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

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

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

Plaintiffs,

v.

NDS GROUP PLC, NDS AMERICAS, INC.,

Defendants.

CASE NO.: C02-01178 VRW

**DECLARATION OF FRANÇOIS
CARAYOL IN SUPPORT OF
PLAINTIFFS' MOTION FOR
ORDER EXPEDITING
DISCOVERY AND 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.)

I, François Carayol, declare as follows:

1. I am over the age of 18 and competent to make this declaration. I am an Executive Vice President of Groupe Canal+ S.A., the CEO of Canal+ Technologies, S.A., and a Director of Canal+ Technologies, Inc. I have held these last two positions since 1999. I make each of the following statements based on my personal knowledge, or if not of my own personal

1 knowledge, I am informed and believe them to be true. If called, I could and would testify to the
2 accuracy of each of the following statements.

3 2. Canal+ Technologies sells conditional access systems to enable customers to
4 access digital pay television content. Canal+ Technologies designs and sells systems used by
5 digital pay television operators around the world to control access to their copyrighted and
6 proprietary broadcast signals. "Smart cards," inserted into a consumer's set top box, authorize a
7 consumer's access to the digital pay television programs if they have been paid for.

8 3. Plaintiff Canal+ Technologies has begun the process of phasing out the current
9 smart cards that it currently sells for access to digital pay television services. In place of the
10 current smart cards, Canal+ Technologies will introduce a new, latest-generation smart card to
11 serve the same purposes. These new smart cards will be shipped to Canal+ Technologies's
12 customers for retail distribution shortly. For example, Canal+ has already shipped the new smart
13 cards to digital pay television operators in Spain who will make the cards available to consumers
14 in April.

15 4. The design and manufacture of these new smart cards has been an extremely
16 complicated and costly technical process for Canal+ Technologies. Indeed, Canal+
17 Technologies has spent millions in U.S. dollars and thousands of man-hours to develop its new
18 smart cards.

19 5. The commercial success of Canal+'s products depends on the security of the
20 digital pay television signals broadcast using its technologies. This means that, among other
21 things, its smart cards must be made secure from unauthorized attempts to gain access to digital
22 pay television broadcasts that have not been paid for. Canal+ Technologies undertook extensive
23 research and development in order to implement some of the strongest security measures that
24 exist today in its first generation of smart cards.

25 6. These security measures proved successful to protect Canal+'s digital pay
26 television from piracy until March 1999. At that time, a website based in Canada called
27 "DR7.com" published a copy of the software code for Canal+'s smart card. Shortly afterwards,
28 counterfeit Canal+ smart cards began to appear on the market. Individuals who purchase these

1 counterfeit smart cards can use them to gain access to digital pay television programs that they
2 have not paid for. The proliferation of these cards resulted in massive financial damage to
3 Canal+ and to the other digital pay television system operators who depend on the security of
4 Canal+'s smart cards.

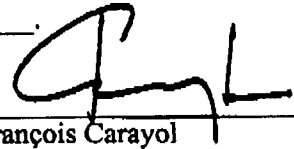
5 7. Canal+ investigated the source of the security breach of its smart cards and came
6 to the conclusion that the defendants in this lawsuit – which are direct competitors of Canal+
7 Technologies in the conditional access markets – were responsible for the illegal acts underlying
8 the publication of Canal+'s software and facilitating the circumvention of Canal+'s security
9 measures and the production of counterfeit smart cards.

10 8. As a result of NDS' acts, Canal+ has been forced to make a huge expense in order
11 to develop a new smart card design that will not be susceptible to the pirate counterfeiting of its
12 original smart card made possible by the defendants' efforts and to launch a large scale card
13 replacement program for all the operators from the Groupe Canal+.

14 9. Canal+ strongly believes that the security of its latest smart card remains
15 precarious so long as NDS remains free to once again use its resources to invade the card. In
16 other words, Canal+'s new effort to avoid the illegal counterfeiting of its smart card – that is, the
17 development and distribution of its new, latest-generation smart card – faces a strong danger of
18 imminent and irreparable harm from NDS.

1 I swear under penalty of perjury pursuant to the laws of the United States of America that
2 each of the above statements is true and correct to the best of my knowledge, information and
3 belief.

4 Dated: March 18, 2002, in Paris, France.

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7 François Carayol
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