

April 2016

Fox v. Dish Network: Sony BetaMax and the Ninth Circuit's Failure to Ad-Skip to the Future

Alexander E. Porter

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Recommended Citation

Porter, Alexander E. (2015) "Fox v. Dish Network: Sony BetaMax and the Ninth Circuit's Failure to Ad-Skip to the Future," *Akron Intellectual Property Journal*: Vol. 8 : Iss. 1 , Article 5.

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Fox v. Dish Network: Sony BetaMax And The Ninth Circuit's Failure To Ad-Skip To The Future

*Alexander E. Porter**

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Introduction

Do you still use Sony's Betamax Video Tape Recorder (VTR) to record television programming? Or do you prefer to use something more modern, such as a digital video recorder (DVR)? Apparently the Ninth

Circuit prefers to stick with Sony's VTR for its legal analysis.¹ In *Fox Broadcasting Co., Inc. v. Dish Network L.L.C.*² the Ninth Circuit affirmed the lower court's denial of a preliminary injunction, reasoning that it is fair use for Dish subscribers to amass libraries of primetime programming from Fox, ABC, NBC, and CBS (Major Networks) with Dish Network's Primetime Anytime service.³ The court's decision rested on its strict adherence to a U.S. Supreme Court decision from 1984 that held recording television programming on Sony's Betamax VTR is fair use.⁴ If the Ninth Circuit's decision is indicative of anything, the entire business model of the broadcasting industry may be in jeopardy.

The broadcasting industry is at war. The Major Networks are battling to maintain a stable source of income, whether through retransmission fees or advertising revenue. For instance, Time Warner Cable (Time Warner) and CBS recently ended a month-long dispute over a new retransmission consent agreement that would permit Time Warner to retransmit CBS's television programming to Time Warner's customers.⁵ At the center of the dispute was what the industry is paying for retransmission rights.⁶ Although CBS was asking for a 600% increase in retransmission fees, its demands were in sync with the rest of the industry.⁷ The stalemate produced a "black-out" after Time Warner elected to stop providing the CBS-owned Showtime, TMC, Flix, and Smithsonian networks to their three million subscribers in major metropolitan areas across the nation.⁸ Time Warner and CBS compromised in early September 2013, but such disputes are

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1. See *infra* Part III.
2. *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1067 (9th Cir. 2013).
3. See *infra* Part III.
4. See *infra* Part II.C.
5. Jon Lafayette, *Time Warner Drops CBS Stations*, BROADCASTING & CABLE (Aug. 2, 2013, 5:12 PM), <http://www.broadcastingcable.com/news/news-articles/time-warner-drops-cbs-stations/114693>; see also Victoria Slind-Flor, *CBS, Google, Nestle, Umami, HTC: Intellectual Property (I)*, BLOOMBERG WIRE (Sept. 4, 2013), <http://www.bloomberg.com/news/2013-09-04/cbs-google-nestle-umami-htc-intellectual-property.html>.
6. Lafayette, *supra* note 5.
7. *Id.*
8. *Id.*

commonplace in the industry.⁹ In fact, Fox and Dish Network had a similar dispute in 2010 before finally renegotiating the retransmission consent agreement that is at issue in the current proceedings.¹⁰ This tension in the industry also grabbed Congressional attention.¹¹ To top it off, the Supreme Court recently granted certiorari to settle an ongoing dispute between the Major Networks and Aereo, a company that uses mini-antennas to capture broadcast television and then record it on cloud-based digital video recorders for its users.¹²

It is no coincidence that as the Major Networks struggle to charge a premium for retransmission rights, they are also battling Dish Network in “the biggest copyright case since *Napster*.”¹³ The litigation is over Dish’s “Hopper” HD DVR system and Primetime Anytime (PTAT) service.¹⁴ PTAT includes “AutoHop,” an ad-skipping service that eliminates all commercials from primetime programming.¹⁵ By skipping over the commercials in the Major Networks’ programming, Dish’s AutoHop undercuts the value of those commercials to advertisers.¹⁶ Since advertising revenues generate 90% of funding for the television programming provided by the Major Networks, Dish Network’s new services jeopardize the financial stability of the entire broadcasting industry.¹⁷

Evidently, the issues presented in *Fox v. Dish Network* affect an entire industry rather than the two named parties. Higher retransmission

9. *Id.* For instance, Time Warner has taken down nearly 50 other channels in the past 5 years for similar disputes. *Id.*

10. See Meg James, *Fox, Dish Network Resolve Dispute*, L.A. TIMES (Oct. 30, 2010), <http://articles.latimes.com/2010/oct/30/business/fi-ct-dish-20101030>. Interestingly enough, the 2010 agreement is also at issue in *Fox v. Dish Network*. See *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1071 (9th Cir. 2013).

11. In May 2013, Arizona Senator John McCain introduced a bill that would drive down costs for consumers by requiring cable providers to offer programming on an “a la carte” basis instead of through bundles. See *Television Consumer Freedom Act of 2013*, S. 912, 113th Cong. (2013).

12. See *Am. Broad. Cos., Inc. v. Aereo, Inc.*, 134 S. Ct. 896 (2014). The *Aereo* litigation is only one facet of the broadcasting industry’s ongoing struggle to maintain control over how its programming is viewed. See Sarah Weber, *The Supreme Court Could Decide How You Watch TV*, BUS. INSIDER (Jan. 11, 2014, 3:36 PM), <http://www.businessinsider.com/the-supreme-court-could-decide-how-you-watch-tv-2014-1>.

13. Meg James & Dawn C. Chmielewski, *Networks’ Fight with Dish over Ad-skipping has Huge Implications*, L.A. TIMES (May 25, 2012), <http://articles.latimes.com/2012/may/25/entertainment/la-et-ct-broadcast-networks-fight-with-dish-over-adskipping-has-enormous-implications-20120525> (quoting Attorney Bonnie Eskenazi).

14. See Complaint at 2, *Fox Broad. Co. v. Dish Network L.L.C.*, 905 F. Supp. 2d 1088 (C.D. Cal. 2012) (No. CV12-04529GHK(SHX)).

15. *Id.* at 35.

16. *Id.* at 22.

17. *Id.* at 21-23.

fees for cable providers may be in the near future if advertisers lose their incentive to pay for commercial spots on the Major Networks. If cable and satellite television providers such as Time Warner pay higher retransmission fees, those increases will ultimately be passed to the consumers.¹⁸ Indeed, the three million “black-out” victims may have only received a taste of what is to come. The various amicus briefs of the current proceedings also reflect the multiple interests at stake and the implications the *Fox v. Dish Network* litigation may have.¹⁹

Furthermore, the *Fox v. Dish Network* litigation afforded the Ninth Circuit the opportunity to address the legality of two practices that have yet to be adequately addressed: library-building and ad-skipping.²⁰ The Ninth Circuit’s decision avoided these issues by applying the fair use doctrine incorrectly.²¹ Although fair use is a fact-specific doctrine, the court equated the facts of *Fox v. Dish Network* to *Sony Corp. of America v. Universal City Studios, Inc.*²² in order to avoid addressing both issues. This Note argues that if the Ninth Circuit had conducted a more in-depth fair use analysis, it would have found that *Sony* was less controlling than the court purported it to be, and that the use of Dish’s PTAT does not constitute fair use.

Part II of this Note discusses the doctrine of fair use, its application in *Sony*, and how the ruling of *Sony* has been relatively unchallenged since 1984.²³ The discussion portrays the significance of the *Fox v. Dish Network* litigation and also helps the reader recognize the inadequate fair use analysis of the Ninth Circuit. Part III discusses the facts of the *Fox v. Dish Network* litigation. Part IV addresses the Ninth Circuit’s erroneous decision to exclude Dish’s AutoHop service from its analysis and subsequently analyzes each fair use factor individually.²⁴ This part also shows how the court ignored critical factual differences between Dish’s PTAT service and Sony’s VTR and how the court consequently erred in using *Sony*’s fair use analysis as a crutch in its analysis. Finally, Part IV offers concluding remarks about the *Fox v. Dish Network* litigation.

18. See James & Chmielewski, *supra* note 13.

19. Brief for Cablevision Systems Corp. as Amici Curiae Supporting Plaintiffs-Appellants; Brief for ABC Television Affiliates et al. as Amici Curiae Supporting Appellants; Brief for Nat’l Assoc. of Broadcasters Supporting Appellants; Brief for Paramount Pictures Corp. et al. as Amici Curiae Urging Reversal; Brief for Advertising Council, Inc., as Amici Curiae Supporting Plaintiffs-Appellants, *Dish*, 905 F. Supp. 2d 1088.

20. Fair use is an affirmative defense to copyright infringement. See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1985) (noting that the drafters structured § 107 as an affirmative defense).

21. See *infra* Part IV.

22. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

23. See *infra* Part II.

24. See *infra* Part III.

I. BACKGROUND

It is necessary to discuss some preliminary information to fully appreciate the significance of the *Fox v. Dish Network* litigation. Fox is seeking to hold Dish liable for direct and contributory copyright infringement.²⁵ Contributory copyright infringement is a form of liability imposed to hold one liable for the infringing conduct of another when the circumstances warrant it.²⁶ Dish asserted that the use of PTAT by its users is fair use, which is an affirmative defense to a copyright infringement claim.²⁷ Because the Ninth Circuit agreed with Dish, Fox failed on its contributory copyright infringement claim; therefore, no infringement liability remained.²⁸ Thus, it is necessary to discuss the legal underpinnings of fair use because it determines whether Dish can be held liable for contributory copyright infringement.

The Ninth Circuit's fair use analysis hinged on the Supreme Court's

25. Complaint, *supra* note 14, at 51-76.

26. See *Sony*, 464 U.S. at 435. There are generally two types of contributory infringers: providers of a service or distributors of a product. See 4 DAVID NIMMER, NIMMER ON COPYRIGHT § 12.04 [A][3] (2009); *In re Aimster Copyright Litig.*, 334 F.3d 643, 653 (7th Cir. 2003); *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 942 (2005). Traditionally, courts held individuals liable "who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." See *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). The Supreme Court added the second category for distributors of products in *Sony*, where it adopted patent law's substantial non-infringing uses standard, which immunizes the distributor of a product if it is capable of substantial non-infringing uses. *Sony*, 464 U.S. at 441-42. Since *Sony*, courts have struggled with the doctrine of contributory infringement and often reach contradicting results. See Brandon Michael Francavillo, Comment, *Pretzel Logic: The Ninth Circuit's Approach to Contributory Copyright Infringement Mandates That the Supreme Court Revisit Sony*, 53 CATH. U. L. REV. 855, 872 (2004) (discussing the different results reached by the Seventh and Ninth Circuits in contributory copyright infringement cases involving peer-to-peer technology); Jesse M. Feder, *Is Betamax Obsolete?: Sony Corp. of America v. Universal City Studios, Inc. in the Age of Napster*, 37 CREIGHTON L. REV. 859, 861 (2004) (arguing that the different results reached in peer-to-peer cases show the need to reflect on the viability of *Sony*). The Supreme Court granted certiorari to hear *Grokster* in 2005, and many hoped the decision would clarify the contributory infringement doctrine. However, the Court only briefly discussed *Sony* and adopted patent law's inducement doctrine instead. *Grokster*, 545 U.S. at 913. As a result, the contributory infringement doctrine still remains unclear and inconsistent. See generally Mark Bartholomew & Patrick F. McArdle, *Causing Infringement*, 64 VAND. L. REV. 675 (2011) (arguing that the courts should adopt principles from epidemiology to create a more certain contributory infringement doctrine); Alfred C. Yen, *Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer*, 55 CASE W. RES. L. REV. 815 (2005); Rebecca Giblin, *A Bit Liable? A Guide to Navigating the U.S. Secondary Liability Patchwork*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 7 (2009); David L. Wardle, *Broken Record: Revisiting the Flaws in Sony's Fair Use Analysis in Light of the Grokster Decision*, 26 LOY. L.A. ENT. L. REV. 1 (2005). Therefore, *Fox v. Dish Network* offers an opportunity to clarify the obscure contributory infringement doctrine.

27. See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1985) (noting that the drafters structured § 107 as an affirmative defense).

28. See *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1071 (9th Cir. 2013).

landmark *Sony* decision from 1984.²⁹ It is therefore imperative that *Sony*'s fair use analysis is dissected to understand how it compares to the *Fox v. Dish Network* litigation. Moreover, consumers used *Sony*'s Betamax VTR for time-shifting, ad-skipping, and library-building, but the Supreme Court only addressed the legality of time-shifting.³⁰ A brief survey of various changes since 1984 demonstrates that despite the proliferation of more advanced time-shifting devices, the legality of time-shifting, library-building, and ad-skipping has not been challenged since 1984.³¹

A. Fair Use

The fundamental policy of copyright law is to promote “the Progress of Science and useful Arts.”³² To further this policy, the Copyright Act of 1976 (the Act) granted exclusive rights to authors, subject to certain limitations.³³ One such limitation is the fair use doctrine.³⁴ Fair use is an affirmative defense that enables the unauthorized use of copyrighted work without liability for infringement.³⁵ This fulfills the policy of copyright law by allowing people to build upon the works of others without legal repercussions.³⁶

Before the Act, courts applied fair use as an equitable rule of reason tailored to the particular facts of each case.³⁷ When Congress passed the Act, it expressly stated that it only intended to give statutory recognition to the doctrine and that § 107 should not be construed to alter it in any manner.³⁸ Except for a minor change in 1992, Congress continues to have little involvement in the application of the fair use doctrine.³⁹

29. See *infra* Part IV.

30. See *Sony*, 464 U.S. at 442-56.

31. See *infra* Part II.B.

32. See U.S. CONST. art. 1 § 8, cl. 8; see also *Golan v. Holder*, 132 S. Ct. 873, 884 (2012); *Sony*, 464 U.S. at 477 (Blackmun, J., dissenting).

33. The preamble of § 106 grants exclusive rights “subject to sections 107 through 122.” 17 U.S.C. § 106 (2012).

34. 17 U.S.C. § 107 (2012).

35. See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1985) (noting that the drafters structured § 107 as an affirmative defense).

36. See *Sony*, 464 U.S. 417, 477; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994). Fair use also functions as a safeguard to freedom of expression. See *Golan*, 132 S. Ct. at 891.

37. See, e.g., *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd*, 420 U.S. 376 (1975); *Benny v. Loew's, Inc.*, 239 F.2d 532 (9th Cir. 1956).

38. See H.R. Rep. No. 94-1476, at 65 (1976); S. Rep. No. 94-473 (1975).

39. After *Harper & Row*, courts began to give too much weight to the unpublished nature of a copyrighted work. See NIMMER, *supra* note 26, § 13.05 [A][2]. In response, Congress amended § 107 to state that “the fact that a work is unpublished shall not itself bar a finding of fair use.” See Fair Use of Unpublished Works, Pub. L. No. 102-492, 106 Stat. 3145 (1992).

The Supreme Court has only decided three fair use cases since 1976, and while the decisions provide assistance to lower courts, they are not bright line rules.⁴⁰ Because fair use depends on the facts of each case, no clear definition has ever emerged.⁴¹ Aware of this, Congress provided a list of non-exclusive factors to be considered in § 107 while emphasizing that each decision should be tailored to the particular facts of the case.⁴²

The first factor under § 107 directs the court to consider the purpose and character of the use in question, which includes considering whether such use is for commercial or nonprofit purposes.⁴³ However, the profit/nonprofit distinction has minimal utility.⁴⁴ The Supreme Court's original position was that every commercial use is presumptively unfair.⁴⁵ This is problematic because nearly every use, including the examples in § 107's preamble, is for profit.⁴⁶ Thus, the Court's more recent decision refuted this presumption and clarified that a profit-driven purpose is only one of many factors to be considered.⁴⁷ Given the problems with the profit/nonprofit distinction, courts are more inclined to focus on the *use* instead of the *user*, and view the commercial nature as a matter of degree rather than an absolute.⁴⁸

The overarching purpose of the first factor analysis is to determine whether the use in question is “transformative.”⁴⁹ A work is transformative if it adds new expression, meaning, or something of a different character.⁵⁰ Courts favor a transformative use because it is consistent with the legislative intent behind § 107 and the overall policy of copyright law.⁵¹ While it is not required that a new work be “transformative,” it is the dominant judicial test.⁵² The majority of

40. See *Sony*, 464 U.S. 417; *Campbell*, 510 U.S. at 578-79; *Harper & Row*, 471 U.S. at 588. The Supreme Court also addressed fair use in *Stewart v. Abend*. *Stewart v. Abend*, 495 U.S. 207 (1990). However, this decision is often not included in the Supreme Court's fair use decisions because of its short analysis. See Stephen McJohn, *The Case of the Missing Case: Stewart v. Abend and Fair Use*, 53 IDEA 323 (2013).

41. See *Sony*, 464 U.S. at 475-76 (Blackmun, J., dissenting).

42. See H.R. Rep. No. 94-1476, at 65 (1976); S. Rep. No. 94-473 (1975).

43. 17 U.S.C. § 107(1) (2012).

44. See *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 109 (2d Cir. 1998) (observing that “commerciality has only limited usefulness to a fair use inquiry”).

45. *Sony*, 464 U.S. at 449.

46. *Kirkwood*, 150 F.3d at 109; *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 592 (1985) (Brennan, J., dissenting).

47. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 584 (1994).

48. See WILLIAM F. PATRY, *PATRY ON FAIR USE* § 3:4 (2014 ed.).

49. *Campbell*, 510 U.S. at 584.

50. *Id.*

51. *Id.*

52. In *Campbell*, the court noted that while a transformative use is not necessary, it furthers

transformative uses are also held to be fair use.⁵³ The Court adopted this view in its most recent fair use decision, *Campbell v. Acuff-Rose*, when it found that the rap group 2 Live Crew's rendition of "Oh, Pretty Woman" was transformative due to its parodic nature.⁵⁴ Also, the more transformative a use is, the less significant other factors are, such as its commercial nature.⁵⁵

The second fair use factor directs the court to consider "the nature of the copyrighted work."⁵⁶ This factor recognizes that some works are more deserving of copyright protection than others.⁵⁷ A common approach is to differentiate between factual and entertainment works.⁵⁸ The scope of fair use is greater for factual or informative works because they "lend themselves to productive uses by others."⁵⁹ The subsequent use of informative works also furthers the policy of copyright law by disseminating information to the public.⁶⁰ Therefore, the fair use defense is narrower for creative or entertainment works because it does not further the policy of copyright law as much as informative works.⁶¹ However, the distinction between informative and entertainment works is not dispositive, and it should not be given much weight.⁶² In *Harper*

the goal of copyright law. *Id.* Since *Campbell's* adoption of the transformative test, it has become the dominant fair use test. See Michael D. Murray, *What Is Transformative? An Explanatory Synthesis of the Convergence of Transformation and Predominant Purpose in Copyright Fair Use Law*, 11 CHI.-KENT J. INTEL. PROP. 260 (2012).

53. Various empirical studies from 2008 to 2011 indicate that a transformative use almost always guarantees a finding of fair use. See Murray, *supra* note 52, at 262.

54. *Campbell*, 510 U.S. at 578-79.

55. *Id.* at 584. This observation that the commercial nature is only one factor to be considered in the first factor analysis is a retreat from *Sony* where the Court stated that every commercial use is presumptively unfair. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449 (1984). Cases before *Sony* never recited such a presumption, and Justice Marshall's papers indicate that the presumption appeared somewhat spontaneously because it was not included in previous drafts nor discussed by the justices. See Jonathan Band & Andrew J. McLaughlin, *The Marshall Papers: A Peek Behind the Scenes at the Making of Sony v. Universal*, 17 COLUM.-VLA J.L. & ARTS 427, 427 (1993).

56. 17 U.S.C. § 107(2) (2012).

57. See *Campbell*, 510 U.S. at 586.

58. PATRY, *supra* note 48, § 4:1.

59. *Sony*, 464 U.S. at 496-97 (Blackmun, J., dissenting).

60. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 595 (1985) (stating that the law recognizes a greater need for public dissemination of factual works).

61. See generally *Campbell*, 510 U.S. at 586 (discussing various decisions distinguishing between creative and factual, or informative, works).

62. While some works may be factual in nature, they can still have more creative expression than other works classified as fictional works. See PATRY, *supra* note 48, § 4.1; NIMMER, *supra* note 26, § 13.05[A][2][a]. Thus, courts tend to avoid a bright line rule and recognize that the amount of creativity varies by individual works and not categories. See Robert A. Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPYRIGHT SOC. 560, 563 (1982) (noting how there are gradations among factual works between the amount of "fact or fancy"). As a result, most courts are reluctant to adopt a categorical approach. See *Wade Williams Distribution, Inc. v. Am. Broad. Co.*,

& *Row Publishers, Inc. v. Nation Enterprises*, the Supreme Court also recognized that whether a work is published or unpublished is a critical element of its nature.⁶³ But the unpublished nature of a work is only one factor to consider, and it should not preclude a finding of fair use.⁶⁴

Third, the court must consider “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”⁶⁵ This factor has both a quantitative and qualitative component.⁶⁶ The copying of an entire program militates against a finding of fair use.⁶⁷ At the same time, an insubstantial amount of copying may also weigh against a finding of fair use if it is the “heart” of the work.⁶⁸ For instance, in *Harper & Row*, the defendant copied and published a portion of President Ford’s unpublished manuscript.⁶⁹ Although the publisher only used approximately 13% of the work, the portion taken was “the most interesting and moving part of the entire manuscript.”⁷⁰ The Supreme Court held that this factor did not favor a finding of fair use.⁷¹

Finally, and perhaps the most critical, is the “effect of the use upon the potential market for or value of the copyrighted work.”⁷² Market harm is most evident when the defendant duplicates the plaintiff’s work because the copy acts as a market substitute for the plaintiff’s work.⁷³ But this analysis also includes consideration of the potential markets that a copyright holder would generally develop.⁷⁴ For instance, in *Campbell vs. Acuff-Rose*, the Supreme Court declined to find market harm for 2 Live Crew’s parody because a copyright holder has no protectable derivative market for criticism.⁷⁵ However, 2 Live Crew’s parody was a

Inc., No. 00 Civ. 5002 (LMM), 2005 WL 774275 (S.D.N.Y. Apr. 5, 2005) (declining to adopt a rule that precludes a fair use defense when the works are for entertainment purposes); *Hofheinz v. Discovery Commc’ns, Inc.*, No. 00 CIV. 3802 (HB), 2001 WL 1111970, at *1 (S.D.N.Y. Sept. 20, 2001) (refusing to engage in “subjective line-drawing” over what constitutes commentary and entertainment); *Harper & Row*, 471 U.S. at 563 (recognizing that the amount of expression varies by works).

63. *Harper & Row*, 471 U.S. at 564.

64. After *Harper & Row*, courts began giving too much weight to the unpublished nature of works, which induced Congress to amend § 107. See *supra* note 39.

65. 17 U.S.C. § 107(3) (2012).

66. See *Harper & Row*, 471 U.S. at 564-66; PATRY, *supra* note 48, § 5:1.

67. PATRY, *supra* note 48, § 5:3.

68. *Harper & Row*, 471 U.S. at 565.

69. *Id.*

70. *Id.*

71. *Id.*

72. 17 U.S.C. § 107(4) (2012).

73. *Harper & Row*, 471 U.S. at 588.

74. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994).

75. *Id.* at 592-94.

rap version of the original work.⁷⁶ If the plaintiffs intended on making a rap version of “Oh, Pretty Woman,” then they could have introduced evidence to show the market harm to this derivative market.⁷⁷ Overall, the fourth factor is concerned with whether the defendant’s unrestricted conduct would have an adverse impact on the demand for the plaintiff’s work.⁷⁸

B. Time-shifting, Ad-skipping, and Library-building

In addition to altering the landscape of secondary liability for copyright infringement, *Sony* also held that it is fair use for a Betamax VTR user to record television programming within their home for later viewing, a practice known as time-shifting.⁷⁹ Sony’s VTRs consisted of three components: a tuner, a recorder, and an adapter.⁸⁰ VTR users could use the tuner to tune into a particular channel or station, and then the recording component would make copies of the signals onto a Betamax tape.⁸¹ The adapter converted the signals from the Betamax tape to the television so a user could watch the recordings.⁸² VTRs also had pause and fast forward functions.⁸³ While recording, a user could press and hold the pause button to omit that portion of programming from the recording.⁸⁴ Thus, a user could omit commercials in the recording, “provided, of course, that the viewer is present when the program is recorded.”⁸⁵ The Court did not rule on the legality of ad-skipping, though, because it was far too tedious of a practice at the time to make it a significant threat to the plaintiffs.⁸⁶ Additionally, users could use the fast forward button to rapidly skip advertisements or segments of the recorded programs.⁸⁷ The surveys presented at trial also showed that a vast number of users had accumulated libraries of recordings, but this practice did not prove to be too detrimental because of the transaction costs for the consumer.⁸⁸

76. *Id.* at 572-74.

77. *Id.* at 593-94.

78. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984); *see also* NIMMER, *supra* note 26, § 13.05 [A][4].

79. *Sony*, 464 U.S. at 417.

80. *Id.* at 422.

81. *Id.*

82. *Id.*

83. *Id.* at 423.

84. *Id.*

85. *Id.*

86. *Id.* at 452 n. 36.

87. *Id.* at 423.

88. One witness initially set out to build a library of tapes but the costs of purchasing cassettes proved too expensive. *Id.* at 423 n. 3.

Universal argued that Sony provided the “means” for infringement and that precedent held it should be liable for contributory infringement.⁸⁹ Justice Stevens disagreed and borrowed patent law’s staple article of commerce doctrine, which immunizes a defendant if his or her component or object is capable of substantial noninfringing uses.⁹⁰ The Court thus faced the ultimate question: was the VTR capable of substantial non-infringing uses?⁹¹

The Court found that private, non-commercial time-shifting satisfied its new standard for two reasons.⁹² First, some copyright holders did not object to users making copies of their programs.⁹³ The district court heard testimony from various commissioners of professional sports leagues, educational communications agencies, and people such as Fred Rogers from *Mister Rogers Neighborhood*, who voiced no objections to private copying of their copyrighted programs.⁹⁴ In addition to the authorized copying, the district court also found that use of the VTR could enlarge the total viewing audience.⁹⁵

Second, the Court found that unauthorized time-shifting constituted fair use, thereby making it a non-infringing use.⁹⁶ Applying the first fair use factor, the Court adopted the district court’s finding that time-shifting for private purposes at one’s home was non-commercial in nature.⁹⁷ For the second and third fair use factors, the Court simply stated that “when one considers the nature of a televised . . . work . . . and that time-shifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced . . . does not have its ordinary effect of militating against a finding of fair use.”⁹⁸ On the final inquiry, the potential market effect, the Court stated that for Universal to carry its burden, it had to prove either that time-shifting itself is harmful or, if it became widespread, that it would adversely affect the potential market for Universal’s copyrighted programming.⁹⁹ To show this, Universal did not need to show actual harm; it merely needed to show “*some*

89. *Id.* at 435.

90. *Id.* at 441-42.

91. *Id.* at 442.

92. *Id.*

93. *Id.* at 443-47.

94. *Id.*

95. *Id.* at 443.

96. *Id.* at 454.

97. *Id.* at 449.

98. *Id.*

99. *Id.* at 451.

meaningful likelihood of future harm exists.”¹⁰⁰ With this clarification, the Court reasoned that Universal failed to carry its burden because its predictions of market harm hinged on speculation, and it presented no evidence that it had incurred any actual harm.¹⁰¹

Justice Blackmun dissented, claiming that the Court’s opinion severely altered and ignored the doctrines of fair use and contributory infringement.¹⁰² The fair use doctrine exists to protect productive works that further the policy of copyright law, and time-shifting did not do that.¹⁰³ According to him, the Court misapplied two of the fair use factors while completely ignoring the other two.¹⁰⁴ Specifically, it failed to properly consider the potential market for the copyrighted works by focusing only on the fact that there has been no harm to the copyright holder.¹⁰⁵ Instead, the Court should have focused on the impairment of Universal’s ability to demand compensation for the use of their copyrighted works.¹⁰⁶ The fact that the Betamax VTR created a potential market of “time-shifters” in which the copyright holder had not entered before does not mean Sony can exploit it without compensating the copyright holders.¹⁰⁷

Much has changed since 1984. Sony’s Betamax VTR is a device of the past, and the modern time-shifting device is the DVR.¹⁰⁸ A traditional DVR is comparable to a VTR because it simply records television programming on a hard drive rather than a cassette.¹⁰⁹ But even traditional DVRs are far more than just modern VTRs because the features are augmented, they can split the advertising and content, record a tremendous amount more than a VTR, and various other reasons.¹¹⁰ A primary reason for the enhanced features of the DVR is the switch from analog to digital transmission.¹¹¹ The switch to digital television

100. *Id.*

101. *Id.* at 451-55.

102. *Id.* at 457 (Blackmun, J., dissenting).

103. *Id.* at 485.

104. *Id.*

105. *Id.*

106. *Id.* at 484-85.

107. *Id.* at 485 (citing *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57 (2d Cir. 1980)).

108. *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 123 (2d Cir. 2008).

109. Daniel E. Abrams, Comment, *Personal Video Recorders, Emerging Technology and the Threat to Antiquate the Fair Use Doctrine*, 15 ALB. L.J. SCI. & TECH. 127, 134 (2004).

110. See generally Randal C. Picker, *The Digital Video Recorder: Unbundling Advertising and Content*, 71 U. CHI. L. REV. 205, 206 (2004); Abrams, *supra* note 109, at 134-35; Ned Snow, *The TiVo Question: Does Skipping Commercials Violate Copyright Law?*, 56 SYRACUSE L. REV. 27, 35 (2005).

111. The Federal Communications Commission (FCC) began a mandatory transition from analog to digital transmission in 2006 and completed it in 2012. See Thomas S. Fletcher, Note,

proliferated the availability and use of DVRs. Specifically, between the 2007-2008 and 2010-2011 television seasons, the use of DVRs doubled from 19% to 38%.¹¹²

Although digital television (DTV) offers more features for consumers, it also poses a significant risk of piracy for content owners.¹¹³ Addressing this problem, the Federal Communications Commission (FCC) passed a form of Digital Rights Management called the Broadcast Flag.¹¹⁴ Content providers would be given the ability to “flag” the content they provided, and hardware manufacturers of DTV-related devices were required to include a chip that could detect the flagged content.¹¹⁵ The Broadcast Flag limited what consumers could record with their DTV device.¹¹⁶ Not surprisingly, the Broadcast Flag encountered much controversy.¹¹⁷ The American Library Association filed suit against the FCC, and the court held that the FCC overstepped its authority.¹¹⁸ In response, several representatives introduced the Digital Transition Content Security Act of 2005 to give the FCC the appropriate authority, but the bill died after its introduction into the House.¹¹⁹ The FCC litigation never addressed whether time-shifting of DTV constituted fair use.¹²⁰

Only two other cases have surfaced since *Sony*, and they did not disturb its fair use holding.¹²¹ In *Cartoon Network v. CSC Holdings*, a cable service provider released a remote storage digital video recorder (RS-DVR), which differed from a traditional DVR because it stored recorded copies on Cablevision’s remote server instead of a hard drive in

American Library Ass’n v. FCC: *Charting the Future of Content Protection for Digital Television*, 21 BERKELEY TECH. L.J. 613, 615 (2006); *In re Annual Assessment of the Status of Competition in the Mkt. for the Delivery of Video Programming*, 27 F.C.C. RCD. 8610, 8612 (2012) [hereinafter Annual Assessment]. For the benefits of digital transmission, see Andrew W. Bagley & Justin S. Brown, *The Broadcast Flag: Compatible with Copyright Law & Incompatible with Digital Media Consumers*, 47 IDEA 607, 608 (2007).

112. Annual Assessment, *supra* note 111, at 8613.

113. Bagley & Brown, *supra* note 111, at 608; *see also In Re Digital Broad. Content Prot.*, 18 F.C.C. RCD. 23550, 23552 (2003).

114. Bagley & Brown, *supra* note 111, at 608.

115. *Id.*

116. *Id.*

117. Fletcher, *supra* note 111, at 621-27.

118. Am. Library Ass’n v. Fed. Commc’ns Comm’n, 406 F.3d 689, 708 (D.C. Cir. 2005).

119. Digital Transition Content Security Act of 2005, H.R. 4569, 109th Cong. (2005). *See generally* Jessica L. Talar, Comment, *My Place or Yours: Copyright, Place-Shifting, & the Slingbox: A Legislative Proposal*, 17 SETON HALL J. SPORTS & ENT. L. 25, 44-46 (2007).

120. Bagley & Brown, *supra* note 111, at 609.

121. *See* *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 124 (2d Cir. 2008); *Paramount Pictures Corp. v. RePlay TV*, 298 F. Supp. 2d 921, 923 (C.D. Cal. 2004).

the user's set-top box.¹²² The plaintiffs only alleged direct infringement against Cablevision, not contributory infringement.¹²³ Consequently, the case turned on *who* made the copies: the user or Cablevision.¹²⁴ The Second Circuit held that Cablevision did not meet the volitional conduct threshold to impose direct liability.¹²⁵ The decision did not address whether time-shifting with the RS-DVR constituted fair use.¹²⁶

The second case arose in 2004 when Paramount Pictures sued RePlay TV for offering a DVR with a function that enabled its users to skip commercials.¹²⁷ Users could also send their recordings to other RePlay TV subscribers via high-speed internet connections.¹²⁸ The litigation drained the defendant's bank accounts, causing it to file for bankruptcy.¹²⁹ A third party then purchased the defendant's company and chose not to include the two features at issue in the litigation.¹³⁰ As a result, the court dismissed the case.¹³¹ Around the same time, Congress passed the Family Home Movie Act, which created a copyright infringement exemption for makers of devices that skip obscene or offensive content in motion pictures.¹³² The original version of the statute excluded ad-skipping technologies from the exception.¹³³ However, the Senate opposed this provision and feared that it would create inferences regarding the pending ad-skipping litigation.¹³⁴ Thus, neither the legislature nor the judiciary ever addressed the issue.

In sum, *Sony* held that time-shifting with a VTR is fair use.¹³⁵ Despite technological changes, the legality of time-shifting remains unchallenged because it is assumed *Sony* controls.¹³⁶ By only addressing time-shifting, *Sony* did not expressly decide whether library-building or ad-skipping is considered fair use.¹³⁷ The plaintiffs in *RePlayTV* relied

122. *Cartoon Network*, 536 F.3d at 124.

123. *Id.*

124. *Id.* at 126.

125. *Id.* at 133.

126. *Id.*

127. Complaint at 48, *Paramount Pictures Corp. v. RePlay TV*, 298 F. Supp. 2d 921 (C.D. Cal. 2004) (Civ. No. 01-09358 CAS (Ex)).

128. *RePlay TV*, 298 F. Supp. 2d at 923.

129. Ethan O. Notkin, Note, *Television Remixed: The Controversy over Commercial-Skipping*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 899, 917 (2006).

130. *Id.*

131. *RePlay TV*, 298 F. Supp. 2d at 923.

132. *Id.* at 917.

133. *Id.*

134. *Id.* at 918.

135. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 457 (1984).

136. See Bradley Hamburger, *Digital Video Recorders, Advertisement Avoidance, and Fair Use*, 23 HARV. J.L. & TECH. 567, 576 (2010).

137. See *In re Aimster Copyright Litig.*, 334 F.3d 643, 647 (7th Cir. 2003) (observing that

on this when it brought claims against RePlayTV, but the action did not provide answers.¹³⁸ The legislature had the opportunity to address the issue, but chose to leave it to the courts.¹³⁹ Therefore, the legality of ad-skipping, library-building, and modern time-shifting has yet to be adequately addressed by the judiciary or legislature.

II. STATEMENT OF THE CASE

A. *Facts of the Case*

Fox is one of the four major broadcasting networks in the United States.¹⁴⁰ It comprises over 200 affiliated local broadcast stations that broadcast television programming free of charge to the general public.¹⁴¹ Fox recoups the costs of “free television” by selling advertising spots and by entering into retransmission consent agreements with cable or satellite providers, collectively called multichannel video programming distributors (MVPDs).¹⁴² The advertising sales constitute 90% of Fox’s revenue and enable it to heavily invest in creating, producing, and distributing its programming.¹⁴³ The most valued spot for commercial advertising is during primetime programming.¹⁴⁴ “Primetime” refers to the time when television programming has the highest viewership.¹⁴⁵ Thus, advertisers pay higher prices for commercial advertising during primetime programming because more viewers see it.¹⁴⁶

Fox’s retransmission agreements permit MVPDs to retransmit television programming through their own cable or satellite broadcasting systems.¹⁴⁷ Some agreements may also permit the MVPDs to provide a library of Fox’s previously aired programming and make it immediately accessible to its users.¹⁴⁸ This is commonly called video-on-demand (VOD) services.¹⁴⁹ Fox also licenses its previously aired programming to companies in secondary markets, such as Hulu, Amazon, or iTunes,

time-shifting, ad-skipping, and library-building were at issue in *Sony*, but the Court only held time-shifting was fair use).

138. Notkin, *supra* note 129, at 917.

139. *Id.* at 918.

140. Fox Broad. Co. v. Dish Network L.L.C., 905 F. Supp. 2d 1088, 1092 (C.D. Cal. 2012), *aff’d*, 723 F.3d 1067 (9th Cir. 2013).

141. Complaint, *supra* note 14, at 8.

142. *Id.* at 21-23.

143. Annual Assessment, *supra* note 111, at 8695.

144. See Complaint, *supra* note 14, at 21-23.

145. *Id.* at 22.

146. *Id.*

147. See *id.* at 1.

148. *Id.* at 5.

149. *Id.* at 24.

who then stream the content to their own subscribers.¹⁵⁰

Dish Network is the third largest cable and satellite television provider in the United States with over 14 million subscribers.¹⁵¹ After its purchase of Blockbuster's assets in 2011, it emerged as a competitor in VOD services with its new offering of the Blockbuster@Home service.¹⁵² Dish also released a similar service, the Hopper Whole-Home HD DVR System (the "Hopper"), in March 2012.¹⁵³ The Hopper functions as a combination of a traditional DVR and a VOD service.¹⁵⁴ It resembles a traditional DVR because it allocates a portion of its 2TB hard drive for its users to save programs of their choosing.¹⁵⁵ The remainder of the hard drive is used to store up to 100 hours of primetime programming from the Major Networks.¹⁵⁶ Users can "enable" Primetime Anytime (PTAT) with the click of a button on their remote.¹⁵⁷ Once enabled, users can also specifically select which primetime programming they wish to record.¹⁵⁸ If the user does not predetermine what programming he wishes to record, Dish will record the primetime programming from the Major Networks every night by default.¹⁵⁹ A user may also elect to save the PTAT copies onto the traditional DVR portion of the Hopper within an eight-day period.¹⁶⁰

PTAT is also accompanied with the "AutoHop" feature.¹⁶¹ At the click of a button, a Dish user can eliminate all commercial advertisements in the PTAT recordings.¹⁶² Dish technicians in Wyoming manually view the primetime recordings, mark the start and end times of the commercials, and then transmit an "announcement" file to its subscribers.¹⁶³ In addition to the "announcement" file, Dish has three "beta Hoppers" that test the file for quality assurance purposes.¹⁶⁴ Unlike the common 30-second skip feature on most DVRs, the viewer simply has to enable AutoHop and the recording skips to the next segment of

150. Fox Broad. Co., Inc. v. Dish Network L.L.C., 723 F.3d 1067, 1070 (9th Cir. 2013).

151. *Id.* See also Annual Assessment, *supra* note 111, at 8622.

152. See Complaint, *supra* note 14, at 29.

153. *Fox*, 723 F.3d at 1071.

154. Fox Broad. Co. v. Dish Network, L.L.C., 905 F. Supp. 2d 1088, 1094 (C.D. Cal. 2012).

155. *Id.* at 1095-96.

156. *Id.*

157. *Id.* at 1094.

158. *Id.* at 1072.

159. Fox Broad. Co., Inc. v. Dish Network L.L.C., 723 F.3d 1067, 1071 (9th Cir. 2013).

160. *Id.* at 1072.

161. *Id.*

162. *Id.*

163. *Id.*

164. *Id.*

the program.¹⁶⁵ Dish's Hopper also works with up to three other set-top boxes in the household, called "Joeys."¹⁶⁶ The Joeys can access any of the programs recorded on the Hopper.¹⁶⁷ Moreover, the Hopper works with the "Sling Adapter," which provides its users access to their recorded programs on their computers and mobile devices.¹⁶⁸

B. Procedural History

Shortly after Dish released its AutoHop service in May 2012, Dish filed for a declaratory judgment in New York's Southern District against the Major Networks, stating its services did not infringe or breach its retransmission agreements.¹⁶⁹ Fox simultaneously filed a complaint in the Central District of California alleging that Dish's PTAT and AutoHop features directly and indirectly infringed its copyrights.¹⁷⁰ Specifically, Fox asserted Dish should be liable for contributory copyright infringement.¹⁷¹ The Southern District of New York held that Dish's copyright claim was an improper anticipatory filing and accordingly dismissed it.¹⁷² Meanwhile, in California's Central District, Fox moved for a preliminary injunction to enjoin Dish from the continued operation and offering of its allegedly infringing products and services.¹⁷³ The district court denied the motion, holding that Fox did not show a likelihood of success on its contributory infringement claim because it "failed to circumvent *Sony*."¹⁷⁴ In other words, Dish could not be liable for contributory infringement because its users' conduct did not constitute infringement.¹⁷⁵ Fox appealed to the Ninth Circuit on the ground that the district court failed to appreciate the factual differences between the time-shifting at issue in *Sony* and Dish's PTAT and AutoHop services.¹⁷⁶

165. *Id.*

166. *Id.*

167. *Id.*

168. *Id.*

169. *Fox Broad. Co. v. Dish Network, L.L.C.*, 905 F. Supp. 2d 1088, 1093-94 (C.D. Cal. 2012).

170. Complaint, *supra* note 14.

171. *Id.*

172. *Dish Network, L.L.C. v. Am. Broad. Cos., Inc.*, No. 12 CIV. 4155 (LTS) (KNF), 2012 WL 2719161 (S.D.N.Y. July 9, 2012). In October 2013, the court also dismissed the Major Networks' motion for a preliminary injunction, holding that Dish was likely to succeed on its fair use claim. *Id.*

173. *Fox*, 905 F. Supp. 2d at 1096.

174. *Id.*

175. *See id.*

176. Brief of Plaintiffs-Appellants at 5-7, *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067 (9th Cir. 2013).

C. Decision

The Ninth Circuit affirmed the district court's decision and agreed that *Sony* provided strong guidance.¹⁷⁷ Although *Sony* never ruled on the legality of ad-skipping and library-building, the Ninth Circuit found this immaterial because Fox only owns copyrights in the programming and not the commercials.¹⁷⁸ Thus, the court excluded Dish's AutoHop feature from its fair use analysis because ad-skipping does not implicate Fox's copyright interests.¹⁷⁹

For the first fair use factor, the Ninth Circuit agreed that the purpose and character of PTAT is similar to time-shifting in *Sony*.¹⁸⁰ Next, the court cited *Sony*'s analysis of the second and third fair use factors, without discussing any factual differences between the two cases.¹⁸¹ Finally, the court noted that the potential market harm analysis differed from *Sony* because a secondary market exists in which Fox licenses its programming.¹⁸² However, the court reasoned that Fox and its amici only feared the harm from ad-skipping and not the availability of VOD services.¹⁸³ Although the district court acknowledged that Dish's AutoHop service harmed Fox's ability to negotiate a value and enter into similar licensing agreements for its programming, the appellate court found this harm inapplicable because it addressed a different question in the opinion.¹⁸⁴ The court therefore concluded that the district court did not abuse its discretion in its decision to deny Fox's motion for a preliminary injunction.¹⁸⁵

III. ANALYSIS

The Ninth Circuit affirmed the district court's ruling that Fox failed to establish a likelihood of success on its contributory infringement claim because the user-made PTAT copies qualified as fair use under *Sony*, and therefore there was no infringement for which Dish could be liable.¹⁸⁶ The court severely misconstrued the doctrine of fair use to reach this conclusion.¹⁸⁷ First, it erred by excluding AutoHop and

177. *Fox*, 723 F.3d 1067.

178. *Id.* at 1075.

179. *Id.*

180. *Id.*

181. *Id.* at 1075-76.

182. *Id.* at 1076.

183. *Id.*

184. *Id.*

185. *Id.*

186. *Id.* at 1076.

187. *See infra* Part IV.B.

creating an unprecedented rule. Next, the court conducted an inadequate fair use analysis by ignoring the factual differences between *Sony* and *Fox v. Dish Network* proceedings. This is evident in its analysis of all four fair use factors.¹⁸⁸ If the court had observed the differences, it would not have used *Sony*'s fair use analysis as a crutch in its decision, and it would have found that all four factors weigh against a finding of fair use for Dish.

A. *Exclusion of AutoHop*

The first issue with the Ninth Circuit's fair use analysis is its exclusion of Dish's AutoHop feature.¹⁸⁹ The court held that AutoHop should be excluded from the market harm analysis because it merely skips over portions of the PTAT copies that Fox does not have a copyright interest in.¹⁹⁰ This reasoning is doctrinally unsound and inconsistent with *Sony* and the goals of copyright law.¹⁹¹

Fair use analysis assumes that an unauthorized copy has been made already and focuses on whether the use of that copy is fair.¹⁹² The Ninth Circuit found that Fox presented a *prima facie* case of copyright infringement because Dish users make copies of its programming.¹⁹³ When Dish users make the copies, the commercials are still included.¹⁹⁴ The fact that Dish users enable AutoHop to skip the advertisements is part of the *use* of the infringing copy. The court avoided this conclusion and reasoned that using AutoHop is *not* part of the use because it does not implicate Fox's copyright.¹⁹⁵ In other words, the court reasoned that AutoHop should be excluded from the analysis because it is not copyright infringement in itself.¹⁹⁶ This is backwards reasoning. A *prima facie* case of infringement requires the court to determine what the defendant took that is protected by the copyright holder, and the court already made this finding.¹⁹⁷ The effect of the court's reasoning is an unprecedented rule that excludes certain uses under a fair use analysis if

188. *See infra* Part IV.B.

189. *See Fox*, 723 F.3d at 1075.

190. *Id.*

191. *See supra* Part II.

192. Petition for Rehearing and Rehearing En Banc at 5, *Fox*, 723 F.3d 1067.

193. *Fox*, 723 F.3d at 1074.

194. Commercials are only excluded from the recording if the user enables "AutoHop." *Id.* at 1072.

195. *Id.* at 1075.

196. Petition for Rehearing and Rehearing En Banc, *supra* note 192, at 5.

197. The court stated earlier in its opinion that Fox established a *prima facie* case of infringement. *Fox*, 723 F.3d at 1074.

that use itself is not copyright infringement.¹⁹⁸ This boils down to requiring a second act of copyright infringement for the plaintiff to defeat a fair use defense.¹⁹⁹

If Fox has no copyright interest in the commercials, this fact should be included in the fair use analysis rather than excluded. In *Harper & Row*, the Supreme Court did not exclude the unprotected portions of President Ford's memoir in *Nation's* infringing copy.²⁰⁰ Instead, it distinguished between what was protected and unprotected when discussing the amount and substantiality of the portion used.²⁰¹ Thus, rather than exclude the entire AutoHop function, the Ninth Circuit should have included it for its third factor analysis.

The Ninth Circuit's exclusion of AutoHop is also inconsistent with precedent and the policy of copyright law. The only decision that ever addressed ad-skipping is *Sony*. Although the Ninth Circuit quoted nearly all of *Sony's* fair use analysis, it coincidentally left out the part where *Sony* addressed this.²⁰² The Supreme Court did not believe ad-skipping posed a significant threat to the copyright holders because it was a far too tedious practice with the VTR.²⁰³ The Court did not state, however, that ad-skipping does not implicate the plaintiffs' copyright interests.²⁰⁴

In addition to the Ninth Circuit's inconsistency with *Sony*, its new rule conflicts with the policy of copyright law.²⁰⁵ The Ninth Circuit's new rule broadens the fair use doctrine and makes it nearly impossible to enforce a copyright.²⁰⁶ This renders copyright protection merely symbolic, rather than effective, which is the concern voiced in *Sony*.²⁰⁷ Authors will have no incentive to create if nearly all subsequent uses of their works fall under the Ninth Circuit's new "blanket" rule.²⁰⁸

In sum, the Ninth Circuit incorrectly excluded AutoHop from its fair use analysis. Skipping commercials with AutoHop is a way in which

198. Petition for Rehearing and Rehearing En Banc, *supra* note 192, at 18.

199. *Id.*

200. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 565-66 (1985).

201. *Id.*

202. Petition for Rehearing and Rehearing En Banc, *supra* note 192, at 5 (arguing that *Sony* expressly addressed commercial-skipping).

203. *Sony Corp. of Am. v. City Studios, Inc.*, 464 U.S. 417, 452 n.36 (1984).

204. *Id.*

205. See *supra* note 23 and accompanying text.

206. See Petition for Rehearing and Rehearing En Banc, *supra* note 192 (giving an example of an "Infringing Book of the Month Club" where, even though an individual illegally downloaded a book online, the Ninth Circuit's new rule would treat it as fair use).

207. *Sony*, 464 U.S. at 442.

208. A policy of copyright law is to reward authors for their creative efforts. See *id.* at 477 (Blackmun, J., dissenting). A broad rule that renders nearly all uses of a copyright work to be fair will deter creators if they have no legal mechanism to adequately enforce their rights in their works.

the unauthorized copy is used. By requiring the use to implicate Fox's copyright interests, the Ninth Circuit established an unprecedented rule that is inconsistent with *Sony* and the goals of copyright law.

B. First Fair Use Factor

The Ninth Circuit's analysis under the first fair use factor is flawed for two reasons. First, it failed to address whether the PTAT copies are transformative. The Supreme Court's most recent precedent explicitly states that the central purpose under the first fair use factor is to determine whether the new work is transformative.²⁰⁹ This is the dominant test used by courts, and interestingly enough it parallels the "productive" inquiry espoused by Justice Blackmun in his dissent in *Sony*.²¹⁰ Thus, the Ninth Circuit ignored Supreme Court precedent that has reasoning contrary to the rationale in *Sony*. The second issue is the Ninth Circuit equating Dish's PTAT service to Sony's VTR, reasoning that it is likewise used for time-shifting and non-commercial purposes.

1. The PTAT Copies are Not Transformative

The PTAT copies are not transformative. A work is transformative if it adds new expression, meaning, or character to the work.²¹¹ Referencing the PTAT copies, the court expressly recognized that "the program content is not altered in any way."²¹² The only difference between Fox's original broadcast programming and the PTAT copy is the medium in which it is embodied, and courts consistently hold that this is not transformative.²¹³ Moreover, the district court held that Dish's quality assurance copies are non-transformative.²¹⁴ Since there is no difference between the quality assurance copies and the PTAT copies for Dish's users, it follows that the court would likely find them to also be non-transformative.²¹⁵

209. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578-79 (1994).

210. *See* PATRY, *supra* note 48, § 3:9; Murray, *supra* note 52.

211. *Campbell*, 510 U.S. at 579.212. *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1072 (9th Cir. 2013).

212. *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1072 (9th Cir. 2013).

213. *See* *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001) (noting that courts are "reluctant to find fair use when an original work is merely retransmitted in a different medium"); *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 108 (2d Cir. 1998) (reasoning that the defendant's retransmission of a radio broadcast leaves the original broadcasts unchanged); *UMG Recordings, Inc. v. MP3.Com, Inc.*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) (holding that converting CDs into MP3 files is insufficient to be transformative).

214. *Fox Broad. Co. v. Dish Network, L.L.C.*, 905 F. Supp. 2d 1088, 1103 (C.D. Cal. 2012), *aff'd*, 723 F.3d 1067 (9th Cir. 2013).

215. After Dish's technicians mark the files, they send an announcement to Dish's users with a

A defendant's use can also be transformative when it serves a different function than the original work.²¹⁶ However, the PTAT copies are used for the same entertainment purposes as the original broadcast.²¹⁷ This conclusion could be avoided if Dish's users also used the programming for commentary or criticism purposes, but as the court recognized, the program content is not altered in any way.²¹⁸ It can be argued that once AutoHop is enabled, Dish users alter the work by eliminating the commercials. Yet in reality this is merely trimming the insignificant parts while maintaining the most essential parts of the programming, which is non-transformative.²¹⁹

To summarize, it is probably not an accident that the Ninth Circuit neglected to address whether the PTAT copies are transformative. It is unlikely Dish could convince the court that the PTAT copies satisfy this standard. Dish users do not alter the content of Fox's programming in any manner, and the copies surely do not further the ultimate goal of promoting the progress of science and useful arts. If the court considered whether the PTAT copies were transformative, it would undoubtedly weigh against a finding of fair use.

2. PTAT is Not Used for Time-shifting

The district court found that Dish users' PTAT copies were used for time-shifting purposes.²²⁰ The Ninth Circuit adopted this finding and reasoned that since *Sony* held such a use is noncommercial, Dish's PTAT service must likewise be noncommercial.²²¹ A closer look at the facts of *Sony* and *Fox v. Dish Network* shows that PTAT is not as comparable to Sony's VTR as the court purported it to be. Moreover, the purpose of the PTAT is more akin to library-building rather than time-shifting, and it is more commercial in nature than the VTR.

The modern version of time-shifting is arguably done with a traditional DVR. This is because users can select the programming they wish to watch at a later time and simply record it on a hard drive rather

copy of the file. *Fox*, 723 F.3d at 1072.

216. Murray, *supra* note 52, at 276.

217. Cf. *Fox*, 723 F.3d at 1078 (PTAT "is 'similar,' even though not exactly the same, as time-delayed or video-on-demand programming").

218. See *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1178 (9th Cir. 2013) (ruling that the band Green Day's use of the plaintiff's copyrighted image in its music video was transformative for its commentary purposes on Christianity).

219. *Folsom v. Marsh*, 9 F. Cas. 342, 345 (C.C.D. Mass. 1841).

220. *Fox Broad. Co. Inc. v. Dish Network, L.C.C.*, 905 F. Supp. 2d 1088, 1098 (C.D. Cal. 2012), *aff'd*, 723 F.3d 1067 (9th Cir. 2013).

221. *Fox*, 723 F.3d at 1075.

than Betamax.²²² There are obvious differences between a DVR and Sony's VTR, but these differences have not been litigated because it is assumed that use of the traditional DVR is still protected under *Sony*.²²³ Although Dish's Hopper HD DVR system has a traditional DVR segment, Fox chose not to object to its use.²²⁴ If it did make such an argument, *Sony* would most likely control. Instead, Fox takes issue with PTAT and AutoHop because they equate to library-building and ad-skipping, rather than time-shifting.²²⁵

To demonstrate how PTAT mirrors library-building, it is necessary to show how the reason for making PTAT copies is not equivalent to the time-shifting purpose in *Sony*. In *Sony*, the Court defined time-shifting as "the practice of recording a program to view it *once* at a *later time*, and thereafter *erasing* it."²²⁶ The Court further stated that time-shifting is when an *individual* records a program he cannot view as it is being televised so he can watch it at a later date.²²⁷ This definition does not correspond with the use of PTAT for various reasons. First, Dish users do not need the foresight to select which program they want to watch at a later time; VTR users had to set the tuner to the channel they wished to record.²²⁸ Also, Dish users do not need to select which programming they wish to record.²²⁹ Instead, they simply enable PTAT, and all primetime programming from the four Major Networks is recorded in perpetuity.²³⁰ The advertising and name of PTAT itself show that PTAT is not merely a system used to shift programming that the user intends to watch at a later date.²³¹ Instead, it is used to create an instantaneous library of programming to be accessed at "anytime."²³²

222. *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 123 (2d Cir. 2008). *But see* Picker, *supra* note 110, at 206 (claiming that the DVR "is much more than just a souped-up VCR").

223. *See Fox*, 723 F.3d at 1074.

224. Complaint, *supra* note 14, at 3.

225. *Fox*, 723 F.3d at 1075.

226. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 423 (1984) (emphasis added).

227. *Id.* at 421.

228. *Id.* at 422-23.

229. By default, PTAT records programming on all four major networks every day of the week. *Fox Broad. Co. Inc. v. Dish Network, L.C.C.*, 905 F. Supp. 2d 1088, 1095 (C.D. Cal. 2012), *aff'd* 723 F.3d 1067 (9th Cir. 2013).

230. *Id.*

231. When Dish first released PTAT, it expressly stated that PTAT creates an on-demand library of up to 100 hours of programming. *See* Press Release, DISH Network, L.L.C., Hopper Whole-Home HD DVR System Now Available From DISH (Mar. 15, 2012), available at DISH, <http://about.dish.com/press-release/products-and-services/hopper-whole-home-hd-dvr-system-now-available-dish>.

232. If a Dish subscriber connects the Hopper with a Sling Adapter, he or she can watch his or

Another distinction is that Dish users can record up to four programs at once because of the multiple tuners and satellite transponder.²³³ A VTR user could record only one program at a time.²³⁴ This technological limitation is consistent with the definition of time-shifting because it recorded the program the VTR user was unable to view at the time of broadcast. The Hopper is equipped with multiple tuners and a satellite transponder that enables users to simultaneously record the primetime programming from the four Major Networks.²³⁵ The result is that Dish users are not time-shifting *a program* they would have watched. Instead, they are time-shifting *programs*. It is also impractical to equate the VTR with Dish's PTAT because when VTR users set their tuners, they were also able to watch the original broadcast.²³⁶ Dish users are not practically able to watch programming on the Major Networks simultaneously.²³⁷ Moreover, after watching the PTAT copies, a Dish user can elect to save them on the traditional DVR segment of the Hopper.²³⁸ Thus, users do not record the program and thereafter *erase* it.

A final distinction is the level of involvement that Dish has with the PTAT process. The PTAT process involves more than an *individual* time-shifting a program to watch at a later time.²³⁹ Dish provides the programming, sends its subscribers the links for the PTAT copies, and has an ongoing relationship with its customers.²⁴⁰ Dish also has the capability to determine the availability of programming.²⁴¹ In *Sony*, the defendants did not maintain contact with the VTR users and had no control over what the users did with its product.²⁴² The plaintiffs in *Sony* never alleged that Sony had involvement in the copying process.²⁴³ The

her primetime programming on a computer, tablet, or phone, even away from home. *Id.*; see also *Hopper DVR*, DISH, <http://www.dish.com/technology/hopper/> (last visited Jan. 12, 2015).

233. *Fox*, 905 F. Supp. 2d at 1094.

234. Betamax users could only watch one live broadcast while recording another for later viewing. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 422 (1984).

235. *Fox*, 905 F. Supp. 2d at 1094.

236. *Sony*, 464 U.S. at 422.

237. *Fox*, 905 F. Supp. 2d at 1094.

238. PTAT copies are automatically deleted after eight days. *Id.* Dish users can avoid this by making copies to save in their "My Recordings" folder. *Id.*

239. *Sony*, 464 U.S. at 421.

240. In fact, the district court observed how Dish had a closer relationship with its subscribers than the defendants in *Cablevision*. *Fox*, 905 F. Supp. 2d at 1101.

241. Dish can change the start and end times of primetime programming to fall outside the regular primetime timeframe. See *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1071 (9th Cir. 2013).

242. See *Sony*, 464 U.S. at 420.

243. On appeal, the Court only considered whether Sony could be held liable for the alleged copyright infringement done by Betamax users. *Id.* at 420.

fact that Dish's involvement in the copying process is being litigated highlights the difference between the two defendants. Even if the volitional conduct argument is ignored, the fact that Dish provides the programming to the user and has the technological capability to maintain contact with its users undeniably shows that it has more involvement with the copying process than the defendant in *Sony*.²⁴⁴ In short, this level of involvement is significant because it is more than an *individual* recording a program to be viewed at a later time.

If the purpose of PTAT is not comparable to the traditional DVR and is not equivalent to the time-shifting discussed in *Sony*, this begs the question – what is it comparable to? Library-building. Justice Blackmun defined library-building as the practice of recording a program and keeping it for repeated viewing over a longer period of time.²⁴⁵ Thus, it differs from time-shifting because it is not immediately erased. Once PTAT is enabled, the copies are saved for eight days.²⁴⁶ The eight-day limitation is misleading, though, because users can save the individual copies to the traditional DVR segment of the Hopper.²⁴⁷ The obvious counterpoint is that, just because Dish users have that capability, it does not necessarily mean they are utilizing it. For instance, VTR users did not library-build because of the associated costs.²⁴⁸ However, the threat of library-building is much more imminent with PTAT because the costs and ease of library-building are substantially different.²⁴⁹ Thus, it is more likely that Dish users engage in library-building.

Most importantly, the underlying purpose of PTAT is similar to library-building. The purpose of collecting a library of recordings is for the convenience of having a wide selection of programs to choose from. Once PTAT is enabled, it records the Major Networks' primetime programming on a daily basis, ultimately amassing a library of up to 100

244. The volitional conduct doctrine is used to determine whether a party exercises a sufficient degree of conduct to hold him directly liable instead of indirectly liable. *See* *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008) (reasoning that Cablevision merely made the copying option available to its users, therefore not possessing a sufficient degree of volitional conduct to be directly liable). *See also* *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs.*, 907 F. Supp. 1361, 1370 (N.D. Cal. 1995) (claiming that there should be some element of volitional conduct to hold a party directly liable); *CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 556 (4th Cir. 2004) (holding that the defendant's short screening process was only cursory and insufficient to hold it directly liable).

245. *Sony*, 464 U.S. at 459 (Blackmun, J., dissenting).

246. *See Hopper DVR*, *supra* note 232.

247. *Id.*

248. One witness testified that he bought Sony's VTR with the intention of building a library, but it proved to be too expensive. *Sony*, 464 U.S. at 423 n.3.

249. For instance, a Dish subscriber simply has to select "enable" at no additional cost, and PTAT records up to 100 hours of programming. *See* *Complaint*, *supra* note 14, at 2.

hours of programming.²⁵⁰ This is because users record four channels at once.²⁵¹ The result is that Dish users have over 100 hours of primetime programming to choose from.²⁵² Put another way, they are not watching a program they recorded for later viewing, but choosing from a plethora of recordings.

In sum, there are various differences between *Sony* the Ninth Circuit's characterization of a Dish subscriber's use of PTAT for time-shifting purposes. This distinction is significant because *Sony* deemed time-shifting a fair use and not library-building. Thus, treating the use of PTAT as library-building should make *Sony* less influential in the fair use analysis.

3. PTAT Copies are More Commercial than Time-shifting in *Sony*

There are factual differences that render the purpose of copying Fox's primetime programming more commercial in nature than the time-shifting present in *Sony*. Dish users do not sell the PTAT copies to the public and neither did *Sony*'s VTR users.²⁵³ Because of this similarity, the Ninth Circuit reasoned that the use is equally as noncommercial.²⁵⁴ This is a misconception of the profit/nonprofit distinction. In *Harper & Row*, the Supreme Court clarified this inquiry and stated that the Court should not focus on whether the defendant's sole motive is monetary gain, but rather whether the defendant stands to gain from exploiting the copyrighted material without paying the customary price for it.²⁵⁵ Subsequent cases also hold that an infringer does not need to directly benefit.²⁵⁶ Rather, commercial use can be shown when an individual makes copies to avoid the expense of purchasing lawful copies.²⁵⁷

This clarification further shows how the Ninth Circuit's analysis is flawed. At the time of *Sony*, no secondary market existed for the copyright holder's works, and therefore VTR users did not avoid paying the customary price for their recordings.²⁵⁸ The Ninth Circuit even acknowledged this fact later in its opinion.²⁵⁹ The present litigation

250. *Id.*

251. By default, PTAT records the programming from all four networks every night. *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1071 (9th Cir. 2013).

252. *See* Complaint, *supra* note 14, at 2.

253. *See Fox*, 723 F.3d at 1075; *Sony*, 464 U.S. at 425.

254. *Fox*, 723 F.3d at 1075.

255. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985).

256. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001).

257. *Id.*

258. *Fox*, 723 F.3d at 1076.

259. *Id.*

differs from *Sony* because a secondary market does exist.²⁶⁰ Dish's users avoid paying this customary price by recording Fox's primetime programming through PTAT. Thus, Dish users gain by not paying the customary price for Fox's programming.

Another distinction to be drawn between the two cases is the exploitative nature of the use. Even if a use is commercial, it is given less weight when it is incidental rather than exploitative.²⁶¹ For instance, a search engine that reproduces copyrighted images is only incidentally commercial when it is not using the images to promote its website or profiting from them.²⁶² An example of exploitative use is the repeated and widespread sharing of music files.²⁶³ The use of PTAT more closely resembles the widespread sharing of music files.²⁶⁴ Once PTAT is enabled, Dish users record Fox's programming on a daily basis for as long as they desire.²⁶⁵ As previously stated, the time-shifting in *Sony* involved a user that recorded a single program who then viewed it once.²⁶⁶ Given this difference, Dish's PTAT appears to be more exploitative than the use of Sony's VTR.

The discussion above illustrates the many errors in the Ninth Circuit's analysis of the first fair use factor. The Supreme Court's most recent fair use decision directs the court to consider the transformative nature of the defendant's use.²⁶⁷ It is not coincidental that the Ninth Circuit ignored this factor because Dish users do not alter the programming in any manner. There are significant factual differences between Sony's VTR and Dish's PTAT that render the use of PTAT more akin to library-building rather than time-shifting, but the court failed to acknowledge this.

The more transformative a work is, the less significant other factors are, such as commercialism.²⁶⁸ The inverse is also true: the less transformative a work is, the more important other factors become, such as commercialism.²⁶⁹ Although Dish users do not sell the PTAT copies, the use appears to be more commercial in nature than the use of Sony's

260. Fox licenses its primetime programming with and without commercials to companies such as Hulu, who then offer it to their subscribers for a fee. *Id.* at 1070.

261. *See Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818 (9th Cir. 2003).

262. *Id.*

263. *See A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001).

264. *See id.*

265. Once PTAT is enabled, Dish records the primetime programming from the Major Networks every weekday. *Fox*, 723 F.3d at 1071.

266. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 423 (1984).

267. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994).

268. *Id.*

269. *See id.*

VTR. The court's errors collectively show that the first fair use factor should have weighed against a finding of fair use.

C. Second and Third Fair Use Factor

The Ninth Circuit purported to apply the second and third use factors by quoting verbatim the *Sony* Court's one-sentence analysis of those factors.²⁷⁰ This is the most troubling of the court's opinion because *Sony* "all but ignores" these factors.²⁷¹ The bare analysis for both factors in *Sony* can be found within one sentence of the decision, where Justice Stevens stated:

[W]hen one considers the nature of a televised . . . work . . . and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced . . . does not have its ordinary effect of militating against a finding of fair use.²⁷²

Considering the more recent Supreme Court decisions and factual differences between *Sony* and *Fox v. Dish Network*, these factors should also weigh against a fair use finding.

1. Second Fair Use Factor

The second factor directs the court to consider the "nature of the copyrighted work."²⁷³ This includes recognizing whether the works are close to the core of copyright protection.²⁷⁴ There is a greater need to disseminate factual works compared to fictional works.²⁷⁵ As a result, a court is more likely to find the use of factually based works to be fair.²⁷⁶ To the contrary, a court is less likely to consider the use of a creative work to be fair because there is a greater need to protect them.²⁷⁷ The Court in *Sony* explicitly recognized that copyrighted material with broad potential secondary markets, such as motion pictures, deserve more protection than news broadcasts.²⁷⁸ Fox's programming is comparable to motion pictures and fictional short stories. Shows such as *Family Guy* and *Bones* are purely fictional and do not convey newsworthy

270. *Fox*, 723 F.3d at 1075.

271. *Sony*, 464 U.S. at 496 (Blackmun, J. dissenting).

272. *Id.* at 449 (majority opinion).

273. 17 U.S.C. § 107(2) (2012).

274. *Campbell*, 510 U.S. at 586.

275. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563, 588 (1985).

276. *Id.*

277. *Id.*

278. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984).

information for which there is a public need.

The fact that Fox's primetime programming is close to the core of copyright protection differs from *Sony*. First, Sony addressed whether it was infringement for a VTR user to record television programming in general.²⁷⁹ The testimony at trial included representatives from professional sports leagues, educational institutions, and religious organizations.²⁸⁰ The Court also acknowledged that some televised works did not have copyright protection.²⁸¹ The plaintiffs' own copyrights comprised of about 9-10% of the entire spectrum of television programming in question.²⁸² Fox's primetime programming is the only television programming at issue in the current litigation, and therefore, its works consist of 100% of the programming in question rather than 9-10%.²⁸³ Since Fox's primetime programming is close to the core of copyright protection and does not include educational programming, noncopyrighted works, or religious programming, this factor should weigh more in favor of Fox than it did for the plaintiffs in *Sony*.

The Ninth Circuit also failed to consider the "primetime" nature of Fox's programming. As *Harper & Row* recognized, a copyright holder has an interest in the creative control of its copyrighted work.²⁸⁴ This interest includes the choices of when, where, and in what form the work is offered.²⁸⁵ Fox offers its copyrighted works, such as *Glee*, *Bones*, and *Family Guy*, during the primetime hours because it captures the largest viewing audience.²⁸⁶ By making the PTAT copies, users undercut Fox's legitimate interest in controlling when, where, and how the primetime programming is viewed.²⁸⁷ If the copyright holder of an unpublished memoir has an interest in controlling when it is published, then the copyright holder of television programming should likewise have an interest in controlling when it is viewed.²⁸⁸

2. Third Fair Use Factor

The third factor, "the amount and substantiality of the portion used

279. *Id.* at 421.

280. *Id.* at 424.

281. *Id.* at 433.

282. *Id.* at 443.

283. *Fox*, 723 F.3d at 1070-71.

284. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985).

285. *Id.*

286. See Complaint, *supra* note 14, at 1.

287. Dish's advertisements claim that users can watch programming "on the go" and on smart phones, computers, tablets, and televisions. See *Hopper DVR*, *supra* note 232.

288. See *Harper & Row*, 471 U.S. 539.

in relation to the copyrighted work as a whole,” weighs against a finding of fair use.²⁸⁹ This factor includes a qualitative and quantitative consideration, and both favor Fox’s cause.²⁹⁰ For the quantitative part, courts generally disfavor a finding of fair use when a user copies a work in its entirety.²⁹¹ It is undisputed that Dish users copy Fox’s entire primetime programming.²⁹² This is true whether or not AutoHop is included in the analysis, because as the court stated, Fox does not own the copyright to the commercials.²⁹³ Thus, at first glance this factor should weigh in favor of Fox. The flaw to this argument is that the extent of permissible copying also varies with the purpose of the use in question.²⁹⁴ For example, if a plaintiff owns the copyright to a photograph and the defendant copies it for news-reporting purposes, the fact that he copied the photograph in its entirety does not have the ordinary effect of weighing against fair use because the picture would not have been identifiable if he only copied a portion of it.²⁹⁵ This is the same reasoning used in *Sony* when the Court held that copying a program in its entirety does not have the ordinary effect of militating against a finding of fair use because the purpose of time-shifting itself is to watch the entire program.²⁹⁶

According to this reasoning, it would seem that *Sony* controls and that the court should excuse the wholesale copying of Fox’s programming. However, courts excuse wholesale copying when the purpose or character of the use is transformative.²⁹⁷ The Supreme Court recognized this in *Campbell* when it excused the amount taken by 2 Live Crew because of the transformative nature of parody.²⁹⁸ Thus, the Supreme Court’s more recent jurisprudence holds that the amount taken will generally not weigh against a finding of fair use if that use is transformative.²⁹⁹ Because *Sony* predated *Campbell*, its reasoning is not applicable because the Court had yet to adopt the transformative test.³⁰⁰ Accordingly, the fact that users copy all of Fox’s programming should not have its ordinary effect of militating against a fair use finding if the

289. See 17 U.S.C. § 107(3) (2012).

290. See *Harper & Row*, 471 U.S. at 564-66; PATRY, *supra* note 48, § 5:1.

291. PATRY, *supra* note 48, § 5:3.

292. *Fox*, 723 F.3d at 1074.

293. *Id.*

294. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586-87 (1994).

295. See *Núñez v. Caribbean Int’l News Corp.*, 235 F.3d 18, 24 (1st Cir. 2000).

296. *Sony Corp. of Am. v. City Studios, Inc.*, 464 U.S. 417, 449 (1984).

297. See, e.g., *Campbell*, 510 U.S. at 594.

298. *Campbell*, 510 U.S. at 586-87.

299. *Id.*

300. See *Sony*, 464 U.S. 417; *cf. Campbell*, 510 U.S. 569.

copying is transformative, and as discussed above, there is barely an argument that the PTAT copies are transformative.³⁰¹

The qualitative aspect also weighs against a finding of fair use. Since Dish users copy the entire programming, it cannot be seriously argued that they do not take the “heart” of the work.³⁰² This argument is even stronger if AutoHop is considered in the analysis because the “heart” of the work is the programming without the commercials.³⁰³ Once AutoHop is enabled, Dish users are left with a copy that only consists of the programming and not the commercials they wish to avoid.³⁰⁴ With AutoHop enabled, the PTAT copy becomes a condensed version of the most valuable parts of the programming, and the Supreme Court has recognized this as weighing against fair use since 1841.³⁰⁵

As shown, the Ninth Circuit wrote off the second and third fair use factors by simply quoting *Sony*.³⁰⁶ This is improper because the nature of the works in question is more creative than the works in *Sony*. This is because only Fox’s primetime programming is at issue rather than the entire spectrum of television programming. The third factor should also weigh against a finding of fair use because the entire work is copied and the use is not transformative. Overall, both factors should weigh against a finding of fair use.

D. Fourth Fair Use Factor

The fourth factor requires the court to determine “the effect of the use upon the potential market for or value of the copyrighted work.”³⁰⁷ When a subsequent user copies the work in its entirety, it acts as a market substitute of the original.³⁰⁸ On the other hand, a transformative use does not necessarily act as a market substitute and instead reaches the derivative markets.³⁰⁹ As discussed, the PTAT copies are neither transformative nor altered in any manner.³¹⁰ Therefore, analysis of the derivative markets is not necessary, and the analysis should focus on

301. See discussion *supra* Part IV.B.1.

302. See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 565 (1985) (reasoning that *Nation* took the heart of President Ford’s memoirs).

303. See *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067, 1072 (9th Cir. 2013).

304. *Id.*

305. See generally *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841).

306. See *Fox*, 723 F.3d at 1070.

307. 17 U.S.C. § 107(4) (2012).

308. In *Campbell*, the Court stated that *Sony*’s discussion of a market harm presumption makes sense in the context of verbatim copying because it acts as a market replacement. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 591 (1994).

309. *Id.*

310. See discussion *supra* Part IV.B.

whether the PTAT copies harm the market for Fox's primetime programming instead of derivative markets.

The court's error in this section of the opinion is not because of its reliance on *Sony* and its failure to address factual differences. Instead, the error of the court's analysis lies in its misapplication of the facts. The Ninth Circuit reasoned that the copies do not harm the market because Fox does not charge additional fees for MVPDs to offer VOD services, so long as providers disable fast-forwarding features.³¹¹ Therefore, the court inferred that only ad-skipping caused the market harm.³¹² This is contrary to the district court's finding that Dish's quality assurance copies cause market harm.³¹³ The Ninth Circuit dismissed this finding however, because it addressed a different question in the opinion.³¹⁴

The unrestricted and widespread copying of Fox's primetime programming surely impairs the market for Fox's programming. The court disagreed because it only focused on the ad-skipping aspect.³¹⁵ The record amply demonstrates that Fox licenses its primetime programming to providers in the secondary market, both with and without commercials.³¹⁶ The licensees enter into the agreements because they receive the value of the primetime programming and are able to generate revenue by offering it to its own users.³¹⁷ The demand for primetime programming in the secondary market will diminish if those users can get the programming without paying any additional cost.³¹⁸ With declining demand, what incentive would secondary market licensees have to enter into agreements with Fox? Moreover, if the approximately 13.5 million Dish users³¹⁹ can save whole seasons of primetime television on their DVR, the value of the season box sets sold at retail stores is severely diminished.

311. *Fox*, 723 F.3d at 1076.

312. *Id.*

313. *Fox Broad. Co. Inc. v. Dish Network, L.C.C.*, 905 F. Supp. 2d 1088, 1105 (C.D. Cal. 2012), *aff'd*, 723 F.3d 1067 (9th Cir. 2013).

314. *Id.*

315. The court concluded that only ad-skipping caused market harm and not the time-shifting or library-building. *Fox*, 723 F.3d at 1076.

316. Hulu Plus subscribers can watch Fox's programming in a reduced-commercial format, while iTunes and Amazon users can purchase the programming commercial-free. *Fox*, 905 F. Supp. 2d at 1105.

317. For instance, Hulu subscribers need to pay a subscription fee in order to watch the programming. *Id.*

318. In fact, Dish's Vice President stated that its subscribers will not need Hulu after it releases PTAT. Complaint, *supra* note 14, at 32.

319. *Our Mission*, DISH, <http://about.dish.com/company-info> (last visited Jan. 12, 2015).

IV. CONCLUSION

The *Fox v. Dish Network* litigation touches the homes of the majority of American consumers. But when put in perspective, this decision is only a fragment of the crumbling broadcasting industry's problems as *American Broadcasting Cos. v. Aereo, Inc.* comes before the Supreme Court and blackouts over retransmission consent agreement disputes become commonplace.³²⁰ Nevertheless, the *Fox v. Dish Network* litigation has the potential to address the legality of modern time-shifting, ad-skipping, library-building, and even the ambiguous contributory infringement doctrine.

Unfortunately, the Ninth Circuit's decision does not necessarily answer those questions. If anything, the court obfuscated matters by excluding AutoHop from its fair use analysis. Moreover, the court's fair use analysis is ignorant of the Supreme Court's most recent precedent and fact specific nature of the fair use doctrine.³²¹ Had the Ninth Circuit conducted a more in-depth analysis, it would have found that Dish did not present a viable fair use defense to Fox's contributory infringement claim.

Critics of this conclusion claim that this would subject innocent consumers to liability for copyright infringement. This is not accurate. The purpose of the analysis in *Fox v. Dish Network* is to determine whether Fox has a viable claim of contributory copyright infringement against Dish Network for offering its PTAT and AutoHop service. If the court had found that use of the PTAT copies is not fair use, then Dish could be held liable for contributory infringement. Such a decision would prevent MVPDs like Dish from offering instruments of widespread infringement in the first place. Even if these services are still offered, fair use is to be decided on the facts and circumstances of each case. The fair use analysis above involved a generalization of all Dish users. An individual Dish user would only be subject to liability if warranted under the particular facts.

In the end, fair use is a policy decision left to the courts. There are no bright line rules and, accordingly, no clear-cut answers. But this does not divest the courts of their obligation to conduct a fact-specific analysis to reach a conclusion. The discussion above illustrates that the Ninth Circuit failed to do this. Many argue that the consequences of *Fox v. Dish Network* are inevitable and that the broadcasting industry must adapt its business model accordingly. But if the business model of the broadcasting industry is to change, it should be by the invisible hand of

320. See *supra* note 12.

321. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

capitalism, and not by a cursory fair use analysis.