

# DEWEY & LEBOEUF

Dewey & LeBoeuf LLP  
1101 New York Avenue N.W.  
Suite 1100  
Washington, D.C. 20005-4213

tel +1 202 986 8077  
fax +1 202 956 3337  
dturetsky@dl.com

November 15, 2007

## **BY ELECTRONIC FILING**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: *Application of News Corporation and The DIRECTV Group, Inc.,  
Transferors, and Liberty Media Corporation, Transferee, For Authority to  
Transfer Control, MB Docket No. 07-18*  

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***EX PARTE***

Dear Ms. Dortch:

On November 14, 2007, Mark Cuban, co-founder of HDNet LLC, and the undersigned and Brett A. Snyder of Dewey & LeBoeuf LLP, met separately with (i) Commissioner Adelstein, Rudy Brioché, and Renee Crittendon, (ii) Michelle Carey, (iii) Commissioner McDowell and Cristina Chou Pauzé, and (iv) Rick Chessen, to discuss the interest of HDNet LLC in these proceedings.

The group discussed the issues that HDNet LLC presented to Commission Staff on November 9, 2007 and that were the subject of the *ex parte* submission HDNet LLC made on November 13, 2007 in these proceedings. HDNet LLC hereby incorporates that submission by reference. That submission was also provided to the attendees.

In addition to the issues identified in the November 13, 2007 submission, the following topics were also discussed at one or more of the meetings:

1. Most High Definition Television (“HDTV”) channels primarily offer content that does not provide a full HD-quality experience. Instead, that content is up-converted from low-resolution media. An up-conversion does not add resolution where it is lacking to begin with. In marked contrast, independently owned HDNet and HDNet Movies videotape

their original content in HD, and non-original (licensed) content is translated from high-resolution media, like film. This enables customers to have a significantly different and better HD experience.

2. The type of programming on HDNet and HDNet Movies provides diverse perspectives and viewpoints, as the Commission seeks to encourage. HDNet News broadcast live for seven straight hours a continuous feed of Iraqi citizens approaching their polling place, sometimes even showing an ink-marked thumb as they emerged, permitting viewers to observe in depth a part of that election. It offers regularly high quality well known original programming, including shows like *HDNet World Report* and *Dan Rather Reports*. HDNet is the first network to offer live coverage of a NASA launch in the highest quality HD and coverage of major international news events from the Vatican, Middle East, Asia and more. HDNet has created a network of stringers in more than 60 cities around the world, allowing it to cover events in a manner no other network can.

3. HDNet Movies is the only network in the world to offer *Sneak Previews*, an exclusive showing of a nationally released theatrical offering *before* it is even in theaters, the first of which was the Academy Award nominated *Enron: The Smartest Guys in the Room*. This offering is unique not only for the pre-theatrical presentation of movies, but because of its impact on the entire entertainment industry.

4. Prior to the filing of the pending application, Mr. Cuban and the two networks considered their relationship with DIRECTV to be good, and DIRECTV indicated that it valued HDNet and HDNet Movies. However, after Liberty Media's transaction to acquire control of DIRECTV was announced and its application for approval filed at the Commission earlier this year, this began to change. HDNet LLC also heard from Liberty Media and was in contact with Dr. John Malone in this period. Among other things, over the course of this period:

-- Liberty Media proposed buying a 50% interest in HDNet and HDNet Movies.

-- DIRECTV told HDNet LLC of a new approach that would eliminate compensation to HD-only networks.

-- Dr. Malone advised that Discovery HD Theater, which also is an HD-only channel, would receive compensation from DIRECTV.

--Rumors circulated that HDNet and HDNet Movies would be moved to a new, obscure, and pricey tier. HDNet and HDNet Movies and DIRECTV had discussions about that possibility, and DIRECTV advised HDNet and HDNet Movies quite late in the process that it had not made a final decision.

--After trying to solve the problem and finding out indirectly that a decision had been made, HDNet and HDNet Movies filed suit and obtained temporary relief based on its contract rights.

-- Discovery ran advertisements for HDNet and HDNet Movies on Discovery HD Theater, which reached viewers of HDf programming, in return for agreed compensation. Well before expiration of the agreed period for the advertisements to run, Discovery refused to run any more of the advertising. It indicated that MVPDs that did not carry HDNet and HDNet Movies were displeased.

10. Discovery HD Theater, although also an HD-only network that had long been in the same tier, would not be in the tier in which DIRECTV was attempting to place HDNet and HDNet Movies. It is affiliated with Dr. Malone. No network in the "HD Extra Pack" is affiliated with DIRECTV, Liberty Media, John Malone or News Corp.

11. The 101, a channel affiliated with DIRECTV would benefit competitively from placing HDNet and HDNet Movies in an obscure and pricey tier.

12. DIRECTV is an important platform for HD networks because of its national reach and because many consumers in the United States do not have any access to HDTV through cable.

13. A network that is already on a MVPD's system faces a different set of carriage issues than a network that is trying to gain access to the system for the first time and is highly vulnerable to discrimination and retaliation.

14. This transaction requires conditions that protect independent programmers and deter retaliation, discrimination, and other illegal and anticompetitive behavior. These must include a guarantee that an independent review and determination is available before DIRECTV can take adverse action against the unaffiliated programmer. The conditions were discussed. The need for such conditions in this transaction is reinforced and underscored by Liberty Media's business plan and approach: by becoming an MVPD it will gain powerful opportunities in content; it is looking to buy independent programmers and they will become available; and independent programmers would be better off if they were owned by vertically integrated companies.

As Liberty's CEO Greg Maffei explained only days ago in an interview:

[Q.] Do you have any plans to buy more programming assets?

[A.] Liberty and DirecTV are great believers in the power of distribution content [entity] interplay—strength in distribution can

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create content opportunity, strength in content can create opportunity in distribution. Chase is a believer in that, John Malone is a believer in that.

While we have no plans to announce, we'll certainly be looking for those. I think you'll see a lot of the independent content companies becoming available over the next few years. They'd be better served being in the hands of either a consolidated content entity or consolidated distribution entity, and there are probably only a handful of consolidators or likely consolidators and I'd put us in the category of being one.

"Liberty With Content for All," *Broadcast and Cable*, Vol. 137, Issue 45 (Nov. 12, 2007).

Respectfully submitted,

*/s/ David S. Turetsky*

David S. Turetsky  
*Counsel to HDNet LLC*

Attachment

cc: Mania Baghdadi, FCC (via e-mail)  
William Beckwith, FCC (via e-mail)  
Jim Bird, FCC (via e-mail)  
Rudy Brioché, FCC (via e-mail)  
Ann Bushmiller, FCC (via e-mail)  
Michelle Carey, FCC (via e-mail)  
Rick Chessen, FCC (via e-mail)  
Renee Crittendon, FCC (via e-mail)  
Rosemary Harold, FCC (via e-mail)  
JoAnn Lucanik, FCC (via e-mail)  
Betsy McIntyre, FCC (via e-mail)  
Joel Rabinovitz, FCC (via e-mail)  
Debra Sabourin, FCC (via e-mail)  
Royce Sherlock, FCC (via e-mail)  
Marilyn Simon, FCC (via e-mail)  
Elvis Stumbergs, FCC (via e-mail)  
Tracy Waldon, FCC (via e-mail)

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Patrick Webre, FCC (via e-mail)  
Sarah Whitesell, FCC (via e-mail)