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CANAL+ TECHNOLOGIES, S.A. and
7 CANAL+ TECHNOLOGIES, INC.

8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION
11

12 GROUPE CANAL+ S.A., CANAL+
13 TECHNOLOGIES, S.A., CANAL+
TECHNOLOGIES, INC.,

14 Plaintiffs,

15 v.

16 NDS GROUP PLC, NDS AMERICAS, INC.,

17 Defendants.
18
19

CASE NO.: C02-01178 VRW

**CANAL+'S MOTION FOR ORDER
EXPEDITING DISCOVERY AND
FOR ORDER TO PRESERVE
DOCUMENTS AND THINGS**

Date:

Time:

Place: Courtroom 6, 17th Floor

(Hearing date and time to be determined
pursuant to stipulation to shorten time.)

20 TO DEFENDANTS AND THEIR ATTORNEYS OF RECORD:
21

22 On the date determined by the Court pursuant to the accompanying Stipulation to Shorten
23 Time, plaintiffs Groupe Canal+ S.A., Canal+ Technologies, S.A., and Canal+ Technologies, Inc.
24 ("Canal+") will move, pursuant to FED. R. CIV. P. 26(d) and 30(a)(2) and CIVIL L.R. 16-2(d), for
25 an order permitting expedited discovery to support their upcoming motion for a preliminary
26 injunction and for entry of a non-destruct order. The motion is supported by this notice, the
27 accompanying memorandum of points and authorities, and the declarations of James A. DiBoise
28 and François Carayol.

1 **I. INTRODUCTION**

2 Canal+ seeks an order permitting expedited discovery to support its upcoming motion for
3 a preliminary injunction. As set forth in more detail in Canal+'s complaint, defendants NDS
4 Group PLC and NDS Americas, Inc. ("NDS") improperly extracted extremely valuable Canal+
5 "smart card" software at a specially designed laboratory in Haifa, Israel and caused the
6 publication of that software on a website catering to satellite television hackers. As a direct
7 result of that publication, NDS permitted and facilitated the proliferation of counterfeit smart
8 cards that enabled users to circumvent the security measures built into the Canal+ conditional
9 access system. Canal+ estimates that NDS's misconduct has harmed Canal+ by over a billion
10 dollars across international markets.

11 Canal+, at great effort and expense, has now developed security measures and technology
12 to counteract NDS's sabotage efforts, and will launch new smart cards implementing its new
13 conditional access system beginning next month. Canal+ believes that as long as NDS remains
14 free to use its laboratory and its knowledge to again destroy the value of Canal+'s efforts,
15 Canal+'s new generation of cards is at risk. Indeed, NDS's CEO, Abe Peled, responded to this
16 lawsuit in a press release by claiming that Canal+'s new card "is not believed to be state of the
17 art." NDS thus indicates that it has improperly gained information about Canal+'s latest
18 technology, or at a minimum has plans to once again reverse engineer it. For these reasons,
19 Canal+ will move for a preliminary injunction to prevent further wrongdoing by the defendants,
20 and it seeks expedited discovery to gather additional evidence to support its request.

21 In particular, Canal+ seeks an order permitting:

22 • **Depositions of those knowledgeable about the defendants' wrongdoing:** Canal+
23 wishes to conduct immediate, depositions of twelve individuals plaintiffs believe have direct
24 knowledge about the defendants' wrongdoing. Two reside in the United States and ten reside
25 elsewhere. Since the majority of the evidence of wrongdoing lies in the possession of
26 defendants, Canal+ must seek the evidence from the NDS employees with knowledge of these
27 improper actions. Canal+ seeks immediate leave to serve deposition notices on the nine NDS
28 employees it wishes to depose, and it requests that the Court approve service of letters rogatory

1 or other appropriate requests for international assistance to appropriate authorities in Canada,
2 Israel, and the United Kingdom regarding the depositions of the three others Canal+ wishes to
3 depose. These depositions are of a limited nature and should not count toward the deposition
4 limit set forth in FED. R. CIV. P. 30(a)(2)(A).

5 • **A single document request to defendants and third party witnesses:** Canal+
6 requests leave to serve a single, narrow document request targeted to the knowledge of each of
7 the defendants and third party deponents about the reverse engineering, code extraction, copying
8 of Canal+'s smart card technology, and distribution of the fruits of such efforts on the internet;
9 and,

10 • **Non-destruct order:** Canal+ requests that the Court enter an order requiring NDS to
11 preserve relevant evidence. (Canal+ will ask NDS to fully explain document destruction that has
12 already taken place, if any.)

13 Expedited discovery is necessary to prevent irreparable harm to Canal+ in the form of
14 large-scale economic sabotage by one of its direct competitors. NDS has shown that it has the
15 singular ability to perform invasive examination and micro-probing of Canal+'s smart cards and
16 the will to copy and distribute code extracted from such cards to foster counterfeiting and to
17 unfairly compete with Canal+. NDS cannot be left free to do the same thing again now that
18 Canal+ is about to deploy a new smart card for digital television access. Canal+ believes that the
19 limited discovery requested will reveal persuasive evidence of the defendants' wrongful conduct,
20 and thus permit Canal+ to show a likelihood of success on the merits.

21 The discovery requested by this motion is narrowly tailored to seek evidence of
22 defendants' threat of irreparable injury to Canal+, and the threat of such injury far outweighs any
23 prejudice to the defendants caused by the requested limited expedited discovery. For all of these
24 reasons, Canal+ respectfully requests an order permitting immediate discovery and requiring
25 NDS to preserve evidence.

1 **II. STATEMENT OF FACTS**

2 **A. The Defendants Set Up a Sophisticated Operation to Extract Software Code**
3 **from the Canal+ Smart Card and Caused That Code To Be Published on a**
4 **Pirate Website.**

5 Canal+ Technologies designs and sells systems used by digital pay television operators
6 around the world to control access to their copyrighted and proprietary broadcast signals. The
7 transmission of those signals only to paying customers, and thus the commercial success of
8 Canal+'s products, depends upon the security schemes and anti-circumvention measures adopted
9 and implemented by Canal+. Through the investment of millions of dollars and thousands of
10 man-hours into research and development, Canal+ was able to implement effective security
11 measures in its smart cards used to control access to digital television signals. These measures
12 proved to be more than adequate to protect Canal+'s smart cards from piracy until March 1999,
13 when Canal+'s smart card software code was copied and published on a website called
14 "DR7.com." Thereafter, counterfeit Canal+ smart cards began to appear on the market. The
15 proliferation of these counterfeit cards resulted in massive harm to Canal+ and to the system
16 operators who depend on the security of Canal+'s smart cards. *See* Declaration of François
Carayol ("Carayol Decl.") ¶¶ 2, 5-6.

17 Canal+ investigated to find out how its code was published on the internet. After almost
18 three years of investigation, Canal+ discovered that NDS had organized a team of engineers at an
19 NDS Israeli laboratory to perform the difficult task of extracting the code. Canal+ also learned
20 that once the NDS employees in Israel had accomplished that feat, the defendants sent the code
21 to NDS Americas, Inc. in California with orders that it be published on the internet. NDS
22 Americas then sent the code to a pirate website called "DR7.com." *See* Carayol Decl. ¶¶ 6-7.

23 Over the next few months, Canal+ will begin the process of phasing out the now-pirated
24 version of its smart card and will deploy a new, latest-generation smart card with new (and once
25 again secure) conditional access software. Again, this process has been enormously expensive
26 and time-consuming. Canal+ believes its efforts to market secure smart cards could once again
27 be sabotaged by the defendants, because NDS retains the resources and the motive to do the
28 same thing a second time around. *See* Carayol Decl. ¶¶ 3-4, 8-9. As noted above, NDS's CEO

1 mocked Canal+'s new technology in a March 12, 2002 press release, claiming that the new card
2 "is not believed to be state of the art." See NDS Press Release,
3 <http://www.nds.com/newspdfs/NDSStatement_120302.pdf> (March 12, 2002).

4 **B. Certain Key Witnesses are Crucial to this Case.**

5 In the course of its investigation into the defendants' successful effort to sabotage the
6 Canal+ smart card, Canal+ learned the identities of twelve individuals who have personal
7 knowledge about the extraction of the software code and the transmission of that code to the
8 pirate website. These witnesses are located in the United States, Canada, the United Kingdom,
9 and Israel. It is imperative that Canal+ be given leave to seek the testimony and documents of
10 these witnesses without delay. The witnesses are:

- 11 1. Ray Adams, NDS's head of security in its United Kingdom office.
- 12 2. John Norris, head of security at NDS Americas in California.
- 13 3. Chris Tarnovsky, engineer at NDS Americas.
- 14 4. Reuven Elbaum, an NDS engineer in Israel.
- 15 5. David Mordinson, an NDS engineer in Israel.
- 16 6. Chaim Shen Orr, an NDS engineer in Israel.
- 17 7. Yossi Tsuria, an NDS engineer in Israel.
- 18 8. Reuven Hasak, the head of security for NDS in Israel.
- 19 9. Abe Peled, the CEO of NDS located in the United Kingdom.
- 20 10. Zvi Shkedy, a former NDS engineer in Israel.
- 21 11. Oliver Kömmerling, a hardware consultant located in the United Kingdom.
- 22 12. Al Menart, the webmaster for DR7.com, located in Canada.

23 **III. ARGUMENT**

24 **A. Legal Standard: Expedited Discovery is Proper where a Plaintiff Seeks a**
25 **Preliminary Injunction Against Infringement.**

26 Courts have granted expedited discovery upon a showing of good cause. See FED. R.
27 CIV. P. 26(d) (noting that a court can order discovery before the required Rule 26(f) statement);
28 Civil L.R. 16-2(d); *Pod-Ners, LLC. v. Northern Feed & Bean of Lucerne, LLC.*, 204 F.R.D. 675,

1 676 (D. Colo. 2002); *Yokohama Tire Corp. v. Dealers Tire Supply, Inc.*, 202 F.R.D. 612, 613-
2 614 (D. Ariz. 2001). Courts routinely permit immediate discovery where a plaintiff seeks a
3 preliminary injunction because such discovery helps the Court reach a decision on the requested
4 injunctive relief. In turn, courts are especially apt to order expedited discovery in intellectual
5 property infringement cases, because speedy discovery is necessary to obtain the evidence to put
6 an end to the continuing violation of the plaintiff's intellectual property rights. *E.g.*, *Yokohama*,
7 202 F.R.D. at 613 (citing cases and noting that expedited discovery can enable courts to better
8 judge the issues on a motion for preliminary injunction); *Pod-ners*, 204 F.R.D. 675 at 676.
9 ("Good cause frequently exists in cases involving claims of infringement and unfair
10 competition."); FED. R. CIV. P. 26, 1993 Advisory Committee Notes to Subdivision (d) (noting
11 that expedited discovery before the required Rule 26(f) statement "will be appropriate" in cases
12 including "requests for a preliminary injunction").¹

13 Some courts look to the factors for injunctive relief to determine whether expedited
14 discovery is appropriate: (1) an irreparable injury; (2) some probability of success on the merits;
15 (3) a connection between expedited discovery and avoidance of the irreparable injury; and (4)
16 evidence that the injury that will result in the absence of expedited discovery is greater than the
17 injury that the defendant will suffer if the expedited relief is granted. *See Yokohama*, 202 F.R.D.
18 at 613-614 (citing *Notaro v. Koch*, 95 F.R.D. 403, 405 (S.D.N.Y. 1982)). Canal+ satisfies each
19 of these standards and expedited discovery should be granted.

23 ¹ See also *Benham Jewelry Corp. v. Aron Basha Corp.*, 1997 WL 639037, *20 (S.D.N.Y.
24 1997) (expedited discovery "is routinely granted in actions involving infringement and unfair
25 competition."); *Seuss Enters., L.P. v. Penguin Book USA, Inc.*, 924 F. Supp. 1559, 1563 n.3 (S.D.
26 Cal. 1996), *aff'd* 109 F.3d 1394 (9th Cir. 1997) (noting that magistrate had ordered expedited
27 discovery where plaintiff sought preliminary injunction and alleged copyright and trademark
28 violations); *Revlon Consumer Prods. Corp. v. Jennifer Leather Broadway, Inc.*, 858 F. Supp.
1268, 1269 (S.D.N.Y. 1994), *aff'd without op.*, 57 F.3d 1062 (2d Cir. 1995) (noting that
expedited discovery had been ordered in case where plaintiff alleged trademark violation and
sought injunctive relief); *Francis S. Denney, Inc. v. I.S. Labs., Inc.*, 737 F. Supp. 247, 248
(S.D.N.Y. 1990) (same where plaintiff alleged infringement).

1 **B. Expedited Discovery is Necessary Both to Assist the Court and to Enable**
2 **Canal+ to Put a Stop to the Defendants' Misconduct.**

3 All of the factors that favor expedited discovery are present here. Canal+ needs
4 immediate discovery to support its upcoming motion for a preliminary injunction, which is
5 aimed at stopping the irreparable harm caused by the defendants' infringing activities. Canal+
6 has a strong likelihood of success on the merits – the defendants' wrongdoing is clear cut and
7 shocking. Canal+'s request is directed at avoiding that injury by uncovering the facts of the
8 defendants' extraction of the software code and the transmission of that code to the pirate
9 website; the depositions and document request it seeks will focus solely on the issues before the
10 Court on the motion for injunctive relief.

11 The defendants cannot be permitted to damage Canal+ a second time around. If smart
12 card pirates obtain Canal+'s new software code, the damage to Canal+ will be irreparable. What
13 is released to the public cannot be put back in the bottle. The market for counterfeit smart cards
14 is massive and the harm from such activities is global. In the face of this threat, Canal+ has a
15 strong likelihood of success on the merits supporting its request for preliminary injunctive relief.
16 Canal+'s investigation has led it to believe that the individuals identified in this motion have
17 important information concerning defendant's reverse engineering and extraction of Canal+'s
18 software code, as well as the transmission of that code to the pirate website.

19 Canal+ has zeroed in on the discovery it needs to tell the complete story in its upcoming
20 motion for preliminary injunction. The discovery requested here is aimed directly at the
21 prevention of further irreparable injury:

22 • **The Depositions:** Canal+ wishes to take immediate depositions of certain employees
23 of NDS and certain third parties. These are the individuals knowledgeable about the defendants'
24 extraction of Canal+'s software code from the smart card and the delivery of that software code
25 to the pirate website. Testimony from these depositions will be of immense help to the Court in
26 determining the merits of Canal+'s motion for preliminary injunction. It will also help prevent
27 the defendants from continuing their illegal activities. Because each of these depositions is
28 crucial to obtaining direct evidence of the defendants' wrongdoing, evidence which lies almost

1 wholly in NDS's possession, Canal+ requests permission to immediately serve deposition
2 notices on the nine NDS employees it wishes to depose. Canal+ also requests that the Court
3 approve service of letters rogatory or other appropriate requests for international judicial
4 assistance to appropriate authorities in Canada, Israel, and the United Kingdom regarding the
5 three others Canal+ wishes to depose (and the depositions of the NDS employees if necessary).²

6 • **The Single Document Requests:** The document request that Canal+ seeks permission
7 to serve on each defendant (attached as Exhibits A and B to the Declaration of James A.
8 DiBoise) is similarly targeted at preventing further irreparable harm to Canal+, and the
9 defendants' response to them will likewise aid the Court in reaching a decision on the request for
10 injunctive relief. The single document request to each defendant and witness calls for the
11 documents that refer or relate to the extraction of software code from Canal+ smart cards and the
12 distribution and publication of that code. The request is explicitly limited in scope. It is not
13 onerous, it is narrow, and it will result in the production of evidence highly relevant to the
14 request for injunctive relief.

15 **C. The Defendants Suffer No Prejudice from Expedited Discovery, But a Delay**
16 **Will Harm Canal+.**

17 The final reason expedited discovery is proper is that it will not prejudice the defendants.
18 The defendants will soon be defending against Canal+'s upcoming motion for preliminary
19 injunction. This means that its attorneys will be interviewing the defendants' employees,
20 gathering key documents, and preparing the defendants' response. The depositions and
21 document requests Canal+ requests will only make formal the informal process that the
22 defendants will already have to go through. And because this *very same discovery* would
23 eventually go forward even in the absence of expedited discovery, the defendants will incur the

24 ² Parties must seek leave of court to take more than ten depositions, and Courts are to be
25 guided by the standards of CIVIL L.R. 26(b)(2) in granting such leave. *See* FED. R. CIV. P.
26 31(a)(2); 26(b)(2) (noting that courts can limit discovery where it is cumulative, duplicative, or
27 unduly burdensome, or where the party has already had ample opportunity to obtain it). Here,
28 each of the depositions Canal+ seeks is crucial to gather firsthand testimony about the
defendants' misconduct, there is no prejudice, and at this early stage there is no other way for
Canal+ to obtain this information.

1 same costs and burdens sooner or later in the course of this lawsuit. Expedited discovery here
2 imposes no costs and burdens distinct from the ordinary costs and burdens of discovery.

3 This absence of prejudice contrasts strongly with the needs of Canal+ and this Court.
4 Canal+ needs immediate discovery to gather the full evidence necessary to support its motion for
5 preliminary injunction. If it cannot gather such evidence on an expedited basis, its ability to put
6 a stop to further misconduct – and further irreparable injury – will be unfairly inhibited. By the
7 same token, this Court will soon be considering Canal+'s motion for injunctive relief. The Court
8 will only benefit from the deposition testimony of key witnesses and key documents produced by
9 the defendants.

10 **D. The Court Should Also Enter a Non-Destruct Order.**

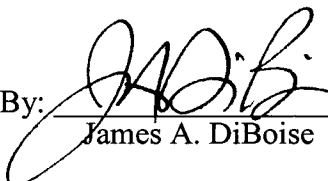
11 Canal+ also respectfully requests that the Court enter the proposed non-destruct order. A
12 non-destruct order will ensure that the parties understand their obligations under United States
13 law to preserve relevant evidence – which is especially pertinent in a case with a foreign
14 defendant, and where the defendants have engaged in clandestine activities they may want to
15 cover up.

16 **IV. CONCLUSION**

17 For the reasons set forth above and in the record herein, Canal+ respectfully requests that
18 the Court permit Canal+ to take limited, expedited discovery in accordance with the
19 accompanying proposed order and enter the accompanying proposed non-destruct order.

20 Dated: March 20, 2002

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

21
22 By: 
23 James A. DiBoise

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25 GROUPE CANAL+ S.A.,
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