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Roku Cleared Of Infringement In \$228M Interactive TV IP Trial

By **Michelle Casady**

Law360 (April 9, 2021, 6:33 PM EDT) -- A Western District of Texas jury decided on Friday that Roku Inc. had not infringed two interactive television technology patents held by software development company ESW Holdings Inc. and awarded no damages.

The in-person trial, presided over by U.S. District Judge Alan D. Albright, kicked off with **opening statements on Monday** and the six-person jury began deliberating on Friday around noon, returning its unanimous verdict just before 5 p.m. ESW had argued that Roku infringed its patents through Roku's "development environment," which allows third-party developers to create streaming channels and advertisements that are then made available to customers via Roku's streaming platform.

ESW, which filed suit in February 2019, had presented two damages models to the jury — one that totaled \$62.4 million and one that totaled \$228 million. The larger figure was reached by calculating the value of seven original licenses the tech startup that developed the technology, and was later acquired by ESW, was able to sell before declaring bankruptcy. The smaller figure was reached through examination of the creation of each channel on Roku.

Roku's counsel told jurors on Monday that the evidence would show a clear distinction between the streaming technology of Roku and what the bankrupt tech startup was trying to sell. Roku argued that the patents ESW alleges were infringed relate to interactive television, such as polls that would allow viewers to cast a vote during a program, and the public never bought in, as evidenced by the company's financial troubles.

ESW argued that Roku infringed two of its patents that made creating interactive television content easier and faster through technology that allowed individuals who aren't skilled programmers to create interactive content without excessive coding. Roku makes money by having customers stream content, meaning more channels equals more revenue, ESW explained to jurors on Monday.

ESW's attorney, Scott L. Cole of Quinn Emanuel Urquhart & Sullivan LLP, told jurors during closing arguments Friday that the case boils down to common sense.

"Roku's witnesses came in here and tried to suggest they're not in the TV business at all, and therefore they're different from our patents," he said. "It takes common sense to determine if that's true or if it's a litigation position designed to avoid liability. Do you believe Roku isn't interactive TV, or are they just playing a word game to avoid liability here?"

Cole also told jurors not to be distracted by Roku's argument that it's not responsible for patent infringement while pointing the finger at the channel developers.

"So, if this suit is really about the developers' use of Roku's tools, then this contract says these developers should be here in court defending Roku, but they're not here," he said. "And what that tells you, despite what [Roku] told you in court, is it's not about the developers' use of the tools, it's about [Roku's] provision of the tools."

Wasif Qureshi of Jackson Walker LLP, who represents Roku, attacked the credibility of ESW's experts, noting what he described as a wildly fluctuating damages figure throughout trial.

ESW's expert, Michael Ian Shames, he said, "didn't even bother to download or use any of the accused

"He could have done any of these things and he didn't do it. He didn't review the code ... make a channel, didn't speak to inventors ... didn't even come up with testing protocols," Qureshi said. "Instead, you had Dr. Shamos basically give a speech without showing a single demonstration of how the accused tools work."

Qureshi said some of the most important testimony in the trial came from engineers who worked for the startup that developed the technology as to whether they believed Roku was infringing the patents.

"All of them said no or they had no opinion," he said.

Even the inventor of one of the patents, Aimee Gariepy-Viles, testified that she didn't think Roku was infringing her patent, he said. Qureshi reminded jurors that Gariepy-Viles joined NBC after leaving the startup that was acquired by ESW in 2018 and created channels for NBC on Roku's platform, including the Bravo channel, "and she never once said it looks like they're using my idea," he said.

During rebuttal, Cole said the damages calculation did change throughout trial because getting at the true figure was "complicated here by a lack of information from Roku." And Gariepy-Viles' testimony shouldn't sway the jury either, he argued, because all it shows is that she wasn't using that technology in her new job.

"They didn't ask if the software tools met the claim elements of her patent," he said.

Joe Hollinger, Roku's vice president of litigation and intellectual property, said in a statement that the company was pleased with the ruling clearing Roku of any liability.

"We also appreciate the efforts of the court and jury, especially during the COVID-19 pandemic," he said.

Counsel for ESW was not immediately available to comment Friday evening.

The patents-in-suit are U.S. Patent Nos. 7,260,782 and 7,430,718.

ESW Holdings Inc. is represented by Conor M. Civins, Jared D. Schuettenhelm, Matthew K. Gates and Michael Chibib of Bracewell LLP, Michael Jason Ballard of J. Ballard Law and Scott L. Cole of Quinn Emanuel Urquhart & Sullivan LLP.

Roku is represented by Leisa Talbert Peschel, Harris J. Huguenard, Wasif Qureshi, Blake T. Dietrich and Chris Cravey of Jackson Walker LLP and David N. Deaconson of Pakis Giotes Page & Bursleson.

The case is ESW Holdings Inc. v. Roku Inc., case number 6:19-cv-00044, in the U.S. District Court for the Western District of Texas.

--Editing by Orlando Lorenzo.

Update: This story has been updated with comment from Roku.

Correction: An earlier version of this story misidentified the role of Michael Ian Shamos. The error has been corrected.

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