunction enforcement allows patentees to protect their exclusive rights to their patented technologies.⁴⁷ On the other hand, those same features discourage adjudged infringers from attempting good-faith design-arounds.⁴⁸

One fundamental goal of the U.S. patent system is to encourage patent owners to develop their innovations by securing patentees' exclusive rights to use their patented technologies for the statutory period.⁴⁹ To this end, the United States Patent Act gives district courts the power to grant injunctions to prevent infringement.⁵⁰ Nonetheless, by the time a patent holder has obtained an injunction, the patent holder may have spent years and millions of dollars litigating the claims.⁵¹ Furthermore, by that time, the patentee has overcome challenges to the validity and enforceability of the patent and has proven infringement.⁵² In many cases, as in *TiVo*, the patentee has further defended the patent

⁴⁶ Tony Dutra, *Briefing in En Banc TiVo Case Weighs Competing Patent Policy Concerns*, 80 PAT. TRADEMARK & COPYRIGHT J. 781, 781 (2010); see *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

⁴⁷ See Brief of Amicus Curiae the Association for Competitive Technology in Support of Plaintiff-Appellee in Favor of Affirmance at 4, *TiVo Inc. v. EchoStar Corp. (TiVo VI)*, 646 F.3d 869 (Fed. Cir. 2011) (No. 2009-1374), 2010 WL 3950032, at *4 [hereinafter *Competitive Technology Brief*]; Brief of Amicus Curiae Intellectual Property Owners Association on En Banc Rehearing in Support of Neither Party at 2–3, *TiVo VI*, 646 F.3d 869 (Fed. Cir. 2011) (No. 2009-1374), 2010 WL 3390203, at *2–3 [hereinafter *IP Owners Association Brief*].

⁴⁸ See *Bonito Boats*, 489 U.S. at 146; *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985).

⁴⁹ *Biotechnology Indus. Org. v. District of Columbia*, 496 F.3d 1362, 1372 (Fed. Cir. 2007) (“The fundamental goal of the patent law is spelled out in the Constitution: “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” (quoting U.S. CONST. art I, § 8, cl. 8)). Underlying this goal is the assumption that promising an exclusive right is necessary to incentivize innovation and disclosure of such innovations to society. *Id.*; see Robert P. Merges, *Commercial Success and Patent Standards: Economic Perspectives on Innovation*, 76 CALIF. L. REV. 803, 808 (1988); John C. Stedman, *Invention and Public Policy*, 12 LAW & CONTEMP. PROBS. 649, 652 (1947).

⁵⁰ See 35 U.S.C. § 283 (2006) (“The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”); see also F. Scott Kieff & Troy A. Paredes, *Engineering A Deal: Toward a Private Ordering Solution to the Anticommons Problem*, 48 B.C. L. REV. 111, 139–41 (2007) (discussing cost and delay associated with obtaining an injunction and initiating contempt proceedings).

⁵¹ IP Owners Association Brief, *supra* note 47, at 2–3; Norvell, *supra* note 18, at 1.

⁵² IP Owners Association Brief, *supra* note 47, at 3; see *TiVo VI*, 646 F.3d at 877.

rights in appeals, and has seen the injunction stayed while the appeal was pending.⁵³ Therefore, the summary nature of contempt proceedings allows patentees to enforce their hard-won injunctions in a relatively streamlined process, without bringing another costly and time-consuming lawsuit each time an adjudged infringer modifies the infringing product.⁵⁴

Accordingly, as the en banc Federal Circuit prepared to rehear *TiVo*, a chief concern among commentators was that if relief was too difficult to obtain through contempt proceedings, an adjudged infringer could engage in gamesmanship by forcing a patent holder to bring a new infringement lawsuit each time it made small modifications to its product.⁵⁵ In doing so, many commentators argued, an adjudged infringer such as EchoStar could tie a patentee up in a series of litigations while “running the clock” on a valid patent.⁵⁶ To infringers, eventual losses in these successive infringement suits may not be of concern if the infringers’ damages payment is less than the economic gain realized by being in the market and building their brands and customer bases during the exclusivity period.⁵⁷

Nonetheless, U.S. patent law is designed to encourage competitors, including previously adjudged infringers, to design around patented inventions.⁵⁸ Encouraging non-infringing design-arounds benefits consumers by encouraging competition.⁵⁹ Successful design-arounds also

⁵³ IP Owners Association Brief, *supra* note 47, at 3; see *TiVo VI*, 646 F.3d at 878.

⁵⁴ Competitive Technology Brief, *supra* note 47, at 4; IP Owners Association Brief, *supra* note 47, at 3.

⁵⁵ See Competitive Technology Brief, *supra* note 47, at 4; Brief of Amici Curiae Distinguished Economists on Rehearing En Banc in Support of the Appellee, *TiVo Inc. in Favor of Affirmance* at 23, *TiVo VI*, 646 F.3d 869 (No. 2009-1374), 2010 WL 3950028, at *23 [hereinafter Distinguished Economists’ Brief]; F. Scott Kieff, *The Importance of Finality in Patent Litigation*, NAT’L L. J. (Dec. 6 2010), http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202475682661&The_importance_of_finality_in_patent_litigation.

⁵⁶ See Distinguished Economists’ Brief, *supra* note 55, at 23; IP Owners Association Brief, *supra* note 47, at 3–4; Kieff, *supra* note 55.

⁵⁷ See Brief of Amici Curiae New York Intellectual Property Law Association for En Banc Rehearing in Support of Neither Party at 16, *TiVo VI*, 646 F.3d 869 (No. 2009-1374), 2010 WL 3390202, at *16 [hereinafter N.Y. IP Law Brief]; IP Owners Association Brief, *supra* note 47, at 3–4; Kieff, *supra* note 55.

⁵⁸ *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 480 F.3d 1335, 1347 (Fed. Cir. 2007) (Radner, J., concurring) (“Medtronic had suffered an injunction. It deliberately sought to design around the patented technology—a response that patent law encourages.”); *State Indus.*, 751 F.2d at 1236 (“One of the benefits of a patent system is its so-called ‘negative incentive’ to ‘design around’ a competitor’s products, even when they are patented.”).

⁵⁹ *State Indus.*, 751 F.2d at 1235–36 (“[K]eeping track of a competitor’s products and designing new and possibly better or cheaper functional equivalents is the stuff of which competition is made and is supposed to benefit the consumer.”).

contribute to a robust and technologically competitive economy by bringing a steady flow of innovations into the marketplace.⁶⁰

Thus, commentators on this side of the debate cautioned the Federal Circuit against overprotecting the rights of patentees, thereby restricting competition by discouraging legitimate attempts to design around patents.⁶¹ If the Federal Circuit failed to strike the right balance, they warned, the expense and uncertainty of redesigning an infringing product might cause competitors to abandon good faith redesign efforts.⁶²

In *TiVo*, EchoStar spent 8000 man-hours and over \$700,000 designing around TiVo's patent.⁶³ In addition, EchoStar employed a leading patent law firm to examine its redesigned DVRs.⁶⁴ The firm's opinion letters concluded that the modified DVRs were significantly different from the adjudged infringing devices, and no longer infringed TiVo's patent at all.⁶⁵ Further, it was undisputed that EchoStar completely removed the feature of its adjudged DVRs that TiVo had relied on to demonstrate infringement.⁶⁶

Under such circumstances, commentators argued, the severe sanctions associated with contempt were inappropriate.⁶⁷ Further, they ar-

⁶⁰ See *Bonito Boats*, 489 U.S. at 146 ("From their inception, the federal patent laws have embodied a careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy."); *State Indus.*, 751 F.2d at 1236 ("[The] 'negative incentive' to 'design around' a competitor's products . . . bring[s] a steady flow of innovations to the marketplace.").

⁶¹ See Brief of Amici Curiae General Electric Co. and Johnson & Johnson in Support of Neither Party at 4-5, *TiVo VI*, 646 F.3d 869 (No. 2009-1374), 2010 WL 3390200, at *4-5 [hereinafter General Electric Brief]; IP Owners Association Brief, *supra* note 47, at 4; Brief of Amicus Curiae International Intellectual Property Institute in Support of Plaintiff-Appellee at 1, *TiVo VI*, 646 F.3d 869 (Fed. Cir. 2011) (No. 2009-1374), 2010 WL 3950029, at *1.

⁶² See General Electric Brief, *supra* note 61, at 5; IP Owners Association Brief, *supra* note 47, at 4; Brief of Amicus Curiae International Intellectual Property Institute in Support of Plaintiff-Appellee, *supra* note 61, at 1.

⁶³ *TiVo Inc. v. Dish Network Corp.* (*TiVo II*), 640 F. Supp. 2d 853, 869 (E.D. Tex. 2009), *aff'd in part, rev'd in part en banc*, 646 F.3d 869 (Fed. Cir. 2011).

⁶⁴ Supplemental Brief of Defendants-Appellants on Rehearing En Banc at 41, *TiVo VI*, 646 F.3d 869 (No. 2009-1374), 2010 WL 3180038, at *41.

⁶⁵ *Id.*

⁶⁶ *TiVo VI*, 646 F.3d at 883.

⁶⁷ See Brief for Amicus Curiae Computer & Communications Industry Association in Support of Appellants EchoStar Corporation et al. on Rehearing En Banc in Support of Reversal at 3, *TiVo VI*, 646 F.3d 869 (No. 2009-1374), 2010 WL 3390197, at *3 [hereinafter Computer & Communications Industry Brief]; see also F. Scott Kieff, *The Case for Registering Patents and the Law and Economics of Present Patent-Obtaining Rules*, 45 B.C. L. Rev. 55 (2003) (discussing use of opinions of counsel by alleged patent infringers in avoiding liability).

gued, such a defendant should have the opportunity to litigate the modified product in a new trial, not a summary contempt proceeding.⁶⁸

III. THE *TiVo* STANDARD

In a portion of the opinion in which all judges joined, the en banc U.S. Court of Appeals for the Federal Circuit overruled the two-step inquiry that it had previously set out in its 1985 decision *KSM Fastening Systems, Inc. v. H.A. Jones Co.*⁶⁹ The court recognized that the threshold inquiry of colorable differences between the adjudged and modified products confused the merits of contempt with the propriety of initiating contempt proceedings.⁷⁰ The court further acknowledged that in practice, most district courts did not treat the inquiries separately.⁷¹

In place of the *KSM* test, the Federal Circuit outlined a new test.⁷² The court first eliminated the threshold inquiry regarding the appropriateness of contempt proceedings.⁷³ Instead, the court held that the question is left to the broad discretion of the district courts based on the facts presented.⁷⁴ To initiate contempt proceedings, a district court needs only a detailed accusation from the patentee setting forth the alleged facts constituting contempt.⁷⁵ A district court’s decision to initiate contempt proceedings would not be reviewable.⁷⁶

Furthermore, the Federal Circuit transformed the “more than colorable differences” standard from a procedural hurdle, as under the *KSM* test, to a substantive requirement to prove contempt.⁷⁷ The court instructed that, rather than being used to determine the appropriateness of contempt proceedings, the standard should be used to determine whether an injunction has been violated.⁷⁸

⁶⁸ Computer & Communications Industry Brief, *supra* note 67, at 11.

⁶⁹ *TiVo Inc. v. EchoStar Corp. (TiVo VI)*, 646 F.3d 869, 881 (Fed. Cir. 2011) (en banc).

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.* at 881–83.

⁷³ *Id.* at 881.

⁷⁴ *Id.*

⁷⁵ *TiVo VI*, 646 F.3d at 881.

⁷⁶ *Id.*

⁷⁷ Robert A. Mathews, *The “Not More Than Colorably Different” Substantive Prong*, in ANNOTATED PATENT DIGEST § 32:191.50 (2010). Compare *TiVo VI*, 646 F.3d at 881 (“As to the question whether an injunction against patent infringement has been violated, courts should continue to employ a ‘more than colorable differences’ standard[.]”), with *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1531 (Fed. Cir. 1985) (“The question to be answered under [the no more than colorably different] standard is essentially a *procedural* one.”), overruled by *TiVo VI*, 646 F.3d 869 (Fed. Cir. 2011).

⁷⁸ *TiVo VI*, 646 F.3d at 881.

The court provided significant guidance in applying the standard.⁷⁹ First, the court acknowledged that the test for colorable differences under *KSM*—whether there are substantial open issues with respect to infringement to be tried—had misled district courts, leading them to examine whether the features of the modified, newly accused products directly infringe the patent claims.⁸⁰ Accordingly, the Federal Circuit rejected this “infringement-based understanding” of the colorable difference test.⁸¹ The court instructed that the primary question on contempt should instead be whether the modified product is so different from the previously adjudged infringing product that it raises a fair ground of doubt as to the wrongfulness of the defendant’s conduct.⁸²

When determining whether a modified device is no more than colorably different, the court must compare the particular features of the original product used to establish infringement and the modified features of the newly accused product.⁸³ If the court determines that the modifications are significant, then contempt is inappropriate,⁸⁴ regardless of whether the redesigned product actually infringes the claims of the patent.⁸⁵ In that case, the patentee must challenge the modified product in a new trial.⁸⁶

Unlike the procedural “colorably different” inquiry in the overruled *KSM* test, in *TiVo*, the court announced that the new substantive

⁷⁹ *See id.* at 882–83.

⁸⁰ *Id.* at 882. This was, in fact, what the district court had done. *See TiVo Inc. v. Dish Network Corp. (TiVo II)*, 640 F. Supp. 2d 853, 870–71 (E.D. Tex. 2009), *aff’d in part, rev’d in part en banc*, 646 F.3d 869 (Fed. Cir. 2011). In the contempt proceedings, the district court looked to a feature present in the original infringing DVRs but not challenged as infringing until the contempt proceedings, and determined that the modified DVRs were no more than colorably different despite having completely eliminated the feature EchoStar pointed to during the infringement trial. *Id.*

⁸¹ *TiVo VI*, 646 F.3d at 882.

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.* The court explained that the significance of the differences between the two products would depend on the nature of the products at issue. *Id.* The requisite level of difference is a question of fact. *Id.* at 883. District courts must determine the significance of the modification by examining the relevant prior art to ascertain whether the modification merely employs or combines elements already known in the prior art in a way that would have been obvious to a person of ordinary skill in the art. *Id.* at 882–83. Further, the court instructed, the analysis may take into account the policy of encouraging legitimate design-around efforts. *Id.* at 883.

⁸⁵ *Id.* at 882.

⁸⁶ *See id.*

inquiry carries a burden of proof.⁸⁷ Under the new test, the patentee must prove that the modified device is no more than colorably different by clear and convincing evidence.⁸⁸

If the court finds that the modifications are not significant and the modified product is therefore no more than colorably different from the adjudged infringing product, the court must then determine whether the modified product continues to infringe the asserted patent claims.⁸⁹ Only if the patentee proves by clear and convincing evidence that the modified product continues to infringe the patent claims may the court find the enjoined party in contempt.⁹⁰

In *TiVo*, the court did not reach this second inquiry.⁹¹ Because EchoStar had eliminated and replaced a feature that TiVo relied upon to prove infringement, the court remanded to the district court to determine whether the difference between the two features was significant.⁹²

IV. A BETTER BALANCE

The new rules for contempt proceedings in patent injunction cases outlined in *TiVo* by the U.S. Court of Appeals for the Federal Circuit better weigh the conflicting policy concerns of the U.S. patent system than the two-step inquiry under the Federal Circuit’s 1985 decision

⁸⁷ See *TiVo VI*, 646 F.3d at 883. Although the Federal Circuit had not been clear in *KSM* what, if any, burden applied to the threshold inquiry, it was implied that no burden attached. See *KSM*, 776 F.2d at 1532 (“So long as the district court exercises its discretion to proceed or not to proceed by way of contempt proceedings within these general constraints, this court must defer to its judgment on this issue.”); *TiVo II*, 640 F. Supp. 2d at 862–63 (examining *KSM* decision and subsequent Federal Circuit iterations of test to determine what, if any, burden applies to threshold inquiry and concluding “that no burden attaches to the first *KSM* step as it is a purely ‘procedural standard’ entrusted to the discretion of the trial court”).

⁸⁸ *TiVo VI*, 646 F.3d at 883.

⁸⁹ *Id.*

⁹⁰ See *id.*

⁹¹ See *id.* at 884.

⁹² *Id.* Five judges dissented from the majority’s decision to remand on this basis. See *id.* at 890, 901–02 (Dyk, J., dissenting). Although the dissent agreed with the majority that the colorably different test required comparing the feature relied upon to prove infringement and the modified feature of the newly accused DVRs, the dissent argued it was unnecessary to remand for this determination. See *id.* at 901–02. According to the dissent, because the sole feature accused of satisfying the limitation was removed and replaced with a feature substantially different and not within the prior art, “the two products [were] necessarily more than colorably different.” *Id.*

in *KSM Fastening Systems, Inc. v. H.A. Jones Co.*⁹³ Had the Federal Circuit endorsed the infringement-based *KSM* analysis, as the lower court had in *TiVo*, it would have greatly favored patentees and placed considerable risk on adjudged infringers who attempted good-faith design-arounds.⁹⁴ Under such a test, an adjudged infringer would always need to fear severe sanctions if, at the contempt stage, the patentee could identify a feature that was present in the original device but never before challenged and convince the court that the feature satisfied the claim limitation the enjoined party had designed around.⁹⁵ Similarly, an adjudged infringer could be subject to contempt sanctions in addition to damages for continued infringement if their good-faith modifications fell short and continued to directly infringe.⁹⁶ What is more, a district court could make either of these determinations without allowing an adjudged infringer the opportunity to defend the new device in a full trial.⁹⁷

In establishing the *TiVo* standard, the Federal Circuit struck a balance that avoids discouraging adjudged infringers from undertaking good-faith design-arounds.⁹⁸ The narrowed focus of the colorably different test requires district courts to compare the elements of the previously adjudged product that were the basis for finding infringement with the modified features of the newly accused product.⁹⁹ This narrow focus assures a previously adjudged infringer that it will not be blindsided and see its redesign investment go to waste because a patentee introduces a new infringement theory at the contempt stage.¹⁰⁰ In addition, the patentee's clear and convincing burden of proving no more than colorable differences ensures that redesigned products that are significantly different from adjudged infringing products will need to be challenged in a new suit, in which redesigning parties will have a full opportunity to defend their products.¹⁰¹ Indeed, the court explicitly stated that district courts may take into account the policy that legiti-

⁹³ See *TiVo Inc. v. EchoStar Corp. (TiVo VI)*, 646 F.3d 869, 881–83 (Fed. Cir. 2011) (en banc); *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530–32 (Fed. Cir. 1985), *overruled by TiVo VI*, 646 F.3d 869 (Fed. Cir. 2011).

⁹⁴ See *TiVo VI*, 646 F.3d at 882; *KSM*, 776 F.2d 1532; *TiVo Inc. v. Dish Network Corp. (TiVo II)*, 640 F. Supp. 2d 853, 870–71 (E.D. Tex. 2009), *aff'd in part, rev'd in part en banc*, 646 F.3d 869 (Fed. Cir. 2011).

⁹⁵ See *TiVo VI*, 646 F.3d at 882; *TiVo II*, 640 F. Supp. 2d at 870–71.

⁹⁶ See *TiVo VI*, 646 F.3d at 882; *TiVo II*, 640 F. Supp. 2d at 871–72.

⁹⁷ See *TiVo VI*, 646 F.3d at 882; *TiVo II*, 640 F. Supp. 2d at 871–72.

⁹⁸ See *TiVo VI*, 646 F.3d at 882–83.

⁹⁹ See *id.* at 882.

¹⁰⁰ See *id.*

¹⁰¹ See *id.* at 883.

mate design-around efforts should always be encouraged when determining the significance of differences.¹⁰²

While ensuring that good-faith design-around efforts are not chilled, the *TiVo* standard also protects patent holders’ right to effective, inexpensive injunction enforcement by keeping available the expedited procedure when an adjudged infringer’s redesign is a mere pretext to “run the clock” on a valid patent.¹⁰³ The standard makes clear to district courts that they need not compel a new lawsuit each time an adjudged infringer claims to have modified its product.¹⁰⁴ Further, *TiVo* vests broad discretion to initiate contempt proceedings in the judicial body most familiar with the parties, the patent, and the products at issue.¹⁰⁵

In addition, *TiVo*’s clear guidance benefits both parties involved in future infringement proceedings.¹⁰⁶ *TiVo*’s explanation of the focused “colorable differences” analysis demonstrates that patentees are wise to challenge every infringing feature that satisfies the claim limitations at issue in the initial infringement suit.¹⁰⁷ At the same time, adjudged infringers seeking to design around a patent can now be assured that significantly modifying or eliminating the features relied upon to establish infringement will be at least sufficient to avoid contempt.¹⁰⁸

CONCLUSION

In *TiVo Inc. v. EchoStar Corp.*, the U.S. Court of Appeals for the Federal Circuit overruled its 1985 decision *KSM Fastening Systems, Inc. v. H.A. Jones Co.* and set out a new standard for structuring contempt proceedings when an adjudged patent infringer redesigns its infringing product. The court transformed the “not more than colorably different” test from a procedural standard to determine the propriety of contempt proceedings to a substantive requirement for proving contempt. In doing so, the Federal Circuit successfully balanced two competing policies of the U.S. patent system—the policy of protecting exclusive patent rights through effective, inexpensive patent injunction en-

¹⁰² *Id.*

¹⁰³ *See id.* at 881.

¹⁰⁴ *See TiVo VI*, 646 F.3d at 883.

¹⁰⁵ *See id.* at 881; Brief of Former Federal Court Judges as Amici Curiae in Support of Plaintiff-Appellee on Rehearing En Banc for Affirmance at 12–13, *TiVo VI*, 646 F.3d 869 (No. 2009-1374), 2010 WL 4310657, at *12–13; N.Y. IP Law Brief, *supra* note 57, at 9–10.

¹⁰⁶ *See TiVo VI*, 646 F.3d at 882–83.

¹⁰⁷ *See id.*

¹⁰⁸ *See id.*

forcement and the policy of encouraging adjudged patent infringers to invest in legitimate efforts to design around their competitors' patents.

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