

TIVO INC  
Form 10-K  
March 15, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-K

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

For the fiscal year ended January 31, 2013

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 (IRS Employer  
incorporation or organization) Identification No.)

2160 Gold Street, San Jose, CA 95002  
(Address of principal executive offices) (Zip Code)

(408) 519-9100  
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:  
NONE

Securities registered pursuant to Section 12(g) of the Act:  
COMMON STOCK, \$.001 PAR VALUE PER SHARE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):



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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company   
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes   
No

The aggregate market value of the registrant's common stock, \$0.001 par value per share, held by non-affiliates of the registrant on July 31, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.0 billion (based on the closing sales price of the registrant's common stock on that date as reported in the Nasdaq Global Market). Shares of the registrant's common stock held by each officer and director and each person that controls, is controlled by or is under common control of the registrant have been excluded in that such persons may be deemed to be affiliates. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that the registrant believes are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940. This determination of affiliate status is not a determination for other purposes.

On February 28, 2013, the Registrant had 126,027,184 outstanding shares of common stock.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates by reference certain information from the registrant's definitive proxy statement (the "Proxy Statement") for the 2013 Annual Meeting of Shareholders to be filed on or before May 31, 2013.

TIVO INC.  
 FORM 10-K  
 For the Fiscal Year Ended January 31, 2013

TABLE OF CONTENTS

<u>PART I.</u>		<u>6</u>
<u>Item 1.</u>	Business	<u>6</u>
<u>Item 1A.</u>	Risk Factors	<u>14</u>
<u>Item 1B.</u>	Unresolved Staff Comments	<u>33</u>
<u>Item 2.</u>	Properties	<u>33</u>
<u>Item 3.</u>	Legal Proceedings	<u>34</u>
<u>Item 4.</u>	Mine Safety Disclosures	<u>36</u>
<u>PART II.</u>		<u>36</u>
<u>Item 5.</u>	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchased of Equity Securities	<u>36</u>
<u>Item 6.</u>	Selected Financial Data	<u>38</u>
<u>Item 7.</u>	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>40</u>
<u>Item 7A.</u>	Quantitative and Qualitative Disclosures About Market Risk	<u>57</u>
<u>Item 8.</u>	Financial Statements and Supplementary Data	<u>59</u>
<u>Item 9.</u>	Changes in and Disagreements with Accountants of Accounting and Financial Disclosures	<u>95</u>
<u>Item 9A.</u>	Controls and Procedures	<u>96</u>
<u>Item 9B.</u>	Other Information	<u>99</u>
<u>Part III.</u>		<u>99</u>
<u>Item 10.</u>	Directors and Executive Officers of the Registrant	<u>99</u>
<u>Item 11.</u>	Executive Compensation	<u>99</u>
<u>Item 12.</u>	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>99</u>
<u>Item 13.</u>	Certain Relationships and Related Transactions	<u>99</u>

<u>Item 14.</u>	Principal Accountant Fees and Services	<u>99</u>
<u>Part IV.</u>		<u>100</u>
<u>Item 15.</u>	Exhibit and Financial Statement Schedules	<u>100</u>
-	Signatures	<u>101</u>

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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 annual report on Form 10-K 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, future advertising expenditures, hardware costs and associated subsidies, and other marketing activities, including our current subsidized hardware pricing and related subscription pricing and their impact on our hardware revenues, service revenues, and 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, and our estimates of the effects of product lifetime subscriptions on churn;
- our expectations regarding the seasonality of our business and subscription additions to the TiVo service;
- our expectations regarding future growth in subscriptions to the TiVo service, including future increases in television service operators ("MSOs") subscription base and the possibility of future decreases in the TiVo-Owned subscription base;
- our expectations related to future advertising and audience research measurement revenues;
- 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 advanced television services market for our software and technology for both our hardware and in-home and outside-of-the-home cloud-based solutions, which will be impacted by alternatives to and competitors with our products, such as Video on Demand ("VOD") from Internet and cable providers, 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 that would incorporate 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;
- our expectations regarding the future amount of 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 and our ability to receive revenues equal to or greater than such deferred expenses from such 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;
- our expectations regarding our ability to oversee outsourcing of our manufacturing processes and engineering work;
- our expectations with respect to the usability of our current finished goods inventory of DVRs and non-DVR products and the risks that hardware forecasts of our MSO customers may be reduced after we have committed manufacturing resources due to long lead times requiring us to record additional write-downs if such inventories exceed forecasted demand;
- our expectations regarding our ability to perform or comply with laws, regulations, and requirements different than those in the United States; and
- our expectations and estimates related to long-term investments and their associated carrying value.

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 expressions, or the 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 this annual report on Form 10-K. 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 annual report, and we undertake no obligation to publicly update or revise any forward-looking statements in this annual report. The reader is strongly urged to read the information set forth under the caption Part I, Item 1, "Business" and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Part I, Item 1A, “Risk Factors” for a more detailed description of these significant risks and uncertainties.

PART I.

ITEM 1. BUSINESS

The Company

TiVo is a leading developer and provider of software and technology for advanced television services for set-top boxes, tablets, smartphones, and other consumer electronics. We focus on providing a user experience that enables the search, navigation, and access of content across disparate sources, including linear television and on-demand video in a single, easy, intuitive user experience. We provide these capabilities both inside and outside the home through devices such as digital video recorders ("DVRs"), traditional set-top boxes, tablets, computers, and smartphones. We also provide innovative advertising solutions for the media industry, including a unique platform for interactive advertising and audience measurement services. Since prior to the introduction of our first commercial product in 1999, we have developed significant intellectual property applicable to the advanced television market, and we remain focused on our continued innovation and protection of our intellectual property.

We distribute our products and services directly to consumers and through domestic and international television service providers who utilize our software and technology in set-top boxes and other devices that receive their multichannel services.

We generate revenues primarily from four sources:

- Consumer Service. Our largest source of revenues is from consumers in our direct to consumer business, who subscribe to the TiVo service directly with us and typically pay us monthly fees, or in some cases pay for TiVo service for the life of their product upfront, which we report as our TiVo-Owned service subscriptions. We sell our DVRs and other products to consumers through distribution relationships with major retailers and directly to consumers through TiVo.com.
- Television Service Providers or MSOs. We work with television service providers, which we also refer to as MSOs, who typically pay us recurring monthly fees in order to provide the TiVo service to their subscribers either as their primary user interface or in some cases as an optional premium service. We may also receive revenues for licensing and professional services and hardware sales from these customers. This revenue source has continued to grow and we expect it to be a larger percentage of our total revenue in the future.
- Media Services. We work directly with television advertisers, agencies, and networks to offer a variety of solutions for television advertising and measurement. These include short- and long-form interactive video advertising, lead generation, and commerce as well as unique second-by-second audience research measurement that combines viewing data with purchase activity or demographic attributes. During the fiscal year ended January 31, 2013, we acquired TRA Global Inc., now known as TiVo Research and Analytics, Inc. ("TRA") in an effort to support and accelerate our mission to be a leader in audience research measurement solutions.
- Licensing Revenues. In connection with settlements of litigation, TiVo has entered into agreements with DISH Network, AT&T Inc., and Verizon Communications, Inc. in which we provide rights to use certain TiVo patents. We continue to be subject to a number of risks, including intellectual property claims by and against us and the related costs of such intellectual property litigation; continued need for significant research and development and the related costs of such research and development activities; delays in product and service developments; competitive service offerings; lack of market acceptance; ongoing losses and uncertainty of future profitability; dependence on third-parties for manufacturing, marketing, and sales support, as well as third-party rollout schedules and software development issues related to third-party products which contain our technology; access to television programming including digital cable signals in connection with CableCARD™ and switched digital technologies; dependence on our relationships with third-party service providers for our MSO subscription growth; and our ability to maintain our TiVo-Owned subscription base and consumer service business. We conduct our operations through one reportable segment. See Part II, Item 6, Selected Financial Data for our historical financial results. In our fiscal year ended January 31, 2013, we had a net loss of \$(5.3) million and cash provided by operating activities was \$47.3 million, which was primarily driven by a litigation settlement with Verizon Communications, Inc. As of January 31, 2013, we had an accumulated deficit of \$(682.3) million. We have had a history of US GAAP losses and expect this trend to continue in our fiscal year ending January 31, 2014. We anticipate that our TiVo-Owned business will continue to be seasonal and expect to generate a significant number of our new TiVo-Owned subscriptions during and immediately

after the holiday shopping season. We remain cautious about our ability to maintain our current number of TiVo-Owned subscriptions in our fiscal year ending January 31, 2014. While we anticipate growth in our MSO subscription base from our deployments with television

service providers, we may not immediately achieve a corresponding increase in service revenues and margin expansion from the fees these subscriptions generate because these fees will be first classified as technology revenues until we recoup our initial development expenditures under our current zero margin or completed contract arrangements, including with Com Hem, Cableuropa S.A.U. ("ONO"), and Virgin Media ("Virgin"). See the discussion in Part I, Item 1A. Risk Factors, relating to risks related to our business. If we fail to properly estimate, manage, and perform the development and engineering services for our television service provider customers, we could incur additional unexpected expenses and losses which could reduce or even eliminate any profit from these deployment arrangements, in which case our business would be harmed."

#### Our Industry

**Evolution of Advanced Television Services.** TiVo revolutionized television viewing when it introduced the DVR over thirteen years ago, allowing consumers to enjoy an on-demand experience. Since then, DVR adoption has grown rapidly and consumers have come to expect a great deal of flexibility and convenience in their consumption of entertainment. Our DVR products proved that the television entertainment experience could be significantly improved by removing the limitations of linear, appointment based viewing.

The emergence of cloud-based services which deliver Video on Demand ("VOD") through cable and broadband connections is once again revolutionizing the way people consume video entertainment. The rapid growth of broadband video means a virtually infinite world of content choices now exists along with much greater convenience in how and when that content is viewed. The rapid proliferation of content requires a solution to effectively suggest, search, navigate, and access the growing volume of broadcast, cable, and VOD from the Internet and cable providers including television shows, movies, user generated videos, music, and other personal content including photos and home videos. In addition, proliferation of new consumption devices like tablets and entertainment-oriented smartphones creates additional demand for solutions that enable viewing when and where convenient for the user across multiple screens.

**Advanced Television Technology as a Competitive Asset.** Nearly all of the major television service providers in the United States including Comcast, DIRECTV, DISH (formerly "EchoStar"), Time-Warner Cable, and others, are offering DVR technology to their customers. In addition, some are developing strategies to address (albeit in very diverse ways) the proliferation of broadband video and alternate devices such as tablet devices and TV Everywhere services (cloud-delivered content). Some of these companies have indicated they consider such services a competitive tool to help differentiate their pay television services by offering their customers more programming features. We believe that the combination of our award winning, easy-to-use interface and famous brand, hosted services, and customized advanced television solutions can make the advantages of this advanced TV technology available to the large number of operators who cannot afford to develop these technologies in house.

**The Changing Television Advertising & Audience Measurement Industry.** The decline of live linear television viewing, which is now only approximately 40% of viewing on the TiVo Premiere platform, along with the proliferation of additional content choices is requiring television advertisers to evaluate new and different ways to reach consumers and measure their interactions with content and advertising. The DVR and other new consumer electronic devices which access broadband video have given viewers the freedom to view content when they want; and this time shifting has made it more difficult for advertisers to be assured that their commercials will be viewed by audiences at the regularly scheduled time the program is aired by network or local television stations. DVRs, in particular, allow viewers the freedom to fast forward through all or a portion of commercial advertising incorporated into television and other programs, which means that advertisers are not assured that their commercials will be viewed at all. TiVo offers other programming options, such as video delivered by broadband to the television, which may result in further audience fragmentation.

In addition, subject to its privacy policy and applicable laws, TiVo collects data from its own and third-party set-top boxes that allows it to measure the viewing of television programs and commercials in a manner that we believe is significantly more accurate and insightful than the traditional approach to television measurement practiced by companies like Nielsen Media. This traditional approach is gradually being supplemented by additional alternate forms of measurement which we are uniquely positioned to provide. TiVo uses second-by-second viewing data from a large national sample of our set-top boxes to create highly detailed statistics which are not subject to the limitations of Nielsen's minute by minute approach and program-based ratings.

Our Strategy

We believe we have created a unique set of technologies, products, and services that meet the needs of consumers, television service providers, and the advertising community. Our goal is to change the way consumers access and watch linear television, on-demand television, and broadband video by offering a best in class user

7

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experience and to generate revenue through the licensing of our branded services and technology to television viewing households worldwide.

**Provide Compelling, Easy-to-Use Consumer Offering.** Our advanced television solutions have an easy, intuitive user interface and many features that we believe dramatically improve a consumer's television viewing experience. Our advanced television solutions can support linear television delivered through analog cable, digital cable, satellite, from the cloud, or over-the-air, television service provider VOD, and broadband video. Our technology enables consumers to find and watch their favorite content, whether it is on TV, VOD, or broadband, and helps them discover new programming through features that search and browse for content by subject, title, genre, actor, director, or channel, enjoy access to extra content via broadband and comprehensive episode guides, as well as suggesting programs that consumers may like through a variety of TiVo recommendation features.

**Offer Increasingly Differentiated Features and Services.** Our goal is to lead the market with innovations that expand the value and potential of our advanced television services. We plan to continue to invest significant resources in innovation to improve consumer choice, convenience, and control over their home entertainment and to make our services more compelling for both current and potential customers. For example, we have launched TiVo products and applications for Android-enabled smart phones and tablets and iOS-enabled smartphones and tablets that allow viewers to both control their set-top boxes as well as consume video both inside and outside the home. We continue to update the TiVo service with new audio and video applications such as Spotify, Hulu, and Flingo. These applications give consumers a much richer and more powerful way to explore all of the content available to them and expand the population of devices upon which we can deploy our services. We expect that a significant portion of our future product development efforts will be focused on broadband functionality, enabling the TiVo experience on additional consumer device and screens, cloud-based services, personalization, and integration of new discovery paradigms like social network recommendations.

**Develop Solutions for Television Service Providers.** Part of our strategy focuses on developing versions of the TiVo service that can be deployed by third-parties (typically television service providers) in conjunction with TiVo and third-party designed set-top boxes and other consumer electronic devices such as tablets in order to promote the mass deployment of devices utilizing our technology. For example, we are able to deliver a set-top box product to our television service provider customers that combines within one integrated user interface: on-demand viewing of linear broadcast television delivered by the television service provider through a built in DVR; access to on-demand viewing of a television service provider's own VOD service; and access to broadband delivered content (or so called over-the-top content). Additionally, we believe our retail business uniquely positions us versus other vendors to license our technology to television service providers as we understand consumer behavior first-hand and are able to innovate at a faster pace. It allows us to leverage our research and development across our direct to consumer products as well as our products and services provided to television service providers. There are several primary ways in which we provide our TiVo technology: a TiVo box provisioned as a set-top box where we are the hardware and software provider; TiVo software we build into third-party hardware; and through consumer electronic devices such as tablets. We have extensive knowledge of the inner-workings of the television service providers' infrastructures and believe we are able to integrate with their infrastructures in a cost and time effective manner. Furthermore, the data back-hauled from the Television Service Provider's network via the TiVo software enables operators to efficiently run promotions and derive revenue from Video on Demand and premium TV channels.

**Extend TiVo Products Beyond the U.S. Market.** We also believe there is a large opportunity to deploy the TiVo service and technology outside the United States. For example, we launched an exclusive distribution agreement in the United Kingdom with Virgin, the United Kingdom's largest cable operator, to provide the TiVo service on next generation set-top boxes and on tablet devices directly from the cloud. We also have distribution arrangements that cover the geographies of Australia, Mexico, New Zealand, Spain, Sweden, and Taiwan. Our solutions have the ability to integrate broadband offerings for cable, satellite, and over-the-air television service providers and our strategy is to sign additional international partnerships and distribution agreements in the future. Typically, the parties distributing the TiVo service under these agreements are subject to significant deployment and marketing commitments.

**Extend and Protect Our Intellectual Property.** The convenience, control, and ease of use of the TiVo service is derived largely from the technology we have developed since and prior to the introduction of our first commercial product offering in 1999.

We have adopted a proactive patent and trademark strategy designed to protect and extend our technology and intellectual property. We have filed patent applications relating to numerous inventions resulting from TiVo research and development, including many critical aspects of the design, functionality, and operation of TiVo products and services as well as technology that we may incorporate in future products and services.

8

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We are prosecuting intellectual property lawsuits against Cisco, Motorola, and Time Warner Cable including for willful infringement of the Time Warp patent. To date, we have generated over \$1 billion in damages and technology revenue consideration for the unauthorized use of our patents. During the fiscal year ended January 31, 2012, we entered into separate settlements of pending intellectual property lawsuits against DISH Network and AT&T Inc. for \$500 million and \$215 million, respectively. During the fiscal year ended January 31, 2013 we entered into a settlement of pending intellectual property lawsuit against Verizon for \$250.4 million. We are also defending patent infringement claims from Motorola, in addition to other intellectual property litigation. See the discussions in Part 1, Item 1A. Risk Factors, relating to pending intellectual property litigation, and Part 1, Item 3. Legal Proceedings. Generate Revenue from Advertising and Audience Research Capabilities. We offer interactive advertising capabilities to advertisers, advertising agencies, and broadcast networks. Our advertising products include detailed anonymous aggregated reporting on actual viewing and screen-by-screen interaction by consumers. We offer our advertisers compelling interactive products such as branded Showcases including long-form video, requests for information, and customizable applications. We also offer the ability to enhance existing television commercials with interactive tags, enabling consumers to pause television and explore additional advertising content. We plan to continue to develop and enhance our interactive advertising capabilities in the future to generate additional revenues as well as provide us with additional information to help us improve and enhance the TiVo service for our customers.

We also offer audience research and measurement products through our subsidiary, TRA, whose customers include advertisers, agencies, and broadcast and cable networks. These customers use TRA's software and advanced data analytics which match TV tuning and purchase data in order to optimize advertising to the right audience. We believe this creates ad placement efficiency, drives more product sales for brands, and a higher return on media investment for advertisers while increasing advertising revenues for networks. We plan to continue to develop and enhance our measurement capabilities to generate additional revenues and provide additional innovative solutions, such as crossmedia measurement products.

#### Our Technology

We have developed a technology portfolio that makes the TiVo service available on a standalone retail DVR product line that is capable of receiving over-the-air digital signals, analog cable, digital cable through the use of CableCARDS™, and from broadband video sources. The TiVo service is also deployed directly by U.S. satellite and cable operators such as Charter, DIRECTV, Grande, RCN, Suddenlink, GCI, and internationally, such as with Virgin , ONO, and Com Hem. Our strategy is to sign additional distribution agreements to make the TiVo service available on additional set-top boxes and other devices such as tablets or computers and in the future connected televisions and game consoles. We believe that our commitment to research and development will allow us to continue to innovate new products for our customers, even while we continue to focus on managing and reducing our overall research and development expenses from fiscal year 2013. TiVo's technology for enabling the TiVo service includes: the TiVo service client software platform, the TiVo service infrastructure, and TiVo-enabled hardware designs.

**TiVo Service Client Software.** The TiVo service client software functions on set-top boxes, tablets, and mobile devices which run the TiVo software. We have enhanced the client software to support multiple services and applications, such as receipt of broadband video content, digital music, and photos. The TiVo client software manages interaction with the TiVo service infrastructure in the cloud. After the initial set-up of the TiVo service, the TiVo-enabled set-top box will automatically connect to the TiVo service infrastructure over broadband connection to download the program guide data, client software upgrades, advertising content, and other broadband content. We have also enabled the TiVo service client software to operate on certain commonly used integrated third-party set-top boxes, such as on a Cisco and Samsung manufactured set-top box in connection with our Virgin deployment arrangement.

**TiVo Service Infrastructure.** The TiVo service infrastructure operates the TiVo service, managing the distribution of proprietary services, and specialized content such as program guide data, interactive advertising, and TiVo client software upgrades. It interfaces with our billing and customer support systems for service authorization and bug tracking, among other activities. In addition, the TiVo service infrastructure collects anonymous viewing information uploaded from TiVo-enabled set-top boxes for use in recommendations and personalization, and our audience research measurement efforts. The infrastructure has also been designed to work with the networks of service provider customers.

TiVo-Enabled Hardware Design. The TiVo-enabled hardware designs are specifications developed by TiVo for set-top boxes and other devices. We provide this design to our contract manufacturer that produces TiVo-branded hardware. The TiVo-enabled hardware design includes a modular front-end that allows the basic platform to be

9

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used for digital and analog broadcast, digital and analog cable, broadband and in some cases Video on Demand applications. In addition, the TiVo-enabled hardware design allows for connection to broadband networks and external devices to enable existing and future services. We believe that the TiVo-enabled hardware design and our lack of dependence on third-party hardware design, which can delay time to market, allows us to innovate our client software at a fast pace.

#### Significant Relationships

**DIRECTV.** DIRECTV is the largest provider of satellite television in the U.S. We have had a longstanding relationship with DIRECTV from 1999 to the present to provide the TiVo service to DIRECTV's customer base. As of January 31, 2013, DIRECTV was one of our larger MSO subscription partners and represented a meaningful portion of our 2.1 million MSO subscription base.

DIRECTV currently pays us a recurring monthly per-household fee for access to the technology needed to provide its customers the TiVo service subject to an aggregate minimum monthly amount. Due to the declining number of DIRECTV MSO subscriptions in recent years, in fiscal year 2013, we recognized the monthly minimum amount each month during the entire year. We incur limited recurring expenses related to the DIRECTV relationship. We also recognize revenue from DIRECTV for engineering services work on integrated DIRECTV satellite receivers with TiVo service and the related service infrastructure. DIRECTV also distributes TiVo advertising features on DIRECTV receivers with TiVo service. Subject to certain restrictions and exceptions, both DIRECTV and TiVo may sell this advertising and collect audience research measurement data, with each party retaining all their respective revenues generated from such sales.

On September 3, 2008, we extended our current agreement with DIRECTV for the development, marketing, and distribution of a new HD DIRECTV DVR featuring the TiVo service. Under this new agreement, DIRECTV is paying a substantially higher monthly fee for households using the new HD DIRECTV DVRs with TiVo, which are being deployed by DIRECTV, than the fees for previously deployed DIRECTV DVRs with TiVo service. DIRECTV will continue to pay the previous monthly fee for all households using only the previously deployed DIRECTV DVRs with TiVo service. The fees paid by DIRECTV are subject to monthly minimum payments that escalate during the term of the agreement (which expires on February 15, 2015, unless extended until February 15, 2018 by DIRECTV). DIRECTV also has certain additional annual obligations to market and promote the new HD DIRECTV DVR featuring the TiVo service.

**Best Buy.** Best Buy is one of the largest nationwide retailers of consumer electronics in the United States and our largest retail customer. We have had a long-standing relationship with Best Buy since 1999 to sell our TiVo DVRs to consumers.

#### Customer Service and Support

For our TiVo-Owned standalone DVRs, we provide customer support through outsourced service providers as well as our internal customer service personnel. In most cases, when our product is sold through a television service provider (such as DIRECTV, Grande, ONO, RCN, Suddenlink, GCI, and Virgin) the service provider is primarily responsible for customer support. We may provide training and other assistance to these service providers.

Individual customers have access to an Internet-based repository for technical information and troubleshooting techniques. They also can obtain support through other means such as the TiVo website, web forums, email, and telephone support.

We offer a manufacturer's warranty of 90 days for labor and one year for parts on the DVRs TiVo manufacturers which enable our TiVo-Owned subscriptions. We contract with third-parties to handle warranty repair. Warranties provided to service providers who distribute TiVo hardware vary in length depending on the pricing paid by the buyer.

#### Research and Product Development

Our research and development efforts are focused on designing and developing the elements necessary to enable the TiVo service. These activities include hardware and software development.

	Fiscal Year Ended January 31,		
	2013	2012	2011
	(in millions)		
Research and Development Expenses	\$115.1	\$110.4	\$81.6



We decreased the number of our regular, temporary, and part-time employees engaged in research and development by 12% from a total of 526 as of January 31, 2012 to 461 as of January 31, 2013. In the fiscal year ending January 31, 2014, we currently expect our research and development expense to decrease from fiscal year 2013 levels.

#### Manufacturing and Supply Chain

We outsource the manufacturing of our products to third-party manufacturers. This outsourcing extends from prototyping to volume manufacturing and includes activities such as material procurement, final assembly, test, quality control, and shipment to distribution centers. Today the majority of our products are assembled in Mexico, with the majority of our components delivered from manufacturers overseas. Our primary distribution center is operated on an outsourced basis in Texas.

The components that make up our products are purchased from various vendors, including key suppliers such as Broadcom, which supplies system controllers. Some of our components, including system controllers, chassis, remote controls, and certain discrete components are currently supplied by sole source suppliers. Our dependence on these sole source suppliers could expose us to the risk of supply shortages, unexpected price increases, and increased compliance risks with new conflict mineral requirements in the future.

We often require substantial lead time to purchase components and manufacture anticipated quantities of devices that enable the TiVo service. This long lead time requires us to make component purchasing and inventory decisions well in advance of our peak selling periods. We offer our individual end-users who purchase from TiVo.com a 30-day money back guarantee. We typically do not offer a right of return or significant extended payment terms to our retailers.

#### Seasonality

Sales of our TiVo-Owned devices and subscriptions to the TiVo service are affected by seasonality. Thus, we generate a significant number of our annual device sales and new TiVo-Owned subscriptions during and immediately after the holiday shopping season with associated increases in revenue. We also incur significant increases in expenses in the second half of the year related to hardware costs, revenue share and other payments to channel, and sales and marketing, subscription acquisition costs in anticipation of the holiday shopping season. There is less seasonality associated with our MSO customers.

#### Competition

We believe that the principal competitive factors in the advanced television market, which includes DVRs and other broadband enabled consumer electronic devices, are brand recognition and awareness, functionality, ease of use, content availability, and pricing. We currently see two primary categories of competitors for the TiVo-Owned channel: DVRs offered by satellite, cable, and telecommunications operators and advanced television products and DVRs offered by consumer electronics and software companies.

Competition in the TiVo-Owned Subscription Business. Our retail products compete in the United States against services sold directly by cable, telecommunications, and satellite operators. These products typically combine pay television reception with DVR functionality; most of these products include multiple tuners, high definition recording, and in some cases multi-room viewing capability. Some of these products are offered at lower prices but in many cases are bundled with other services provided by the operator and the price for the DVR and DVR service may not be apparent to the consumer. In addition, these products are usually professionally installed and may appeal to consumers who do not pro-actively select a DVR service. Additionally, many U.S. cable operators are currently deploying Video on Demand technology, which over time could serve as a substitute to our retail products. We are aware of at least one U.S. cable operator, Cablevision, Inc., which is deploying remote storage-based DVR products. To the extent that cable operators offer regular television programming as part of their server-based VOD offerings and DVR technology, consumers may prefer not to acquire an independent set-top based DVR through retail channels. Our retail products also compete against products with on-demand internet-enabled services offered by consumer electronics companies including:

- Personal computers: Microsoft based PCs and Apple products (among others) enable a variety of entertainment features and services which offer alternatives to traditional DVR services, primarily via internet delivery of content.
- Broadband capable devices and game consoles: We are seeing a proliferation of broadband enabled devices, such as connected televisions, “smartphones”, single purpose broadband set-top boxes, tablets, and gaming consoles that offer broadband delivered content. Though these devices do not offer the



breadth of the TiVo service, they do offer alternative ways to access internet-delivered video content through devices that many consumers may seek to acquire for other purposes. For example, many consumer electronics companies have television or DVD products that are internet enabled and others have built dedicated devices for accessing video over the internet such as AppleTV, Roku, and GoogleTV. Similarly, companies such as Sony and Microsoft have now enabled the digital delivery of video programming over the internet to their game consoles.

Competition in our MSO business. Our MSO revenues depend upon both our ability to successfully negotiate agreements with our service provider customers and, in turn, upon our customers' successful commercialization of their underlying products. We face competition from companies such as NDS/Cisco, Microsoft, Motorola, Arris/Motorola, Rovi, and others, which have created competing products that provide user interface software for use on television set-top boxes and consumer electronic devices. Such companies may offer more economically attractive agreements to service providers and consumer electronics manufacturers by bundling multiple products together. We also face competition from internal development initiatives at some large service providers and consumer electronics manufacturers who may choose to develop similar products on their own rather than resell products/services developed by TiVo.

Competition in the Media Services business. Digital video recorder services, in general, and TiVo, specifically, compete with other advertising media such as print, radio, television, Video on Demand, internet, and other emerging advertising platforms for a share of advertisers' total advertising budgets. If advertisers do not perceive digital video recording services, in general, and TiVo specifically, as an effective advertising medium, they may be reluctant to advertise on the TiVo service. In addition, advertisers may not support or embrace the TiVo technology due to a belief that our technology's ability to fast-forward through commercials will reduce the effectiveness of general television advertising.

We compete with audience research companies such as Nielsen, Kantar Media Research, and Rentrak for research spend from advertisers, advertising agencies, and television networks. These companies have all announced intentions to provide second-by-second viewership information based on data from digital cable set-top boxes and satellite set-top boxes. The type of research we provide is a discretionary purchase. If advertisers, advertising agencies, and television networks perceive the information provided by these companies to be more valuable, they may invest in those services rather than ours, or they may choose not to purchase this type of information at all.

#### Patents and Intellectual Property

We have filed patent applications relating to numerous inventions resulting from TiVo research and development, including many critical aspects of the design, functionality, and operation of TiVo products and services as well as technology that we may incorporate in future products and services. We have been awarded approximately 306 foreign and domestic patents and have approximately 428 foreign and domestic patent applications pending. For example, we own U.S. Patent No. 6,233,389, titled "Multimedia Time Warping System" (referred to as the Time Warp patent or the '389 patent) which describes an invention that allows an user to store selected television shows while the user is simultaneously watching or storing another program and expires in July 2018. The Time Warp patent has been through reexamination at the United States Patent Office twice and had its claims upheld without modification. The majority of our patents have expirations beyond 2018.

During the fiscal year ended January 31, 2012, we entered into separate settlements of pending intellectual property lawsuits we had filed against DISH Network and AT&T Inc. for \$500 million and \$215 million, respectively. During the fiscal year ended January 31, 2013 we entered into a settlement of pending intellectual property lawsuit against Verizon for \$250.4 million. We are also engaged in significant patent infringement litigation with Motorola, Time Warner Cable, and Cisco in addition to other intellectual property litigation. See the discussions in Part 1, Item 1A. Risk Factors, relating to pending intellectual property litigation, and Part 1, Item 3. Legal Proceedings.

We have secured numerous foreign and domestic trademark registrations for our distinctive marks, including but not limited to registrations, for the marks "TiVo," the TiVo logo, "Season Pass," Thumbs logos, and certain sound marks. We anticipate ongoing progress in our establishment of a defensible and useful intellectual property portfolio; however, we cannot assure you that current patents will be enforceable or our current patent applications will ever be allowed or granted. See Part I. Item 1A. Risk Factors under the headings "Our success depends on our ability to secure and protect our patents, trademarks, and other proprietary rights" and "Intellectual Property claims against us could be extremely costly, result in the loss of significant rights, require us to alter our current product and business strategy

and force us to cease operating our business, in which case our business would be harmed” for additional information concerning our intellectual property.

[Privacy Policy](#)

We have adopted a privacy policy, which we make available on our website at [www.tivo.com/privacy](http://www.tivo.com/privacy) and make available to each new subscriber to the TiVo service. This policy was last updated in February 2011 to cover new features that we have introduced and plan to introduce in the future. Among other things, this policy explains how we collect, use, disclose, and protect information.

#### Employees

At February 28, 2013, we employed approximately 576 full-time employees, including 50 in service operations, 354 in research and development, 51 in sales and marketing, and 121 in general and administration. We also employ, from time to time, a number of temporary and part-time employees as well as consultants on a contract basis. Our future success will depend in part on our ability to attract, train, retain, and motivate highly qualified employees. We may not be successful in attracting and retaining such personnel. Our employees are not represented by a collective bargaining organization and we have never experienced a work stoppage or strike. Our management considers employee relations to be good.

Executive Officers and Key Employees (as of February 28, 2013):

Name	Age	Position
Thomas Rogers	58	President and CEO
Naveen Chopra	39	Senior Vice President, Chief Financial Officer
Jeffrey Klugman	52	Executive Vice President, Products and Revenue
Charles (Dan) Phillips	54	Chief Operating Officer
Matthew Zinn	48	Senior Vice President, General Counsel, Secretary and Chief Privacy Officer
Pavel Kovar	39	Vice President, Corporate Controller and Treasurer

Thomas Rogers was appointed by our Board to serve as a director in September 2003 and was named President and Chief Executive Officer of TiVo, effective July 1, 2005. In connection with being appointed as our President and Chief Executive Officer, Mr. Rogers resigned as Vice Chairman of our board of directors and as a Class II Director and was immediately reappointed by our board of directors as a Class III Director. Since November 2006, Mr. Rogers has served as member of the Board of Directors of SuperMedia and is currently the Vice Chairman of the Board. SuperMedia (NYSE: SPMD), formerly Idearc Inc. which filed for bankruptcy in 2009, is one of the nation's largest providers of yellow and white pages directories and related advertising products. Mr. Rogers served as Chairman of the Board of Teleglobe International Holdings, Ltd. (NASDAQ:TLGB), a provider of international voice, data, internet, and mobile roaming services, a position he held from November 2004 to February 2006. Since July 2003, he has also served as Chairman of TRget Media, a media industry investment and operations advisory firm. From 2004 until July 2005, he also served as the Senior Operating Executive for media and entertainment for Cerberus Capital Management, a large private equity firm. From October 1999 until April 2003, Mr. Rogers was Chairman and CEO of Primedia, Inc. (NYSE:PRM), a print, video, and online media company. From January 1987 until October 1999, Mr. Rogers held positions with National Broadcast Company, Inc. including President of NBC Cable and Executive Vice President. Mr. Rogers holds a B.A. degree in Government from Wesleyan University and a J.D. degree from Columbia Law School.

Naveen Chopra was named Chief Financial Officer and Senior Vice President, Corporate Development and Strategy in December 2012 and is responsible for overseeing the Company's accounting and financial reporting, planning, tax, and treasury functions. In addition Mr. Chopra is responsible for the Company's long-term business strategy focused on product distribution, corporate development and capital allocation. Mr. Chopra joined TiVo in 2003 as Director, Business Development, where he later served as Vice President, Business Development, before being promoted to Senior Vice President, Corporate Development and Strategy. He holds bachelor degrees in computer science and economics from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

Jeffrey Klugman was named Executive Vice President of Products and Revenue on December 20, 2012. Prior to that Mr. Klugman had served as Senior Vice President of Products and Revenue from November 1, 2009 to December 19, 2012. Prior to that Mr. Klugman had served as Vice President of Technology Licensing from December 2001 until February 2004, Vice President, TiVo Platform Business from February 2004 until April 2005, and Senior Vice President and General Manager, Service Provider and Advertising Products Division from April 2005 to November 2009. Prior to joining TiVo, Mr. Klugman was CEO of PointsBeyond.com, an internet-portal focused on outdoor

activities and adventures. In 1999, Mr. Klugman was Vice President of Marketing and Business Development for Quantum Corporation's Consumer Electronics Business Unit. Mr. Klugman holds a B.S. degree in

engineering with Honors from Carnegie Mellon University and an M.B.A. degree from the Stanford Graduate School of Business School.

Charles (Dan) Phillips was named Chief Operating Officer on December 20, 2012. Prior to that Mr. Phillips had served as Senior Vice President of Engineering and Operations from June 21, 2010 to December 19, 2012. Mr. Phillips oversees Engineering and Operations company-wide, which includes engineering activity for consumer product distribution, service providers, advertising and audience research efforts, as well as manufacturing, distribution, call center, service operations, information technology, facilities, and broadcast center operations. Until that time, Mr. Phillips had served as Vice President, Chief Information Officer and Engineering from November 2009 to June 2010 and as Vice President, Chief Information Officer from October 2006 until November 2009. Prior to joining TiVo, Mr. Phillips held several leadership positions in the high-tech industry. From May 2002 to January 2006, he served as Senior Vice President of Products at TRADOS Software, a globalization software company. Mr. Phillips served as Senior Vice President of Product Development at Uniscape Inc. from December 2000 until it merged with TRADOS in 2002. In July 1996, Mr. Phillips joined CrossWorlds' Software and held multiple executive positions including Vice President of Product Management and Vice President of Engineering until December 2000. From February 1995 to June 1997, Mr. Phillips held several senior management positions at SGI. Mr. Phillips co-founded Meta Systems in May 1991. Mr. Phillips holds B.A. degrees in Business Administration and Computer Information Systems from Humboldt State University.

Matthew Zinn was named Senior Vice President, General Counsel, Secretary, and Chief Privacy Officer in April 2006. Mr. Zinn had served as Vice President, General Counsel, and Chief Privacy Officer since July 2000 and as Corporate Secretary since November 2003. From May 1998 to July 2000, Mr. Zinn was the Senior Attorney, Broadband Law and Policy for the MediaOne Group, a global communications company. From August 1995 to May 1998, Mr. Zinn served as corporate counsel for Continental Cablevision, the third largest cable television operator in the United States. From November 1993 to August 1995, he was an associate with the Washington, D.C., law firm of Cole, Raywid & Braverman, where he represented cable operators in federal, state, and local matters. Mr. Zinn holds a B.A. degree in Political Science from the University of Vermont and holds a J.D. degree from the George Washington University National Law Center.

Pavel Kovar was named Vice President, Corporate Controller and Treasurer (Principal Accounting Officer) on January 24, 2013. Mr. Kovar had served as Vice President, Corporate Controller and Treasurer from June 2010 to January 2013. From September 2008 to June 2010 Mr. Kovar served as Senior Director, Corporate Controller. From February 2007 to September 2008 Mr. Kovar served as Director, Chief Accountant. Prior to that Mr. Kovar served as a Senior Manager at Ernst and Young LLP. Mr. Kovar holds a master's degree in International Trade from the University of Economics, Prague, Czech Republic and is a Certified Public Accountant in the State of California.

#### Other Information

TiVo was incorporated in August 1997 as a Delaware corporation and is located in San Jose, California. In August of 2000, we formed a wholly owned subsidiary, TiVo (U.K.) Ltd., in the United Kingdom. In October of 2001, we formed a subsidiary, TiVo International, Inc., a Delaware corporation. On January 12, 2004, we acquired Strangeberry, Inc., a Palo Alto based technology company specializing in using home network and broadband technologies to create new entertainment experiences on television. On July 16, 2004, TiVo Intl. II, Inc., a wholly owned subsidiary of TiVo Inc., was incorporated in the Cayman Islands. On March 22, 2005, TiVo Brands LLC, a wholly owned subsidiary of TiVo Inc., was incorporated in the State of Delaware. On July 18, 2012, we acquired TRA Global, Inc. a privately-held, media and marketing research company headquartered in New York, New York, now named TiVo Research and Analytics, Inc. ("TRA").

We maintain an Internet website at the following address: [www.tivo.com](http://www.tivo.com). The information on our website is not incorporated by reference in this annual report on Form 10-K or in any other filings we make with the Securities and Exchange Commission ("the SEC").

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make this information available on or through our website free of charge as soon as reasonably practicable after we

electronically file the information with, or furnish it to, the SEC.

ITEM 1A.

RISK FACTORS

Risk Factors

14

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Table of Contents

An investment in our securities involves risks. You should carefully consider the risk factors set forth below as well as the other information contained or incorporated by reference in this offering memorandum before investing in the notes. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or prospects, which in turn could adversely affect our ability to repay our outstanding convertible senior notes and the trading price of our common stock. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

We have incurred significant net losses and may never achieve sustained profitability.

During the fiscal years ended January 31, 2013, 2012, and 2011, our net income (losses) were \$(5.3) million, \$102.2 million, and \$(84.5) million, respectively. As of January 31, 2013, we had an accumulated deficit of \$(682.3) million. The size of future net losses will be impacted by a number of factors, including the timing of the development or deployment of solutions under our television service provider arrangements, the growth or decline in the number of TiVo subscriptions, the prices at which we sell TiVo set-top boxes, the amount of research and development expenses we incur to fund new product development and expand our engineering services capacity, the amount and timing of litigation expenses we incur in connection with protecting our intellectual property and the outcomes of our intellectual property litigations. We expect to incur significant net losses in our fiscal year ending January 31, 2014. Unless and until we generate significant additional revenues or substantially reduce our expenses, including revenues and expenses resulting from our ongoing legal proceedings, we will likely continue to incur losses in our current and future fiscal years and we may never achieve sustained profitability. Over time, continued net losses and negative cash flow could drain our existing cash balance.

We are a party to patent infringement lawsuits involving Motorola, Cisco and Time Warner Cable. We are incurring material litigation expenses as a result, and an adverse outcome in any of these lawsuits could harm our business. Motorola's claims against us. On February 25, 2011, Motorola Mobility, Inc. and General Instrument Corporation, a subsidiary of Motorola, filed a complaint against us in the United States District Court for the Eastern District of Texas seeking declaratory judgment of non-infringement and invalidity of two of the patents we asserted against Verizon in our August 26, 2009 complaint. Additionally, Motorola alleged infringement of U.S. Patents: 6,304,714 ("In Home Digital Video Unit with Combined Archival Storage and High-Access Storage"), 5,949,948 ("Method and Apparatus for Implementing Playback Features for Compressed Video") and 6,356,708 ("Method and Apparatus for Implementing Playback Features for Compressed Video"). Motorola seeks, among other things, damages and a permanent injunction. We continue to incur material expenses in connection with this lawsuit, and in the event we were to lose, we could be forced to pay damages for infringement, to license technology from Motorola, and we could be subject to an injunction preventing us from infringing Motorola's technology or otherwise affecting our business, and in any such case, our business would be harmed.

Our claims against Motorola and Time Warner Cable. On March 26, 2012, we filed counterclaims against Motorola and Time Warner Cable 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 ("Multimedia Time Warping System"), 7,529,465 ("System for Time Shifting Multimedia Content Streams"), and 6,792,195 ("Method and Apparatus Implementing Random Access and Time-Based Functions on a Continuous Stream of Formatted Digital Data"). Our counterclaims 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. We continue to incur material expenses in connection with this lawsuit, and in the event we were to lose, our business would be harmed.

Cisco's claims against us. On May 30, 2012, Cisco Systems, Inc. filed a complaint against us in the United States District Court for the Northern District of California seeking a declaratory judgment of non-infringement and invalidity of U.S. Patent Nos. 6,233,389, 7,529,465, 7,493,015, and 6,792,195, and injunctive relief. On August 10, 2012, the Court ordered this action transferred to the United States District Court for the Eastern District of Texas. Cisco seeks, among other things, damages and a permanent injunction. We continue to incur material expenses in connection with this lawsuit, and in the event we were to lose, we could be forced to pay damages for infringement, to license technology from Cisco, and we could be subject to an injunction preventing us from infringing Cisco's technology or otherwise affecting our business, and in any such case, our business would be harmed.

Our claims against Cisco and Time Warner Cable. On June 4, 2012, we filed a complaint against Cisco Systems, Inc. in the United States District Court for the Eastern District of Texas for infringement of U.S. Patent Nos. 6,233,389, 7,529,465, 7,493,015, and 6,792,195. The complaint seeks, among other things, damages for

15

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## Table of Contents

past infringement and a permanent injunction. On July 18, 2012, the Court issued an order in the Motorola v. TiVo action, discussed above, in connection with Time Warner Cable's motion to sever and stay TiVo's claims against it, that Time Warner Cable be added as a party to this action. On December 13, 2012, the United States District Court for the Eastern District of Texas entered an order consolidating this action with the TiVo v. Cisco action, discussed above. We continue to incur material expenses in connection with this lawsuit, and in the event we were to lose, our business would be harmed.

We generate a significant amount of revenue from our patent settlement agreements with DISH, AT&T, and Verizon which expire in calendar year 2018, and if we are unable to renew or replace these revenues, our business would be harmed.

In fiscal year 2012, we entered into patent settlement agreements with DISH and AT&T and in fiscal year 2013, we entered into a patent settlement agreement with Verizon. DISH, AT&T, and Verizon will pay us recurring revenues until 2018. We generate a significant amount of revenues as a result from these settlement agreements. If we are unable to renew or replace these revenues through similar or other business arrangements, our revenues would decline and our business would be harmed as a result.

Intellectual property claims against us could be extremely costly, result in the loss of significant rights, require us to alter our current product and business strategy and force us to cease operating our business, in which case our business would be harmed.

In addition to the litigation discussed above, we are subject to, or otherwise engaged in, a significant number of pending intellectual property litigation proceedings. In addition, from time to time, we are sued in court or receive letters from third-parties alleging that we are infringing on their intellectual property. Regardless of their merit, we are forced to devote time and resources to respond to these lawsuits and letters. In addition, if any of these third-parties or others were to be successful in suing us, our business would be harmed because intellectual property litigation may:

- be time-consuming and expensive;
- divert management's attention and resources away from our business;
- cause delays in product delivery and new service introduction;
- cause the cancellation of current or future products or services;
- require us to pay significant amounts in damages, royalties and/or licensing fees;
- cause us to incur material expenses as a result of our indemnification obligations; and
- result in an injunction that could force us to limit the functionality of our products and services, stop importing our products and services into certain markets, or cease operating our business altogether.

The emerging advanced-television industry is highly litigious. Additionally, many patents covering interactive television technologies have been granted but have not been commercialized. A number of companies in the advanced-television industry earn substantial profits from technology licensing, and the introduction of new technologies by us is likely to provoke lawsuits from such companies. A successful claim of infringement against us, our inability to obtain an acceptable license from the holder of the patent or other right, or our inability to design around an asserted patent or other right could cause our manufacturers to cease manufacturing DVRs that enable the TiVo service, our retailers to stop selling the product or us to cease providing our service, or all of the above, which would eliminate our ability to generate revenues.

Under our agreements with many of our manufacturing and licensing partners, we may be required to indemnify them in the event that our technology infringes upon the intellectual property rights of third-parties. Due to indemnity obligations which include infringement of third-party intellectual property rights and may also include indemnification for open source software violations, we could be forced to incur material expenses if our manufacturing and licensing partners are sued. In addition, because the products sold by our manufacturing and licensing partners often involve the use of other persons' technology, this increases our exposure to litigation in circumstances where there is a claim of infringement asserted against the product in question, even if the claim does not pertain to our technology.

Our success depends in part on our ability to secure and protect our patents, trademarks, and other proprietary rights. Our success and ability to compete are substantially dependent upon our internally developed technology. We rely on patent, trademark and copyright law, trade secret protection, as well as confidentiality and license



## Table of Contents

agreements with our employees, customers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our proprietary rights may be inadequate. We have filed patent applications and provisional patent applications covering much of the unique technology used to deliver the TiVo service and its features and functionality. To date, several of these patents have been granted, but we cannot assure you that any additional patents will ever be granted, that any issued patents will protect our intellectual property or that third-parties will not challenge any issued patents. Opposition proceedings may result in changes to certain claims or revocation of a patent. In addition, other parties may independently develop similar or competing technologies that design around any patents that may be issued to us. Our failure to secure and protect our proprietary rights could harm our business.

We face risks in connection with our marketing and distribution agreements for the development and deployment of TiVo-branded advanced television solutions and services to our marketing partners and distributors, particularly as our ability to perform and meet such contractual arrangements may be dependent on our ability to gain access to certain necessary third-party technologies.

We face significant technological challenges in our development of the TiVo service for our marketing partners and distributors as well as challenges related to our dependence on certain third-party technology providers upon whom we depend to provide technology to us to allow us to meet the agreed upon feature and technology requirements requested by our television service providers. For example, we rely on access to and receipt of certain technologies from third-parties to enable Video on Demand and other content and search features on our products. Additionally, we are engaged in active intellectual property infringement suits with parties that we may otherwise rely on for the delivery of necessary technologies for enablement of key features of our products and as required by our contractual arrangements with our television service provider customers. For example, we are engaged in patent infringement litigation with Motorola and previously with Microsoft, who also license technology to us for use in our products to enable certain features. If we were unable to gain access to such technologies on reasonable commercial terms, we may be unable to provide certain features and functionalities in our products. In such an event, our products may not be competitive with similar products in the market and further we may not be able to comply with the contractual arrangements with certain of our television service providers, and in either case our business would be harmed as a result. Our ability to benefit from these agreements is dependent upon the mass deployment and adoption of our TiVo-branded advanced television solutions, which may include TiVo-branded DVRs, third-party set-top boxes which run TiVo software, and DVR and non-DVR set-top boxes, among other solutions, by the subscribers of our distribution customers and marketing partners. If we are unable to complete development of these products in a timely and efficient manner to the satisfaction of our distribution customers, which includes hiring and retaining the necessary number of engineers and software developers to develop each partner's customized solution, correctly estimating the amount of time and resources that are necessary to develop each such solution, licensing necessary third-party technology (such as, for example, technology which enables the display of VOD content from our partners), and enabling full-scale deployment of our TiVo-branded advanced television solutions and services with these marketing partners and distributors, we may not be able to acquire new subscribers from them under these agreements and our business would be harmed.

Furthermore, some of our partners have the right to receive certain most favored terms from us such that if we were to license similar products and services to other parties at more attractive terms than what such partners receive under their agreements with us, then such partners may be entitled to receive the new more favorable terms. Additionally, such partners may have the right to terminate their agreements with us in the event we are subject to certain specified change of control transactions involving companies specified in their agreements. Further, if any of our partners are subject to a change of control transaction, our business could be harmed if such acquiring company chose to favor a technology provider other than us, despite the fact that many of our agreements with our partners include exclusivity provisions, minimum deployment commitments, or minimum financial commitments. If any of these events occur, including our inability to develop, license, and deploy in a timely, efficient, and on a full-scale basis, we will have difficulty generating revenues and new subscriptions under these agreements and our business would be harmed. If we fail to adequately manage our increasingly complex distribution agreements, including licensing, development, and engineering services, we could be subjected to unexpected delays in the expected deployment of TiVo's advanced

television solutions, increased costs, possible penalties and adverse accounting and contractual consequences, including termination of such distribution arrangements. In any such event, our business would be harmed. In connection with our deployment arrangements, we engage in complex licensing, development, and engineering services arrangements with our marketing partners and distributors. These deployment agreements with television service providers usually provide for some or all of the following deliverables: software engineering

Table of Contents

services, solution integration services, hosting of the TiVo service, maintenance and support. In general, these contracts are long-term and complex and often rely on the timely performance of such television service provider's third-party vendors that are outside TiVo's control. The engineering services and technology we agree to provide and/or develop may be essential to the functionality of the licensed software and delivered product or such software may involve significant customization and modification for each customer. We have experienced or may experience delays in delivery with television service providers including, for example, DIRECTV, Virgin, Suddenlink, Com Hem, and ONO, as well as significant increases in expected costs of development and performance in certain instances in the past. Additional delays could lead to additional costs and adverse accounting treatments forcing us to recognize costs earlier than expected. If we are unable to deliver the contracted for technology, including specified customizations and modifications, and services in a timely manner or at all, then we could face penalties in the form of unreimbursed engineering development work, loss of subscriber or minimum financial commitments on the part of our partners or in extreme cases the early termination of such distribution agreements. In any such case our business would be harmed.

If we fail to properly estimate, manage, and perform the development and engineering services for our television service provider customers, we could incur additional unexpected expenses and losses which could reduce or even eliminate any profit from these deployment arrangements, in which case our business would be harmed.

When we enter into deployment agreements with television service providers, we are typically required to make cost estimates based on historical experience and various other assumptions. These estimates are assessed continually during the term of the contract and revisions are reflected when the conditions become known. Using different cost estimates related to engineering services may produce materially different operating results, in addition to differences in timing and income statement classification of related expenses and revenues. An unfavorable change in estimates could result in a reduction of profit due to higher cost or the recording of a loss once such a loss becomes known to us that would be borne solely by us. We also recognize revenues for software engineering services that are essential to the functionality of the software or involve significant customization or modification using the percentage-of-completion method. We recognize revenue by measuring progress toward completion based on the ratio of costs incurred, principally labor, to total estimated costs of the project, an input method. If we are unable to properly measure and estimate our progress toward completion in such circumstances, we could incur unexpected additional costs, be required to recognize certain costs earlier than expected, or otherwise be required to delay recognition of revenues unexpectedly. A material inability to properly manage, estimate, and perform these development and engineering services for our television service provider customers could cause us to incur unexpected losses and reduce or even eliminate any profit from these arrangements, and in such a case our business would be harmed.

Many of our current deployment arrangements with television service providers require us to incur significant upfront development and engineering expenses for which we are in total or in part compensated through future service fees received after a solution is launched. If we are required to incur such upfront development and integration costs in excess of any development revenues and we are reasonably assured that these excess upfront development costs are recoverable, we will defer such cost and recognize them on a zero margin or straight-line basis after the solution is launched. However, despite the deferral of these development costs, we do incur cash outflows associated with these development efforts resulting in potentially higher cash usage in the near term. In situations where we are recovering upfront project-specific development costs, we would start recognizing service revenues (and related margin) only after the initial project-specific development costs are fully recovered. As of January 31, 2013, we had approximately \$30.7 million in such project-specific deferred costs. The assessment of recoverability is highly dependent on our estimates of engineering and operating costs related to the project. As a consequence, it may be a significant period of time after a solution launches and after we are adding new subscriptions from such deployment arrangement before we experience a corresponding impact on our service revenues (and related margins) from such a deployment arrangement. If we fail to properly estimate, manage, and perform these development and engineering services and otherwise comply with the terms of these deployment arrangements, we could incur additional unexpected expenses and losses in connection with these arrangements.

In the event of an early termination of these arrangements with our television service provider customers prior to deployment, we would be forced to recognize any deferred development costs which we have incurred but not recognized without corresponding revenues from development or subscription fees, and in such an event we would be forced to incur unexpected losses. From time to time during development and integration for our television service provider customers, we or our customers may request to revise certain terms of our contracts or statements of work to modify such deliverables required or to otherwise address circumstances and technological requirements not anticipated by the parties when the contract or

Table of Contents

statement of work was originally agreed upon. Additionally, from time to time, we have experienced delays and may in the future experience delays in our development work with our television service provider customers, which may cause us to modify the terms of those arrangements. If we were to fail in modifying the terms of these arrangements to the satisfaction of both parties and the arrangements were unexpectedly terminated early, we would have to recognize immediately any associated deferred costs that may no longer be deemed recoverable. In such an event that we would have to recognize early such deferred development and integration costs, we would be required to do so without any corresponding revenue in which case we would incur unexpected losses which would harm our business.

We face intense competition from a number of sources, which may impair our revenues, increase our subscription acquisition costs, and hinder our ability to generate new subscriptions.

The DVR and advanced television solutions market is rapidly evolving, and we face significant competition.

Moreover, the market for in-home entertainment is intensely competitive and subject to rapid technological change.

As a result of this intense competition, we could incur increased subscription acquisition costs that could adversely affect our ability to reach or sustain profitability in the future. If new technologies render the DVR market obsolete, we may be unable to generate sufficient revenue to cover our expenses and obligations.

We believe that the principal competitive factors in the DVR and advanced television solutions market are brand recognition and awareness, functionality, ease of use, availability, and pricing. We currently see two primary categories of DVR competitors and advanced television solutions competitors: DVRs and advanced television solutions (e.g. VOD based services on set-top boxes which stream content remotely) offered by telecommunications, cable and satellite operators and DVRs and other advanced television solutions (e.g. VOD based services on set-top boxes or other consumer electronic devices (TV, BluRay player, etc.) which stream content remotely) offered by consumer electronics and software companies. For more information on our competitors, see our discussion of competition in Item 1. "Business" in our annual report on Form 10-K incorporated by reference herein.

Licensing Competitors. Our revenues depend both upon our ability to successfully negotiate agreements with our consumer electronics and service provider customers and, in turn, upon our customers' successful commercialization of their underlying products. We face competition from companies such as Microsoft, DIRECTV, DISH, Pace, Arris, Motorola (whose set-top box division is being acquired by Arris), Cisco, NDS (who was acquired by Cisco), and Rovi, each of which have created competing technologies. Such companies may offer more economically attractive agreements to service providers and manufacturers of DVRs.

We face a number of competitive challenges in the sale and marketing of the TiVo service and products that enable the retail version of the TiVo service.

Our success depends upon the successful retail marketing of the TiVo service and related DVRs, which began in the third quarter of calendar year 1999.

We compete with other consumer electronics products and home entertainment services for consumer spending.

DVRs and the TiVo service compete in markets that are crowded with other consumer electronics products and home entertainment services. The competition for consumer spending is intense, and many consumers may choose other products and services over ours. DVRs compete for consumer spending with products such as DVD players, satellite television systems, personal computers, video game consoles, and other dedicated over-the-top video streaming devices (such as Roku, AppleTV, and Boxee). The TiVo service competes with home entertainment services such as cable and satellite television, movie rentals, pay-per-view, Video on Demand, and mail-order DVD services. Such competition could harm our business, financial condition, and results of operations.

Many of these products or services have established markets, broad user bases, and proven consumer acceptance. In addition, many of the manufacturers and distributors of these competing devices and services have substantially greater brand recognition, market presence, distribution channels, advertising and marketing budgets and promotional activities, and more strategic partners. Faced with this competition, we may be unable to effectively differentiate our DVRs and the TiVo service from other consumer electronics devices or entertainment services and our business, financial condition, and results of operations would be harmed.

Consumers may not be willing to pay for our products and services or we may be forced to discount our products and services. Many of our customers already pay monthly fees for cable or satellite television. We must convince these consumers to pay an additional subscription fee to receive the TiVo service. Consumers may perceive the TiVo

service and related DVR as too expensive. In order to continue to grow our subscription base, we have lowered the price of our DVRs in the past and raised our subscription pricing and alternatively we may

19

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Table of Contents

choose to raise our DVR pricing and lower our subscription pricing in the future. As a result of lower hardware pricing and higher subscription pricing, the profitability of such newly acquired customers was shifted outward in time as we need to first recoup the expenses incurred in connection with the sale of a heavily subsidized DVR. For competitive and financial reasons, we may need to change the pricing of our DVRs and our service fees again in the future. The availability of competing services that do not require subscription fees or that are enabled by low or no cost DVRs will harm our ability to effectively attract and retain subscriptions, and in such an event our business would be harmed.

Growth in our TiVo-Owned subscriptions and related revenues could be harmed by offerings by our television distribution partners who also would be able to offer the TiVo service in the future. Our ability to grow our TiVo-Owned subscriptions and related revenues could be harmed by competition from our television distribution partners, such as DIRECTV, RCN, Suddenlink, and others, who may be able to offer TiVo-branded DVR and non-DVR solutions to their customers at more attractive pricing than we may be able to offer the TiVo service to our TiVo-Owned customers. Furthermore, if we are unable to sufficiently differentiate the TiVo service offered direct to consumers by TiVo from the TiVo-branded DVR solutions offered by our licensing partners, customers who would have otherwise chosen the TiVo service offered direct to consumers by us may instead choose to purchase the TiVo-branded DVR solution from our licensing partners. Additionally, to the extent that potential customers defer subscribing to the TiVo service in order to wait for announced, but not yet deployed in their geographic area, TiVo-branded DVR solutions from our licensing partners, the growth of our TiVo-Owned subscriptions could be reduced. If our TiVo-Owned subscriptions continue to decrease, our business will be harmed.

We compete with digital cable, satellite, and telecommunications DVRs. Cable, satellite, and telecommunications service providers are accelerating deployment of integrated cable and satellite receivers with DVRs that bundle DVR services with other digital services and do not require their customers to purchase hardware. If we are not able to enter into agreements with these service providers to embed the TiVo service into their offerings, our ability to attract their subscribers to the TiVo service will be limited and our business, financial condition, and results of operations would be harmed.

We also expect to compete with digital cable, satellite, and telecommunications services that provide consumers with DVR and VOD-based services via a broadband connection on an on-demand basis. We are aware of at least one U.S. cable operator, Cablevision, Inc., which has deployed server-based DVR technology. To the extent that cable, satellite, or telecommunication operators offer regular television programming with DVR services as part of their server-based VOD offerings or offer linear television programming in other VOD-based broadband delivered services, consumers would have an alternate means of watching time-shifted shows besides physical DVRs. In such an event, competitors would be able to deploy competing DVR services or equivalent VOD-based viewing services (such as the increasing TV Everywhere services from most MSOs) without the expense of deploying DVR hardware in consumer homes. Such an event would impair our ability to compete in a cost-effective manner with these television providers as well as attract and retain customers, in which case, our business, financial condition, and results of operations would be harmed.

We are currently only able to offer a high definition DVR that has access to digital cable signals. The cable industry in the United States is currently required to provide access to digital high definition television signals through CableCARD™ technology. Without separate agreements with satellite operators, such as our agreement with DIRECTV, or other telecommunication providers, who offer television service, such as AT&T, that would give us access to digital and high definition television, our ability to attract their subscribers to the TiVo service is limited and our business, financial condition, and results of operations would be harmed.

It is expensive to establish a strong brand. We believe that establishing and strengthening the TiVo brand is critical to achieving widespread acceptance of our products and services and to establishing key strategic relationships. The importance of brand recognition will increase as current and potential competitors enter the DVR market with competing products and services. Our ability to promote and position our brand depends largely on the success of our marketing efforts and our ability to provide high quality services and customer support. These activities are expensive and we may not generate a corresponding increase in subscriptions or revenues to justify these costs. If we fail to establish and maintain our brand, or if our brand value is damaged or diluted, we may be unable to attract

subscriptions and effectively compete in the DVR market.

We rely on our retail customers and service providers to market and distribute our products and services. In addition to our own efforts, our retail customers distribute DVRs that enable the TiVo service. We rely on their sales forces, marketing budgets, and brand images to promote and support DVRs and the TiVo service. Additionally, we now have arrangements with many service providers, both domestically and internationally, to market and promote the TiVo service. We expect to continue to rely on our relationships with these companies to

Table of Contents

promote and support DVRs and other devices that enable the TiVo service. The loss of one or more of these companies could require us to undertake more of these activities on our own. Further, if any of our service providers elect to support a competing technology, our business could be harmed despite the fact that many of our agreements with our service providers include exclusivity provisions, minimum deployment commitments, or minimum financial commitments. As a result, we would spend significant resources to support the TiVo service and DVRs and other devices that enable the TiVo service or would otherwise see a reduction in new and existing service provider deployments from such service providers. The failure of one or more of these companies to provide anticipated marketing support will require us to divert more of our limited resources to marketing the TiVo service. If we are unable to provide adequate marketing support for DVRs and the TiVo service, our ability to attract subscriptions to the TiVo service will be limited.

Many consumers are not aware of the full range of benefits of our products and services. DVR products and services are a continually evolving consumer electronic category. Retailers, consumers, and potential partners may perceive little or no benefit from DVR products and services. Many consumers are not aware of its benefits, such as the ability to seamlessly integrate linear and broadband/VOD-based video, time-shifting of linear television, transfer of recorded programs to portable devices, access to web based and broadband delivered content not available through traditional cable and satellite operators, and therefore may not value the benefits of the TiVo service and products. We will need to continue to devote a substantial amount of time and resources to educate consumers and promote our products in order to increase our subscriptions. We cannot be sure that a broad base of consumers will ultimately subscribe to the TiVo service or purchase the products that enable the TiVo service.

We face competitive risks in the provision of an entertainment offering involving the distribution of digital content through broadband, including from broadband devices connected directly to the TV or through a PC connected to the TV.

We have previously launched access to the entertainment offerings of Amazon Video on Demand service, Netflix, Hulu Plus, Pandora, and others for the distribution of digital content directly to broadband-connected TiVo devices. Our offerings with Amazon Video On Demand, Netflix, Hulu Plus, Pandora, and others typically involve no significant long-term commitments. We face competitive, technological, and business risks in our ongoing provision of an entertainment offering involving the distribution of digital content through broadband to consumer televisions with Amazon, Netflix, and others, including the availability of premium and high-definition content, as well as the speed and quality of the delivery of such content to TiVo devices. For instance, we face increased competition from a growing number of broadband-enabled devices from providers such as Roku, AppleTV, and Google that provide broadband delivered digital content directly to a consumer's television connected to such a device. Additionally, we face competition from online content providers and other PC software providers who deliver digital content directly to a consumer's personal computer, which in some cases may then be viewed on a consumer's television. If we are unable to provide a competitive entertainment offering with Amazon Video On Demand, Netflix, Hulu Plus, Pandora, and our other partners, on our own, or an equivalent offering with other third-parties, the attractiveness of the TiVo service to new subscribers would be harmed as consumers increasingly look for new ways to receive and view digital content and our ability to retain and attract subscribers would be harmed.

Our ability to retain our current customers may continue to decrease in the future which could increase our TiVo-Owned subscription monthly churn rate and could cause our revenues to suffer.

We believe factors such as increased competition in the DVR marketplace, failure by us to continue to innovate and deliver new features on current deployed DVRs as well as deliver new DVR models in the future, changing television technologies such as the increasing penetration of high definition, the use of switched digital technology to deliver encrypted digital television signals, and the failure of cable operators in the future to transmit both an analog and digital transmission thus impacting our Series2 DVRs, increased price sensitivity in the consumer base, any deterioration in the quality of our service, and product lifetime subscriptions no longer using our service may cause our TiVo-Owned subscription monthly churn rate to increase. If we are unable to retain our subscriptions by limiting the factors that increase subscription churn, our ability to grow our subscription base could suffer and our revenues would be harmed.

The product lifetime subscriptions to the TiVo service that we currently are obligated to service commit us to providing services for an indefinite period. The revenue we generate from these subscriptions may be insufficient to cover future costs and will negatively impact our TiVo-Owned Average Revenue per Subscription.

We offer a product lifetime subscription option to the TiVo service that commits us to provide the TiVo service for as long as the DVR is in service. We receive product lifetime subscription fees for the TiVo service in advance

Table of Contents

and amortize these fees as subscription revenue over 66 months for product lifetime subscriptions which is our current estimate of the service life of the DVR. If these product lifetime subscriptions use the DVR for longer than anticipated, we will incur costs such as telecommunications and customer support costs without a corresponding subscription revenue stream and therefore will be required to fund ongoing costs of service from other sources, such as advertising revenue. Additionally, if these product lifetime subscriptions use the DVR for longer than the period in which we recognize revenue, our average revenue per subscription (“ARPU”) for our TiVo-Owned subscriptions will be negatively impacted as we continue to count these customers as subscriptions without corresponding subscription revenue thus lowering our average revenues across our TiVo-Owned subscription base. As of January 31, 2013, we had approximately 194,000 product lifetime subscriptions that had exceeded the 66 month period we use to recognize product lifetime subscription revenues and had made contact with the TiVo service within the prior six-month period. We will continue to monitor the useful life of a TiVo-enabled DVR and the impact of higher churn, increased competition, and compatibility of our existing TiVo units with high-definition programming. Future results will allow us to determine if our useful life is shorter or longer than currently estimated, in which case we may revise the estimated life and we would recognize revenues from this source over a shorter or longer period.

We face intense competition for advertising revenues.

DVR services, in general, and TiVo, specifically, compete with other advertising media such as print, radio, television, Internet, Video on Demand, and other emerging advertising platforms for a share of advertisers' total advertising budgets. If advertisers do not perceive digital video recording services, in general, and TiVo specifically, as an effective advertising medium, they may be reluctant to advertise on the TiVo service. In addition, advertisers may not support or embrace the TiVo technology due to a belief that our technology's ability to fast-forward through commercials will reduce the effectiveness of general television advertising.

The nature of some of our business relationships may restrict our ability to operate freely in the future.

From time to time, we have engaged and may engage in the future in discussions with other parties concerning business relationships, which have and may in the future include equity investments by such parties in us or may include exclusivity provisions. While we believe that such business relationships have historically enhanced our ability to finance and develop our business model or otherwise were justified by the terms of the particular relationship, the terms and conditions of such business relationships may place some restrictions on the operation of our business, including where we operate, who we work with, and what kinds of activities we may engage in, in the future.

If our technological security measures are compromised, or if the TiVo service or our website is subject to attacks that prevents our customers from using the TiVo products and services, our customers may curtail or stop use of our products.

The TiVo service and TiVo products such as DVRs may contain the private information of our customers, and security breaches could expose us to a risk of loss of this information, which could result in potential liability and litigation. Like all services that connect with the internet, our service, including our website, is vulnerable to break-ins, attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or shutdowns of our service, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. If we experience compromises to our security that result in service and website performance or availability problems, the complete shutdown of our service or website, or the loss or unauthorized disclosure of confidential information, our customers may lose trust and confidence in us, and decrease or discontinue their use of our service. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or our customers' information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new customers, cause existing customers to cancel their subscriptions, subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business and operating results.

We depend on a limited number of third-parties to manufacture, distribute, and supply critical components, assemblies, and services for the DVRs that enable the TiVo service. We may be unable to operate our business if these parties do not perform their obligations.

The TiVo service is enabled through the use of a DVR manufactured for us by a third-party contract manufacturer. In addition, we rely on sole suppliers for a number of key components for these DVRs and other

Table of Contents

devices we manufacture. We also rely on third-parties with whom we outsource supply-chain activities related to inventory warehousing, order fulfillment, distribution, and other direct sales logistics. We cannot be sure that these parties will perform their obligations as expected or that any revenue, cost savings, or other benefits will be derived from the efforts of these parties. If any of these parties breaches or terminates its agreement with us or otherwise fails to perform its obligations in a timely manner, we may be delayed or prevented from commercializing our products and services. Because our relationships with these parties are non-exclusive, they may also support products and services that compete directly with us, or offer similar or greater support to our competitors. Any of these events could require us to undertake unforeseen additional responsibilities or devote additional resources to commercialize our products and services. This outcome would harm our ability to compete effectively and achieve increased market acceptance and brand recognition.

In addition, we face the following risks in relying on these third-parties:

If our manufacturing relationships are not successful, we may be unable to satisfy demand for our products and services. We manufacture DVRs that enable the TiVo service through a third-party contract manufacturer. Delays, product shortages, and other problems could impair our retail distribution and brand image and make it difficult for us to attract subscriptions. In addition, the loss of a manufacturer would require us to identify and contract with alternative sources of manufacturing, which we may be unable to do or which could prove time-consuming and expensive.

We are dependent on sole suppliers for key components and services. If these suppliers fail to perform their obligations, we may be unable to find alternative suppliers or deliver our products and services to our customers on time. We currently rely on sole suppliers for a number of the key components used in the TiVo-enabled DVRs and the TiVo service, of which we may not have written supply agreements with certain sole suppliers for key components or services for our products. For example, Broadcom is the sole supplier of the system controller for our DVR. We do not currently have a long-term written supply agreement with Broadcom. Therefore, Broadcom is not contractually obligated to supply us with these key components on a long-term basis or at all. In addition, because we are dependent on sole suppliers for key components and services, our ability to manufacture our DVRs and other devices is subject to increased risks of supply shortages (without immediately available alternatives), exposure to unexpected cost increases in such sole supplied components, as well as other risks to our business if we were to fail to comply with conflict mineral requirements due to our reliance on these suppliers.

Tribune is the sole supplier of the program guide data for the TiVo service. Tribune Media Services, Inc., (“Tribune”), is the current sole supplier of program guide data for the TiVo service. Our current Television Listings Data Agreement with Tribune originally became effective on May 14, 2007 and had an initial term of five years which TiVo has renewed for four additional years. The agreement provides each party with a termination right if the other party becomes controlled by certain third parties. If Tribune breaches its obligation to provide us with data, rejects the agreement or otherwise fails to perform its obligations under our agreement, we would be unable to provide certain aspects of the TiVo service to our customers until we are able to incorporate an alternate source of guide data. While we have license to an alternative sources of guide data, there would be significant cost and delay involved in integrating such an alternative source of guide data. Depending upon the amount of notice we receive of such a breach or rejection of our agreement, and the amount of development work required by us to incorporate an alternate source of guide data, we may be subject to a period of time in which we are unable to provide the TiVo service to our customers and distribution partners. In such an event, our business would be harmed.

If our arrangements with Broadcom or Tribune or with our third-party contract manufacturer were to terminate or expire without a replacement arrangement in place, or if we or our manufacturers were unable to obtain sufficient quantities of these components or required program guide data from our suppliers, our search for alternate suppliers could result in significant delays, added expense or disruption in product or service availability.

We depend upon third-parties to provide supply chain services related to inventory management, order fulfillment, and direct sales logistics. We rely on third-party vendors to provide cost-effective and efficient supply chain services. Among other activities, these outsourced services relate to direct sales logistics, including order fulfillment, inventory management and warehousing, and distribution of inventory to third-party retailers. If one or several of our third-party supply chain partners were to discontinue services for us, our ability to fulfill direct sales orders and distribute

inventory timely, cost effectively, or at all, would be hindered which could in turn harm our business. We are dependent on our major retail partners for distribution of our products to consumers. We currently rely on our relationships with major retail distributors including Best Buy, (who is our primary brick and

Table of Contents

mortar nationwide consumer electronics retailer), and others for distribution of TiVo-enabled DVRs. We do not typically enter into long-term volume commitments with our major retail distributors. If one or several of our major retail partners were to discontinue selling our products, the volume of TiVo-enabled DVRs sold to consumers could decrease which could in turn harm our business.

We face significant risks in overseeing our outsourcing of manufacturing processes as well as in the management of our inventory, and failure to properly oversee our manufacturing processes or to effectively manage our inventory levels may result in product recalls or supply imbalances that could harm our business.

We have contracted for the manufacture of certain TiVo-enabled DVRs with a contract manufacturer. We sell these units to retailers and distributors, as well as through our own online sales channels. Product manufacturing is outside our core business and we face significant risks if our contract manufacturer does not perform as expected. If we fail to effectively oversee the manufacturing process, including the work performed by our contract manufacturer, we could suffer from product recalls, poorly performing product, and higher than anticipated warranty costs.

In connection with our manufacturing operations, we maintain a finished goods inventory of the DVR units we produce throughout the year. Due to the seasonality in our business and our long-lead time product development and manufacturing cycles, we need to make forecasts of demand and commit significant resources towards manufacturing of our DVR units well in advance of our peak selling periods. We also have risks with respect to changing hardware forecasts with our television service provider customers who may revise their purchase forecasts lower after we have committed manufacturing resources to meeting such forecasts due to long-lead times and prior to the time in which such television service provider forecasts become contractually binding. As such, we are subject to significant risks in managing the inventory needs of our business during the year, including estimates of the appropriate mix of demand across our older and newer DVR models. If we were to overestimate demand for our DVRs, we may end up with inventories that exceed currently forecasted demand which would require us to record additional write-downs. Should actual market conditions differ from our estimates, our future results of operations could be materially affected. In the future, we may be required to record additional write-downs of finished products and materials on-hand and/or additional charges for excess purchase commitments as a result of future changes in our sales forecasts.

New regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third-parties. These requirements will require companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of our products and the numerous components that go into our products. For instance, a number of our key components in our products are supplied from a single source, and finding alternatives components that would be conflict mineral free in some cases could be expensive and cause delays in our ability to manufacture our products and meet customer demand. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

We face significant risks to our business when we engage in the outsourcing of engineering work, including outsourcing of software work overseas, which, if not properly managed, could result in the loss of valuable intellectual property, increased costs due to inefficient and poor work product, and subject us to export control restrictions which could impede or prevent us from working with partners internationally, which could harm our business, including our financial results, reputation, and brand.

We have from time-to-time outsourced engineering work related to the design, development, and manufacturing of our products, typically to save money and gain access to additional engineering resources. We have worked, and

expect to in the future work, with companies located in jurisdictions outside of the United States, including, but not limited to, India, Ukraine, the United Kingdom, and Mexico. We have limited experience in the outsourcing of engineering, manufacturing, and other work to third-parties located internationally that operate

## Table of Contents

under different laws and regulations than those in the United States. If we are unable to properly manage and oversee the outsourcing of this engineering, manufacturing and other work related to our products, we could suffer the loss of valuable intellectual property, or the loss of the ability to claim such intellectual property, including patents, trademarks, trade secrets, and copyrights. We could also be subjected to increased regulatory and other scrutiny related to export control restrictions which could impede or prevent us from working with international partners. Additionally, instead of saving money, we could in fact incur significant additional costs as a result of inefficient engineering services and poor work product. As a result our business would be harmed, including our financial results, reputation, and brand.

Product defects, system failures, or interruptions to the TiVo service may have a negative impact on our revenues, damage our reputation and decrease our ability to attract new customers.

Our ability to provide uninterrupted service and high quality customer support depends on the efficient and uninterrupted operation of our computer and communications systems. Our computer hardware and other operating systems for the TiVo service are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct. These types of interruptions in the TiVo service may reduce our revenues and profits. We currently house the server hardware that delivers the TiVo service at only one location; however, in the event that location became unavailable, we do have a backup facility capable of delivering the TiVo service. Our business also will be harmed if consumers believe our service is unreliable. In addition to placing increased burdens on our engineering staff, service outages create a high volume of customer questions and complaints that must be responded to by our customer support personnel. Any frequent or persistent system failures could irreparably damage our reputation and brand and possibly trigger requests for refunds on subscription fees and hardware purchases and possible consumer litigation.

We have detected in the past and may continue to detect software and manufacturing errors in our products in the future. These problems can affect system uptime and result in significant warranty and repair problems, which could cause customer service and customer relations problems. Correcting errors in our software or fixing defects in our products requires significant time and resources, which could delay product releases and affect market acceptance of the TiVo service. Any delivery by us of products or upgrades with undetected material product defects or software errors could harm our credibility and market acceptance of the DVRs and the TiVo service. In addition, defective products could cause a risk of injury that may subject us to litigation or cause us to have to undertake a product recall. For example, we previously became aware of occasions where a part came loose from the remote control device that comes with the DVRs that enable the TiVo service, including occurrences where a young child gagged on or ingested a part of the remote control device. While we are unaware of any injuries resulting from the use of our products, we may be subject to products liability litigation in the future. Additionally, if we are required to repair or replace any of our products, we could incur significant costs, which would harm our business, including our financial condition and results of operations.

If we are unable to create or maintain multiple revenue streams, we may not be able to cover our expenses and this could cause our revenues to decrease and net losses to increase.

Our long-term success will depend on securing additional revenue from such areas as:

- licensing;
- advertising;
- audience research measurement; and
- electronic commerce.

In order to derive substantial revenues from these activities, we will need to attract and retain a large and growing base of subscriptions to the TiVo service. We also will need to work closely with television advertisers, cable, satellite, and telecommunications network operators, electronic commerce companies, and consumer electronics manufacturers to develop products and services in these areas. We may not be able to work effectively with these parties to develop products that generate revenues that are sufficient to justify their costs. We also may be unable to work with, or to continue working with, these parties to distribute video and collect and distribute data or other information to provide these product or services. In addition, we are currently obligated to share a portion of these revenues with several of

our strategic partners. Any inability to attract and retain a large and growing group of subscriptions or inability to attract new strategic partners or maintain and extend our relationships with our current strategic partners would seriously harm our ability to support new services and develop new revenue streams.

25

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Table of Contents

If we are unable to introduce new products or services, or if our new products and services are unsuccessful, the growth in our subscription base and revenues may suffer.

To attract and retain subscriptions and generate revenues, we must continue to maintain and add to our functionality and content and introduce products and services which embody new technologies and, in some instances, new industry standards. This challenge will require hardware and software improvements, as well as maintaining and adding new collaborations with programmers, advertisers, network operators, hardware manufacturers, and other strategic partners. These activities require significant time and resources and may require us to develop and promote new ways of generating revenue with established companies in the television industry. These companies include television advertisers, cable and satellite network operators, electronic commerce companies, and consumer electronics manufacturers. In each of these examples, a small number of large companies dominate a major portion of the market and may be reluctant to work with us to develop new products and services for digital video recorders as well as maintain our current functionality. If we are unable to maintain and further develop and improve the TiVo service or maintain and expand our operations in a cost-effective or timely manner, our ability to attract and retain customers and generate revenue will suffer.

We must manage product transitions successfully in order to remain competitive.

The introduction of a new product or product line is a complex task, involving significant expenditures in research and development, training, promotion and sales channel development, and management of existing product inventories to reduce the cost associated with returns and slow moving inventory. As new products are introduced, we intend to monitor closely the inventory of products to be replaced, and to phase out their manufacture in a controlled manner. However, we cannot assure you that we will be able to execute product transitions in this manner or that product transitions will be executed without harming our operating results. Failure to develop products with required features and performance levels or any delay in bringing a new product to market could significantly reduce our revenues and harm our competitive position.

If we fail to manage the growth and complexity of our activities, it could disrupt our business and impair our ability to generate revenues.

The growth in our subscription base and increasing complexity of our sources of other revenue have placed, and will continue to place, a significant strain on our management, operational and financial resources and systems. Specific risks we face as our business expands include:

Any inability of our systems to accommodate future sub