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

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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. In Fox Broadcasting Co., Inc. v. Dish Network L.L.C. 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. 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. 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. At the center of the dispute was what the industry is paying for retransmission rights. Although CBS was asking for a 600% increase in retransmission fees, its demands were in sync with the rest of the industry. 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. Time Warner and CBS compromised in early September 2013, but such disputes are


1. See infra Part III.
3. See infra Part III.
4. See infra Part II.C.
6. Lafayette, supra note 5.
7. Id.
8. Id.
commonplace in the industry. 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. This tension in the industry also grabbed Congressional attention. 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.

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.” The litigation is over Dish’s “Hopper” HD DVR system and Primetime Anytime (PTAT) service. PTAT includes “AutoHop,” an ad-skipping service that eliminates all commercials from primetime programming. By skipping over the commercials in the Major Networks’ programming, Dish’s AutoHop undercuts the value of those commercials to advertisers. 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.

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.
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.

21. See infra Part IV.
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. Contributory copyright infringement is a form of liability imposed to hold one liable for the infringing conduct of another when the circumstances warrant it. Dish asserted that the use of PTAT by its users is fair use, which is an affirmative defense to a copyright infringement claim. Because the Ninth Circuit agreed with Dish, Fox failed on its contributory copyright infringement claim; therefore, no infringement liability remained. 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.
landmark Sony decision from 1984.\textsuperscript{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.\textsuperscript{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.\textsuperscript{31}

\textbf{A. Fair Use}

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

Before the Act, courts applied fair use as an equitable rule of reason tailored to the particular facts of each case.\textsuperscript{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.\textsuperscript{38} Except for a minor change in 1992, Congress continues to have little involvement in the application of the fair use doctrine.\textsuperscript{39}

\begin{itemize}
  \item 29. See infra Part IV.
  \item 30. See Sony, 464 U.S. at 442-56.
  \item 31. See infra Part II.B.
  \item 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).
  \item 34. 17 U.S.C. § 107 (2012).
  \item 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).
\end{itemize}
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. Because fair use depends on the facts of each case, no clear definition has ever emerged. 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.

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. However, the profit/nonprofit distinction has minimal utility. The Supreme Court’s original position was that every commercial use is presumptively unfair. This is problematic because nearly every use, including the examples in § 107’s preamble, is for profit. 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. 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.

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

41. See Sony, 464 U.S. at 475-76 (Blackmun, J., dissenting).
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.
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. 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. Also, the more transformative a use is, the less significant other factors are, such as its commercial nature.

The second fair use factor directs the court to consider “the nature of the copyrighted work.” This factor recognizes that some works are more deserving of copyright protection than others. A common approach is to differentiate between factual and entertainment works. The scope of fair use is greater for factual or informative works because they “lend themselves to productive uses by others.” The subsequent use of informative works also furthers the policy of copyright law by disseminating information to the public. 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. However, the distinction between informative and entertainment works is not dispositive, and it should not be given much weight.


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.
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).
59. *Sony*, 464 U.S. at 496-97 (Blackmun, J., dissenting).
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.\textsuperscript{63} But the unpublished nature of a work is only one factor to consider, and it should not preclude a finding of fair use.\textsuperscript{64}

Third, the court must consider “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”\textsuperscript{65} This factor has both a quantitative and qualitative component.\textsuperscript{66} The copying of an entire program militates against a finding of fair use.\textsuperscript{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.\textsuperscript{68} For instance, in Harper & Row, the defendant copied and published a portion of President Ford’s unpublished manuscript.\textsuperscript{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.”\textsuperscript{70} The Supreme Court held that this factor did not favor a finding of fair use.\textsuperscript{71}

Finally, and perhaps the most critical, is the “effect of the use upon the potential market for or value of the copyrighted work.”\textsuperscript{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.\textsuperscript{73} But this analysis also includes consideration of the potential markets that a copyright holder would generally develop.\textsuperscript{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.\textsuperscript{75} However, 2 Live Crew’s parody was a
rap version of the original work. 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. 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.

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. Sony’s VTRs consisted of three components: a tuner, a recorder, and an adapter. 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. The adapter converted the signals from the Betamax tape to the television so a user could watch the recordings. VTRs also had pause and fast forward functions. While recording, a user could press and hold the pause button to omit that portion of programming from the recording. Thus, a user could omit commercials in the recording, “provided, of course, that the viewer is present when the program is recorded.” 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. Additionally, users could use the fast forward button to rapidly skip advertisements or segments of the recorded programs. 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.

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].
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. 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. The Court thus faced the ultimate question: was the VTR capable of substantial non-infringing uses?

The Court found that private, non-commercial time-shifting satisfied its new standard for two reasons. First, some copyright holders did not object to users making copies of their programs. 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. In addition to the authorized copying, the district court also found that use of the VTR could enlarge the total viewing audience.

Second, the Court found that unauthorized time-shifting constituted fair use, thereby making it a non-infringing use. 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. 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.” 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. 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 445.
97. Id. at 449.
98. Id.
99. Id. at 451.
meaningful likelihood of future harm exists.** 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)).
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

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


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

115. Id.

116. Id.

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


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

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

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. Users could also send their recordings to other RePlay TV subscribers via high-speed internet connections. The litigation drained the defendant’s bank accounts, causing it to file for bankruptcy. A third party then purchased the defendant’s company and chose not to include the two features at issue in the litigation. As a result, the court dismissed the case. 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. The original version of the statute excluded ad-skipping technologies from the exception. However, the Senate opposed this provision and feared that it would create inferences regarding the pending ad-skipping litigation. Thus, neither the legislature nor the judiciary ever addressed the issue.

In sum, *Sony* held that time-shifting with a VTR is fair use. Despite technological changes, the legality of time-shifting remains unchallenged because it is assumed *Sony* controls. By only addressing time-shifting, *Sony* did not expressly decide whether library-building or ad-skipping is considered fair use. 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.*
130. *Id.*
131. *Id.* at 917.
132. *Id.*
133. *Id.* at 918.
136. *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,
Dish Network is the third largest cable and satellite television provider in the United States with over 14 million subscribers. 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. Dish also released a similar service, the Hopper Whole-Home HD DVR System (the “Hopper”), in March 2012. The Hopper functions as a combination of a traditional DVR and a VOD service. It resembles a traditional DVR because it allocates a portion of its 2TB hard drive for its users to save programs of their choosing. The remainder of the hard drive is used to store up to 100 hours of primetime programming from the Major Networks. Users can “enable” Primetime Anytime (PTAT) with the click of a button on their remote. Once enabled, users can also specifically select which primetime programming they wish to record. 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. A user may also elect to save the PTAT copies onto the traditional DVR portion of the Hopper within an eight-day period.

PTAT is also accompanied with the “AutoHop” feature. At the click of a button, a Dish user can eliminate all commercial advertisements in the PTAT recordings. 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. In addition to the “announcement” file, Dish has three “beta Hoppers” that test the file for quality assurance purposes. 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...
the program. Dish’s Hopper also works with up to three other set-top boxes in the household, called “Joeys.” Moreover, the Hopper works with the “Sling Adapter,” which provides its users access to their recorded programs on their computers and mobile devices.

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. 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. Specifically, Fox asserted Dish should be liable for contributory copyright infringement. The Southern District of New York held that Dish’s copyright claim was an improper anticipatory filing and accordingly dismissed it. 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. 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.” In other words, Dish could not be liable for contributory infringement because its users’ conduct did not constitute infringement. 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.

165. Id.
166. Id.
167. Id.
168. Id.
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.
C. Decision

The Ninth Circuit affirmed the district court’s decision and agreed that *Sony* provided strong guidance.\textsuperscript{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.\textsuperscript{178} Thus, the court excluded Dish’s AutoHop feature from its fair use analysis because ad-skipping does not implicate Fox’s copyright interests.\textsuperscript{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*.\textsuperscript{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.\textsuperscript{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.\textsuperscript{182} However, the court reasoned that Fox and its amici only feared the harm from ad-skipping and not the availability of VOD services.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{186} The court severely misconstrued the doctrine of fair use to reach this conclusion.\textsuperscript{187} First, it erred by excluding AutoHop and

\textsuperscript{177} *Fox*, 723 F.3d 1067.
\textsuperscript{178} *Id.* at 1075.
\textsuperscript{179} *Id.*
\textsuperscript{180} *Id.*
\textsuperscript{181} *Id.* at 1075-76.
\textsuperscript{182} *Id.* at 1076.
\textsuperscript{183} *Id.*
\textsuperscript{184} *Id.*
\textsuperscript{185} *Id.*
\textsuperscript{186} *Id.* at 1076.
\textsuperscript{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. 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. 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. This reasoning is doctrinally unsound and inconsistent with Sony and the goals of copyright law.

Fair use analysis assumes that an unauthorized copy has been made already and focuses on whether the use of that copy is fair. The Ninth Circuit found that Fox presented a prima facie case of copyright infringement because Dish users make copies of its programming. When Dish users make the copies, the commercials are still included. 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. In other words, the court reasoned that AutoHop should be excluded from the analysis because it is not copyright infringement in itself. 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. 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. This boils down to requiring a second act of copyright infringement for the plaintiff to defeat a fair use defense.

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. Instead, it distinguished between what was protected and unprotected when discussing the amount and substantiality of the portion used. 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. 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. The Court did not state, however, that ad-skipping does not implicate the plaintiffs’ copyright interests.

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

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.
201. Id.
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

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210. *See PATRY, supra note 48, § 3:9; Murray, supra note 52.
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).
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. However, the PTAT copies are used for the same entertainment purposes as the original broadcast. 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. 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.

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. 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. 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 than viewing it live.
than Betamax. 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. Although Dish’s Hopper HD DVR system has a traditional DVR segment, Fox chose not to object to its use. 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.

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.” 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. 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. Also, Dish users do not need to select which programming they wish to record. Instead, they simply enable PTAT, and all primetime programming from the four Major Networks is recorded in perpetuity. 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. Instead, it is used to create an instantaneous library of programming to be accessed at “anytime.”

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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.
227. Id. at 421.
228. Id. at 422-23.
230. Id.
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

233. Fox, 905 F. Supp. 2d at 1094.
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).
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*. 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. Thus, it differs from time-shifting because it is not immediately erased. Once PTAT is enabled, the copies are saved for eight days. The eight-day limitation is misleading, though, because users can save the individual copies to the traditional DVR segment of the Hopper. 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. However, the threat of library-building is much more imminent with PTAT because the costs and ease of library-building are substantially different. 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

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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 LLP 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. This is because users record four channels at once. The result is that Dish users have over 100 hours of primetime programming to choose from. 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. Because of this similarity, the Ninth Circuit reasoned that the use is equally as noncommercial. 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. Subsequent cases also hold that an infringer does not need to directly benefit. Rather, commercial use can be shown when an individual makes copies to avoid the expense of purchasing lawful copies.

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. The Ninth Circuit even acknowledged this fact later in its opinion. 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).
253. See Fox, 723 F.3d at 1075; Sony, 464 U.S. at 425.
254. Fox, 723 F.3d at 1075.
257. Id.
258. Fox, 723 F.3d at 1076.
259. Id.
differs from Sony because a secondary market does exist. 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. 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. An example of exploitative use is the repeated and widespread sharing of music files. The use of PTAT more closely resembles the widespread sharing of music files. Once PTAT is enabled, Dish users record Fox’s programming on a daily basis for as long as they desire. As previously stated, the time-shifting in Sony involved a user that recorded a single program who then viewed it once. 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. 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. The inverse is also true: the less transformative a work is, the more important other factors become, such as commercialism. 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.
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.
268. Id.
269. See id.
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. This is the most troubling of the court’s opinion because Sony “all but ignores” these factors. 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.

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.” This includes recognizing whether the works are close to the core of copyright protection. There is a greater need to disseminate factual works compared to fictional works. As a result, a court is more likely to find the use of factually based works to be fair. 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. The Court in Sony explicitly recognized that copyrighted material with broad potential secondary markets, such as motion pictures, deserve more protection than news broadcasts. 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 (Blackman, J. dissenting).
272. Id. at 449 (majority opinion).
274. Campbell, 510 U.S. at 586.
276. Id.
277. Id.
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. The testimony at trial included representatives from professional sports leagues, educational institutions, and religious organizations. The Court also acknowledged that some televised works did not have copyright protection. The plaintiffs’ own copyrights comprised of about 9-10% of the entire spectrum of television programming in question. 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%. 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. This interest includes the choices of when, where, and in what form the work is offered. Fox offers its copyrighted works, such as Glee, Bones, and Family Guy, during the primetime hours because it captures the largest viewing audience. By making the PTAT copies, users undercut Fox’s legitimate interest in controlling when, where, and how the primetime programming is viewed. 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.

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.
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.
in relation to the copyrighted work as a whole,” weighs against a finding of fair use. This factor includes a qualitative and quantitative consideration, and both favor Fox’s cause. For the quantitative part, courts generally disfavor a finding of fair use when a user copies a work in its entirety. It is undisputed that Dish users copy Fox’s entire primetime programming. 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. 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. 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. 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.

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. The Supreme Court recognized this in Campbell when it excused the amount taken by 2 Live Crew because of the transformative nature of parody. 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. Because Sony predated Campbell, its reasoning is not applicable because the Court had yet to adopt the transformative test. 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

291. Patry, supra note 48, § 5:3.
292. Fox, 723 F.3d at 1074.
293. Id.
297. See, e.g., Campbell, 510 U.S. at 594.
299. Id.
copying is transformative, and as discussed above, there is barely an argument that the PTAT copies are transformative.\footnote{301 See discussion supra Part IV.B.1.}

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.\footnote{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).} This argument is even stronger if AutoHop is considered in the analysis because the “heart” of the work is the programming without the commercials.\footnote{303 See Fox Broad. Co., Inc. v. Dish Network L.L.C., 723 F.3d 1067, 1072 (9th Cir. 2013).} 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.\footnote{304 Id.} 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.\footnote{305 See generally Folsom v. Marsh, 9 F. Cas. 342 (C.C.D. Mass. 1841).}

As shown, the Ninth Circuit wrote off the second and third fair use factors by simply quoting \textit{Sony}.\footnote{306 See \textit{Fox}, 723 F.3d at 1070.} This is improper because the nature of the works in question is more creative than the works in \textit{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.

\textbf{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.”\footnote{307 17 U.S.C. § 107(4) (2012).} When a subsequent user copies the work in its entirety, it acts as a market substitute of the original.\footnote{308 In \textit{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. \textit{Campbell v. Acuff-Rose Music, Inc.}, 510 U.S. 569, 591 (1994).} On the other hand, a transformative use does not necessarily act as a market substitute and instead reaches the derivative markets.\footnote{309 Id.} As discussed, the PTAT copies are neither transformative nor altered in any manner.\footnote{310 See discussion supra Part IV.B.} Therefore, analysis of the derivative markets is not necessary, and the analysis should focus on
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 users 319 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*.
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.
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.

capitalism, and not by a cursory fair use analysis.