TIVO INC
Form 10-Q
December 08, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000-27141

TIVO INC.
(Exact name of registrant as specified in its charter)

Delaware	77-0463167
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2160 Gold Street, P.O. Box 2160, Alviso, CA 95002
(Address of principal executive offices including zip code)
(408) 519-9100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES x NO o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). YES x NO o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x.

The number of shares outstanding of the registrant's common stock, $0.001 par value, was 120,971,847 as of November 30, 2011.

TIVO INC.
FORM 10-Q
For the Fiscal Quarter Ended October 31, 2011

TABLE OF CONTENTS

Except as the context otherwise requires, the terms “TiVo,” “Registrant,” “Company,” “we,” “us,” or “our” as used herein are references to TiVo Inc. and its consolidated subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to, among other things:

- our financial results, expectations of future revenues and profitability;
- our intention and ability to protect our intellectual property, the cost of prosecuting or defending our intellectual property through litigation, the outcome of related litigations and the strength and future value of our intellectual property;
- our future investments in subscription acquisition activities, offers of bundled hardware and service subscriptions, future advertising expenditures, future use of consumer rebates, hardware cost and associated subsidies, and other marketing activities and consumer offers, including our current subsidized hardware pricing and related increase in subscription pricing and their impact on our hardware revenues, service revenues, total acquisition costs as well as sales and marketing, subscription acquisition costs, and average revenue per subscription ("ARPU");
- our estimates of the useful life of TiVo-enabled digital video recorders ("DVRs") in connection with the recognition of revenue received from product lifetime subscriptions and the expected future increase in the number of fully-amortized TiVo-Owned product lifetime subscriptions;
- our expectations regarding the seasonality of our business and subscription additions to the TiVo service;
- our intentions to continue to grow the number of TiVo-Owned subscriptions through our relationships with major retailers and our expectations with respect to future gross additions in our TiVo-Owned subscriptions as well as multiple system operators and broadcasters' ("MSOs") subscriptions;
- our expectations related to future advertising and audience research measurement revenues;
- our expectations related to changes in the cost of our hardware revenues and the reasons for changes in the volume of DVRs sold to retailers;
- our future earnings including expected future service revenues from future TiVo-Owned subscriptions and future service and technology revenues from MSOs;
- our expectations of the growth in the future DVR and advanced television services market, including our expectations regarding competition and consumer acceptance of alternatives to our products, including cable Video On Demand ("VOD"), streaming VOD from the internet, and network DVRs;
- our expectations regarding installation and operational issues surrounding cable-operator provided CableCARDs and switched digital devices essential for TiVo consumer devices in cable homes;
- our expectations that in the future we may also offer services for additional non-DVR products in addition to Best Buy's Insignia branded broadband connected television incorporating the TiVo user interface and non-DVR software;
- our expectations of the growth of the TiVo service and technology outside the United States;
- our expectations with respect to the timing of future development and deployment, including future subscription growth or attrition and future technology and service revenues, with our distribution partners such as Virgin Media Limited (U.K.), Suddenlink (U.S.), Charter Communications (U.S.), Cableuropa S.A.U. (“ONO”) (Spain), Canal Digital (Scandinavia), Comcast (U.S.), RCN (U.S.), Grande Communications (U.S.), DIRECTV (U.S.), and Cablevision (Mexico);

- our expectations regarding future increases or decreases in our research and development spending and associated ability to remain competitive and a technology innovator in advanced television solutions beyond the DVR;
- our expectations regarding future increases in the amount of deferred expenses in costs of technology revenues related to development work for our television distribution partners;
- our expectations regarding future increases in our operating expenses, including increases in general and administrative expenses, litigation expenses, sales and marketing and subscription acquisition costs, and future increases in hardware costs related to supply shortages in the hard disk drive component market;
- our expectations regarding our ability to oversee outsourcing of our manufacturing processes and engineering work, and management of our inventory;
- our expectations regarding our ability to fund operations, capital expenditures, and working capital needs during the next year;
- our expectations regarding our ability to raise additional capital through the financial markets in the future;
- our expectations regarding our ability to perform or comply with laws, regulations, and requirements different than those in the United States;
- our expectations regarding our estimates and expectations related to long-term investments and their associated carrying value; and
- our expectations regarding the impact of the transition to digital distribution technologies by both broadcasters and cable operators.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “intend,” “estimate,” “continue,” “ongoing,” “predict,” “potential,” and “anticipate” or similar express negative of those terms or expressions. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Such factors include, among others, the information contained under the caption Part I, Item 1A. “Risk Factors” in our most recent annual report on Form 10-K, as amended, and our quarterly reports on Form 10-Q. The reader is cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this quarterly report and we undertake no obligation to publicly update or revise any forward-looking statements in this quarterly report. The reader is strongly urged to read the information set forth under the caption Part I, Item 2 “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Part II, Item 1A, “Risk Factors” for a more detailed description of these significant risks and uncertainties.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
TIVO INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share and share amounts)
(unaudited)

	October 31, 2011	January 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$83,941	$71,221
Short-term investments	520,367	138,216
Accounts receivable, net of allowance for doubtful accounts of $373 and $275, respectively	19,000	16,011
Inventories	15,499	13,228
Deferred cost of technology revenues, current	7,264	13,760
Prepaid expenses and other, current	10,006	6,983
Total current assets	656,077	259,419
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation of $45,736 and $44,682, respectively	9,739	10,229
Purchased technology, capitalized software, and intangible assets, net of accumulated amortization of $17,108 and $15,110, respectively	5,239	6,956
Deferred cost of technology revenues, long-term	20,194	2,100
Prepaid expenses and other, long-term	3,802	1,224
Long-term investments	3,400	5,890
Total long-term assets	42,374	26,399
Total assets	$698,451	$285,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$30,006	$18,052
Accrued liabilities	35,832	30,115
Deferred revenue, current	73,848	33,792
Total current liabilities	139,686	81,959
LONG-TERM LIABILITIES		
Deferred revenue, long-term	90,789	34,857
Convertible senior notes	172,500	—
Deferred rent and other long-term liabilities	539	246
Total long-term liabilities	263,828	35,103
Total liabilities	403,514	117,062
COMMITMENTS AND CONTINGENCIES (see Note 5)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.001: Authorized shares are 10,000,000; Issued and outstanding shares - none	—	—
Common stock, par value $0.001: Authorized shares are 275,000,000; Issued shares are 122,215,867 and 117,420,874, respectively, and outstanding shares are 120,815,344 and 116,475,318, respectively	122	117
Treasury stock, at cost - 1,400,523 shares and 945,556 shares, respectively	(13,226)	(8,660)

Additional paid-in capital	992,511	956,947
Accumulated deficit	(684,249)	(779,225)
Accumulated other comprehensive income (loss)	(221)	(423)
Total stockholders’ equity	294,937	168,756
Total liabilities and stockholders’ equity	$698,451	$285,818

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

Table of Contents

TIVO INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share and share amounts)
(unaudited)

	Three Months Ended October 31, 2011	Three Months Ended October 31, 2010	Nine Months Ended October 31, 2011	Nine Months Ended October 31, 2010
Revenues				
Service revenues	$32,413	$34,298	$99,763	$106,196
Technology revenues	19,391	7,024	40,480	20,412
Hardware revenues	12,970	9,532	31,465	37,182
Net revenues	64,774	50,854	171,708	163,790
Cost of revenues				
Cost of service revenues	9,265	9,878	27,154	30,168
Cost of technology revenues	7,721	4,172	18,554	13,404
Cost of hardware revenues	16,817	13,566	39,071	44,331
Total cost of revenues	33,803	27,616	84,779	87,903
Gross margin	30,971	23,238	86,929	75,887
Research and development	27,272	20,446	80,542	58,400
Sales and marketing	6,753	6,157	19,995	20,539
Sales and marketing, subscription acquisition costs	2,398	1,398	6,072	5,955
General and administrative	18,032	16,162	58,310	41,962
Litigation Proceeds	—	—	(175,716)	—
Total operating expenses	54,455	44,163	(10,797)	126,856
Income (loss) from operations	(23,484)	(20,925)	97,726	(50,969)
Interest income	759	348	4,600	1,098
Interest expense and other income (expense)	(2,015)	—	(6,604)	(147)
Income (loss) before income taxes	(24,740)	(20,577)	95,722	(50,018)
Benefit from (provision for) income taxes	242	(43)	(746)	(106)
Net income (loss)	$(24,498)	$(20,620)	$94,976	$(50,124)
Net income (loss) per common share				
Basic	$(0.21)	$(0.18)	$0.82	$(0.44)
Diluted	$(0.21)	$(0.18)	$0.74	$(0.44)
Income (loss) for purposes of computing net income (loss) per share:				
Basic	(24,498)	(20,620)	94,976	(50,124)
Diluted	(24,498)	(20,620)	99,989	(50,124)
Weighted average common and common equivalent shares:				
Basic	117,232,354	114,179,608	116,208,111	113,171,074
Diluted	117,232,354	114,179,608	135,722,730	113,171,074

The accompanying notes are an integral part of these condensed consolidated financial statements.

6

TIVO INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended October 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$94,976	$(50,124)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment and intangibles	6,682	6,824
Loss on disposal of fixed assets	—	42
Stock-based compensation expense	21,979	18,816
Amortization of discounts and premiums on investments	2,483	1,473
Non-cash loss on overallotment option	2,192	—
Utilization and write-down of trade credits	619	93
Allowance for doubtful accounts	322	323
Changes in assets and liabilities:		
Accounts receivable	(3,311)	(599)
Inventories	(2,271)	(10,922)
Deferred cost of technology revenues	(11,088)	(10,734)
Prepaid expenses and other	(653)	(589)
Accounts payable	11,854	5,689
Accrued liabilities	5,717	3,038
Deferred revenue	95,988	(2,174)
Deferred rent and other long-term liabilities	293	18
Net cash provided by (used in) operating activities	$225,782	$(38,826)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(640,300)	(133,264)
Sales or maturities of long-term and short-term investments	256,990	155,175
Acquisition of property and equipment	(4,094)	(5,280)
Acquisition of capitalized software and intangibles	(281)	—
Net cash provided by (used in) investing activities	$(387,685)	$16,631
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible senior notes, net of issuance costs of $6,391	166,109	—
Proceeds from issuance of common stock related to exercise of common stock options	9,796	30,036
Proceeds from issuance of common stock related to employee stock purchase plan	3,284	2,407
Treasury stock - repurchase of stock for tax withholding	(4,566)	(3,858)
Net cash provided by financing activities	$174,623	$28,585
NET INCREASE IN CASH AND CASH EQUIVALENTS	$12,720	$6,390
CASH AND CASH EQUIVALENTS:		
Balance at beginning of period	71,221	70,891
Balance at end of period	$83,941	$77,281

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

TIVO INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. NATURE OF OPERATIONS

TiVo Inc. (together with its subsidiaries the "Company" or "TiVo") was incorporated in August 1997 as a Delaware corporation and is located in Alviso, California. The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Company conducts its operations through one reportable segment.

The Company is subject to a number of risks, including delays in product and service developments; competitive product and service offerings; lack of market acceptance; uncertainty of future profitability; the dependence on third parties for manufacturing, marketing, and sales support, as well as third-party rollout schedules, software development issues for third-party products which contain its technology; intellectual property claims by and against the Company; access to television programming including digital cable signals in connection with CableCARD and switched digital technologies; dependence on its relationships with third-party service providers such as DIRECTV, RCN, Suddenlink, Virgin Media, and in the future Charter, ONO, Canal Digital, and Grande Communications for subscription growth; and the Company's ability to sustain and grow its subscription base. The Company anticipates that its retail business will continue to be seasonal and expects to generate a significant portion of its new subscriptions during and immediately after the holiday shopping season. However, as a result of the continued national and global economic downturn and overall consumer spending decline, the Company is cautious about its subscription growth in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited interim condensed consolidated financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete audited annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments necessary for the fair presentation of the Company's financial position as of October 31, 2011 and January 31, 2011 and the results of operations for the three and nine month periods ended October 31, 2011 and 2010 and condensed consolidated statements of cash flows for the nine month periods ended October 31, 2011 and 2010 consisting of normal recurring adjustments. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, including the notes thereto, included in the Company's annual report on Form 10-K for the fiscal year ended January 31, 2011, as amended. Operating results for the three and nine month periods ended October 31, 2011 are not necessarily indicative of results that may be expected for this fiscal year ending January 31, 2012.

Revenue Recognition

The Company generates service revenues from fees for providing the TiVo service to consumers and multiple system operators and broadcasters ("MSOs") and through the sale of advertising and audience research measurement services. The Company also generates technology revenues from licensing technology (Refer to Note 9. "DISH Network Corporation" of Notes to unaudited condensed consolidated financial statements included in Part I. Item 1. of this report) and by providing engineering professional services. In addition, the Company generates hardware revenues from the sale of hardware products that enable the TiVo service. A substantial portion of the Company's revenues is derived from multiple element arrangements.

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, collectibility is probable, and there are no post-delivery obligations. Service revenue is recognized as the services are performed which generally is ratably over the term of the service period.

Multiple Element Arrangements

The Company's multiple deliverable revenue arrangements primarily consist of bundled sales of TiVo-enabled

DVRs and TiVo service to consumers; arrangements with MSOs which generally include delivery of software customization and set up services, training, post contract support (“PCS”), TiVo-enabled DVRs, non-DVR set-top boxes (STBs), and TiVo service; and bundled sales of advertising and audience research measurement services.

In October 2009, the Financial Accounting Standards Board (“FASB”) amended accounting standards for revenue recognition to remove tangible products containing software components and non-software components that function together to deliver the product's essential functionality from the scope of industry specific software revenue recognition guidance. In October 2009, the FASB also amended the accounting standards for multiple deliverable revenue arrangements to:

•provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated;

•require an entity to allocate revenue in an arrangement using its best estimated selling price (“BESP”) of deliverables if a vendor does not have vendor-specific objective evidence (“VSOE”) of selling price or third-party evidence (“TPE”) of selling price; and

•eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method.

The Company adopted this guidance at the beginning of its first quarter of fiscal year 2012 on a prospective basis for applicable transactions originating or materially modified after January 31, 2011. The Company applies and will continue to apply the previous applicable accounting guidance for continuing arrangements that originated prior to the adoption date of February 1, 2011. The adoption of the new guidance did not have a significant impact on the Company's consolidated financial statements. The Company currently does not expect changes in the Company's products, services, bundled arrangements or pricing practices that could have a significant impact on the consolidated financial statements in periods post adoption; however, this may change in the future.

The Company allocates revenue to each element in a multiple-element arrangement based upon their relative selling price. The Company determines the selling price for each deliverable using VSOE of selling price or TPE of selling price, if it exists. If neither VSOE nor TPE of selling price exists for a deliverable, the Company uses its BESP for that deliverable. Since the use of the residual method is eliminated under the new accounting standards, any discounts offered by the Company are allocated to each of the deliverables. Revenue allocated to each element is then recognized when the basic revenue recognition criteria are met for the respective element. However, revenue recognized for each deliverable is limited to amounts that are not contingent on future performance for other deliverables in the arrangement.

Consistent with its methodology under previous accounting guidance, if available, the Company determines VSOE of fair value for each element based on historical standalone sales to third parties or from the stated renewal rate for the elements contained in the initial contractual arrangement. The Company currently estimates selling prices for its PCS, training, TiVo-enabled DVRs for MSOs, non-DVR STBs, and TiVo service for consumers based on VSOE of selling price.

In some instances, the Company may not be able to obtain VSOE of selling price for all deliverables in an arrangement with multiple elements. This may be due to the Company infrequently selling each element separately or not pricing products within a narrow range. When VSOE cannot be established, the Company attempts to estimate the selling price of each element based on TPE. TPE would consist of competitor prices for similar deliverables when sold separately. Generally, the Company's offerings contain significant differentiation such that the comparable pricing of products with similar functionality or services cannot be obtained. Furthermore, the Company sells TiVo-enabled DVRs to consumers whereas its competitors usually lease them to their customers. Therefore, the Company is typically not able to obtain TPE of selling price.

When the Company is unable to establish a selling price using VSOE or TPE, which is generally the case for sales of TiVo-enabled DVRs to consumers and advertising and audience research measurement services, the Company uses its BESP in determining the allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a standalone basis. BESP is generally used for offerings that are not typically sold on a standalone basis or for new or highly customized offerings.

The Company establishes pricing for its products and services by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and industry pricing practices. When determining BESP for a deliverable that is generally not sold separately, these factors

are also considered.
TiVo-enabled DVRs and TiVo service

The Company sells the DVR and service directly to end-users through bundled sales programs through the TiVo website. Under these bundled programs, the customer receives a DVR and commits to a minimum subscription period of one to three years or product lifetime and has the option to either pay a monthly fee over the subscription term (monthly program) or to prepay the subscription fee in advance (prepaid program). After the initial committed subscription term, the customers have various pricing options at which they can renew the subscription.

VSOE of selling price for the subscription services is established based on standalone sales of the service and varies by service period. The Company is not able to obtain VSOE for the DVR element due to infrequent sales of standalone DVRs to consumers. The BESP of the DVR is established based on the price at which the Company would sell the DVR without any service commitment from the customer. Under these bundled programs, revenue is allocated between hardware revenue for the DVR and service revenue for the subscription on a relative selling price basis, with the DVR revenue recognized upon delivery, up to an amount not contingent on future service delivery, and the subscription revenue recognized over the term of the service.

Subscription revenues from product lifetime subscriptions are recognized ratably over the Company's estimate of the useful life of a TiVo-enabled DVR associated with the subscription. The estimates of expected lives are dependent on assumptions with regard to future churn of product lifetime subscriptions. The Company continuously monitors the useful life of a TiVo-enabled DVR and the impact of the differences between actual churn and forecasted churn rates. If subsequent actual experience is not in line with the Company's current assumptions, including higher churn of product lifetime subscriptions due to the incompatibility of its standard definition TiVo units with high definition programming and increased competition, the Company may revise the estimated life which could result in the recognition of revenues from this source over a longer or shorter period.

End users have the right to cancel their subscription within 30 days of subscription activation for a full refund. TiVo establishes allowances for expected subscription cancellations.

Arrangements with MSOs

The Company has two different types of arrangements with MSOs under technology deployment and engineering services agreements. The Company's arrangements with MSOs typically include software customization and set up services, limited training, PCS, TiVo-enabled DVRs, non-DVR STBs, and TiVo service.

In instances where TiVo hosts the TiVo service, the Company recognizes revenue under the general revenue recognition guidance. The Company determines whether evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is probable. Revenue recognition is deferred until such time as all of the criteria are met. Elements in such arrangements usually include DVRs, non-DVR STBs, TiVo service hosting, associated maintenance, and support and training. Non-refundable payments received for customization and set up services are deferred and recognized as revenue ratably over the longer of the contractual or customer relationship period. The related cost of such services is capitalized to the extent it is deemed recoverable and amortized to cost of revenues over the same period as revenue. The Company has established VSOE of selling prices for training, DVRs, non-DVR STBs, and maintenance and support based on the price charged in standalone sales of the element or stated renewal rates in the agreement. The BESP of TiVo service is determined considering the size of the MSO and expected volume of deployment, market conditions, competitive landscape, internal costs, and gross margin objectives. Total arrangement consideration is allocated among individual elements on a relative basis and revenue for each element is recognized when the basic revenue recognition criteria are met for the respective element.

In arrangements where the Company does not host the TiVo service and that include engineering services that are essential to the functionality of the licensed technology or involve significant customization or modification of the software, the Company recognizes revenue under industry specific software revenue recognition guidance. Under this guidance, such arrangements are accounted for using the percentage-of-completion method or a completed-contract method. The percentage-of-completion method is used if the Company believes it is able to make reasonably dependable estimates of the extent of progress toward completion and the arrangement as a whole is reasonably expected to be profitable. The Company measures progress toward completion using an input method based on the ratio of costs incurred, principally labor, to date to total estimated costs of the project. These estimates are assessed continually during the term of the contract, and revisions are reflected when the changed conditions become known. In some cases, it may not be possible to separate the various elements within the arrangement due to a lack of VSOE of selling prices for undelivered elements in the contract or because of the lack of reasonably dependable estimates of total costs. In these situations, provided that the Company is reasonably assured that no loss will be incurred under the arrangement, the Company recognizes revenues and costs based on a zero profit model, which results in the recognition of equal amounts of revenues and costs, until the engineering professional services are complete. Costs incurred in excess of revenues are deferred up to the amount deemed recoverable. Thereafter, any profit from the engineering professional services is recognized over the period of the maintenance and support or other services that are provided, whichever is longer.

If the Company cannot be reasonably assured that no loss will be incurred under the arrangement, the Company will account for the arrangement under the completed contract method, which results in a full deferral of the revenue and costs until the project is complete. Provisions for losses are recorded when estimates indicate that a loss will be incurred on the contract.

Advertising and Audience Research Measurement Services

Advertising and audience research measurement service revenue is recognized as the service is provided. When advertising and audience measurement services are sold in packages customized for each campaign, they generally last for up to three months. Because of the significant customization of offerings, the Company historically has not been able to obtain VSOE of selling prices for each element in the package. Accordingly, the Company would combine all elements in the package as a single unit and recognize revenue ratably over the campaign period. As a result of the updated guidance on multiple element revenue arrangements, the Company can now estimate BESP for each element in the package and separate them into individual units of accounting. Nonetheless, the new units of accounting have very similar revenue earning patterns and timing and the amounts of revenue recorded in each period are not significantly impacted by the new guidance.

Hardware Revenues

Hardware revenues represent revenues from standalone hardware sales and amounts allocated to hardware elements in multiple element arrangements. Revenues are recognized upon product shipment to the customers or receipt of the products by the customer, depending on the shipping terms, provided that all fees are fixed or determinable, evidence of an arrangement exists, and collectibility is reasonably assured. End users have the right to return their product within 30 days of the purchase. TiVo establishes allowances for expected product and service returns and these allowances are recorded as a direct reduction of revenues and accounts receivable.

Certain payments to retailers and distributors such as market development funds and revenue share are recorded as a reduction of hardware revenues rather than as a sales and marketing expense. TiVo's policy for revenue share payments is to reduce revenue when these payments are incurred and fixed or determinable. TiVo's policy for market development funds is to reduce revenue at the later of the date at which the related hardware revenue is recognized or the date at which the market development program is offered.

3. CASH AND INVESTMENTS

Cash, cash equivalents, short-term investments, and long-term investments consisted of the following:

Table of Contents

	As of October 31, 2011 (in thousands)	January 31, 2011
Cash and cash equivalents:		
Cash	$6,863	$4,362
Cash equivalents:		
Commercial paper	51,583	40,189
Money market funds	20,479	26,670
Municipal bond	5,016	—
Total cash and cash equivalents	83,941	71,221
Marketable securities:		
Certificate of deposit	56,245	25,607
Commercial paper	164,249	24,473
Corporate debt securities	217,871	42,897
US agency securities	13,041	23,083
US Treasury securities	52,367	5,023
Foreign government securities	—	12,035
Variable-rate demand notes	470	2,600
Asset-backed securities	10,095	2,498
Municipal bond	6,029	—
Current marketable securities	520,367	138,216
Auction rate securities	—	2,490
Non-current marketable securities	—	2,490
Total marketable securities	520,367	140,706
Other investment securities:		
Other investment securities - cost method	3,400	3,400
Total other investment securities	3,400	3,400
Total cash, cash equivalents, marketable securities and other investment securities	$607,708	$215,327

Marketable Securities

The Company’s investment securities portfolio consists of various debt instruments, including corporate and government bonds, asset-backed securities, foreign government securities, government securities, and municipal bonds, all of which are classified as available-for-sale.

Other Investment Securities

TiVo has an investment in a private company where the Company’s ownership is less than 20% and TiVo does not have significant influence. The investment is accounted for under the cost method and is periodically assessed for other-than-temporary impairment. Refer to Note 4, "Fair Value" for additional information on the impairment assessment of the investment.

Contractual Maturity Date

The following table summarizes the estimated fair value of the Company’s debt investments, designated as available-for-sale classified by the contractual maturity date of the security:

Table of Contents

	October 31, 2011	January 31, 2011
	(in thousands)	
Due within 1 year	$437,533	$123,631
Due within 1 year through 5 years	82,364	14,585
Due within 5 years through 10 years	—	—
Due after 10 years	470	2,490
Total	$520,367	$140,706

Unrealized Gains (Losses) on Marketable Investment Securities

The following table summarizes unrealized gains and losses related to the Company's investments in marketable securities designated as available-for-sale:

	As of October 31, 2011			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Certificate of deposit	$56,254	$1	$(10)	$56,245
Commercial paper	164,221	28	—	164,249
Corporate debt securities	218,186	38	(353)	217,871
US agency securities	13,035	6	—	13,041
US Treasury securities	52,293	74	—	52,367
Variable-rate demand notes	470	—	—	470
Asset-backed securities	10,099	—	(4)	10,095
Municipal Bond	6,030	2	(3)	6,029
Total	$520,588	$149	$(370)	$520,367

	As of January 31, 2011			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Certificate of deposit	$25,600	$7	$—	$25,607
Commercial paper	24,471	2	—	24,473
Corporate debt securities	42,847	50	—	42,897
US agency securities	23,074	11	(2)	23,083
US Treasury securities	5,009	14	—	5,023
Foreign government securities	12,030	5	—	12,035
Variable-rate demand notes	2,600	—	—	2,600
Asset-backed securities	2,499	—	(1)	2,498
Auction rate securities	3,000	—	(510)	2,490
Total	$141,130	$89	$(513)	$140,706

The available-for-sale investments that were in an unrealized loss position as of October 31, 2011 and January 31, 2011, aggregated by length of time that individual securities have been in a continuous loss position, were as follows:

Table of Contents

	As of October 31, 2011					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Certificate of deposit	$26,743	$(10)	$—	$—	$26,743	$(10)
Corporate debt securities	147,895	(353)	—	—	147,895	(353)
Asset-backed securities	10,095	(4)	—	—	10,095	(4)
Municipal Bond	3,277	(3)	—	—	3,277	(3)
Total	$188,010	$(370)	$—	$—	$188,010	$(370)

	As of January 31, 2011					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
US agency securities	5,088	(2)	—	—	5,088	(2)
Asset-backed securities	2,498	(1)	—	—	2,498	(1)
Auction rate securities	—	—	2,490	(510)	2,490	(510)
Total	$7,586	$(3)	$2,490	$(510)	$10,076	$(513)

4. FAIR VALUE

Assets and liabilities measured and recorded at fair value on a recurring basis consisted of the following types of instruments as of October 31, 2011 and January 31, 2011:

Table of Contents

	As of October 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents:				
Commercial paper	$51,583	$—	$51,583	$—
Money market funds	20,479	20,479	—	—
Municipal bond	5,016	—	5,016	—
Short-term investments:				
Certificate of deposit	56,245	56,245	—	—
Commercial paper	164,249	—	164,249	—
Corporate debt securities	217,871	—	217,871	—
US agency securities	13,041	—	13,041	—
US Treasury securities	52,367	52,367	—	—
Variable-rate demand notes	470	—	470	—
Asset-backed securities	10,095	—	—	10,095
Municipal bond	6,029	—	6,029	—
Total	$597,445	$129,091	$458,259	$10,095

	As of January 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents:				
Commercial paper	$40,189	$—	$40,189	$—
Money market funds	26,670	26,670	—	—
Short-term investments:				
Certificate of deposit	25,607	25,607	—	—
Commercial paper	24,473	—	24,473	—
Corporate debt securities	42,897	—	42,897	—
US agency securities	23,083	—	23,083	—
US Treasury securities	5,023	5,023	—	—
Foreign government securities	12,035	—	12,035	—
Variable-rate demand notes	2,600	—	2,600	—
Asset-backed securities	2,498	—	—	2,498
Long-term investments:				
Auction rate securities	2,490	—	—	2,490
Total	$207,565	$57,300	$145,277	$4,988

Table of Contents

The following tables present reconciliations of financial assets measured at fair value using significant unobservable inputs (Level 3) during the nine months ended October 31, 2011 and October 31, 2010 (in thousands):

	Auction Rate Securities	Asset-backed Securities	Total
Balance, January 31, 2011	$2,490	$2,499	$4,989
Purchases	—	10,095	10,095
Sales	(3,000)	(2,500)	(5,500)
Total gains (losses) (realized and unrealized)	510	1	511
Balance, October 31, 2011	$—	$10,095	$10,095

	Auction Rate Securities	Asset-backed Securities	Total
Balance, January 31, 2010	$4,112	$—	$4,112
Purchases	—	2,498	2,498
Sales	—	—	—
Total gains or losses (realized and unrealized)	69	(1)	68
Balance, October 31, 2010	$4,181	$2,497	$6,678

Marketable securities measured at fair value using Level 3 inputs are comprised of asset-backed and auction rate securities. Asset-backed securities values are based on non-binding broker provided price quotes and may not have been corroborated by observable market data. There were no transfers in and out of Level 1 or 2.

TiVo also has a direct investment in a privately-held company accounted for under the cost method, which is periodically assessed for other-than-temporary impairment. If the Company determines that an other-than-temporary impairment has occurred, TiVo will write-down the investment to its fair value. The fair value of a cost method investment is not evaluated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. However, if such significant adverse events were identified, the Company would estimate the fair value of its cost method investment considering available information at the time of the event, such as pricing in recent rounds of financing, current cash position, earnings and cash flow forecasts, recent operational performance, and any other readily available data. The carrying amount of the Company’s cost method investment was $3.4 million as of October 31, 2011 and $3.4 million as of January 31, 2011. No events or circumstances indicating a potential impairment were identified as of October 31, 2011 or January 31, 2011.

Cash equivalents and available-for-sale marketable securities (including auction rate securities and asset-backed securities) are reported at their fair value. Additionally, carrying amounts of certain of the Company’s financial instruments including accounts receivable, accounts payable, and accrued expenses approximate their fair value because of their short maturities.

We have financial liabilities for which we are obligated to repay the carrying value, unless the holder agrees to a lesser amount. The carrying value of these financial liabilities at October 31, 2011 was $172.5 million and the fair value was $209.6 million based on the bond's quoted market price as of October 31, 2011. There was no debt as of January 31, 2011. Refer to Note 6. "Convertible Senior Notes" for additional information.

5. COMMITMENTS AND CONTINGENCIES

Product Warranties

The Company’s standard manufacturer's warranty period to consumers for TiVo-enabled DVRs is 90 days for parts and labor from the date of consumer purchase, and from 91-365 days for parts only, also known as the Limited Warranty. Within the limited warranty period, consumers are offered a no-charge exchange for TiVo-enabled DVRs returned due to product defect, within 90 days from the date of consumer purchase. Thereafter, consumers may exchange a TiVo-enabled DVR with a product defect for a charge. As of October 31, 2011 and January 31, 2011, the accrued warranty reserve was $208,000 and $419,000, respectively. The Company’s accrued warranty reserve is included in accrued liabilities in the accompanying condensed consolidated balance sheets.

The Company also offers customers separately priced optional 2-year and 3-year extended warranties. The Company defers and amortizes cost and revenue associated with the sales of the extended warranties over the warranty period or until a warranty is redeemed. As of October 31, 2011, the extended warranty deferred revenue and cost was $896,000 and $273,000, respectively. As of January 31, 2011, the extended warranty deferred revenue and cost was $891,000 and $269,000, respectively.

Indemnification Arrangements

The Company undertakes indemnification obligations in its ordinary course of business. For instance, the Company has undertaken to indemnify its underwriters and certain investors in connection with the issuance and sale of its securities. The Company has also undertaken to indemnify certain customers and business partners for, among other things, the licensing of its products, the sale of its DVRs, and the provision of engineering and consulting services. Pursuant to these agreements, the Company may indemnify the other party for certain losses suffered or incurred by the indemnified party in connection with various types of claims, which may include, without limitation, intellectual property infringement, advertising and consumer disclosure laws, certain tax liabilities, negligence and intentional acts in the performance of services and violations of laws, including certain violations of securities laws with respect to underwriters and investors. The term of these indemnification obligations is generally perpetual. The Company’s obligation to provide indemnification would arise in the event that a third-party filed a claim against one of the parties that was covered by the Company’s indemnification obligation. As an example, if a third-party sued a customer for intellectual property infringement and the Company agreed to indemnify that customer against such claims, its obligation would be triggered.

The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to its indemnification obligations, if any. A few of the variables affecting any such assessment include but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. Due to the nature of the Company’s potential indemnity liability, its indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue operation in the ordinary course of business.

Under certain circumstances, the Company may have recourse through its insurance policies that would enable it to recover from its insurance company some or all amounts paid pursuant to its indemnification obligations. The Company does not have any assets held either as collateral or by third parties that, upon the occurrence of an event requiring it to indemnify a customer, the Company could obtain and liquidate to recover all or a portion of the amounts paid pursuant to its indemnification obligations.

Legal Matters

Intellectual Property Litigation.

On August 26, 2009, TiVo filed separate complaints against AT&T Inc. and Verizon Communications, Inc. in the United States District Court for the Eastern District of Texas for infringement of the following three TiVo patents: U.S. Patent Nos. 6,233,389 B1 ("Multimedia Time Warping System"); 7,529,465 B2 ("System for Time Shifting Multimedia Content Streams"); and 7,493,015 B1 ("Automatic Playback Overshoot Correction System"). The complaints seek, among other things, damages for past infringement and a permanent injunction, similar to that issued by the United States District Court, Eastern District of Texas against EchoStar. On January 15, 2010, Microsoft Corporation ("Microsoft") moved to intervene in the action filed against AT&T Inc., and on March 31, 2010 the district court granted Microsoft's motion. On March 28, 2010, AT&T Operations filed a motion to intervene in the action filed against AT&T Inc.; AT&T Operations and Microsoft filed a motion to transfer the proceedings to the United States District Court for the Northern District of California; and AT&T Inc., AT&T Operations, and Microsoft filed a motion to sever the claims involving Microsoft and AT&T Operations and stay the remaining proceeding

17

Table of Contents

involving AT&T Inc. On September 17, 2010, the court issued an order denying the motions to transfer, sever and stay. The court issued its claim construction order on the patents asserted by TiVo against AT&T Operations and AT&T Inc. on October 13, 2011. The Court held a status conference on November 10, 2011, setting the date for jury selection for January 9, 2012. The Company is incurring material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed.

On February 24, 2010, Verizon answered TiVo's August 26, 2009 complaint and Verizon asserted counterclaims. The counterclaims seek declaratory judgment of non-infringement and invalidity of the patents TiVo asserted against Verizon in the August 26th complaint. Additionally, Verizon alleged infringement of U.S. Patents: 5,410,344 ("Apparatus and Method of Selecting Video Programs Based on Viewers' Preferences"); 5,635,979 ("Dynamically Programmable Digital Entertainment Terminal Using Downloaded Software to Control Broadband Data Operations"); 5,973,684 ("Digital Entertainment Terminal Providing Dynamic Execution in Video Dial Tone Networks"); 7,561,214 ("Two-dimensional Navigation of Multiplexed Channels in a Digital Video Distribution System"); and 6,367,078 ("Electronic Program-Guide System with Sideways-Surfing Capability"). On March 15, 2010, Verizon filed an amended answer further alleging infringement of U.S. Patent No. 6,381,748 ("Apparatus And Methods For Network Access Using A Set Top Box And Television"). Verizon seeks, among other things, damages and a permanent injunction. On September 17, 2010, the court issued an order denying Verizon's motion to transfer. On June 1-2, 2011, the judge conducted a claim construction hearing on the patents asserted by TiVo against Verizon and the patents asserted by Verizon against TiVo. On November 10, 2011 the Court issued an order staying TiVo's lawsuit against Verizon due to the Court's schedule. The Court will reevaluate the stay after January 4, 2012. The Company is incurring material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's Accounting Standards Codification (“ASC”) 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On January 19, 2010, Microsoft Corporation filed a complaint against TiVo in the United States District Court for the Northern District of California for alleged infringement of the following two patents: U.S. Patent Nos. 6,008,803 ("System for Displaying Programming Information") and 6,055,314 ("System and Method for Secure Purchase and Delivery of Video Content Programs"). The complaint seeks, among other things, damages and a permanent injunction. On April 19, 2010, TiVo served its answer to the complaint, and counterclaimed seeking a declaration that TiVo does not infringe and the patents are invalid. On June 30, 2010, Microsoft filed an amended complaint alleging infringement of the following additional five patents: U.S. Patent Nos. 5,654,748 ("Interactive Program Identification System"), 5,677,708 ("System for Displaying a List on a Display Screen"), 5,896,444 ("Method and Apparatus for Managing Communications Between a Client and a Server in a Network"), 6,725,281 ("Synchronization of Controlled Device State Using State Table and Eventing in Data-Driven Remote Device Control Model"), and 5,648,824 ("Video Control User Interface for Controlling Display of a Video"). The amended complaint seeks, among other things, damages and a permanent injunction. On August 2, 2010, TiVo served its answer to the amended complaint and counterclaimed, seeking a declaration that TiVo does not infringe and the patents are invalid. On January 13, 2011, TiVo filed a motion to amend its answer and counterclaims to allege infringement of U.S. Patent No. 6,792,195 B2 ("Method and Apparatus Implementing Random Access and Time-Based Functions on a Continuous Stream of Formatted Digital Data"). On February 14, 2011, the Court issued an order granting TiVo's motion to amend its answer to assert U.S. Patent No. 6,792,195 B2 against Microsoft. On March 7, 2011, TiVo filed with the USPTO ex parte reexamination requests for all seven of the patents that Microsoft has asserted against TiVo in this litigation. On the same day, the Company filed a motion to stay this litigation in view of the reexamination requests. The USPTO has granted all of TiVo's reexamination requests, except with respect to U.S. Patent No. 5,896,444. On May 6, 2011, the Court granted TiVo's motion to stay the litigation pending final exhaustion of all reexamination proceedings, including any appeals. This litigation has been stayed. Since that time, due to events unfolding in the companion ITC action described below, Microsoft has indicated that it will dismiss two of the four patents (USP 6,028,604 and 5,731,844) from the district court action. The Company may incur material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On January 24, 2011, Microsoft Corporation filed a Complaint with the United States International Trade Commission (the “ITC”) requesting that the ITC commence an investigation pursuant to Section 337 of the Tariff Act

18

Table of Contents

of 1930, as amended, 19 U.S.C. § 1337, into the importation into the United States, the sale for importation into the United States, and/or the sale within the United States after importation of certain set-top boxes that allegedly infringe the following four patents: U.S. Patent Nos. 5,585,838 ("Program Time Guide"), 5,731,844 ("Television Scheduling System for Displaying a Grid Representing Scheduled Layout and Selecting a Programming Parameter for Displaying or Recording"), 6,028,604 ("User Friendly Remote System Interface Providing Previews of Applications"), and 5,758,258 ("Selective Delivery of Programming for Interactive Televideo System"). The Complaint named TiVo as Respondent. On February 24, 2011, the ITC voted to investigate the complaint filed by Microsoft. The ITC's Chief Administrative Law Judge assigned the case to one of the ITC's six administrative law judges, who will schedule and hold an evidentiary hearing. The administrative law judge will make an initial determination as to whether there is a violation of Section 337; that initial determination is subject to review by the ITC. The ITC will make a final determination in the investigation at the earliest practicable time. The ITC has set a target date for completing the investigation of July 2, 2012. Two of the four patents (USP 6,028,604 and 5,731,844) have been dropped by Microsoft from the ITC action. The hearing on the remaining two patents commenced on November 30, 2011, and an initial determination is expected around early March 2012. As a result of Microsoft's ITC lawsuit, the Company expects to incur material expenses this year defending Microsoft's lawsuit filed with the ITC and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On January 24, 2011, Microsoft Corporation filed a complaint against TiVo in the United States District Court for the Western District of Washington for alleged infringement of the following four patents, which are the same four patents alleged to be infringed in Microsoft's Complaint filed on the same date with the ITC: U.S. Patent Nos. 5,585,838 ("Program Time Guide"); 5,731,844 ("Television Scheduling System for Displaying a Grid Representing Scheduled Layout and Selecting a Programming Parameter for Displaying or Recording"); 6,028,604 ("User Friendly Remote System Interface Providing Previews of Applications"); and 5,758,258 ("Selective Delivery of Programming for Interactive Televideo System"). On March 3, 2011, TiVo filed a motion to stay this litigation in view of the ITC investigation referenced above, and to transfer the litigation to the more convenient forum of the United States District Court for the District of Northern California. Under the February 18, 2011 stipulated order, because TiVo filed a motion to stay the litigation, the time for TiVo to answer the Complaint has been extended indefinitely until TiVo's motion to stay and transfer has been decided on the merits. On May 19, 2011, the district court granted TiVo's motion to stay and transferred the case to the Northern District of California. This litigation has been stayed. The Company intends to defend this action and the action before the ITC vigorously; however, the Company is incurring expenses in connection with this lawsuit, which could become material in the future, and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On March 12, 2010, AT&T Intellectual Property I, L.P., and AT&T Intellectual Property II, L.P. (collectively, "AT&T IP") filed a complaint against TiVo in the United States District Court for the Northern District of California for infringement of the following four patents: U.S. Patent Nos. 5,809,492 ("Apparatus and Method for Defining Rules for Personal Agents"); 5,922,045 ("Method and Apparatus for Providing Bookmarks when Listening to Previously Recorded Audio Programs"); 6,118,976 ("Asymmetric Data Communications System"); and 6,983,478 ("Method and System for Tracking Network Use"). The complaint seeks, among other things, damages for past infringement and a permanent injunction. On May 3, 2010, TiVo served its answer to the complaint and counterclaimed, seeking a declaration that TiVo does not infringe and the patents are invalid. On December 3, 2010, TiVo filed with the USPTO requests for reexamination of all four of the patents asserted by AT&T IP in this litigation. TiVo filed an inter partes reexamination request for U.S. Patent No. 6,983,478, and ex parte reexamination requests for U.S. Patent Nos. 5,809,492, 5,922,045, and 6,118,976. On December 6, 2010, TiVo filed a motion to stay this litigation in view of the reexamination requests. On December 17, 2010, AT&T IP filed an Amended Complaint for Patent Infringement, adding to its claims allegations of inducing infringement, contributory infringement, and willful infringement. On January 20, 2011, TiVo served its answer to the amended complaint, again seeking a declaration that TiVo does not infringe and the patents are invalid. On February 1, 2011, TiVo filed a Notice with the Court that the USPTO had granted all four of TiVo's petitions for reexamination of the patents asserted by AT&T IP in this litigation. On January 18, 2011, the USPTO granted TiVo's petition for ex parte reexamination of all asserted claims of U.S. Patent No. 5,809,492; on January 24, 2011, the USPTO granted TiVo's petition for ex parte reexamination of all