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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

MULTIMEDIA PATENT TRUST,

Plaintiff,

vs.

DIRECTV, INC., et al.,

Defendants.

CASE NO. 09-CV-00278-H (CAB)

ORDER

(1) GRANTING IN PART AND DENYING IN PART PLAINTIFF’S MOTION FOR PARTIAL SUMMARY JUDGMENT;

(2) GRANTING IN PART AND DENYING IN PART DIRECTV’S MOTION FOR PARTIAL SUMMARY JUDGMENT; AND

(3) GRANTING VIZIO’S MOTION FOR PARTIAL SUMMARY JUDGMENT

MPT’s motion for partial summary judgment of Defendants DirecTV, Inc., DirecTV Enterprises, LLC, the DirecTV Group, Inc., DirecTV Holdings LLC, and DirecTV Operations LLC (collectively “DirecTV”)’s affirmative defenses of license and patent exhaustion is presently before the Court. On July 18, 2011, MPT filed its motion for partial summary judgment. (Doc. No. 383.) On August 3, 2011, DirecTV filed its opposition to MPT’s motion for partial summary judgment. (Doc. No. 421.) On August 9, 2011, MPT filed its reply in support of its motion for partial summary judgment. (Doc. No. 435.) On August 11, 2011,

1 Defendant Vizio, Inc. (“Vizio”) filed a notice of joinder to DirecTV’s opposition to MPT’s
2 motion for partial summary judgment. (Doc. No. 438.)¹ On September 9, 2011, MPT filed a
3 supplemental brief in support of its motion for partial summary judgment. (Doc. No. 482.)

4 DirecTV’s motion for partial summary judgment on products licensed through MPEG
5 LA and subject to patent exhaustion is presently before the Court. On July 29, 2011, DirecTV
6 filed its motion for partial summary judgment. (Doc. No. 408.) On August 26, 2011, DirecTV
7 filed supplemental briefs in support of its motion for partial summary judgment. (Doc. No.
8 471.) On September 9, 2011, MPT filed its opposition to DirecTV’s cross-motion for
9 summary judgment. (Doc. No. 482.) On September 16, 2011, DirecTV filed its reply in
10 support of its motion for partial summary judgment. (Doc. No. 499.)

11 Vizio’s motion for partial summary judgment seeking adjudication that all accused
12 Vizio products sold on or before May 5, 2010 do not infringe the two patents asserted against
13 Vizio is presently before the Court. On August 26, 2011, Vizio filed its motion for partial
14 summary judgment. (Doc. No. 467.) On September 9, 2011, MPT filed its opposition to
15 Vizio’s cross-motion for summary judgment. (Doc. No. 482.) On September 16, 2011, Vizio
16 filed its reply in support of its motion for partial summary judgment. (Doc. No. 496.)

17 The Court held a heard on these matters on September 23, 2011. Jonathan Graves
18 appeared for Plaintiff MPT. John Thornburgh and Joseph Reid appeared for Defendant
19 DirecTV. Ryan McCrum and Kevin McBride appeared for Defendant Vizio.

20 **Background**

21 On February 13, 2009, MPT brought the present action against various Defendants,
22 including DirecTV and Vizio (collectively “Defendants”), alleging infringement of multiple
23 patents related to video compression technology, including U.S. Patent Nos. 4,958,226 (“the
24 ’226 patent”), 5,136,377 (“the ’377 patent”), 5,227,878 (“the ’878 patent”), 5,500,678 (“the
25 ’678 patent”), and 5,563,593 (“the ’593 patent”). (Doc. No. 1, Compl.) On April 13, 2009,

26
27 ¹On August 16, 2011, the Court denied MPT’s motion for partial summary judgment
28 to the extent MPT relied on the contention that the 2009 License is a novation of the 2002
License.

1 DirecTV filed an answer to MPT’s complaint and asserted the affirmative defenses of patent
2 exhaustion and license. (Doc. No. 53 ¶¶ 145, 152.) On April 8, 2009, Vizio filed an answer
3 to MPT’s complaint and asserted the affirmative defense of license. (Doc. No. 46.)

4 Discussion

5 **A. Summary Judgment Standard**

6 Summary judgment is appropriate under Rule 56 of the Federal Rules of Civil
7 Procedure if the moving party demonstrates the absence of a genuine issue of material fact and
8 entitlement to judgment as a matter of law. Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986).
9 A fact is material when, under the governing substantive law, it could affect the outcome of
10 the case. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986); Freeman v. Arpaio, 125
11 F.3d 732, 735 (9th Cir. 1997). A dispute is genuine if a reasonable jury could return a verdict
12 for the nonmoving party. Anderson, 477 U.S. at 248.

13 A party seeking summary judgment always bears the initial burden of establishing the
14 absence of a genuine issue of material fact. Celotex, 477 U.S. at 323. The moving party can
15 satisfy this burden in two ways: (1) by presenting evidence that negates an essential element
16 of the nonmoving party's case; or (2) by demonstrating that the nonmoving party failed to
17 establish an essential element of the nonmoving party’s case on which the nonmoving party
18 bears the burden of proving at trial. Id. at 322-23. “Disputes over irrelevant or unnecessary
19 facts will not preclude a grant of summary judgment.” T.W. Elec. Serv., Inc. v. Pacific Elec.
20 Contractors Ass’n, 809 F.2d 626, 630 (9th Cir. 1987). Once the moving party establishes the
21 absence of genuine issues of material fact, the burden shifts to the nonmoving party to set forth
22 facts showing that a genuine issue of disputed fact remains. Celotex, 477 U.S. at 322. The
23 nonmoving party cannot oppose a properly supported summary judgment motion by “rest[ing]
24 on mere allegations or denials of his pleadings.” Anderson, 477 U.S. at 256. “The ‘opponent
25 must do more than simply show that there is some metaphysical doubt as to the material fact.’”
26 Kennedy v. Allied Mut. Ins. Co., 952 F.2d 262, 265–66 (9th Cir. 1991) (citing Matsushita Elec.
27 Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586 (1986)). Furthermore, the nonmoving
28 party generally “cannot create an issue of fact by an affidavit contradicting his prior deposition

1 testimony.” Kennedy, 952 F.2d at 266; see Foster v. Arcata Assocs., 772 F.2d 1453, 1462 (9th
2 Cir. 1985), cert. denied, 475 U.S. 1048 (1986); Radobenko v. Automated Equip. Corp., 520
3 F.2d 540, 543–44 (9th Cir. 1975).

4 When ruling on a summary judgment motion, the court must view all inferences drawn
5 from the underlying facts in the light most favorable to the nonmoving party. Matsushita Elec.
6 Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986). The Court does not make
7 credibility determinations with respect to evidence offered. See T.W. Elec., 809 F.2d at
8 630-31 (citing Matsushita, 475 U.S. at 587). Summary judgment is therefore not appropriate
9 “where contradictory inferences may reasonably be drawn from undisputed evidentiary facts.”
10 Hollingsworth Solderless Terminal Co. v. Turley, 622 F.2d 1324, 1335 (9th Cir. 1980).

11 **I. MPT’s Motion for Partial Summary Judgment**

12 In the present motion, MPT seeks partial summary judgment of DirecTV’s
13 affirmative defenses of license and patent exhaustion. (Doc. Nos. 383; 482.) DirecTV
14 contends that under Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. 617, 625 (2008),
15 DirecTV’s licensed suppliers made authorized sales pursuant to the 2002 License and 2009
16 License and that these authorized sales exhausted MPT’s patent rights because once a
17 patentee’s rights are exhausted by an authorized sale, the patentee is barred from suing
18 others who subsequently use or sell the same article. (Doc. No. 423 at 7.) MPT argues that
19 even though DirecTV’s manufacturers are licensed, the manufacturers’ sales of MPEG-2
20 and H.264 products to DirecTV exceed the scope of the 2009 License. (Doc. No. 383 at
21 16-17.) The parties agree that the 2002 License and 2009 License contain the ’226 patent,
22 the ’878 patent, and the ’678 patent as part of their patent pools. (Doc. No. 383 at 1; Doc.
23 No. 423 at 1.)

24 **1. DirecTV’s License Defense for H.264 Functionality under the 2009** 25 **License**

26 MPT argues that some of DirecTV’s accused products are not covered by the 2009
27 License, specifically its hybrid STBs, hybrid encoders, and hybrid decoders. (Doc. No. 383
28 at 10-16.) DirecTV’s hybrid products practice both MPEG-2 and H.264. DirecTV does

1 not appear to oppose MPT's arguments regarding the H.264 capability of its STBs,
2 encoders, and decoders under the 2009 License. Instead, DirecTV contends that its MPEG-
3 2-only broadcast encoders and MPEG-2-only broadcast decoders are covered by the 2009
4 License. (Doc. No. 423 at 5.) Thus, DirecTV appears to agree with MPT that the H.264
5 functionality in its STBs, encoders, and decoders is not covered by the 2009 License.
6 Accordingly, the Court GRANTS MPT's motion for summary adjudication of DirecTV's
7 license defense to the extent it is based on the 2009 License covering the H.264
8 functionality portion of DirecTV's STBs, encoders, and decoders.

9 **2. DirecTV's Patent Exhaustion Defense**

10 MPT argues that DirecTV's patent exhaustion defense fails because although
11 DirecTV's manufacturers are licensed, their sales of MPEG-2 and H.264 products to
12 DirecTV are outside the scope of the 2009 License. (Doc. No. 383 at 16-17.) DirecTV
13 argues, however, that patent exhaustion applies because DirecTV's licensed suppliers' sales
14 to DirecTV were authorized sales, and authorized sales exhaust a patentee's rights to sue
15 others who subsequently use or sell the same article for infringement. (Doc. No. 423 at 7;
16 Doc. No. 471 at 25.)

17 "The longstanding doctrine of patent exhaustion provides that the initial authorized
18 sale of a patented item terminates all patent rights to that item." Quanta, 553 U.S. at 625.
19 However, "[e]xhaustion is triggered only by a sale authorized by the patent holder." Id. at
20 636. Therefore, a sale in breach of the terms of a license is not an authorized sale
21 exhausting the patentee's rights. See id. at 636-37; General Talking Pictures Corp. v.
22 Western Elec. Co., 304 U.S. 175, 181-82 (1938) (holding that exhaustion did not apply
23 where the manufacturer of the patented article at issue breached the terms of its license by
24 selling the article for commercial use).

25 MPT argues that the terms of the 2009 License preclude DirecTV's defense because
26 the 2009 License is the current operative license. (Doc. No. 383, at 8-10, 16-17.)
27 However, it is the 2002 License that DirecTV claims applies to its patent exhaustion
28 defense. (Doc. No. 423, at 7.) The Court already concluded that the 2009 License is not a

1 novation of the 2002 License. (Doc. No. 445, (Court’s Order).) Therefore, DirecTV’s
2 manufacturers could have exhausted MPT’s patent rights through authorized sales made
3 pursuant to the 2002 License.

4 Further, MPT does not argue in its motion or supplemental briefs that licensed
5 manufacturers breached the terms of the 2002 License in making their sales to DirecTV,
6 which would preclude DirecTV from raising its patent exhaustion defense.² Accordingly,
7 the Court DENIES MPT’s motion for summary judgment of DirecTV’s patent exhaustion
8 defense.

9 In light of the record, the Court concludes that MPT has failed to meet its burden of
10 proof that DirecTV’s affirmative defense of patent exhaustion will fail as a matter of law.
11 Accordingly, the Court DENIES MPT’s motion for summary judgment of DirecTV’s
12 exhaustion defense. Additionally, the Court GRANTS MPT’s motion for summary
13 judgment of DirecTV’s license defense to the extent it is based on the 2009 License
14 covering the H.264 functionality in DirecTV’s STBs, encoders, and decoders.

15 **II. DirecTV’s Motion for Partial Summary Judgment**

16 On July 29, 2011, DirecTV filed a motion for partial summary judgment on products
17 licensed through MPEG LA and subject to patent exhaustion. (Doc. No. 408.) On August
18 26, 2011, DirecTV filed a supplemental motion for partial summary judgment on products
19 licensed through MPEG LA and subject to patent exhaustion. (Doc. No. 471.) On
20 September 9, 2011, MPT filed its opposition to DirecTV’s cross-motion for summary
21 judgment. (Doc. No. 482.) On September 16, 2011, DirecTV filed its reply in support of
22 its motion for partial summary judgment. (Doc. No. 499.) DirecTV’s motion for partial
23 summary judgment is presently before the Court.

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27 ² Instead, in response to DirecTV’s waiver and estoppel defense, MPT argues,
28 “DirecTV’s waiver theory makes no sense, as it is based on the false premise that MPT
contends that DirecTV’s suppliers have breached their MPEG-2 license agreements in some
way.” (Doc. No. 482 at 22.)

1 **A. DirecTV’s Patent Exhaustion Defense**

2 MPT argues that the undisputed facts preclude DirecTV’s patent exhaustion defense.
3 (Doc. No. 383 at 16-17.) Specifically, MPT argues that even though DirecTV’s
4 manufacturers are licensed, the manufacturers’ sales of MPEG-2 and H.264 products to
5 DirecTV exceed the scope of the 2002 License and 2009 License. (Id.) DirecTV argues,
6 however, that patent exhaustion applies because DirecTV’s licensed suppliers’ sales to
7 DirecTV were authorized sales, and authorized sales exhaust a patentee’s right to sue others
8 who subsequently use or sell the same article for infringement. (Doc. No. 423 at 7; Doc.
9 No. 471 at 25.)

10 **Analysis**

11 **a. New York Contract Interpretation**

12 Under New York law,³ the meaning of words in contracts “must be discerned under
13 several cardinal principles of contractual interpretation.” Brad H. v. City of N.Y., 2011 WL
14 2534066, *3 (N.Y. June 28, 2011). One of these principles states, “[a] written agreement that
15 is clear, complete and subject to only one reasonable interpretation must be enforced according
16 to the plain meaning of the language chosen by the contracting parties.” Id. “[T]he objective
17 of contract interpretation is to give effect to the expressed intentions of the parties,” and the
18 “best evidence of what parties to a written agreement intend is what they say in their writing.”
19 Law Debenture Trust Co. of N.Y. v. Maverick Tube Corp., 595 F.3d 458, 467 (2d Cir. 2010).
20 Ambiguity must be “determined within the four corners of the document; it cannot be created
21 by extrinsic evidence that the parties intended a meaning different than that expressed in the
22 agreement and, therefore, extrinsic evidence ‘may be considered only if the agreement is
23 ambiguous.’” Brad H., 2011 WL 2534066 at *3 (quoting Innophos, Inc. v. Rhodia S.A., 10
24 N.Y.3d 25, 29 (N.Y. 2008). Indeed, “[l]anguage whose meaning is otherwise plain does not

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26 ³The parties agree that the “validity, construction and performance” of the 2002 License
27 and the 2009 License are both governed by New York law. (Doc. No. 423-2, Declaration of
28 Thomas N. Millikan (“Millikan Decl.”) Ex. 4 at § 7.18; Ex. 6 at § 7.18; Doc. No. 383 at 9;
Doc. No. 423 at 5-6.)

1 become ambiguous merely because the parties urge different interpretations in the litigation.”
2 595 F.3d at 467 (internal quotation omitted).

3 The Court examines the products at issue under the applicable license when the products
4 were sold.⁴ The 2002 License grants began on the “effective date” of June 1, 1994 and expired
5 on December 31, 2010. (Doc. No. 471, Ex. 2 at §§ 0.1, 6.1.) The 2002 License allows
6 licensees to acquire rights for products sold prior to joining the pool in exchange for making
7 “catch up” payments on past royalties due. (Millikan Decl., Ex. 4 at § 3.3.2.) The 2009
8 License also includes the same June 1, 1994 effective date as the 2002 License. (Millikan
9 Decl., Ex. 6 at § 0.1.) This allows new licensees to obtain coverage under the license for all
10 their previous products in exchange for “catch-up” payments. (*Id.*) Therefore, the Court will
11 analyze each of the two licenses in turn.

12 **1. DirecTV’s Purchases from Licensed Suppliers under the 2002 License**

13 In order to analyze the many product categories at issue in this motion, the Court
14 divides its analysis based on the standards particular products practice. DirecTV argues that
15 DirecTV’s purchases were authorized sales under the 2002 License. (Doc. No. 471 at 13.)
16 MPT argues that under the 2002 License’s framework, DirecTV’s products were unlicensed.
17 (Doc. No. 482 at 8.)

18 **i. DirecTV’s MPEG-2-Only Commercial Decoders and Encoders**

19 DirecTV seeks partial summary judgment that DirecTV’s MPEG-2-only commercial
20 encoders and commercial decoders—boxes that DirecTV utilizes at broadcast facilities to
21 encode and decode MPEG-2 video—are authorized sales under the 2002 License. (Doc. No.
22 471, at 13.) MPT does not dispute this. Accordingly, the Court GRANTS DirecTV’s motion
23 for partial summary judgment that DirecTV’s purchases of MPEG-2-only commercial encoders
24 and commercial decoders are licensed and exhausted under the 2002 License, conditioned on
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28 ⁴The Court rejected MPT’s argument that the 2009 License novated the 2002 License.
(Doc. No. 445, (Court’s order).)

1 proof of royalty payments to MPT.⁵

2 **ii. DirecTV's MPEG-2-Only STBs**

3 MPT argues that DirecTV's branded STBs are not covered by the 2002 License. (Doc.
4 No. 482 at 8-11.) Specifically, MPT argues that DirecTV is not an "end user" with respect to
5 STBs that DirecTV purchases from licensed suppliers and then re-sells or leases to consumers.
6 (Id.) Further, MPT argues that even if DirecTV qualifies as an "end user," the path of STBs
7 from DirecTV's licensed suppliers to DirecTV to DirecTV's customers does not constitute "a
8 chain of distribution." (Id. at 11-13.) DirecTV argues that its purchases are "sales" under the
9 2002 License and that DirecTV is an "end user" and alternatively that its consumers are "end
10 users." (Doc. No. 471 at 13-15.) Further, DirecTV argues that its purchases from licensed
11 suppliers and lease or resale to DirecTV's consumers places DirecTV within "a chain of
12 distribution." (Id.)

13 Under New York law, "[a] written agreement that is clear, complete and subject to only
14 one reasonable interpretation must be enforced according to the plain meaning of the language
15 chosen by the contracting parties." Brad H., 2011 WL 2534066, *3. The Court will enforce
16 the plain meaning of the language chosen by the contracting parties. MPT attempts to use the
17 definition of "sale" under the 2009 License to explain the definition of "sale" under the 2002
18 License. (Doc. No. 482 at 9.) Further, MPT attempts to borrow definitions adopted by the
19 later 2009 License in order to define terms that were not specifically defined in the earlier 2002
20 License. This approach is flawed. Later term definitions do not indicate meaning of the earlier
21 terms in the 2002 License. The 2002 License is clear and complete, and the Court will enforce
22 the plain meaning of the 2002 License. Section 1.30 of the 2002 License defines "Sale" and
23 "Sold" to mean:

24 any sale, rental, lease, license or other form of distribution of an MPEG-2
25 Royalty Product to an end user, either directly or through a chain of distribution.
26 For purposes of this Agreement, a Sale under this Section 1.30 shall be deemed
to take place in the country where an end user takes delivery of the MPEG-2

27 ⁵As to all products presently before the Court for which the Court grants summary
28 judgement, summary judgment is conditioned on proof of royalty payments to MPT.

1 Royalty Product which is the subject of the “Sale,” irrespective of the manner
2 in which the “Sale” takes place.

3 (Doc. No. 471, Ex. 2 at § 1.30.) “End user” is not defined in the 2002 License, and therefore,
4 according to general contract interpretation principles, that term receives its plain meaning.
5 Brad H., 2011 WL 2534066, *3. Section 1.30 does not require that DirecTV itself be the “end
6 user.” Section 1.30 merely requires that an “end user” receives the product through “sale,
7 rental, lease, license or other form of distribution.” (Doc. No. 471, Ex. 2 at § 1.30.) Therefore,
8 the 2002 License requires that STBs ultimately end up in the hands on an “end user.”

9 MPT correctly argues that the plain meaning of “end user” is a person who employs the
10 product for its final specific use of decoding MPEG-2 video. (Doc. No. 482 at 9-10.) MPT
11 fails to acknowledge, however, that DirecTV’s consumers are the end-users. It is undisputed
12 that DirecTV “sells or leases STBs directly, or through its retailers and dealers, to its
13 customers.” (Doc. No. 421 Statement of Undisputed Facts 22.) DirecTV’s consumers are end-
14 users who employ the product for its final specific use of decoding MPEG-2 video. Therefore,
15 the Court concludes that the plain meaning of the 2002 License includes DirecTV’s consumers
16 as end-users.

17 Because the Court concludes that DirecTV’s consumers are “end-users,” Section 1.30
18 of the 2002 License provides that the “sale, rental, lease, license or other form of distribution”
19 to an end user occurs “either directly or through a chain of distribution.” MPT argues that
20 DirecTV’s position between its licensed suppliers and customers precludes the arrangement
21 from being a chain of distribution. (Doc. No. 482 at 11.) The Court disagrees under the
22 language of the 2002 License.

23 The 2002 License does not specifically define “a chain of distribution” or “directly,”
24 nor does MPT cite authority for its narrow interpretation of “a chain for distribution.” Again,
25 the Court will apply the plain meaning of the language chosen by the contracting parties. Brad
26 H., 2011 WL 2534066 at *3. The plain meaning of the 2002 License does not require licensed
27 products to travel directly from the licensed suppliers to the end user. Instead, the 2002
28 License provides that licensed products may travel from the licensed supplier to the end user

1 “through a chain of distribution.” The 2002 License indicates that licensed products do not
2 have to travel to the end users directly because Section 1.30 contrasts “directly” with “through
3 a chain of distribution” by using the alternative grammatical structure of “either . . . or.” The
4 alternative grammatical structure of “either . . . or” demonstrates that licensed products may
5 travel through two routes from licensed suppliers to end users: “either directly or through a
6 chain of distribution.”

7 Additionally, MPEG LA does not specify anywhere in the 2002 License that “a chain
8 of distribution” requires licensed products to travel directly from the registered licensee to the
9 end user. In fact, reading “chain of distribution” narrowly as MPT argues renders the term
10 “through a chain of distribution” superfluous. MPEG LA could have drafted the 2002 License
11 to say “directly” and deleted “through a chain of distribution” if MPEG LA intended for these
12 phrases to be synonymous. If “a chain of distribution” required the licensee and end user to
13 be next to one another, § 1.30 could have stopped at the word “directly” because “a chain of
14 distribution” scenario would have been redundant. Instead, MPEG LA included both terms
15 in an alternative grammatical structure in order to demonstrate that products may move from
16 licensees to end users “directly or through a chain of distribution.”

17 Further, the use of the phrase “a” within “a chain of distribution” is significant. Section
18 1.30 of the 2002 License does not refer to “Licensee’s chain of distribution.” The absence of
19 the possessive modifier “Licensee’s” demonstrates that the drafters intended for “a chain of
20 distribution” rather than a “chain of distribution” controlled by licensees. The drafters use
21 possessive modifiers, including “Licensee’s” and “Licensor’s” elsewhere in the 2002 License.
22 (See Doc. No. 471, Ex. 2 at §§ 2.3, 3.6.1, 3.6.5, 3.6.6, 3.7.2, 3.8, 3.10.2.1, 6.3, 7.3, 7.3.1, 7.4.)
23 MPT cites no evidence to contradict this plain usage other than its flawed approach of
24 attempting to point to the later 2009 License to define terms in the earlier 2002 License. The
25 Court concludes that Section 1.30 of the 2002 License does not require “a chain of
26 distribution” be controlled by licensees.

27 Other provisions in the 2002 License demonstrate that had the drafters intended “a chain
28 of distribution” to mean “Licensee’s chain of distribution,” the drafters could have written it

1 that way. Taken to the extreme, MPT's assertion that the 2002 License only permits products
2 to travel directly from the registered licensee to the end user would thwart the purpose of the
3 MPEG LA. MPEG LA created patent pool licenses to encourage product sales, and MPT's
4 interpretation of the 2002 License hinders this objective. In addition to the encoder and
5 decoder boxes at issue in this case, MPEG-2 products include items like DVD players at a
6 retailer. (Doc. No. 417.) If MPT's reading of the 2002 License were correct, sales of DVD
7 players at retailers would fall outside of the 2002 License because those retailers are situated
8 between licensee manufacturers and end users. Based on the plain meaning of the 2002
9 License, the Court concludes that DirecTV's business arrangement with its licensed suppliers
10 is "a chain of distribution."

11 Next, the 2002 License authorizes licensees to sell MPEG-2 decoding products. Section
12 2.2 states, "the Licensing Administrator hereby grants to Licensee a royalty-bearing
13 worldwide, nonexclusive, nontransferable sublicense under all MPEG-2 Essential Patent(s) in
14 the MPEG-2 Patent Portfolio to make, have made, use, and sell, offer for sale or otherwise
15 distribute MPEG-2 Decoding Products." (Doc. No. 471, Ex. 2 at § 2.2.) Section 1.14 defines
16 "decoding products" as "any instrumentality or combination of instrumentalities, including by
17 way of example and without limitation: a television receiver, cable, terrestrial broadcast and
18 satellite broadcast receiving equipment . . . designed in whole or in part for decoding video
19 information in accordance with the MPEG-2 Standard." (Doc. No. 471, Ex. 2 at § 1.14.)
20 DirecTV's STBs fall within the plain meaning of "decoding products." DirecTV's MPEG-2-
21 only STBs are deployed at customers' homes to decode DirecTV's MPEG-2 broadcast. MPT
22 offers no evidence that DirecTV's MPEG-2-only STBs are not decoding products. Instead,
23 MPT unsuccessfully argues that MPEG-2-only products fall outside the 2002 License based
24 on the definition of "Sold." (Doc. No. 383 at 1; Doc. No. 482 at 11-12.) Based on the plain
25 meaning of "decoding products," DirecTV's MPEG-2-only STBs are "decoding products"
26 because they are inherently "satellite broadcast receiving equipment . . . designed in whole or
27 in part for decoding video information in accordance with the MPEG-2 Standard." (Doc. No.
28 471, Ex. 2 at § 1.14.) This is the definition of an "MPEG-2 Decoding Product," and MPEG

1 LA's corporate representative agreed that "decoding products" include "digital set-top boxes."
2 (See Doc. No. 471, Ex. 4 at 110:21-111:11.) Therefore, the Court concludes that DirecTV's
3 MPEG-2-only STBs qualify as decoding products. Further, the Court concludes that
4 transactions between DirecTV's licensed suppliers to DirecTV are "sales" within the meaning
5 of the 2002 License.

6 The Court GRANTS DirecTV's motion for partial summary judgment of DirecTV's
7 MPEG-2-only STBs because DirecTV's purchases from its licensed suppliers of DirecTV's
8 MPEG-2-only STBs are authorized sales under the 2002 License, conditioned on proof of
9 royalty payments to MPT.

10 **iii. DirecTV's Hybrid STBs**

11 Some of DirecTV's STBs, decoders, and encoders practice both MPEG-2 and H.264.
12 DirecTV argues that DirecTV's purchase of these units from licensed suppliers are "sales"
13 under the 2002 License for the same reason that DirecTV's MPEG-2-only STBs are "sales"
14 under the 2002 License. (Doc. No. 471 at 19-20.) Specifically, DirecTV argues that the 2002
15 License is a product license because of its multiple uses of the word "MPEG-2 product." (Id.)
16 MPT argues that the 2002 License is limited to an MPEG-2 field-of-use license because the
17 2002 License limits the grant to certain types of MPEG-2 products. (Doc. No. 482 at 13-18.)

18 The Supreme Court long ago held that "[a]ny use beyond the valid terms of the license
19 is, of course, an infringement." General Talking Pictures Corp. v. Western Elec. Co., 305 U.S.
20 124, 126 (1938). "[W]here a patented invention is applicable to different uses, the owner of
21 the patent may legally restrict a licensee to a particular field and exclude him from others."
22 Id. Section 1.7 of the 2002 License defines a "Licensed Product" as "any product . . . licensed
23 under Article 2" of the contract. (Doc. No. 471, Ex. 2 at §§ 1.7, 1.25.) Further, Article 2
24 provides rights as to what a licensee may do with products by stating, "the Licensing
25 Administrator hereby grants to Licensee a . . . sublicense . . . to make, have made, use, and sell,
26 offer for sale or otherwise distribute MPEG-2 Decoding Products." (Doc. No. 471, Ex. 2 at
27 § 2.2.)

28 Based on the plain meaning in Section 2.8, the Court concludes that the 2002 License

1 is a product license. Section 2.8 of the 2002 License expressly clarifies that the grant does not
2 include rights in products:

3 “CAPABLE OF COMPLYING SOLELY WITH THE MPEG-1 STANDARD
4 AND NO OTHER PORTION OF THE MPEG-2 STANDARD.”

5 (Doc. No. 471, Ex. 2 at § 2.8.) Section 2.8 says that products practicing only MPEG-1 cannot
6 be MPEG-2 products. Section 2.8 also says that a product capable of practicing both MPEG-1
7 and MPEG-2 are products within the 2002 License’s grant. Section 2.8 illustrates that once
8 a product is an MPEG-2 product, irrespective of what other capabilities the product has, that
9 product is licensed for all uses because it is capable of acting as an MPEG-2 product. If
10 MPEG LA intended for the 2002 License to be limited to products capable of MPEG-2, the
11 drafters could have included a limitation in the license. Instead, MPEG LA allowed products
12 practicing both MPEG-1 and MPEG-2, but required that products have MPEG-2 capabilities.

13 MPT’s attempt to introduce extrinsic evidence explaining Section 2.8 violates the
14 applicable New York canons of contract interpretation as “ambiguity is determined within the
15 four corners of the document,” and “cannot be created by extrinsic evidence.” Brad H., 2011
16 WL 2534066 at *3. Therefore, based on the plain meaning of the 2002 License, the Court
17 concludes that the 2002 License is a product license, rather than a field-of-use license. The
18 2002 License is a product license that requires MPEG-2 capability, rather than a license that
19 limits capability to MPEG-2 products. Section 4.3 of the 2002 License further proves this
20 point by stating that a licensee “represents and warrants that it is entering into this Agreement
21 for its own convenience in acquiring patent rights necessary for compliance with the MPEG-2
22 Standard.” (Doc. No. 471, Ex. 2 at § 4.3.) Accordingly, any products capable of compliance
23 with MPEG-2 capabilities are within the scope of the 2002 License so long as they fit within
24 a category enumerated by the 2002 License. The Court concludes that DirecTV’s H.264
25 portions of hybrid STBs purchased under the 2002 License are just as licensed as the MPEG-2
26 portions. Therefore, the Court GRANTS DirecTV’s motion for partial summary judgment to
27 the extent that it pertains to H.264 portions of DirecTV’s hybrid STBs purchased under the
28 2002 License, conditioned on proof of royalty payment to MPT.

1 **iv. DirecTV's Hybrid Encoders**

2 Because the 2002 License is limited to certain categories of MPEG-2 capable products,
3 DirecTV must satisfy the Court that its hybrid encoders fall within one of the 2002 License's
4 categories. DirecTV argues that the H.264 functionality in its hybrid encoders is licensed
5 under the 2002 License because those encoders have MPEG-2 capability. (Doc. No. 471 at
6 20.) Further, DirecTV argues that its hybrid encoders qualify as "MPEG-2 Transport or
7 Program Stream Products" under Section 1.27 because DirecTV's hybrid encoders utilize an
8 MPEG-2 transport stream. (Id.; Ex. 34 at 10; Ex. 35 at DTV_0554912-13.) "MPEG-2
9 Transport or Program Stream Products" must be an "instrumentality . . . designed in whole or
10 in part for generating and or processing video information to provide an MPEG-2 transport
11 stream . . . and Sold." (Doc. No. 471, Ex. 2 at § 1.27.) MPT argues that Section 1.27 of the
12 2002 License prohibits encoder products from being transport or program stream products and
13 therefore, DirecTV's commercial encoders do not qualify as "MPEG-2 Transport or Program
14 Steam Products." (Doc. No. 482 at 19-21.)

15 Section 1.27 of the 2002 License expressly states that "[t]he term MPEG-2 Transport
16 or Program Stream Product shall not be construed to include one or more MPEG-2 Encoding
17 Products." (Doc. No. 482, Ex. 2 at § 1.27.) DirecTV argues that this sentence stating that an
18 MPEG-2 Transport or Program Stream Product shall not include one or more MPEG-2
19 Encoding Products does not mean what MPT contends. (Doc. No. 499 at 4-5.) Instead,
20 DirecTV argues that the sentence exists to protect a licensee who sells a single box that both
21 encodes MPEG-2 video and creates an MPEG-2 transport stream from owing a double-royalty.
22 (Id.) DirecTV points to similar protections against double-counting in the 2002 License. (See
23 Doc. No. 482, Ex. 2 at §§ 1.5, 1.15-1.18.) Additionally, DirecTV cites Section 3.1.9 of the
24 2002 License that states, "[s]ubject to Paragraph 3.1.4 of this Agreement, the royalties set forth
25 in this Section 3.1 are additive as to each MPEG-2 Royalty Product to the extent that
26 individual royalties are applicable thereto." (Doc. No. 471, Ex. 2 at § 3.1.9.) The Court
27 concludes that Section 1.27 of the 2002 License does not prohibit encoders from being
28 Transport or Program Stream Products, but rather prevents double-counting.

1 The Court concludes that DirecTV's hybrid encoders are licensed within the scope of
2 the 2002 License because they practice MPEG-2. Further, the Court concludes that DirecTV's
3 hybrid encoders are MPEG-2 Transport or Program Stream Products under Section 1.27 of the
4 2002 License because DirecTV's hybrid encoders utilize an MPEG-2 transport stream.
5 Accordingly, the Court GRANTS DirecTV's motion for partial summary judgment to the
6 extent it relies on patent exhaustion and license defenses of DirecTV's hybrid encoders under
7 the 2002 License, conditioned on proof of royalty payments to MPT.

8 **v. DirecTV's H.264-Only Encoders**

9 DirecTV asks the Court to conclude that DirecTV's H.264-only encoders are licensed
10 under the 2002 License because like DirecTV's hybrid encoders, DirecTV's H.264-only
11 encoders generate MPEG-2 transport streams. (Doc. No. 471 at 21.) The Court concludes that
12 Section 1.27 of the 2002 License does not prohibit encoders from being Transport or Program
13 Stream Products, but rather prevents double-counting. Because DirecTV's H.264-only
14 encoders generate MPEG-2 transport streams, the Court concludes that DirecTV's H.264-only
15 encoders are licensed within the scope of the 2002 License because they practice MPEG-2.
16 Accordingly, the Court GRANTS DirecTV's motion for partial summary judgment to the
17 extent that it relies on DirecTV's H.264-only encoders, conditioned on proof of royalty
18 payment to MPT.

19 **2. DirecTV's Purchases from Licensed Suppliers under the 2009 License**

20 First, both parties contend that the grant of the 2009 License is narrower than the 2002
21 License and that the 2009 License is a field-of-use license. (Doc. No. 471 at 24; Doc. No. 383
22 at 14.) Second, MPEG LA modified the grants of the 2009 License to require a licensee to
23 mark its products with no brand at all, its own brand, or a brand it has discretion to use. (Doc.
24 No. 471, Ex. 3 at §§ 2.1-2.2.) Third, MPEG LA expressly defined "end user" in the 2009
25 License to be "any person or entity which orders, sends, purchases, retrieves or is specifically
26 sent an MPEG-2 Royalty Product only for the End User's personal or commercial use . . . and
27 not for re-Sale." (*Id.* at § 1.6.) Like the 2002 License, the 2009 License does not define "a
28 chain of distribution." (*Id.* at § 1.22.)

1 Although the 2009 License is a field-of-use license, DirecTV asks the Court to hold that
2 MPEG-2-only products and the MPEG-2 portions of hybrid products purchased while the 2009
3 License was in effect were authorized sales from DirecTV’s licensed suppliers to DirecTV.
4 (Doc. No. 471 at 24.) MPT argues that MPEG-2-only products and the MPEG-2 portions of
5 hybrid products purchased while the 2009 License was in effect are unlicensed because of the
6 “Sale” requirement and the 2009 License’s express branding requirement. (Doc. No. 383 at
7 12.)

8 Specifically, MPT asserts that the 2009 License limits sales of MPEG-2 decoding
9 products that are (a) licensed “sales” by a licensee, (b) to an “end user,” and (c) branded by the
10 licensee or without a brand name. (Doc. No. 383 at 10-11.) The Court addresses the branding
11 requirements of the 2009 License because the Court concludes that DirecTV’s purchases are
12 authorized sales because DirecTV’s consumers are “end users” and DirecTV’s purchase from
13 licensed suppliers are within “a chain of distribution.” (See supra section II. a. 1. ii.)

14 Section 2.1 of the 2009 License states, “the Licensing Administrator hereby grants to
15 Licensee a royalty-bearing worldwide, nonexclusive, nontransferable sublicense under all
16 MPEG-2 Patent Portfolio Patents to make, have made, use, and Sell or offer for Sale MPEG-2
17 Decoding Products (i) that bear the brand name that Licensee owns or otherwise has the right
18 to use at Licensee’s discretion or (ii) Sold without a brand name if the decision to do so is at
19 the discretion of Licensee.” (Doc. No. 471, Ex. 3 at § 1.22.) DirecTV concedes that, by
20 having its suppliers brand products with the DirecTV brand while retaining authority over its
21 use, the suppliers fall outside the literal four corners of the 2009 License. (Doc. No. 471 at
22 25.) MPT argues that DirecTV’s STBs Development Agreement controls and directs
23 manufacturers’ use of DirecTV’s trademarks in connection with the production of STBs for
24 DirecTV. (Doc. No. 383, Ex. 52 at 881; Ex. 53 at 908; Ex. 54 at 934.) DirecTV’s STB
25 Development Agreement states, “[d]eveloper shall place the ‘DirecTV’ trademark, or such
26 mark(s) as DirecTV shall so designate in writing” and prohibits licensed suppliers from placing
27 non-DirecTV brands on STBs “except as authorized by DirecTV in its sole discretion.” (Id.)
28 DirecTV disputes MPT’s characterization of the STB Development Agreement as though the

1 Agreement speaks for itself. The Court concludes DirecTV has failed to satisfy its burden of
2 proof that DirecTV's MPEG-2-only products and MPEG-2 portions of hybrid products meet
3 the branding requirement under the 2009 License. Accordingly, the Court DENIES DirecTV's
4 motion for summary judgment to the extent it relies on the 2009 License.

5 **b. Exhaustion**

6 "The longstanding doctrine of patent exhaustion provides that the initial authorized sale
7 of a patented item terminates all patent rights to that item." Quanta Computer, Inc. v. LG
8 Elecs., Inc., 553 U.S. 617, 625 (2008). However, "[e]xhaustion is triggered only by a sale
9 authorized by the patent holder." Id. at 636. Therefore, a sale in breach of the terms of a
10 license is not an authorized sale exhausting the patentee's rights. See id. at 636-37; General
11 Talking Pictures Corp. v. Western Elec. Co., 304 U.S. 175, 181-82 (1938) (holding that
12 exhaustion did not apply where the manufacturer of the patented article at issue breached the
13 terms of its license by selling the article for commercial use). Therefore, in order to succeed
14 on a patent exhaustion defense, DirecTV's manufacturers' sales must have been authorized
15 within the scope of the 2002 License or 2009 License. The Court concludes that DirecTV's
16 MPEG-2-only commercial encoders, commercial decoders, and STBs, as well as H.264
17 portions of DirecTV's hybrid STBs, hybrid encoders, and H.264-only encoders are licensed
18 under the 2002 License. Accordingly, the Court GRANTS DirecTV's exhaustion defense to
19 the extent it pertains to DirecTV's purchases of these products under the 2002 License,
20 conditioned on proof of royalty payments to MPT.

21 **c. DirecTV's Waiver, Substantial Performance, and Estoppel Arguments**

22 DirecTV seeks partial summary adjudication that MPT has knowingly and willingly
23 accepted royalties from DirecTV's suppliers, and therefore, MPT has waived any breach of
24 contract claims against licensees and is estopped from challenging the licensed status of these
25 products. Further, DirecTV seeks partial summary judgment that DirecTV's licensed suppliers
26 have substantially performed under the contract because DirecTV's suppliers have paid
27 hundreds of millions of dollars in royalties over the years, and MPT, Alcatel, and MPEG LA
28 have not complained or refused to accept payment. (Doc. No. 471, Crincoli Decl. at ¶¶ 16-17.)

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(i) Waiver

Contractual rights may be waived if they are knowingly, voluntarily, and intentionally abandoned. Fundamental Portfolio Advisors, Inc. v. Tocqueville Asset Mgmt., L.P., 850 N.E.2d 653, 658 (N.Y. 2006). While waiver is not to be inferred from a doubtful or equivocal act, the “acts and language of the party must be given, as evidence, their natural and logical effect under the circumstances of the case.” 1523 Real Estate, Inc. v. East Atl. Props., LLC, 2009 WL 2340668, *14 (N.Y. Sup. Ct. July 30, 2009). DirecTV offers evidence that its suppliers have paid hundreds of millions of dollars in royalties. (Doc. No. 471, Ex. 1.) DirecTV also argues that MPT knew of its business arrangements but waived its contractual rights by continuing to accept royalties. (Id. At 23.) MPT argues that it has not voluntarily or knowingly waived its contractual rights and that to the extent that DirecTV’s licensed manufacturers paid royalties to MPEG LA, they have done so outside the scope of those agreements. (Doc. No. 482 at 22-23.) Further, MPT argues that MPT did not join MPEG LA’s patent pools until 2010, meaning MPT could not have waived DirecTV’s suppliers’ sales that occurred prior to MPT joining the pool. (Doc. No. 482 at 23-24.)

(ii) Estoppel

Under New York law, the party asserting estoppel must show that the party alleged to be estopped “(1) [engaged in] conduct which amounts to a false representation or concealment of material facts; (2) intended that such conduct [would] be acted upon by the other party; and (3) [knew] the real facts.” Readco, Inc. V. Marine Midland Bank, 81 F.3d 295, 301-02 (2d Cir. 1996) (quoting Airco Alloys Div., Airco Inc. v. Niagara Mohawk Power Corp., 76 A.D.2d 68, 81-82, 430 N.Y.S.2d 179 (4th Dep’t 1980)). Additionally, the party alleging estoppel must also “show with respect to himself: (1) lack of knowledge of the true facts; (2) reliance upon the conduct of the party estopped; and (3) a prejudicial change in his position.” Id. at 81-82. DirecTV argues that MPT is estopped because DirecTV received assurances from MPEG LA, MPT’s authorized agent, in 2007 that DirecTV’s business model and arrangements were acceptable. (Doc. No. 471, Crincoli Decl. at ¶¶ 16-17.) MPT argues that it did not join MPEG LA’s patent pools until 2010, which was after MPEG LA allegedly gave DirecTV assurances

1 in 2007 that its business model and arrangements were acceptable. (Doc. No.482 at 22-23.)
2 Therefore, MPT argues that MPEG LA could not have acted as MPT's authorized agent at the
3 meeting between MPEG LA and DirecTV, meaning MPT is not estopped from enforcing its
4 patent rights. (Id.)

5 (iii) Substantial Performance

6 If a party substantially performs a contract, the other party is not excused from its
7 performance. Hadden v. Consol. Edison Co. of N.Y., Inc., 34 N.Y.2d 88, 96 (N.Y. 1974). A
8 party has substantially performed when the breaches are minor in comparison to the
9 performance tendered and the "primary purpose of the contract was fulfilled," Anderson
10 Clayton & Co. v. Alanthus Corp., 91 A.D.2d 985,985 (N.Y. App. Div. 1983), such that the
11 other party "received that for which they bargained." Pay-Co Asphalt, Inc. v. Heartland Rental
12 Props. P 'ship,278 A.D.2d 395,396 (N.Y. App. Div. 2000). While "[t]here is no simple test,"
13 the Court can look to several factors, "including the ratio of the performance already rendered
14 to that unperformed, the quantitative character of the default, the degree to which the purpose
15 behind the contract has been frustrated, the willfulness of the default, and the extent to which
16 the aggrieved party has already received the substantial benefit of the promised performance."
17 Hadden, 34 N.Y.2d at 96. DirecTV argues that MPT, Alcatel, and MPEG LA have bargained
18 their patent rights for money and received the substantial benefit of DirecTV's suppliers'
19 royalty payments. (Doc. No. 471, Ex. 1.) MPT argues that any royalties it received from
20 DirecTV's suppliers were unauthorized by the 2002 License and 2009 License, and therefore,
21 these payments do not qualify as substantial performance under the license. (Doc. No. 482,
22 at 22-24.)

23 In light of the evidence before the Court, the Court concludes DirecTV has failed to
24 meet its burden of proof for waiver, estoppel, and substantial performance. Accordingly, the
25 Court DENIES DirecTV's motion for partial summary judgment to the extent it relies on
26 estoppel, substantial performance, and waiver defenses.

27 III. Vizio's Motion for Partial Summary Judgment

28 On February 13, 2009, MPT filed suit against Vizio for patent infringement of the '878

1 and '226 patents based on Vizio's decoding products. (Doc. No. 1.) On August 26, 2011,
2 Vizio filed a motion for partial summary judgment based on its licensed products under the
3 2002 License, sold on or before May 5, 2010.⁶ Vizio argues that because Vizio was a licensee
4 of the 2002 License, all of Vizio's decoding products were licensed until May 5, 2010. (Doc.
5 No. 467 at 1.) MPT argues that the 2002 License is a field-of-use license and restricts
6 licensees to the MPEG-2 standard. The Court concludes that MPT's interpretation of the 2002
7 License is incorrect because the plain meaning of the 2002 License does not restrict licensees
8 to the MPEG-2 standard. (See supra section II. a. 1. iii.)

9 **A. Vizio's Effective Date of the 2002 License**

10 On November 13, 2008, Vizio signed the 2002 License and became a licensee under
11 the MPEG-2 patent pool. The 2002 License grants Vizio and other licensees rights not only
12 to the patents in the pool at the time of the execution of the license, but also to any other
13 patents that are subsequently added to it. (Doc. No. 467, Ex. 1 at §§ 1.22 and 7.6.1; Ex. 8,
14 MPEG LA 30(b)(6) Dep., 90:21-91:16 (stating that a licensee "obtain[s] right[s] to MPEG-2
15 patents that [are] submitted to the pool after they sign [] th[e] agreements".) Further, the 2002
16 License has an effective date of June 1, 1994. (Doc. No. 467, Ex. 1 at § 0.1.) Therefore, the
17 2002 License ensures that licensees obtain retroactive rights back to 1994 even for patents that
18 are added after a licensee executes the 2002 License. MPT joined the MPEG-2 patent pool in
19 October 2010 and authorized MPEG LA to license the '878 and '226 patents. (Doc. No. 467,
20 Ex. 4, Ex. 16, and Ex. 17.) Therefore, when MPT joined the MPEG-2 patent pool, it
21 authorized MPEG LA to license patents retroactively under the 2002 and 2009 Licenses. (Doc.
22 No. 467, Ex. 4, Ex. 16, Ex. 17.)

23 **B. Vizio's Effective Date of the 2009 License**

24 Vizio signed the 2009 License in January 2010, and MPEG LA signed on May 5, 2010.
25 (Doc. No. 467, Ex. 7.) Vizio offers evidence that the 2009 License was not executed until May
26 5, 2010, the date by which both parties had signed the 2009 License. Vizio offers evidence of

27 ⁶Vizio does not request summary judgment based on its license defense under the 2009
28 License. Therefore, the Court will not address Vizio's license rights under the 2009 License.

1 (1) the letter sent from MPEG LA to licensees indicating that the terms and conditions of the
2 2009 License would not become effective until the 2009 License was executed (Doc. No. 467,
3 Ex. 9); and (2) the testimony of MPEG LA's corporate representative who testified that the
4 2009 License between Vizio and MPEG LA was not executed until May 5, 2010 (Id., Ex. 8,
5 MPEG LA 30(b)(6) Dep., 189:6-13.) MPT does not dispute this evidence. The Court
6 concludes that the 2009 License became effective between Vizio and MPEG LA on May 5,
7 2010. Therefore, the 2002 License remained in effect until the 2009 License's effective date.

8 **C. Vizio's Decoding Products**

9 Vizio asks the Court to conclude that Vizio's decoding products capable of both MPEG-
10 2 and H.264 are licensed under the 2002 License. (Doc. No. 467 at 1.) None of Vizio's
11 accused products practice H.264-only standard. (Doc. No. 461, Ex. 1.) The Court concludes
12 that the 2002 License granted licensees rights for hybrid decoding products that practice H.264
13 and the MPEG-2 standard. (See supra section II. a. 1. iii.) Further, the Court concludes that
14 the 2002 License is a product license that requires MPEG-2 capability, rather than a field-of-
15 use license that limits capability to MPEG-2 products. Accordingly, the Court concludes that
16 Vizio's decoders sold on or before May 5, 2010 are licensed under the 2002 License. As a
17 result, the Court GRANTS Vizio's motion for partial summary judgment on Vizio's hybrid
18 decoding products sold on or before May 5, 2010.

19 **Conclusion**

20 For the foregoing reasons, the Court GRANTS MPT's motion for partial summary
21 adjudication of DirecTV's license defense to the extent is it based on H.264 functionality
22 portions of DirecTV's STBs, encoders, and decoders under the 2009 License. Beside H.264
23 functionality portions of DirecTV's STBs, encoders, and decoders under the 2009 License, the
24 Court DENIES MPT's motion for partial summary adjudication of DirecTV's patent
25 exhaustion defense.

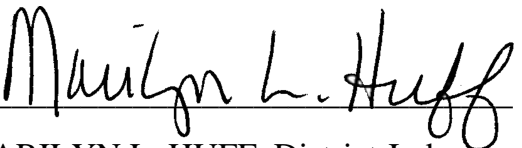
26 Additionally, the Court GRANTS DirecTV's motion for partial summary adjudication
27 to the extent it relies on DirecTV's patent exhaustion defense of MPEG-2-only commercial
28 encoders and MPEG-2-only commercial decoders under the 2002 License, DirecTV's MPEG-

1 2-only STBs under the 2002 License, DirecTV's H.264 portions of hybrid STBs under the
2 2002 License, DirecTV's hybrid encoders under the 2002 License, and DirecTV's H.264-only
3 encoders under the 2002 License, all conditioned on proof of royalty payments to MPT. The
4 Court DENIES DirecTV's motion for partial summary adjudication to the extent it relies on
5 DirecTV's license and patent exhaustion defense of DirecTV's MPEG-2-only products and
6 MPEG-2 portions of hybrid products under the 2009 License. The Court also DENIES
7 DirecTV's motion for partial summary adjudication of its waiver, substantial performance, and
8 estoppel claims.

9 Finally, the Court GRANTS Vizio's motion for partial summary adjudication that
10 Vizio's decoders sold on or before May 5, 2010 are licensed under the 2002 License.

11 **IT IS SO ORDERED.**

12 DATED: September 26, 2011

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14 _____
15 MARILYN L. HUFF, District Judge
16 UNITED STATES DISTRICT COURT
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