

Arris Group Inc. v Rovi Corp.
2019 NY Slip Op 33175(U)
October 7, 2019
Supreme Court, New York County
Docket Number: 652724/2016
Judge: Andrew Borrok
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SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: HON. ANDREW BORROK PART IAS MOTION 53EFM

Justice

-----X

ARRIS GROUP INC.,ARRIS INTERNATIONAL PLC,

Plaintiff,

- v -

ROVI CORPORATION, ROVI GUIDES, INC.,ROVI TECHNOLOGIES CORPORATION, VEVEO, INC.

Defendant.

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INDEX NO. 652724/2016

MOTION DATE 10/01/2019

MOTION SEQ. NO. 006 007

DECISION + ORDER ON MOTION

The following e-filed documents, listed by NYSCEF document number (Motion 006) 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 121, 122, 123

were read on this motion to/for JUDGMENT - SUMMARY .

The following e-filed documents, listed by NYSCEF document number (Motion 007) 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120

were read on this motion to/for SUMMARY JUDGMENT(AFTER JOINDER .

The critical issue before the court is whether a certain Arris Interactive Program Guide Patent License Agreement (the License Agreement), dated February 28, 2014, by and between Rovi Corporation, Rovi Guides, Inc., Rovi Technologies Corporation, and Veveo, Inc. (collectively, Rovi) and Arris International PLC (Arris) precludes Rovi's ability to involve Arris in any enforcement action arising from or relating to enforcement actions with any Excluded Service Providers (as such term is defined in the License Agreement), or whether this bar only applies to enforcement actions with Excluded Service Providers involving Authorized IPGs (as such term is defined in the License Agreement). Because the License Agreement is not ambiguous in that Section 2.2 explicitly bars Rovi from involving Arris in any enforcement action with an Excluded Service Provider so long as Arris does not indemnify such Excluded Service Provider,

and because the defendants conceded at oral argument (10/01/2019) that the language in Section 2.2 as written does support the interpretation that they urge the court to adopt, Arris' motion (Mtn. Seq. 006) for summary judgment is granted and Rovi's motion (Mtn. Seq. 007) is denied.

THE RELEVANT FACTS AND CIRCUMSTANCES

Arris develops and manufactures telecommunications equipment including set-top boxes used in connection with cable and satellite television systems (Complaint, ¶ 9). Rovi owns several patents relating to Interactive Program Guides (IPGs) (*id.*, ¶ 12). Pursuant to the License Agreement, Rovi granted Arris a “non-exclusive, non-transferable, non-sublicensable . . . right under the Rovi IPG Patents” to make and sell Authorized IPGs and to permit certain Authorized Service Providers and end users to use such Authorized IPGs (NYSCEF Doc. No. 73, § 2.1).

Although most large service providers develop their own IPGs, many small and mid-sized service providers do not have the resources to do so and instead prefer to acquire the IPG with the set-top box hardware (Pl.'s Mem. in Support at 4). The License Agreement therefore permits Arris to sublicense the Rovi IPG Patents to Authorized Service Providers, consisting of a defined list of small and mid-sized service providers (NYSCEF Doc. No. 73, § 2.1.1). With respect to the largest service providers (*i.e.*, Excluded Service Providers), however, Rovi and Arris agreed that Rovi would negotiate with them directly and Arris would not have the authority to sublicense the Rovi IPG Patents to such providers, but Rovi would not involve Arris in connection with any such discussions or enforcement actions.

To wit, Section 2.2 of the License Agreement provides:

No license or sublicense is being granted hereunder to Excluded Service Providers. Rovi will seek to negotiate directly with Excluded Service Providers **and will not involve [Arris] in any such discussions or subsequent enforcement actions** . . . so long as [Arris] does not seek to indemnify such Excluded Service Providers against a claim by Rovi (*id.*, § 2.2 [emphasis added]).

Section 9.4 of the License Agreement provides that the License Agreement should be governed by and construed in accordance with New York law and that venue for any disagreement arising out of the License Agreement shall be in a court within the State of New York and the City of New York. Specifically, Section 9.4 provides:

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of laws principles. **Venue for any proceedings arising out of or related to this [License Agreement] shall be in a court within the State of New York and the City of New York.** Each party hereby consents to the exclusive personal jurisdiction of such New York Courts and unequivocally waives any and all defenses and/or rights to challenge the jurisdiction or venue of such courts (*id.*, § 9.4 [emphasis added]).

On April 1, 2016, Rovi filed two separate lawsuits against Comcast Corporation and several Comcast subsidiaries (collectively, **Comcast**), as well as Arris and certain Arris affiliates, among other defendants, in the United States District Court for the Eastern District of Texas (the **EDTX Actions**), alleging infringement of two groups of Rovi IPG Patents (Complaint, ¶¶ 28-33). On April 6, 2016, Rovi filed another complaint with the United States International Trade Commission (**ITC**) against Arris and Comcast, among other entities (the **ITC Action**, and together with the EDTX Actions, the **Comcast Enforcement Actions**), requesting an investigation into their allegedly unlawful use of certain Rovi IPG Patents (*id.*, ¶ 34).

Arris commenced the instant action for breach of contract against Rovi by filing a summons and verified complaint, alleging that Rovi breached Sections 2.2 and 2.3 of the License Agreement

by naming Arris as a defendant in the Comcast Enforcement Actions, and that Rovi breached Section 9.4 by instituting such actions in courts outside of the City of New York. Rovi filed an answer and counterclaims seeking a declaratory judgment that Rovi did not breach sections 2.2, 2.3, or 9.4 the License Agreement by instituting the Comcast Enforcement Actions.

DISCUSSION

Summary judgment will be granted only when the movant presents evidentiary proof in admissible form that there are no triable issues of material fact and that there is either no defense to the cause of action or that the cause of action or defense has no merit (CPLR § 3212 [b]; *Alvarez v Prospect Hosp.*, 68 NY2d 320, 324 [1986]). The proponent of a summary judgment motion carries the initial burden to make a *prima facie* showing of entitlement to judgment as a matter of law (*id.*). Failure to make such a showing requires denial of the motion (*id.*, citing *Winegrad v New York Univ. Med. Ctr.*, 64 NY2d 851, 853 [1985]). Once this showing is made, the burden shifts to the opposing party to produce evidence in admissible form sufficient to establish the existence of a triable issue of fact (*Alvarez*, 68 NY2d at 324).

For its First Cause of Action, Arris alleges that Rovi breached Sections 2.2. and 2.3 of the License Agreement. To prevail on a cause of action for breach of contract, a plaintiff must establish (i) the existence of a contract between the parties, (ii) performance by the plaintiff, (iii) the defendant's breach, and (iv) resulting damages (*Harris v Seward Park Hous. Corp.*, 79 AD3d 425, 426 [1st Dept 2010]). Courts should not look beyond the four corners of a contract where its language is clear and unambiguous (*R/S Assocs. v New York Job Dev. Auth.*, 98 NY2d 29, 32 [2002]). Rather, “when the parties set down their agreement in a clear, complete document, their

writing should as a rule be enforced according to its terms” (*Reiss v Financial Performance Corp.*, 97 NY2d 195, 198 [2001] [internal quotation marks and citation omitted]).

It is undisputed that (i) the License Agreement is a valid and binding contract between the parties in this case, (ii) Arris performed its obligations under the License Agreement, including by making all required payments to Rovi, (iii) Arris has incurred damages as a result of being brought into the Comcast Enforcement Actions and, most significantly, (iv) the parties also agree that the terms of the License Agreement are unambiguous (NYSCEF Doc. No. 71, Pl’s Mem in Support at 11; NYSCEF Doc. No. 92, Def’s Mem in Support at 7, 11).

The only issue in dispute is whether Rovi breached the License Agreement by including Arris in the Comcast Enforcement Actions and bringing such actions outside of the City of New York.

First, in the Comcast Enforcement Actions, Rovi sued Comcast alleging that Comcast’s IPGs infringe on the Rovi IPG Patents (Armaly tr at 31:10-12; Whitmer aff, exhibit 5, ¶ 1, exhibit 6, ¶ 1, and exhibit 7, ¶ 2). Therefore, the Comcast Enforcement Actions constitute enforcement actions for the purposes of Sections 2.2 and 2.3 of the License Agreement. In addition, to the extent that Sections 2.2 and 2.3 of the License Agreement permitted Rovi to involve Arris in any such enforcement actions only if Arris sought to indemnify any Excluded Service Providers or third parties, it is undisputed that Arris did not seek to indemnify Comcast against any claims by Rovi (Van Aacken aff, ¶ 13; Whitmer aff, exhibit 10, at 8-9). Accordingly, the indemnification exception does not apply.

Rovi argues that the court should read into the language of Sections 2.2 and 2.3 that its promise not to involve Arris in any enforcement actions relates only to actions involving Arris'

Authorized IPGs. This interpretation, however, is belied by the plain meaning of the terms of Sections 2.2 and 2.3, wherein no such limiting language is found (as it is in sections 2.1, 2.1.1, and 2.2.1). Indeed, as counsel to Arris pointed out at oral argument, counsel to Rovi conceded that Section 2.2 as written does not support the narrow interpretation that Rovi urges the court to adopt. As counsel stated:

MR. LEE: Turning back to counsel's arguments regarding the promises, the additional promises of Section 2.2 and 2.3. ***Counsel concedes that they are trying to introduce language that is not there.*** [emphasis added] (Oct. 1, 2019 Hearing Tr. at 46:7-10).

That is, counsel to Rovi conceded that Rovi's interpretation is not based on the words of the License Agreement as written, but asked the court to insert what Rovi alleges to be implicit language that Rovi will not involve Arris in discussions and enforcement actions solely to the extent that an excluded service provider is seeking to deploy an Arris IPG on their system. Specifically, at oral argument, counsel to Rovi argued that the provision should essentially be re-written by the court as follows:

THE COURT: So, the way you want me to read this, just so I'm clear, okay. Let me just see if I understand what I'm supposed to read.

MR. BROWN: Okay.

THE COURT: Rovi will seek to negotiate directly with excluded service providers and will not involve [Arris] in any such discussions or subsequent enforcement actions ***in connection with a license being granted hereunder***, is really the language that you want me to read into—right there. And although the licensee may have indirect involvement, so long as licensee does not seek to indemnify, that's what you want me to read? [emphasis added].

MR. BROWN: Yes, your Honor, although . . . our view of reading it would be Rovi will not seek to negotiate directly with excluded service providers. The

[implication] from the sentence before goes, Rovi will seek to negotiate directly with excluded service providers, **to the extent that they're looking to deploy an Arris IPG on their system** [emphasis added] (Oct. 1, 2019 Hearing Tr. at 52:20-53:15).

In other words, under this analysis, Rovi takes the position that the promise not to involve Arris in discussions or enforcement actions was limited only to situations involving Arris' Authorized IPGs using Rovi IPG Patents. The problem is, this simply is not what the License Agreement says. Rather, it plainly provides:

Rovi will seek to negotiate directly with Excluded Service Providers and will not involve [Arris] in any **such** discussions or subsequent enforcement actions (NYSCEF Doc. No. 73, § 2.1).

The word “such” is significant. It refers to the negotiations with the Excluded Service Providers with respect to the Rovi IPG Patents which were being licensed pursuant to the License Agreement. This further repudiates the interpretation proffered by Rovi based on the language it asks the court to infer. “Where, as here, the [contract] terms were negotiated by experienced attorneys and business persons, there is no basis to ‘interpret an agreement as impliedly stating something which the parties have neglected to specifically include’” (*425 Fifth Ave. Realty Assocs. v Yeshiva Univ.*, 228 AD2d 178, 178 [1st Dept 1996], quoting *Rowe v Great Atl. & Pac. Tea Co.*, 46 NY2d 62, 72 [1978]).

Rovi argues that Arris' interpretation of Sections 2.2 and 2.3 is illogical because (i) it would result in Rovi giving up its ability to effectively enforce its patent rights against Comcast and (ii) it would allow Arris to freely infringe on Rovi's patents for uses other than Arris' Authorized IPGs so long as such infringement was done in conjunction with an Excluded Service Provider. But this is simply not so. First, under a plain reading of the License Agreement, nothing would

prohibit Rovi from enforcing its rights against Comcast or any other Excluded Service Providers. Rather, it prohibits Rovi from *involving Arris* in any such enforcement actions unless Arris indemnified such Excluded Service Providers. In addition, nothing in Section 2.2 or 2.3 would prevent Rovi from bringing an enforcement action against Arris directly if it had a good-faith basis to believe that Arris was infringing on the Rovi IPG Patents. What it cannot do, however, is bring Arris into enforcement actions against Excluded Service Providers such as Comcast, which is exactly what Rovi did. As counsel to Arris stated during oral argument:

MR. LEE: Finally, they claim that this correct interpretation somehow limits their rights to sue Comcast or sue other providers. It plainly doesn't. And the record makes that clear. They sued Comcast countless times since—since this was filed, without including Arris. They sued Comcast in April of 2016, they included Arris. We called them on it, raising this breach of contract issue. They have since filed subsequent lawsuits against Comcast at the ITC; never included Arris (Oct. 1, 2019 Hearing Tr. at 48:16-25).

In other words, there is absolutely nothing stopping Rovi from bringing enforcement actions against Excluded Service Providers regarding the Rovi IPG patents without bringing Arris into the actions, and in fact it has done so several times since bringing this lawsuit.

Significantly, Rovi does not dispute that the Excluded Service Providers are not the intended market for Arris Authorized IPGs, because they develop their own software (Armaly tr. at 20:6-23). It follows that any enforcement action brought by Rovi against an Excluded Service Provider or third party necessarily would not involve Arris' Authorized IPG products, because (a) Arris was prohibited from dealing with them pursuant to Section 2.2 and (b) Excluded Service Providers use their own IPGs. Therefore, the interpretation that Rovi urges the court to adopt would violate the well-established principle “that a contract should not be interpreted so as

to render any clause meaningless” (*RM 14 FK Corp. v Bank One Trust Co., N.A.*, 37 AD3d 272, 274 [1st Dept 2007]).

The interpretation that Arris proffers and that the court adopts is also consistent with the intent of the parties as evidenced by the record in this case. As counsel to Arris explained:

MR. LEE: Indeed, the record makes clear that Rovi is negotiating with Comcast at this very same time regarding [the] Comcast license. Arris knew that and did not want to be a party to that. That is the promise that Arris sought for and obtained in these sections; we will exclude these services providers from our servicers if you keep us out of your separate fights where you’re seeking to get royalty fees directly from those individuals (Oct. 1, 2019 Hearing Tr. at 48:7-15).

Based on Rovi’s ongoing negotiations and disputes with Excluded Service Providers, including Comcast, Arris specifically negotiated for the inclusion of this provision so that it would not be dragged into such disputes. And what occurred here—Rovi bringing Arris into its enforcement actions against Comcast—is precisely what Section 2.2 was intended to prevent. Accordingly, Rovi breached Section 2.2 of the License Agreement by involving Arris in the Comcast Enforcement Actions.

For its Second Cause of Action, Arris alleges that Rovi breached Section 9.4 of the License Agreement by instituting enforcement proceedings against Arris arising out of or relating to the License Agreement in courts not within the City of New York. The court agrees. The Comcast Enforcement Actions are related to or arise out of the License Agreement and therefore trigger Section 9.4 because the patents involved in those actions are within the scope of the licensed Rovi IPG Patents under the License Agreement. In the Comcast Actions, Rovi alleged that Arris had an obligation to indemnify Comcast, which Rovi now concedes is not the case.

Nevertheless, by making such allegations, Rovi put the terms of the License Agreement directly at issue in the Comcast Enforcement Actions. Because the Comcast Enforcement Actions were brought outside of the City of New York, Rovi breached Section 9.4.

To the extent that Rovi argues that the courts in the Comcast Enforcement Actions concluded that those enforcement actions did not arise out of or relate to the License Agreement, this argument misreads the determinations of those tribunals. In the EDTX Actions, the court merely observed that breach of contract is not a defense to a patent infringement action, but did not reach the ultimate issue of whether Rovi's actions in fact constituted a breach of the License Agreement (*Rovi Guides, Inc. v Comcast Corp.*, 2016 WL 6217201, *5 [ED TX, Oct. 25, 2016, Nos. 2:16-CV-00321, 2:16-CV-00322 (JRG/RSP)]. Moreover, the administrative law judge in the ITC Action noted in the ITC's Final Determination that Arris' arguments relating to breach of the License Agreement "are not a defense [to] the Commission's statutory directive to investigate unfair trade practices (or patent infringement)" (NYSCEF Doc. No. 87 at 569). The administrative law judge did not, however, reach the merits of the breach of contract claims, observing instead that "[w]hether or not Rovi has, in fact, breached the ARRIS-Rovi IPG License by filing a complaint with the Commission is for the New York court to determine and remedy, if needed" (*id.*, at 570).

Arris' motion for summary judgment is granted and Rovi's motion for summary judgment is denied.

Accordingly, it is

ORDERED that Arris' motion for partial summary judgment (mtn. seq. 006) is granted as to liability; and it is further

ORDERED that Rovi's motion for summary judgment (mtn. seq. 007) is denied; and it is further

ORDERED that an immediate trial of the issues regarding damages shall be scheduled with the court and the parties are directed to contact the clerk in Part 53 to arrange for a trial date; and it is further

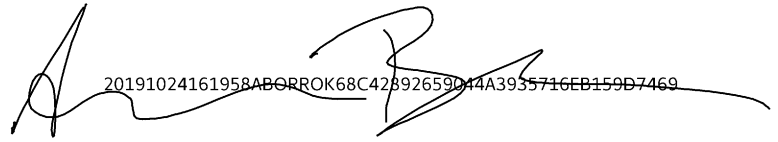
ORDERED that plaintiff shall, within 20 days from entry of this order, serve a copy of this order with notice of entry upon counsel for all parties hereto and upon the Clerk of the General Clerk's Office (60 Centre Street, Room 119) and shall serve and file with said Clerk a note of issue and statement of readiness and shall pay the fee therefor, and said Clerk shall cause the matter to be placed upon the calendar for such trial before the undersigned; and it is further

ORDERED that such service upon the General Clerk's Office shall be made in accordance with the procedures set forth in the *Protocol on Courthouse and County Clerk Procedures for Electronically Filed Cases* (accessible at the "E-Filing" page on the court's website at the address www.nycourts.gov/supctmanh); and it is further

ORDERED that the parties are directed to appear for a pretrial conference on November 19, 2019 at 11:30 AM (60 Centre Street, Room 238).

10/7/2019

DATE



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ANDREW BORROK, J.S.C.

CHECK ONE:

CASE DISPOSED

NON-FINAL DISPOSITION

GRANTED

DENIED

GRANTED IN PART

OTHER

APPLICATION:

SETTLE ORDER

SUBMIT ORDER

CHECK IF APPROPRIATE:

INCLUDES TRANSFER/REASSIGN

FIDUCIARY APPOINTMENT

REFERENCE