

FAX COVER SHEET



Name: Alan Guggenheim
Company:
Pages: 8 (including cover)

Fax: 805-435-1421
Phone:
Date: March 31, 1999

From: Gregory J. Gagnon

Fax: (310) 964-1167

Phone: (310) 964-1280

Reference:

Comments: Signed Study Contract

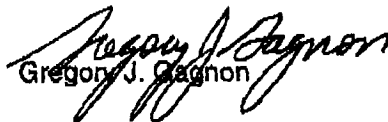
Alan,

Attached is a signed copy of the Letter Contract for the study effort we have been discussing.

I have prepared a package containing two signed originals that will be sent out to Andre tomorrow (April 1st) for his signature. He is to sign both copies and send one of the signed originals back to me. The other copy is for your records.

Hope to talk to you soon.

Sincerely,


Gregory J. Gagnon

200 N. Sepulveda Blvd. El Segundo, CA 90245

CASE NO.
SA CV 03-950 DOC (JTLx)
ECHOSTAR SATELLITE CORP., et al.,

vs.

NDS GROUP PLC, et al

PLAINTIFF'S EXHIBIT 1566

DATE _____ IDEN.

DATE _____ EVID.

BY _____
Deputy Clerk

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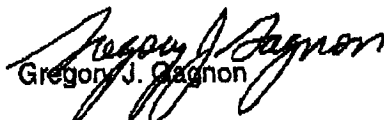
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KUDELSKI SA
1033 Cheseaux
Switzerland

April 1, 1999

DIRECTV Enterprises Inc.
2230 East Imperial Highway
El Segundo, California 90245

Gentlemen:

This letter agreement, effective April 1, 1999, confirms the engagement by DIRECTV Enterprises Inc. ("DIRECTV") of Kudelski SA ("Kudelski") to review and analyze the technical and financial impacts for the development by Kudelski for DIRECTV of a totally new conditional access system (the "CA System") which will interface with all business, operations and broadcast systems of DIRECTV but be completely independent of, and parallel to, the CA System currently used by DIRECTV and to prepare and deliver to DIRECTV a report (the "White Paper") outlining the results of its study and the technical and financial details of the proposed new CA System.

1. Scope of Services.

A. Kudelski's services hereunder (the "Services") shall include the following:

(i) Study of the technical aspects of the new CA System based on the assumptions set forth on Exhibit A hereto, including the effect on the CAM/smart card design and the requirements for interfacing with DIRECTV's current Billing, Traffic, USPS, Automation and Callback systems;

(ii) Analysis of the financial and other non-technical aspects of the new CA System, including identification of the recurring and non-recurring costs associated with the development and operation of the new CA System and the size of the staff required to develop and operate it;

(iii) Identification of the head-end requirements, the IRD requirements and any other related system requirements needed to support the rolling card change methodology described on Exhibit A;

(iv) Identification of potential IRD functionality improvements and study of their technical and financial impact on the new CA System;

(v) Participation in meetings and telephone conferences described in Section 4 hereof;

(vi) Exploration, on a limited basis, of the technical and financial aspects of new service models;

(vii) Preparation of a preliminary draft of the White Paper (the "Discussion Draft") for review and comment by DIRECTV; and

(viii) Preparation and delivery to DIRECTV of the final White Paper and, at the request of DIRECTV, presentation of the White Paper at a briefing of DIRECTV's executive management, including identifying the risks and benefits of deploying the new CA System.

B. Promptly after the date hereof, Kudelski shall designate a team of four (4) to six (6) individuals to provide the Services, including a management level individual having overall responsibility for coordination of the Services with DIRECTV (the "Kudelski Team").

2. DIRECTV's Responsibilities.

A. Subject to Section 8 hereof, DIRECTV shall reasonably cooperate with Kudelski in connection with the provision of the Services and the preparation of the White Paper and shall furnish or cause to be furnished to Kudelski such information and copies of documents as Kudelski may reasonably request in order to perform the Services; provided, that DIRECTV shall not provide Kudelski with access to any personnel, documents, specifications or other information with respect to DIRECTV's existing CA System.

B. Promptly after the date hereof, DIRECTV shall designate a team of four (4) to six (6) individuals to work with Kudelski in the provision of the Services, including a management level individual having overall responsibility for coordination with Kudelski hereunder (the "DIRECTV Team").

3. Compensation; Expenses.

In consideration of the Services, DIRECTV shall pay Kudelski an aggregate of US\$100,000 as follows: (i) US\$40,000 upon execution of this letter agreement by DIRECTV, (ii) US\$30,000 upon delivery by Kudelski of the Discussion Draft and (iii) US\$30,000 upon delivery by Kudelski of the final White Paper.

4. Meetings; Restricted Access.

A. The Kudelski Team and the DIRECTV Team shall have a minimum of two (2) to three (3) face-to-face meetings, lasting approximately two (2) or three (3) days each, during the term of this engagement. The meetings shall take place at such times and places as the parties may mutually agree. It is anticipated that the initial meeting will take place at DIRECTV's facility, the second meeting will take place two (2) to three (3) weeks later at Kudelski's facility and the final meeting will take place two (2) to three (3) weeks later at DIRECTV's facility in conjunction with the presentation of the White Paper to DIRECTV's senior management.

B. All or any portion of the Kudelski Team and the DIRECTV team may, but are not required to, participate in weekly telephone conferences to discuss the ongoing progress of the study and any issues that may arise.

5. Compliance with Laws.

The parties shall comply with all applicable laws and regulations in performing their respective obligations hereunder.

6. Term; Termination.

A. The Services shall commence on April 1, 1999 and shall terminate upon the delivery of the final White Paper by Kudelski unless earlier terminated, at DIRECTV's sole option. In the case of earlier termination, DIRECTV shall reimburse Kuldeski for services rendered through the date of termination.

B. Upon the expiration or earlier termination of the Services, each party shall promptly return to the other all Confidential Information in such party's possession that was received from the other party pursuant to or otherwise in connection with the Services.

7. Confidentiality; Proprietary Information.

A. Each party agrees to keep secret, to hold in strictest confidence and to protect from disclosure (i) the existence of this letter agreement and the substance of its terms and provisions and (ii) all confidential or proprietary information of the other party in the possession of such party, whether or not related to or exchanged in connection herewith (collectively, "Confidential Information"). Each party shall limit dissemination of the Confidential Information to members of the Kudelski Team and the DIRECTV Team and to such other persons within its organization who are directly involved in the performance or receipt of the Services and who have a need to know such Confidential Information for the purpose of providing or receiving the Services. Notwithstanding the foregoing, Kudelski agrees that it will not disclose any information regarding this project to John Markey ("Markey") and will not involve Markey in any manner in the Services. Prior to disclosure of any confidential information relating to this agreement, each party will duly advise its employees working on the project of the obligations relating to the protection of confidential information as set forth in this agreement.

B. Each party agrees that the work product developed by Kudelski hereunder and embodied in the White Paper may be used by DIRECTV only in connection with the development and installation of a back-up, parallel or replacement CA System pursuant to a separate future agreement with Kudelski and may not be used by DIRECTV to modify or improve the current CA System used by it. Each party further agrees that Kudelski shall not have the right to use the contents of the White Paper except in connection with the actual development of a CA System for DIRECTV pursuant to a separate agreement, but Kudelski shall have the right to utilize the concepts and ideas developed by Kudelski hereunder in connection with its ongoing business of developing and providing CA Systems for others.

C. All proprietary information developed pursuant to the Services and embodied in the White Paper shall be proprietary information of DIRECTV; provided, however, that any proprietary information of Kudelski existing on the date hereof or otherwise developed during the term hereof and not embodied in the White Paper shall be and remain the proprietary information and sole property of Kudelski and may be presented to DIRECTV in a document supplemental to the White Paper. Such supplemental document shall be subject to the provisions of this Section 7 and shall be further protected by Kudelski's copyright registration and/or notice.

D. Confidential Information as defined herein shall not include information that: (i) is in the public domain prior to the time of its disclosure by a party or that thereafter becomes part of the public domain other than through an unauthorized disclosure by a party; (ii) a party can show, by written records, was in its possession as of the time of its disclosure free of any restriction or limitation on its use; (iii) is subsequently learned from a third party who is not subject to a duty of confidentiality to the other party; (iv) was independently developed by either Party; or (v) is required to be disclosed pursuant to a court order or other government authority, in which case the disclosing party shall provide reasonable notice to the other party prior to making such disclosure in order to provide an opportunity for the other party to object to such disclosure and/or insure that the disclosing party secures appropriate confidential treatment of the information, if so required

E. If a party breaches its obligations under this Section 7; the other party shall have the right to terminate the Services immediately upon notice to the other party.

F. The terms of this Section 7 shall survive the termination of this letter agreement.

8. Independent Contractor.

Kudelski will provide the Services on a professional basis and as an independent contractor. During the performance of the Services, Kudelski employees will not be considered DIRECTV employees within the meaning or the application of any federal, state or local laws or regulations including, but not limited to, laws or regulations covering unemployment insurance, old age benefits, workmen's compensation, industrial accident, labor or taxes of any kind or any benefit plan. The provisions of this Section 8 shall survive the expiration or termination of this letter agreement.

9. Indemnification.

Each party shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs, damages or expenses, including reasonable attorney's fees (collectively "Claims") imposed upon or incurred by such person, directly or indirectly, as a result of any breach by the other party of any obligation contained herein or arising hereunder that has not been waived by the other party. The provisions of this Section 9 shall survive the expiration or termination of this letter agreement. Notwithstanding the foregoing, in no event shall either party be liable for any incidental or consequential damages, whether foreseeable or not, occasioned by any failure to perform or the breach of any obligation under this Agreement for any cause whatsoever.

10. Assignment.

Neither party shall assign or delegate this letter agreement or any rights duties or obligations hereunder to any other person or entity without the prior express written approval of the other party hereto.

11. Notices.

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by recognized courier service, transmitted via facsimile with a confirmation copy by first class mail, or sent by certified, registered or express mail, postage prepaid, to the party at the address set forth at the beginning of this letter agreement. Any such notice shall be deemed given (i) upon delivery, if delivered personally, by courier, by facsimile or by express mail or (ii) two (2) days after the date of deposit in the United States mail. Any party may by notice given in accordance with this Section 11 designate another address or person for receipt of notices hereunder.

12. General Provisions.

A. Entire Agreement: This letter agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements, written or oral, with respect thereto.

B. Attorney's Fees: If a party hereto incurs legal fees (whether or not an action is instituted) to enforce the terms of this letter agreement or to recover damages or to obtain injunctive relief for breach of this letter agreement, the successful or prevailing party shall be entitled to reasonable attorneys' fees, expert witness fees and other costs in addition to any other relief to which such party may be entitled.

C. Waiver: This letter agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by both of the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of either party in exercising any right hereunder shall operate as a waiver thereof, nor shall any waiver on the part of either party of any such right, nor any single or partial exercise of any such right, preclude any further exercise thereof or the exercise of any other such right.

D. Severability: If any term or provision of this letter agreement or the application thereof to any person or circumstance is held to be invalid or unenforceable to any extent, the remainder of this letter agreement (or the application of such invalid term or provision to other persons and circumstances) shall be valid and enforced to the fullest extent permitted by law.

E. Headings: Captions and paragraph headings in this letter agreement have been inserted only as a matter of convenience and in no way limit the scope or intent of this letter agreement.

F. Governing Law: This letter agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State.

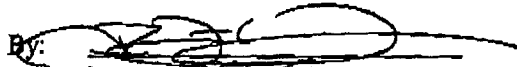
Please indicate your agreement to the above terms by signing both copies of this letter agreement in the space below and returning one originally executed copy to us.

KUDELSKI SA

By: _____
Name: _____
Title: _____

Agreed and Accepted:

DIRECTV ENTERPRISES INC.

By: 
Name: DIC. Flannery
Title: V.P. Engr. CO Systems

Schedule A

1. The new CA System must be completely independent of, yet capable of operating in parallel with, the CA System currently used by DIRECTV.
2. The new CA System must comprise all components necessary for its operation including, but not limited to, (i) a new Verifier (if one is required), (ii) CAM/Smart Card, (iii) CAMC, (iv) CAUS and (v) Callback Center.
3. The new CA System must interface with all business, operations and broadcast systems of DIRECTV, other than its existing CA System, which will require the development of top level generic interfaces to DIRECTV's existing Billing, Traffic, USPS, Automation and Callback systems, in addition to relevant IRD functions.
4. The new CA System must incorporate a rolling card change methodology, allowing for unique smart cards to be introduced into the new CA System on a periodic basis so that the number of cards that would have to be replaced in the event of a breakdown in security of the new CA System would be minimized.
5. The IRD functions of the new CA System must (i) include Simulcrypt capability to support rolling card changes and (ii) allow for complete software replacement in the field for CA System and IRD core functionality, as well as for adding future functionality.
6. The new CA System must incorporate local channel conditional access systems.
7. The new CA System must contemplate current service models but more efficient head-end implementations.
8. The cost model of the new CA System must be based on a 6-year cost timeline and include all relevant card change assumptions.