

# CableFAX Daily™

Tuesday — October 7, 2008

What the Industry Reads First

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## Close Call: Cox's Court Victory Bodes Well For Cable VoIP

A VA jury determined Mon that **Cox** did not infringe on several **Verizon** patents related to Internet telephony, an important decision that saves the MSO from having to pay \$404mln in damages and sets a promising precedent for cable. In Oct, Verizon emerged victorious from a similar suit against **Vonage** before bringing its attack to Cox (Jan) and **Charter** (Feb), citing their use of similar VoIP architecture. "Cox is extremely pleased with the decision... and [we] look forward to competing vigorously with Verizon in the marketplace, not the courtroom," said the MSO. Countered Verizon: "We will continue to innovate and to protect our patented inventions." Next up is the telco's pending case against Charter, which it said is scheduled for Feb '10 in TX. In Mar, Charter denied Verizon's patent infringement allegations and through a counterclaim asked the court to declare invalid the telco's patents. Amid a vigorous defense of the case, Charter said the verdict shows "that the networks that Cox and Charter use to deliver services do not infringe Verizon's patents and that at least some of the patents are invalid." **Stifel Nicolas** said the decision bodes well for cable. "The larger significance of a verdict in Verizon's favor would have been the negotiating leverage it would have provided Verizon with other cable companies," wrote the firm, noting a weakened hand for the telco "in any negotiations with Time Warner and Cablevision." Verizon declined to comment on any potential future impact. **Comcast** is currently untouchable to Verizon, as Stifel Nicolas noted last week an agreement that prevents any patent litigation between the pair for at least 5 years. According to published reports, the pact hinged on Comcast's assent to purchase Verizon Wireless service for its employees.

**In the Courts:** As expected, the US Supreme Court opted not to review **DISH Network's** appeal of **TiVo's** winning patent verdict. As a result, DISH and EchoStar will pay the \$73.9mln in damages a jury awarded TiVo in '06 for patent infringement. The companies will pay a total of about \$104mln when interest is added. Both DISH and TiVo are now turning their eyes to a District Court case over whether DISH's work-around software in DISH DVRs violates TiVo patents. -- The **FCC**—not the court—should be the body to resolve whether cable ops can move PEG channels off basic to digital. That's the gist of a ruling from the Eastern District Court of MI regarding a suit cities in the state brought against **Comcast** when it tried to move PEG channels earlier this year. The MSO can't move the channels until the FCC addresses the matter.

**At the Portals:** With **FCC** chmn *Kevin Martin* hoping to have an item on next Wed's open meeting agenda that would look at giving low-power TV stations the opportunity to become full-power and receive must carry status, cable ops are again pointing out why they don't like this plan. **Comcast** reps hit the FCC last week, declaring that there is no legal or policy basis for increasing must-carry burdens on cable ops. The MSO called the idea "counter-productive," arguing energies would be better focused on the DTV transition. Comcast in an FCC filing said it already carries LPTV stations that it believes customers want, but that "many—perhaps most—Class A stations broadcast only minimal local programming and no multicultural programming, and thus offer the public little in the way of diversity of viewpoints and information."

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**Day 4: Time Warner Cable and LIN-TV's** retrans spat continues. The latest sees the MSO running some alternative programming in markets where LIN pulled a bcst station's signal. **Starz Kids and Family** is running in place of LIN stations in Austin, Green Bay, Columbus, Toledo and Indianapolis (where a **Bright House** system is impacted). **HBO Family** is running in some other markets. TWC is urging subs to connect their PCs to their TVs. However, not everything is available online. Such as Sun's Green Bay Packers-Atlanta Falcons matchup. In those markets, including Buffalo, a lot of rabbit ears were given out, a TWC rep says.

**Advertising: Comcast** has alerted digital cable customers in Baltimore about targeted advertising trials, which it announced in Apr. Comcast plans to use anonymous, non-sensitive geographic and demographic data to match TV ad messages to a HH. Customers are given a Website where they can opt out of the trial. The trial will launch in Nov and is scheduled to last 6 months. Advertisers will remain anonymous, but Comcast is collaborating with **Starcom Media Group** to secure advertisers and facilitate the strategy for this trial. A Comcast trial earlier this year found subs with addressable ads are less likely to change channels. -- Ad supported cable nets reported combined upfront rev of \$7.65bln or an increase of 9.3% on volume vs \$7bln and 6.5% increase in volume for the year ago period, **CAB** reported. "We're confident advertiser demand will continue to increase on the merit of audience gains driven by cable's rich mix of successful original programming and proven acquired favorites housed inside video's most powerful brands," said CAB pres/CEO *Sean Cunningham*. "Cable's performance has earned the cornerstone of any major advertiser's media plan."

**Competition: Verizon** says the latest trial of 100G optical transmission demonstrated twice the tolerance for signal distortion when compared with today's standard 10G signal. The trial took place over 73km of field fiber in northeastern TX at 92 Gbps. "Each advance we make moves the Verizon network closer to commercial deployment of reliable higher-bandwidth speeds on the backbone to serve our customers' needs—whether it's voice, video or data," said *Mark Wegleitner*, svp, technology. -- **FiOS TV** has launched in TX 77 new channels overall and 57 HD nets, including **Animal Planet, Smithsonian Channel, CNN** and **USA**. -- **Embarq** has launched on **YouTube** its own channel featuring instructional videos to help answer customer service inquiries such as HSI installation and account set-up.

**In the States: Comcast** subs in Seattle and San Francisco have already been hit with a price hike for video services, and the MSO has plans to institute a company-wide avg increase of 3.7% in all markets over the next few months. The avg price increase was 3.1% in '06 and '07. -- **C-Store TV** has expanded in L.A. and launched in San Diego and Phoenix, offering convenience store patrons access to **ESPN** and **CBS** content.

**On the Hill:** The House on Fri passed Sen *Mark Pryor's* (D-AR) bill to have the FCC study methods for blocking video content to protect children. The House version differs from the Senate one passed in that it strips out some language, including that video content has a "direct impact" on a child's perception of safe and reasonable behavior and that children may imitate things they see on TV. The bill would require the **FCC** to study and report on blocking methodologies.

**VOD: NBCU's** celebrating the VOD and PPV debut (Wed) of "Baby Mama" by adding an "SNL" alumni film category.

**5Qs with Gospel Music Channel evp, ad sales Mary Jeanne Cavanagh:** With the economy in its current state, what is the ad market like? During economic turndowns, you really have to target advertisers that make sense for your net better than ever before. We're in a good place. As of Mon, we'll be a **Nielsen** nationally rated network. We've

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done a lot to ensure revenue growth and profitability in 2009. You need to control all of your inventory in house. I brought direct response in house and we're overseeing the paid programming portion of our inventory. Although the economy is not ideal now for all businesses across the board, it's a great opportunity for GMC and every month we've had the highest revenue ever. **How was GMC's upfront?** It went very well. We broke into key categories. But I come from a background of success that's based on selling 52 weeks of the year. As an emerging net, if you sell based on X million homes and then pick up 10mln more homes, you are selling at less value than what you're worth. **You joined GMC in May after 6 years at Oxygen. How did your time there prepare you?** I started right before [Oxygen] became a rated net, and while there we went to profitability and grew significantly. The ratings were small, the advertising list was small, CPMs were low, and we were able to get to high points across the board. It was a destination for young women. That's what advertisers grabbed onto. GMC also has amazing opportunities. **Do you have a different approach for advertisers and the types you reach out to because of your genre? Do you have a lot of direct response?** More and more advertisers want immediate response. You can't tell creatively the difference from direct response and national advertisers. We have a great list of blue chip advertisers, including **Royal Caribbean, Tyson Foods, K-Mart, Hershey, Paramount...** Advertisers reach out to us because they really appreciate that we have 75% original programming, and we reach a multicultural, upscale audience that they can't reach in other places. **How does becoming a Nielsen-rated net help you?** It is us being able to put a stake in the ground as to who we are as reported by Nielsen... Even when not rated, we've been able to close some great deals because of our original programming.

**Online:** **SundanceChannel.com** has launched "Voices On Election," featuring blogs from *Robert Redford*, daily political contributions and 5 original Web series such as "Dave Hill's Guide to Voting" and "The Naked Campaign."

**Ratings:** "Star Wars: The Clone Wars" became **Cartoon Net's** most-watched series premiere in history Fri night, drawing 3.96mln total viewers, 1.83mln 2-11s and 1.22mln tweens, according to preliminary **Nielsen** data.

**Programming:** **HBO** has renewed "Entourage" for a 6th season (summer). -- **AMC** tapped *Jacob Soboroff* to host "AMC News," a short-form programming strand covering ent news including film premieres and major film festivals. -- Spanish-language children's net **Sorpresa** will augment its originals lineup with specials "Luz, Camara, Sorpresa" (Oct 26), featuring the winner and finalists of the net's youth film competition, and "Juega Como un MLS Pro" (Dec 7), offering 1-on-1 interviews with MLS stars. -- *Michelle Obama* makes her 1st appearance on **Comedy Central's** "Daily Show" Wed, 11pm. -- **Fuse** became the exclusive broadcast partner of the Voodoo Experience Festival, New Orleans, Oct 24-26. Performers include *Stone Temple Pilots, R.E.M.* and *Lil' Wayne*, with Fuse planning various specials centered around the event.

**Public Affairs:** **C-SPAN** launched its '09 StudentCam video documentary competition, which includes \$50K in prizes for 75 students and 11 teachers. Middle and high school students are invited to produce a 5-8 min doc focusing on what the most urgent issue is for a new president.

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# BUSINESS & FINANCE

## Business/Finance: Time Warner

**Cable** is likely even more attractive to **Sanford Bernstein** after the MSO's share price slumped 2.5% Mon amid a broad sell-off to close at \$21.91, just 27 cents off its 52-wk low. During after-hours trading, the shares dipped to \$21.30. TWC is Sanford's top pick among telecom, cable/satellite players for the next 6-12 months as it "offers investors strong growth in a strong and economically-defensive business, and one that is rapidly gaining share versus its telco rivals." After its planned split from **Time Warner** later this year, Sanford said the MSO will improve "on all equity-based valuations, including PE multiples and FCF yields." Given the depressed US economy, however, TWC and its cable brethren may not see notable short- to mid-term share price gains regardless of competitive success or balance sheet improvements. **Charter** shares closed Mon at 62 cents, and matched a 52-wk low of 61 cents after the bell. **Cablevision** dropped 7.3%, **Mediacom** 5.5% and **Comcast** 1.2%. -- Multiplatform ad firm **BlackArrow** got a new \$20mln financing round from existing investors **Comcast**, **Cisco**, **Intel**, **Mayfield Fund** and **Polaris Venture Partners**. BlackArrow's tech allows for ad placement on broadband video and VOD, plus unskippable spots on DVRs.

**People: CNN Ad Sales** upped *Katrina Cukaj* to svp, ad sales and mktg. -- **MTVN Intl** named *Bruce Gillmer* svp, talent and music.

## CableFAX Daily Stockwatch

Company	10/06 Close	1-Day Ch	Company	10/06 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
ALCATEL LUCENT:	3.14	(0.4)	AMDOCS:	26.71	(0.49)
BRITISH SKY:	28.50	(1.22)	AMPHENOL:	34.13	(1.02)
DIRECTV:	23.65	(1.11)	APPLE:	98.14	1.07
DISNEY:	28.26	(1.28)	ARRIS GROUP:	6.83	(0.41)
ECHOSTAR:	18.06	(0.74)	AVID TECH:	20.78	(0.75)
GE:	21.38	(0.19)	BIGBAND:	3.09	(0.5)
HEARST-ARGYLE:	19.28	(0.88)	BLNDER TONGUE:	0.95	(0.03)
ION MEDIA:	1.44	0.00	BROADCOM:	15.99	(0.64)
NEWS CORP:	10.80	(0.23)	C-COR:	11.00	0.00
<b>MSOS</b>					
CABLEVISION:	20.07	(1.57)	CISCO:	20.46	(0.79)
CHARTER:	0.62	(0.04)	COMMSCOPE:	27.48	(1.68)
COMCAST:	18.14	(0.22)	CONCURRENT:	5.65	0.23
COMCAST SPCL:	18.00	(0.2)	CONVERGYS:	13.79	(0.5)
GCI:	8.17	(0.5)	CSG SYSTEMS:	15.87	0.56
KNOLGY:	6.63	(0.42)	ECHOSTAR HOLDING:	23.01	(0.01)
LIBERTY CAPITAL:	12.19	(0.92)	GOOGLE:	371.21	(15.7)
LIBERTY ENT:	21.81	(1.7)	HARMONIC:	8.09	(0.4)
LIBERTY GLOBAL:	26.23	(1.57)	JDSU:	7.49	(0.09)
LIBERTY INT:	10.69	(0.52)	LEVEL 3:	2.01	(0.25)
MEDIACOM:	5.33	(0.31)	MICROSOFT:	24.91	(1.41)
SHAW COMM:	18.32	(0.69)	MOTOROLA:	6.14	(0.58)
TIME WARNER CABLE:	21.91	(0.55)	NDS:	49.53	(3.46)
VIRGIN MEDIA:	5.98	(0.86)	NORTEL:	1.87	(0.21)
WASH POST:	508.95	(0.99)	OPENTV:	1.20	0.00
<b>PROGRAMMING</b>					
CBS:	12.93	0.04	PHILIPS:	24.53	(1.57)
CROWN:	4.03	(0.27)	RENTRAK:	12.75	(1.1)
EW SCRIPPS:	6.85	(0.07)	SEACHANGE:	8.17	0.02
GRUPO TELEVISIA:	18.30	(1.06)	SONY:	26.46	(1.53)
HSN:	11.15	0.40	SPRINT NEXTEL:	5.28	(0.42)
INTERACTIVE CORP:	15.96	(0.1)	THOMAS & BETTS:	27.53	(4.61)
LIBERTY:	34.48	(1.34)	TIVO:	6.37	0.11
LODGENET:	1.58	(0.31)	TOLLGRADE:	4.08	0.08
NEW DISCOVERY:	12.72	(0.36)	UNIVERSAL ELEC:	21.59	(1.31)
NEW FRONTIER:	2.00	(0.19)	VONAGE:	0.95	0.00
OUTDOOR:	8.93	0.04	YAHOO:	15.31	(0.69)
PLAYBOY:	3.04	(0.04)	<b>TELCOS</b>		
RHI:	13.00	(0.01)	AT&T:	26.86	(1.26)
SCRIPPS INT:	34.54	(1.29)	QWEST:	2.95	(0.19)
TIME WARNER:	11.23	(0.89)	VERIZON:	29.96	(1.28)
VALUEVISION:	1.35	(0.26)	<b>MARKET INDICES</b>		
VIACOM:	23.54	0.17	DOW:	9955.50	(369.88)
WWE:	14.48	(0.51)	NASDAQ:	1862.96	(84.43)
<b>TECHNOLOGY</b>					
3COM:	2.35	(0.04)			
ADC:	6.38	(0.68)			
ADVANTAGE:	2.05	(0.44)			

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CNBC  
CNN  
Comcast SportsNet

Comcast/Center City Film & Video  
Comedy Central  
C-SPAN  
Discovery Channel  
Discovery Health  
Discovery Kids  
Disney Channel  
ESPN  
E!  
Food Network  
Fox Sports Net  
FX  
G4TV  
Hallmark Channel

HBO  
HDNet  
History  
IFC  
Lifetime Television  
M2 Pictures  
Mojo  
MSNBC  
PBS Kids Sprout  
Retirement Living TV  
Scripps Networks  
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Travel Channel  
USA Network  
Versus  
VH1  
WE tv  
World Wrestling Entertainment  
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