

DISH NETWORK VS. THE ENTERTAINMENT INDUSTRY: HOW THE
“AUTOHOP” LITIGATION HAS CHILLED TECHNOLOGICAL
ADVANCEMENT

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I. INTRODUCTION

After a long day at work, a businessman drives home. Annoyed by the traffic on his daily commute, he knows that his favorite television show ended an hour ago. Someone at work tomorrow morning will inevitably be talking about the latest episode, spoiling any surprises long before the show is available for purchase after the season ends. Fortunately, his cable provider included a convenient digital video recorder (“DVR”) with his cable subscription, allowing him to record his favorite programs to watch at a later time. This recording process is known as “time-shifting,” and the above scenario is exceedingly common.¹ The Nielsen Company,² a leader in television market research, notes that as of 2012, 98% of homes owned a TV, and programs were “time-shifted” on a DVR at least 8% of the time.³ The ubiquity of DVR technology has developed rapidly. Consider the fact that only 7% of households received cable in 1960.⁴ This number increased to 56% by 1990, with 66% of Americans owning a VCR at that time.⁵ By

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¹Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 421 (1984) (“[T]he average member of the public uses a VTR principally to record a program he cannot view as it is being televised and then to watch it once at a later time. This practice, known as ‘time-shifting,’ enlarges the television viewing audience.”).

²*How We Measure*, NIELSEN, <http://www.nielsen.com/us/en/solutions/measurement.html> (last visited Dec. 17, 2014).

³Pat McDonough et al., *As TV Screens Grow, So Does U.S. DVR Usage*, NIELSEN (Feb. 29, 2012), <http://www.nielsen.com/us/en/insights/news/2012/as-tv-screens-grow-so-does-u-s-dvr-usage.html>.

⁴*Id.*

⁵*Id.*

2006, nearly 2% of all television viewed in America was viewed via DVR.⁶ Modern proliferation of DVR technology is due, in a large part, to the Supreme Court's 1984 decision in *Sony Corp. of America v. Universal City Studios, Inc.*, widely known as the "Betamax" case.⁷ In *Sony*, the Supreme Court held that private non-commercial time-shifting of television programs is a fair use, escaping liability for copyright infringement.⁸ This holding has "sheltered a wide array of technology innovators from lawsuits at the hands of the entertainment industries" for years.⁹

Part II of this comment will discuss the legal issues disputed in the *Sony* "Betamax" case, as well as the evolution of those issues in two subsequent landmark cases: *A&M Records v. Napster, Inc.* and *MGM Studios Inc. v. Grokster, Ltd.* Part III will begin with a discussion of the innovative technology at dispute in the DISH Network litigation, culminating in a detailed discussion of the *Fox Broadcasting Co. Inc. v. Dish Network, L.L.C.* litigation on the west coast, compared to the *Dish Network, L.L.C. v. American Broadcasting Companies, Inc.* case on the east coast. Part III.F will briefly distinguish this litigation from the 2014 decision in *American Broadcasting Companies, Inc. v. Aereo, Inc.* Finally, Part IV of this comment will explore the impact of the DISH Network litigation on the entertainment industry and consumers.

II. FAIR USE OF TIME-SHIFTING TECHNOLOGY: HISTORICAL INTERPRETATION

To understand the significance of the landmark "Betamax" holding and subsequent cases, it is helpful to quickly review the underlying legal issues disputed in *Sony*. A copyright holder owns a "bundle of rights" regarding certain uses of his copyrighted work. This bundle gives the copyright holder the right to copy, adapt (create derivative works), publicly perform, and publicly display a copyrighted work.¹⁰ When a viewer utilizes a DVR to record a television show at home, the DVR records a copy of the show for

⁶ *Id.*

⁷ See *Sony Corp. of Am.*, 464 U.S. at 420.

⁸ See *id.* at 456.

⁹ *The Betamax Case: Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984), ELECTRONIC FRONTIER FOUNDATION, <http://w2.eff.org/legal/cases/betamax/> (last visited Dec. 17, 2014).

¹⁰ 17 U.S.C. § 102(a) (2012).

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viewing at a later time.¹¹ Without a proper license to create a copy of the show, the viewer has potentially infringed on the copyright owner's exclusive rights.¹² However, the Copyright Act is not without exceptions.¹³ The 1976 Copyright Act, currently governing modern copyright law, provides several affirmative defenses to copyright infringement, most notably the "fair use" defense.¹⁴ 17 U.S.C. § 107 enumerates specific "favored uses" of copyrighted works, and if a defendant can prove that its potentially infringing use of the copyrighted work meets the criteria of the statute, its actions do not constitute copyright infringement.¹⁵ Once a prima facie case of copyright infringement has been shown, the defendant has the opportunity to argue that the infringement was a "fair use."¹⁶ The statute lists four factors that a court will balance to determine whether a potentially infringing use is "fair."¹⁷

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.¹⁸

¹¹ McDonough, *supra* note 3.

¹² 17 U.S.C. § 106 (2012) delineates a copyright owner's exclusive right in his copyrighted work, including § 106(1): the right to reproduce the copyrighted work in copies or phone records.

¹³ 17 U.S.C. § 107 (2012).

¹⁴ *Id.*

¹⁵ *Id.* ("[T]he fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.")

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ 17 U.S.C. § 107 (2012).

This analysis takes a holistic approach, and no one factor is determinative of a finding of fair use.¹⁹ In *Sony*, analysis of the four fair use factors was of critical importance in determining how the fair use doctrine relates to new technology.²⁰

The *Sony* case predates the technology of the modern DVR, which was not released until the 1990s.²¹ In 1984, Sony manufactured home video tape recorders (called “VTRs”) and marketed them through retail establishments for home use.²² Universal City Studios, Inc. owned copyrights on many of the television shows broadcasted on public airwaves at the time.²³ Universal alleged that Sony’s sale of a VTR that allowed members of the public to make copies of their copyrighted works constituted copyright infringement, and brought suit against Sony in 1976.²⁴ Universal argued that Sony was vicariously liable for consumers’ infringing use of the VTR, because it marketed and sold the equipment to the consumers.²⁵ The dispute was resolved in a 5-4 decision, where the Supreme Court held: (1) Sony was not liable for contributory infringement; and (2) the act of home video taping for private use constitutes a fair use, not an infringement.²⁶ The *Sony* court’s reasoning in this case was unique in that it broke from precedent in copyright law to borrow from the staple article of commerce doctrine present in patent law. The Court stated:

There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory [that the defendant sold equipment with constructive knowledge of the fact that consumers may use that equipment for infringing purposes]. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.²⁷

¹⁹ See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 454–55 (1984).

²⁰ See *id.* at 448 (1984).

²¹ *History*, TIVO, <https://www3.tivo.com/jobs/questions/history-of-tivo/index.html> (last visited Dec. 17, 2014).

²² See *Sony Corp. of Am.*, 464 U.S. at 419–20.

²³ *Id.*

²⁴ See *id.* at 420.

²⁵ See *id.*

²⁶ See *id.* at 456; see also 4 Nimmer on Copyright § 13.05 at 143 (LEXIS through Nov. 2014).

²⁷ *Sony Corp. of Am.*, 464 U.S. at 439.

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The Court applied the staple article of commerce doctrine to determine that “the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be *capable* of substantial noninfringing uses.”²⁸ Universal “failed to carry their burden” in demonstrating that actual harm would occur to copyright holders as a result of the sale of the Betamax.²⁹ The Court was swayed by the fact that “even unauthorized uses of a copyrighted work are not necessarily infringing,” and found the argument that many users were simply using the Betamax as advertised—taping television series for later use within a private home—persuasive.³⁰ The “capable of noninfringing use” standard was broad, but allowed the Court to compensate for its reluctance to enforce copyright in a manner that would chill potential technological advances because “[t]he prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.”³¹ As a result of the *Sony* case, the Betamax was allowed to remain on the market.³² However, the *Sony* decision failed to clarify how the staple article of commerce doctrine might be applied in factual scenarios involving different technology, leaving scholars and lawyers with a lingering feeling that “a Supreme Court reappraisal of this issue at some future time is by no means foreclosed.”³³ For the meantime, the phrase “capable of substantial noninfringing uses” became the mantra of many defendants in subsequent

²⁸ *Id.* at 442 (emphasis added). The appropriation of the staple article of commerce doctrine into the realm of copyright law has been met with some criticism. In an article based on an amicus brief filed in the *Grokster* decision, copyright scholar Peter Menell argues that “[t]ransplanting such a rule from the Patent Act . . . misapprehends critical differences between the two legal regimes. Whereas patent law seeks to promote technological innovation and evolved a staple article of commerce doctrine primarily out of concern for unduly expanding patent scope, copyright law seeks to promote cultural and social progress, manifesting a more cautious stance toward technological dissemination, particularly where a technology threatens widespread piracy of expressive works.” See Peter S. Menell, *Indirect Copyright Liability: A Re-examination of Sony’s Staple Article of Commerce Doctrine*, UC Berkeley Public Law Research Paper No. 682051 (Mar. 8, 2005), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=682051.

²⁹ *Sony Corp. of Am.*, 464 U.S. at 451 (“respondents failed to carry their burden with regard to home time-shifting”).

³⁰ *Id.* at 447; see generally *id.* at 443–47.

³¹ *Id.* at 450–51.

³² See *id.* at 456 (“The Betamax is, therefore, capable of substantial noninfringing uses. Sony’s sale of such equipment to the general public does not constitute contributory infringement of respondents’ copyrights.”).

³³ 4 Nimmer on Copyright § 13.05 at 147 (LEXIS through Nov. 2014).

cases whose suits involved copyright infringement as a result of new, controversial technology.

Technological advances quickly dated the *Sony* case; indeed, the Betamax technology was nearly moot by the time the Supreme Court handed down the 1984 decision. The appropriation of the staple article of commerce doctrine in copyright law was not relegated to time-shifting technology.³⁴ Instead, the increasing popularity of peer-to-peer networks became the new forum for testing the limits of the fair use doctrine in regard to technological advancements.³⁵ In 2001, A&M Records' suit against Napster virtually paralleled the *Sony* case, with modern technology at issue.³⁶ In *A&M Records, Inc. v. Napster, Inc.*, A&M Records alleged that Napster should be liable for copyright infringement, because users of its peer-to-peer file sharing system were often using the service to infringe on copyrights owned by A&M.³⁷ Although the technology in *Napster* differs from that of the Betamax case, the underlying issue is identical.³⁸ Surprisingly, in this case the court departed from the *Sony* precedent.³⁹ In its defense, "Napster noted that its noninfringing uses included its users engaging in acts such as sampling, "space-shifting" (downloading music files they already owned), and the use of the technology by independent artists to permissively distribute their works."⁴⁰ The technology of "space-shifting" is a modernized version of "time-shifting," yet the court did not see the similarity; it reasoned that "*Sony* [is] inapposite because the methods of shifting in [that case] did not also simultaneously involve distribution of the copyrighted material to the general public; the time or space-shifting of copyrighted material exposed the material only to the original user."⁴¹ Although the court declined to find that Napster's technology was capable of substantial noninfringing uses, the court still

³⁴ See *id.*

³⁵ See generally *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

³⁶ See *A&M Records*, 239 F.3d at 1004.

³⁷ *Id.* at 1020–21.

³⁸ See *id.* at 1004.

³⁹ See *id.* at 1019; see *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984).

⁴⁰ Veronica Corsaro, *From Betamax to Youtube: How Sony Corporation of America v. Universal Studios, Inc. Could Still Be a Standard for New Technology*, 64 FED. COMM. L.J. 449, 458 (2012); see *A&M Records, Inc.*, 239 F.3d at 1014.

⁴¹ *A&M Records, Inc.*, 239 F.3d at 1019.

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recognized that the *Sony* reasoning was valid, to a point.⁴² The court criticized the lower court's conclusion "that Napster failed to demonstrate that its system is capable of commercially significant noninfringing uses,"⁴³ arguing that the reasoning was flawed because "the Napster technology could not be solely judged on its infringing uses but on the *capability* for use in noninfringing activities."⁴⁴ At this point in time, the potential for infringing uses by Napster users was alarming,⁴⁵ and the court's concern over the potential danger of the file-sharing technology was understandable. However, instead of helping to assuage the fears of copyright holders or to provide clear guidance for users of new technology, the *Napster* decision merely left confusion in its wake as to the scope of the *Sony* precedent.

In 2005, another landmark case arose that offered the Supreme Court the opportunity to clarify the applicability of the *Sony* holding to modern technology.⁴⁶ In *MGM Studios Inc. v. Grokster*, entertainment industry heavy-weight MGM Studios brought suit against Grokster, a peer-to-peer file-sharing entity similar to Napster, with a notable difference: Grokster's technology allowed users' computers to "communicate directly with each other, not through central servers."⁴⁷ Before the case reached the Supreme Court, the Ninth Circuit "interpreted the *Sony* doctrine broadly by ruling that 'in order for limitations [to contributory liability] imposed by *Sony* to apply, a product need only be *capable* of substantial non-infringing uses."⁴⁸

Grokster presented the entertainment industry with the opportunity to bring a "frontal assault on the Betamax ruling," clarifying the role of the Betamax case in regard to modern technology and providing a clear precedent for future technological advances.⁴⁹ Rather than resolving the

⁴² See *id.* at 1020–21.

⁴³ *Id.* at 1021.

⁴⁴ Corsaro, *supra* note 40, at 459 (emphasis added).

⁴⁵ See *A&M Records, Inc.*, 239 F.3d at 1019 ("once a user lists a copy of music he already owns on the Napster system in order to access the music from another location, the song becomes 'available to millions of other individuals,' not just the original CD owner."); Corsaro, *supra* note 40 at 458 ("The impact of a file-sharing service such as Napster was clear; allowing it to continue would allow blatant, large-scale copyright infringement.")

⁴⁶ See generally *MGM Studios Inc. v. Grokster*, 545 U.S. 913 (2005).

⁴⁷ *Id.* at 919–20.

⁴⁸ John G. Palfrey, Jr., *Catch-As-Catch-Can: A Case Note on Grokster*, THE BERKMAN CENTER FOR INTERNET & SOCIETY AT HARVARD LAW SCHOOL, Research Publication No. 2005, 7 (Oct. 2005) (citing *MGM Studios Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1162 (9th Cir. 2004)).

⁴⁹ ELECTRONIC FRONTIER FOUNDATION, *supra* note 9.

confusion surrounding Betamax, the Court instead skirted the issue, distinguishing the *Grokster* case from *Sony* in a way that left the scope of the *Sony* decision uncertain.⁵⁰ The *Grokster* court noted that a “different basis of liability” existed in their case.⁵¹ In *Sony*, the court was forced to balance competing concerns:

Sony dealt with a claim of liability based solely on distributing a product with alternative lawful and unlawful uses, with knowledge that some users would follow the unlawful course. The case struck a balance between the interests of protection and innovation by holding that the product’s capability of substantial lawful employment should bar the imputation of fault and consequent secondary liability for the unlawful acts of others.⁵²

In *Grokster*, however, the Court argued that the key difference is the defendant’s intentional inducement of third-party acts of copyright infringement.⁵³ The Court held that the defendant’s actions were enough to find liability under the common-law theory of inducement without having to further discuss copyright law issues, and remanded the case to determine liability on the grounds of inducement.⁵⁴

The majority holding evaded application of the *Sony* standard, leaving the question of scope open to interpretation.⁵⁵ However, the concurring opinions issued by the remaining justices demonstrate just how differently *Sony* could be interpreted.⁵⁶ Justice Ginsburg issued a concurring opinion agreeing that the Ninth Circuit’s application of the *Sony* decision was in

⁵⁰ See *Grokster*, 545 U.S. at 941; Fred Von Lohman, *Remedying Grokster*, ELECTRONIC FRONTIER FOUNDATION (Jul. 25, 2005), <https://www EFF.ORG/deeplinks/2005/07/remedying-i-grokster-i> (“The Supreme Court ducked the question, leaving innovators and lower courts to sort the matter out in future cases.”); see Palfrey, *supra* note 42, at 2 (“The Supreme Court’s decision did not center around an affirmation or rejection of the *Sony* ruling; rather the Court based their opinion on a common law principle which, they held, was not preempted by the holding in *Sony*.”).

⁵¹ *Grokster*, 545 U.S. at 940.

⁵² *Id.*

⁵³ See *id.* (“Here, evidence of the distributors’ words and deeds going beyond distribution as such shows a purpose to cause and profit from third-party acts of copyright infringement.”).

⁵⁴ See *id.*; Palfrey, *supra* note 48, at 4.

⁵⁵ See *Grokster*, 545 U.S. at 941.

⁵⁶ See *id.* at 943–66 (Ginsburg, J., concurring).

error, but her concurrence employs different reasoning.⁵⁷ Instead of relying on an alternative theory of secondary liability, she held that the evidence presented was insufficient to pass the test created by the *Sony* court.⁵⁸ Although Justice Breyer agreed with the majority's application of the common-law inducement rule, he disagreed with Justice Ginsburg's application of the *Sony* test.⁵⁹ His disagreement was grounded in two points; first, he "argued that Justice Ginsburg's approach leads to a more strict interpretation of *Sony* by requiring 'defendants to produce considerably more concrete evidence. . . to earn *Sony*'s shelter.'"⁶⁰ Second, he disagreed that the evidence in this case would fail to pass the *Sony* test, essentially agreeing that the *Grokster* technology was capable of substantial non-infringing uses.⁶¹ The reasoning of the majority opinion differed vastly from each concurring opinion, and failed to clarify the scope and intended application of the *Sony* standard.⁶² The *Grokster* opinion further convoluted the application of the *Sony* standard by introducing a new theory of liability and failing to clarify the role of the *Sony* standard in regards to new technology.⁶³

III. DISH NETWORK UNVEILS "PRIME-TIME-ANYTIME" TECHNOLOGY AND THE "HOPPER"

A. *The Relationship Between DISH Network and Primetime Television Programming*

In 2013, litigation stemming from DISH Network L.L.C.'s AutoHop technology created an ideal opportunity for the Court to clarify the *Sony* standard.⁶⁴ Before exploring the intricacies of this litigation, however, it is important to understand the relationship between the parties involved. DISH Network L.L.C. ("DISH") is one of the nation's largest television

⁵⁷ *Id.*

⁵⁸ *See id.* at 948; Palfrey, *supra* note 48, at 7; *see also* Palfrey, *supra* note 48, at 7 n.25 ("Justice Ginsburg points out a number of factual differences between the *Sony* case and that of *Grokster*.").

⁵⁹ Palfrey, *supra* note 48, at 8.

⁶⁰ *Id.* (citing *Grokster*, 545 U.S. at 959 (Breyer, J., concurring)).

⁶¹ Palfrey, *supra* note 48, at 8 (citing *Grokster*, 545 U.S. at 951 (Breyer, J., concurring)).

⁶² *See generally Grokster*, 545 U.S. at 941–66.

⁶³ *See id.* at 929–30.

⁶⁴ *See generally In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495 (S.D.N.Y. Oct. 1, 2013).

providers, catering to approximately 14 million subscribers and raking in revenues surpassing \$13.9 billion as of 2013.⁶⁵ DISH prides itself on its ability to provide the latest technological advances to subscribers, boasting that it “[l]eads the pay-TV industry in state-of-the-art equipment and technology.”⁶⁶ To acquire programming content, DISH enters into numerous retransmission agreements with major broadcast networks, allowing them to “simultaneously receive and retransmit” broadcast signals from stations owned or controlled by major broadcast networks.⁶⁷ The prime Retransmission Consent Agreement entered into by DISH’s corporate predecessor in 2005 (“2005 RCA”) “prohibited unauthorized recording, copying or retransmitting of the Digital Signal, but did not preclude DISH’s practice of providing its customers with DVRs.”⁶⁸ DISH maintains retransmission agreements with numerous broadcasting networks, but four notable broadcast networks provide “primetime programming” to DISH’s extensive customer base: ABC, CBS, NBC, and FOX.⁶⁹ Primetime programming hours are of critical importance to the four major networks, because “[t]his is when most viewers watch television and when the four major broadcast networks—ABC, CBS, NBC, and FOX—air the programs on which they rely for the *lion’s share* of their advertising revenue.”⁷⁰ Retransmission agreements provide a critical source of revenue for these broadcast networks; indeed FOX even claims that the “cornerstone” of its

⁶⁵ *About DISH: Quick Facts*, DISH NETWORK, <http://about.dish.com/company-info> (last visited Dec. 17, 2014); Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction at 1, *Autohop Litig.*, 2013 WL 5477495 (No. 13-56818) (“DISH Network L.L.C. (‘DISH’), [is] the third largest distributor of cable or satellite television programming in the United States.”).

⁶⁶ DISH NETWORK, *supra* note 65.

⁶⁷ *Autohop Litig.*, 2013 WL 5477495, at *1–*2 (“DISH is one of the nation’s largest pay-television providers. It delivers satellite television services by, inter alia, contracting with the major television networks through retransmission agreements. DISH pays yearly retransmission fees under these agreements.”).

⁶⁸ *Id.* at *2.

⁶⁹ See Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction, *supra* note 65, at 3 (Counsel for ABC explains that “[w]ith some variation by time zone, the hours from 8:00 p.m. to 11:00 p.m. Monday through Saturday, and 7:00 p.m. to 11:00 p.m. Sunday, are known in television as primetime.”).

⁷⁰ *Id.* (citing to Declaration of Justin Connolly (“Connolly Decl.”) ¶ 7; Declaration of Patrick McGovern (“McGovern Decl.”) ¶ 3) (emphasis added).

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business “is its extensive, carefully-controlled licensing of its content.”⁷¹ ABC’s view is in keeping with that of FOX, noting that “ABC invests significant sums of money to develop, produce, and acquire the premium-quality, creative programming that airs during primetime.”⁷² Programming during primetime hours “would not be possible without the revenue derived from advertising.”⁷³ The cost incurred by advertisers for commercial airtime is determined by the size of the audience watching programming during primetime hours.⁷⁴ The size of the audience is calculated by the Nielsen Media Research Company’s (“Nielsen”) C3 ratings.⁷⁵ Nielsen explains that C3 ratings are determined by the average audience size that views the commercials during live primetime hours, as well as over the next three days, when the commercials are played by a viewer on a DVR (television recording device) or a VOD service (video-on-demand).⁷⁶ So, C3 ratings take into account not only the size of the audience viewing a program, but commercial content spliced into the program as well.⁷⁷ A major problem arises for broadcast networks when “a viewer playing back a taped program fast-forwards through a commercial, or skips it entirely, [because] the Nielsen C3 rating will not count that viewer as an audience member exposed to the commercial.”⁷⁸ Although it affects the C3 ratings if a viewer skips a commercial, the type of equipment used to skip a commercial—

⁷¹Reply Brief of Plaintiffs-Appellants (Public Redacted Version) at 1, *Fox Broad. Co. v. Dish Network L.L.C.*, 583 Fed. Appx. 618 (9th Cir. 2014) (No. 13-56818).

⁷²See Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction, *supra* note 65, at 3 (citing to Connolly Decl. ¶ 6).

⁷³*Id.* at 4.

⁷⁴*Id.*

⁷⁵*Id.*

⁷⁶The Nielsen Company, *C3 TV Ratings Show Impact of DVR Ad Viewing*, NIELSEN MEDIA AND ENTERTAINMENT (Oct. 14, 2009), <http://www.nielsen.com/us/en/insights/news/2009/c3-tv-ratings-show-impact-of-dvr-ad-viewing.html>; Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction, *supra* note 65 at 4 (“Specifically, the C3 rating measures the average audience size during the commercial minutes while the program is broadcast live and over the next three days when it is played back at normal speed on a DVR or viewed via a cable or satellite video-on-demand service.”) (citing to McGovern Decl. ¶ 4–5; Connolly ¶ 12).

⁷⁷Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction, *supra* note 65 at 4.

⁷⁸*In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495, at *1 (S.D.N.Y. Oct. 1, 2013).

whether it is a DVR, VOD service, or an alternative—does not affect the ratings.⁷⁹

A thorough understanding of viewer behavior is essential for advertisers, and Nielsen promises to create a “constant, real-time stream of information” that documents the way viewers tune in to primetime programming.⁸⁰ Nielsen promises that their documentation can reveal which commercials are being viewed at certain times, or what commercial block during a show would be most profitable for advertisers.⁸¹ In doing so, Nielsen assures advertisers that they can forecast “which markets will create the best return on investment for brands.”⁸² The key word here is “investment.” Although television viewers may not consider commercials an important part of their television viewing experience, advertising revenue is dependent on the size of an audience during primetime viewing hours, creating an incentive for broadcast networks to invest substantial sums of money into primetime programming. Whether this is the most effective way for networks to generate revenue is a question outside the scope of this comment, but the important thing to understand is that this revenue structure is the industry standard to which major networks adhere.⁸³ The number of audience members who view commercials during primetime programming hours directly influences advertising revenue that major broadcast networks depend on, so it is understandable that audience members’ ability to skip commercials entirely would harm the profit margins of major broadcast networks.

⁷⁹ *Id.*

⁸⁰ *See* The Nielsen Co., *Television*, NIELSEN MEDIA AND ENTERTAINMENT (2014), <http://www.nielsen.com/us/en/solutions/measurement/television.html> (“Nielsen delivers a constant, real-time stream of information, revealing tuning behavior during programs and commercials. We can tell clients which commercials are being watched, as well as which ones have the strongest engagement and impact. We analyze which position in the program or commercial block is most effective for a specific brand and which markets will create the best return on investment for brands.”).

⁸¹ *Id.*

⁸² *Id.*

⁸³ A variety of viewing options exist in addition to live primetime broadcasts, such as video-on-demand services, Internet streaming services, digital versions of programs available for paid downloading, DVD or Blu-Ray discs, or subscription video-on-demand services like Hulu Plus, Netflix, or Amazon Prime. The four major broadcast networks also make their content available in some or all of these formats, in addition to primetime broadcasts. For an example, *see* Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction, *supra* note 65 at 5.

B. Unveiling The “Hopper”

In January of 2012, DISH announced its development of a technology it called the “Hopper.”⁸⁴ The Hopper is essentially an advanced DVR that alters the time-shifting capabilities of a traditional DVR in several ways.⁸⁵ The Hopper incorporates a larger hard-drive that can record and store up to 2,000 hours of television, which is a drastic increase in storage capacity compared to traditional DVR technology.⁸⁶ The Hopper boasted a “whole-home” capability, providing satellite television services as well as DVR services for up to four different televisions in a single home.⁸⁷ Viewers could record up to six programs at once, and it allows viewers to store programs for up to eight days.⁸⁸ In March of 2012, DISH launched a new service called Prime Time Anytime Technology (“PTAT”) in connection with the Hopper.⁸⁹ PTAT “records by default **every** primetime program broadcast by **all four** major television networks and stores them for up to eight days. . . creat[ing] an on-demand library of approximately 100 hours of primetime TV every week.”⁹⁰ When a home viewer used the PTAT service, a unique copy was made of the local television signal on the viewer’s DVR.⁹¹ In May of 2012, DISH added a feature it called “AutoHop,” which allowed the viewer to automatically skip commercials when watching primetime programming recorded on the Hopper.⁹² The viewer received the Hopper with the AutoHop feature disabled and could affirmatively choose to enable the feature.⁹³ Once enabled, the default configuration records all four major broadcast networks on the Hopper.⁹⁴ In addition to the copies stored on the viewers’ DVRs for temporary use,

⁸⁴ *In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495, at *2 (S.D.N.Y. Oct. 1, 2013).

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ Memorandum in Support of the Motion of ABC, Inc., American Broadcasting Companies, Inc., and Disney Enterprises, Inc. for a Preliminary Injunction, *supra* note 65 at 7.

⁹⁰ *Id.* (citing to Declaration of Thomas G. Hentoff (“Hentoff Decl.”), Ex. 20, at 602, which DISH described as “a library of the latest primetime shows,” Ex. 42, at 787); *Autohop Litig.*, 2013 WL 5477495, at *3 (emphasis added).

⁹¹ *Autohop Litig.*, 2013 WL 5477495, at *2 (emphasis added).

⁹² *Id.* at *2.

⁹³ *Id.*

⁹⁴ *Id.* at *3.

DISH also made at least three additional sets of copies of each primetime program to use for quality control purposes, ensuring that their AutoHop technology was working properly each night.⁹⁵

C. How the Hollywood Reporter Caused a Clash of the Entertainment Giants

On May 23, 2012, the *Hollywood Reporter* released a six-paragraph article that wielded the power to change the entertainment industry.⁹⁶ The article began by claiming: “Attorneys are lining up to represent TV broadcasters in what most believe is an inevitable legal showdown with DISH Network over AutoHop,” going on to alert readers that the four major networks (FOX, NBCUniversal, ABC/ Disney Television Group, and CBS Corp.) had begun consulting attorneys in preparation to file suit against DISH.⁹⁷ “One top exec[utive] said a lawsuit should be expected within a month,” noted the article.⁹⁸ Months later, the Southern District of New York clarified that these statements were “unsourced.”⁹⁹ DISH took these statements very seriously, filing suit in the Southern District of New York the day after the article was released, “seeking a declaratory judgment that its ‘Auto Hop’ technology does not infringe the copyrights of the [major broadcast] Networks and ABC or breach its license agreements with these entities.”¹⁰⁰ DISH’s complaint stated that “the Major Television Networks have threatened [DISH] with litigation,” as a result of the article in the *Hollywood Reporter*.¹⁰¹ The major broadcast networks, however, asserted that the complaint was an improper anticipatory filing, and did not merit jurisdiction in New York.¹⁰² Three hours after DISH’s suit for declaratory judgment was filed in New York, Fox and CBS/ NBCU filed suit in the United States District Court for the Central District of California, asserting copyright infringement, and in Fox’s case, breach of contract claims as

⁹⁵ *Id.* at *4.

⁹⁶ See Matthew Belloni, *Dish vs. TV Networks: Attorneys Readying Showdown Over Auto Hop*, THE HOLLYWOOD REPORTER (May 23, 2012), <http://www.hollywoodreporter.com/thr-esq/dish-auto-hop-tv-networks-lawsuit-327958>.

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ *Dish Network L.L.C. v. Am. Broad. Co.*, No. 12 Civ. 4155(LTS)(KNF), 2012 WL 2719161, at *1 (S.D.N.Y. July 9, 2012) (mem. op.).

¹⁰⁰ *Id.* at *1.

¹⁰¹ *Id.* (first alteration in original; second alteration added).

¹⁰² *Id.* at *2.

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well.¹⁰³ DISH sought to enjoin the pending California litigation by filing a motion for anti-suit injunction with the New York court.¹⁰⁴ The Southern District of New York agreed that DISH's complaint was an improper anticipatory filing, dismissing all claims regarding Fox's copyright and breach of contract claims for resolution in the pending California litigation.¹⁰⁵ However, the Southern District of New York allowed all claims and counterclaims against ABC to remain in New York, because ABC had not filed suit against DISH in a conflicting venue.¹⁰⁶ The result of this decision was two separate lawsuits: Fox and DISH battled in court on the West Coast, while ABC and DISH continued their dispute in New York.¹⁰⁷ Both cases ultimately culminated in separate conclusions, each with different implications for the interpretation of the *Sony* standard as applied to modern technology.

D. The Battle on the West Coast: Fox Broadcasting Co. v. Dish Network, L.L.C.

FOX was the first major broadcasting network to file suit against DISH regarding the Hopper.¹⁰⁸ FOX filed suit against DISH in the District Court of California on May 24, 2012, alleging that DISH's PTAT and AutoHop technologies constituted both direct and derivative copyright infringement, as well as a breach of the parties' retransmission agreements.¹⁰⁹ The District Court looked to the *Sony* opinion to determine whether DISH's technology constituted derivative copyright infringement.¹¹⁰ The District Court reasoned that the Hopper was only available for private consumers, and that there was no evidence that consumers were using the technology for uses other than time-shifting in their private homes.¹¹¹ Additionally, "the record is devoid of any facts suggesting direct infringement by PTAT users."¹¹² DISH's conduct did not appear to rise to the level of inducement present in

¹⁰³ *Id.* at *1.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at *5.

¹⁰⁶ *Id.*

¹⁰⁷ *See* Fox Broad. Co. v. Dish Network, L.L.C., 905 F. Supp. 2d 1088, 1088 (C.D. Cal. 2012); *Dish Network*, 2012 WL 2719161, at *5.

¹⁰⁸ *Fox Broad. Co.*, 905 F. Supp. 2d. at 1096.

¹⁰⁹ *Id.*

¹¹⁰ *Id.* at 1098.

¹¹¹ *Id.*

¹¹² *Id.*

the *Grokster* decision.¹¹³ The District Court held that DISH could not be liable for derivative infringement.¹¹⁴

The District Court then addressed Fox's claim that DISH directly infringed Fox's copyrights by storing copies of primetime programming through their PTAT technology.¹¹⁵ DISH argued that the user is responsible for making these copies, not DISH itself, because the user has chosen to enable the PTAT technology.¹¹⁶ The Court discussed a "causation test" employed by several other courts to determine whether Internet service providers were directly liable for infringement committed on their servers or computer programs,¹¹⁷ focusing on the notable *Cartoon Network* decision in the Second Circuit, which applied the causation test to a "remote-storage DVR system" that allowed customers to record cable programming on the defendant's centralized server.¹¹⁸ The technology in *Cartoon Network* was similar to both modern video-on-demand and DVR technology.¹¹⁹ A user had the option to request that a specific program be recorded, and Cablevision would store that program on their server, allowing the user to watch a time-shifted version later in their private home.¹²⁰ Although the user had the freedom to choose what content should be recorded, Cablevision retained some control over the process, curating a list of programs that users were required to choose from.¹²¹ The Court's ultimate decision hinged on "the question [of] *who* made this copy," which

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 1098–99.

¹¹⁶ *Id.* at 1099.

¹¹⁷ *Id.* at 1099–1100. For a full understanding of other courts that have utilized a causation test to determine whether an ISP or computer program is liable for infringing activity, see *CoStar Grp. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir. 2004) (ISP not directly liable for providing system by which users could upload copyrighted photos to its website); *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006) (Internet search engine not directly liable for automatic copying made during the engine's "caching process"); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1168–69 (C.D. Cal. 2002) (Internet age-verification website not directly liable where affiliate websites engaged in infringement); *Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996) (electronic bulletin-board operator not directly liable where users made infringing copies by uploading or downloading from the bulletin board).

¹¹⁸ *Fox Broad. Co.*, 905 F. Supp. 2d at 1100; See *Cartoon Network, L.P. v. CSC Holdings, Inc.*, 536 F.3d 121, 124, 130–33 (2d Cir. 2008).

¹¹⁹ *Cartoon Network*, 536 F.3d at 123.

¹²⁰ *Fox Broad. Co.*, 905 F. Supp. 2d at 1100; *Cartoon Network*, 536 F.3d at 124.

¹²¹ *Fox Broad. Co.*, 905 F. Supp. 2d at 1100; *Cartoon Network*, 536 F.3d at 125.

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depended on “the volitional conduct that causes the copy to be made.”¹²² Which party’s conduct was “so significant and important a cause that [he or she] should be legally responsible” for the result?¹²³ In *Cartoon Network*, Cablevision was not directly liable for infringement because of the manner of control it retained over the recordable content, and the fact that the user initiated the creation of the copies, not Cablevision.¹²⁴ In the *Fox* decision, Fox argued that DISH retained an “impermissible” degree of control over the copies, differentiating that case from the facts in *Cartoon Network*.¹²⁵ However, the District Court reasoned that the user must make the initial decision to enable the PTAT copying technology, so it is ultimately the user who causes the copies to be made.¹²⁶ As to the direct infringement issue, the District Court held that “[t]he user, then, and not DISH is the ‘most significant and important cause’ of the copy,” therefore Fox did not establish a likelihood of success of the merits on the claim that PTAT directly infringed upon Fox’s copyright.¹²⁷

Fox also contested the quality assurance (“QA”) copies made by DISH to ensure that AutoHop functions properly when enabled.¹²⁸ DISH contended that the copies qualified for the fair use exception because they were “intermediate” to the user’s ultimately fair time-shifting, similar to the *Sega Enterprises* case.¹²⁹ In the *Sega* decision, the Ninth Circuit held that intermediate copying of protected works not ultimately incorporated into an end product may be infringing, but that the intermediate copies in that case were a fair use.¹³⁰ The *Sega* case involved the reverse-engineering of a computer program to “gain an understanding of the unprotected functional elements of the program,” which the District Court found was for a fundamentally different purpose than DISH’s use of the quality assurance

¹²² *Fox Broad. Co.*, 905 F. Supp. 2d at 1100; *Cartoon Network*, 536 F.3d at 130–31 (emphasis in original).

¹²³ *Fox Broad. Co.*, 905 F. Supp. 2d at 1100–01; *Cartoon Network*, 536 F.3d at 132 (alteration in original) (relying on the doctrine of causation-based liability in tort) (quoting W PAGE KEETON Et AL., *Prosser and Keeton on Torts* § 42 at 273 (5th ed. 1984)).

¹²⁴ *Fox Broad. Co.*, 905 F. Supp. 2d at 1101; *Cartoon Network*, 536 F.3d at 132.

¹²⁵ *Fox Broad. Co.*, 905 F. Supp. 2d at 1101.

¹²⁶ *Id.* at 1101.

¹²⁷ *Id.* at 1102.

¹²⁸ *Id.*

¹²⁹ *See id.*; *see also* *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1518 (9th Cir. 1992).

¹³⁰ *See Fox Broad. Co.*, 905 F. Supp. 2d at 1102–03; *see also* *Sega Enters. Ltd.*, 977 F.2d at 1518, 1527–28 (quoting *Walker v. Univ. Books Inc.*, 602 F.2d 859, 863–64 (9th Cir. 1979)).

copies.¹³¹ As a result, the District Court chose to weigh the four fair-use factors,¹³² finding:

(1) *Purpose and Character of the Use*: Even though the QA copies were not sold or monetized, they were still made for the commercial purpose of enhancing the Hopper's performance, which weighs against a finding of fair use.

(2) *Nature of the Copyrighted Work*: The programs recorded are primarily creative works, entitling them to heightened protection, which weighs against a finding of fair use.

(3) *Amount and Substantiality of the Use*: The copies duplicate each program in its entirety, which weighs against a finding of fair use.

(4) *Effect of the Use on the Market*: The District Court defined the scope of the relevant market as any potential market in which Fox could license copies of its programs (for example, services like Hulu, Netflix, iTunes, and Amazon have licenses with Fox to distribute their programming). DISH does not pay for the right to copy Fox's programming, so DISH's unauthorized copies diminish the value of Fox's other copies, harming Fox's ability to enter into lucrative licensing agreements in the future. This factor, considered the most important factor by the Court, also weighs against a finding of fair use.¹³³

The District Court's analysis of the four fair use factors resulted in a finding that "the QA copies are not a fair use and are an infringement upon Fox's exclusive reproduction right."¹³⁴ Regarding Fox's other claims, the Court found that the PTAT copies stored on each Hopper did not result in a violation of the distribution right, because "it does not appear that any actual copies of the copyrighted works 'changed hands.'"¹³⁵ The District

¹³¹See *Fox Broad. Co.*, 905 F. Supp. 2d at 1103; see also *Sega Enters. Ltd.*, 977 F.2d at 1513–14.

¹³²See 17 U.S.C. § 107 (2005).

¹³³*Fox Broad. Co.*, 905 F. Supp. 2d at 1104–05.

¹³⁴*Id.* at 1106.

¹³⁵*Id.*

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Court also found that Fox established a likelihood of success on the merits that the AutoHop QA copies violated the parties' retransmission agreements, because "[a] plain reading of [the agreement] suggests that the QA copies constitute a breach of the contract by the plain fact that they are Dish-initiated copies."¹³⁶ Although the District Court found that Fox had suffered some harms from DISH's actions, "such as loss of control over its copyrighted works and loss of advertising revenue [that] may stem from the ad-skipping use to which the QA copies are put, the record [did] not show that those harms flow[ed] from the QA copies themselves."¹³⁷ Because Fox failed to establish that it was likely to suffer irreparable harm in the absence of an injunction, the District Court denied Fox's Motion for Preliminary Injunction.¹³⁸

After the Motion for Preliminary Injunction was denied, Fox appealed the case to the U.S. Court of Appeals for the Ninth Circuit on July 24, 2013.¹³⁹ The Ninth Circuit, applying an abuse of discretion standard of review, found that "the district court did not abuse its discretion in holding that Fox did not demonstrate a likelihood of success on its copyright infringement and breach of contract claims regarding Dish's implementation of PrimeTime Anytime and AutoHop."¹⁴⁰ Furthermore, the district court did not err in holding that Fox failed to demonstrate a likelihood of irreparable harm from Dish's creation of the "quality assurance" copies used to perfect the functioning of the AutoHop.¹⁴¹ Fox filed a petition for rehearing on July 24, 2013, which was denied on January 24, 2014.¹⁴² At this time, there has not been any subsequent litigation on this case.

E. The Battle on the East Coast: Dish Network, L.L.C. v. American Broadcasting Companies, Inc.

The original suit filed by DISH sought a declaratory judgment that the PTAT and AutoHop services did not breach DISH's contractual agreements with ABC or infringe ABC's copyrights, and the suit remained in the

¹³⁶ *Id.* at 1108.

¹³⁷ *Id.* at 1110–11.

¹³⁸ *Id.* at 1092.

¹³⁹ *Fox Broad. Co. v. Dish Network L.L.C.*, 723 F.3d 1067, 1067 (9th Cir. 2013).

¹⁴⁰ *Id.* at 1073.

¹⁴¹ *Id.*

¹⁴² *Id.* at 1060, 1063.

Southern District Court of New York.¹⁴³ ABC moved for a preliminary injunction to prevent DISH from offering the PTAT and AutoHop services to customers.¹⁴⁴ The issues litigated in this suit were similar to the suit between DISH and FOX.¹⁴⁵ The parties alleged breach of a retransmission agreement between the network and DISH, as well as copyright infringement issues regarding both the copies of primetime programs stored on the consumers' Hopper DVR devices and the QA copies stored by DISH.¹⁴⁶

One major issue in this suit regarded the retransmission agreement between ABC and DISH.¹⁴⁷ The retransmission agreement at issue was executed in 2005 between ABC and EchoStar L.L.C., DISH's predecessor.¹⁴⁸ The agreement "prohibited unauthorized recording, copying or retransmitting of the Digital Signal, but did not preclude DISH's practice of providing its customers with DVRs," which offered time-shifting capabilities at the time the agreement was signed.¹⁴⁹ ABC alleged that DISH had breached the RCA agreement, because even if the customers are the ones actually making the copies of the primetime programs, DISH's technology enables or authorizes them to make the copies.¹⁵⁰ In determining whether a preliminary injunction should be granted, the court held that DISH's advanced DVR technology was not likely a breach of contract, because "[a]lthough more technologically advanced than previous DVRs, the Hopper is, at its core, another type of home recording device."¹⁵¹ Therefore, DISH was protected under the RCA agreement, which allowed DISH's use of DVR technology.¹⁵²

¹⁴³ See *In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495, at *1 (S.D.N.Y. Oct. 1, 2013).

¹⁴⁴ *Id.*

¹⁴⁵ See *id.* at *3-4.

¹⁴⁶ See generally *id.* at *1-4 (setting forth the background of the parties and the factual bases for the parties' claims).

¹⁴⁷ See *id.* at *2.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at *2. In 2005, the DVRs supplied to Dish's customers "offered recording by time, channel and program, [and] fast-forward and 30-second skip features," but did not offer the advanced performance capabilities unique to the PTAT and AutoHop technologies. See *id.* Section 12 of the 2005 RCA read in part, that the RCA agreement "shall not preclude [Dish's] practice of connecting subscribers' home recording devices such as VCERS or DVRS." *Id.*

¹⁵⁰ *Id.* at *8-9.

¹⁵¹ *Id.* at *9.

¹⁵² See *id.*; see also *id.* at *2 (setting forth the terms of the RCA agreement, in pertinent part).

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ABC also argued, “DISH’s PTAT/AutoHop services both directly and secondarily/vicariously infringe ABC’s exclusive reproduction rights.”¹⁵³ ABC claimed that DISH directly infringed on ABC’s copyrights by making or facilitating the creation of unauthorized copies.¹⁵⁴ Like in *Fox*, the Court found it important that the PTAT/AutoHop services must be turned on by the user and are not enabled by default.¹⁵⁵ ABC argued that DISH creates the system and offers these options to consumers, which is enough to constitute direct infringement.¹⁵⁶ The Court cited *Cartoon Network* to clarify that “a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct.”¹⁵⁷ It was notable that the defendant in *Cartoon Network* selected the programs that the users could copy, and maintained control over the system that allowed users to record programs for private use.¹⁵⁸ In *Cartoon Network*, those facts were insufficient to prove direct infringement; similarly, the degree of control that DISH has over the programming offered to users was also held to be insufficient to constitute direct infringement.¹⁵⁹ The District Court held that “ABC has failed to demonstrate a likelihood of success on its direct copying action because the evidentiary record indicates, and the Court finds, that the *consumer* makes the copy.”¹⁶⁰

In addition to its direct infringement claim, ABC also claimed that DISH’s actions constituted secondary or vicarious infringement, because DISH “had the ‘right and ability to supervise’ its customers’ allegedly infringing activities and that DISH derives a financial benefit from the availability of ABC’s copyrighted programming, as that material acts ‘as a draw for customers.’”¹⁶¹ The Court found this argument unpersuasive, noting that DISH did not control whether its users would choose to enable

¹⁵³ *Id.* at *5.

¹⁵⁴ *Id.*

¹⁵⁵ *See id.* at *5–6.

¹⁵⁶ *See id.* at *6.

¹⁵⁷ *See id.* (quoting *Cartoon Network, L.P. v. CSC Holdings, Inc.*, 536 F.3d 121, 124, 131–32 (2d Cir. 2008)); *see also supra* note 117 and accompanying text.

¹⁵⁸ *In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495, at *6 (S.D.N.Y. Oct. 1, 2013).

¹⁵⁹ *See id.* at *6–7.

¹⁶⁰ *Id.* at *7 (emphasis added).

¹⁶¹ *Id.*

the PTAT/AutoHop technology, or what content they would choose to copy.¹⁶² The Court determined that DISH was likely to succeed in establishing that the use of the PTAT/AutoHop technology by users constituted fair use of ABC's copyrighted programs.¹⁶³ Like in *Fox*,¹⁶⁴ the District Court weighed the four fair use factors,¹⁶⁵ finding:

(1) *Purpose and Character of the Use*: The Court looked to the *Sony* holding to determine that “[t]he improved efficiency of home recording through the PTAT/Hopper technology does not alter the non-commercial nature and purpose of such recordings.”¹⁶⁶ DISH's customers are unlikely to make commercial use of the PTAT copies, and it is unclear that the PTAT/AutoHop technology would even allow them to commercially exploit the programs.¹⁶⁷

(2) *Nature of the Copyrighted Work*: The Court also looked to *Sony* to recognize that the fact that ABC's programs were creative works is offset by the fact that they are publicly broadcast, because *Sony* stated that “time-shifting expands public access to freely broadcast television programs, [so] it yields societal benefits.”¹⁶⁸

(3) *Amount and Substantiality of the Use*: Again referencing *Sony*, since “time-shifting merely enables a viewer to see [a televised copyrighted audiovisual work] which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced . . . does

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ See *Fox Broad. Co. v. Dish Network, L.L.C.*, 905 F. Supp. 2d 1088, 1104–05 (C.D. Cal. 2012).

¹⁶⁵ See 17 U.S.C. § 107 (2005).

¹⁶⁶ *In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495, at *8 (S.D.N.Y. Oct. 1, 2013). “As the Supreme Court held in *Sony*, ‘private, noncommercial time-shifting in the home’ is a ‘legitimate, unobjectionable, purpose’ and even ‘unauthorized [time-shifting is] not necessarily infringing . . . unless it conflicts with one of the specific exclusive rights conferred by the copyright statute.’” *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442–43, 447 (1984)).

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* (quoting *Sony Corp. of Am.*, 464 U.S. at 454).

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not have its ordinary effect of militating against a finding of fair use.”¹⁶⁹

(4) *Effect of the Use on the Market*: And finally, the Court noted that DISH subscribers were not offering a substitute market that harmed ABC’s ability to license its programs.¹⁷⁰

The District Court’s analysis of the fair use factors differed drastically from the Court in *Fox*. In the *ABC* case, the Court found somewhat easily that “DISH has . . . demonstrated that it is likely to succeed in carrying its burden of demonstrating that its subscribers’ time-shifting constitutes fair use.”¹⁷¹ After ABC’s motion for preliminary injunction was denied, the parties were directed to contact a magistrate judge to discuss settlement possibilities.¹⁷² On March 6, 2014, the parties settled the case, and the Court entered a stipulation of dismissal with no prejudice.¹⁷³

Copyright scholars, attorneys, and the general public alike had avidly followed the litigation involving DISH’s PTAT and AutoHop technologies, expecting the Supreme Court to use this dispute as an opportunity to clarify the scope of the *Sony* holding in light of modern technology.¹⁷⁴ The fact that the litigating parties agreed to settle the dispute out of court before the case had the opportunity to reach the Supreme Court created a disappointment similar to that of *Grokster* decision.¹⁷⁵ However, many parties still hoped

¹⁶⁹ *Id.* at *8 (quoting *Sony Corp. of Am.*, 464 U.S. at 449–50).

¹⁷⁰ *See id.*

¹⁷¹ *Id.*, at *8.

¹⁷² *Id.* at *15.

¹⁷³ Docket, *Dish Network L.L.C. v. ABC, Inc.*, (No. 1:2012cv04155) (S.D.N.Y. 2012), <http://dockets.justia.com/docket/new-york/nysdce/1:2012cv04155/397132>.

¹⁷⁴ *See generally* Lawrence Hurley and Liana Baker, *Echo of 1984 Betamax Landmark in U.S. High Court Aereo TV Fight*, REUTERS (Apr. 20, 2014), <http://www.reuters.com/article/2014/04/20/us-usa-court-ip-idUSBREA3F1YK20140420>; *see also* Jon Healey, *Supreme Court and Aereo: A Betamax Ruling for the 21st Century?*, LOS ANGELES TIMES (Jan. 10, 2014), *available at* <http://www.latimes.com/opinion/opinion-la/la-ol-supreme-court-aereo-broadcasters-copyright-20140110-story.html>; *see also* David Oxenford, *Supreme Court Decides to Review Aereo - Why This is Not the New Betamax Case*, BROADCAST LAW BLOG (Jan. 14, 2014), *available at* <http://www.broadcastlawblog.com/2014/01/articles/supreme-court-decides-to-review-aereo-why-this-is-not-the-new-betamax-case/>.

¹⁷⁵ Docket, *supra* note 173; *see generally* *MGM Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764.

that another notable case that reached the Supreme Court in the spring of 2014 had the potential to clarify the *Sony* issue: *Aereo*.¹⁷⁶

F. *Why Aereo is Not the New Betamax*

The dispute between ABC, Inc. and Aereo, Inc. (“Aereo”) arose from a technology developed by Aereo, which allowed its subscribers to stream television programs online at about the same time the programs appeared on television.¹⁷⁷ Aereo’s technology transmits the program from a network of small antennas to a transcoder, which translates the data onto a centralized server.¹⁷⁸ The Aereo server saves the data and then streams the show to the subscriber’s screen, a few seconds behind the actual television broadcast.¹⁷⁹ This technology is similar to the Hopper in that users may view broadcast television programming at a later point in time, but differs greatly in the way that the information reaches the consumer.¹⁸⁰ While DVR technology merely copies a television broadcast, known as “time-shifting,” Aereo’s technology differs in that it streams the data to the subscriber by routing the data through a centralized server; a process known instead as “place-shifting.”¹⁸¹ ABC sued Aereo for copyright infringement, arguing that Aereo’s technology infringed upon their right to publicly perform their copyrighted works.¹⁸² On June 25, 2014, the Supreme Court held that Aereo’s technology constitutes a public performance of copyrighted works, violating ABC’s rights under the Copyright Act’s Transmit Clause.¹⁸³

During the litigation, much of the press coverage of the *Aereo* litigation touted *Aereo* as the new *Sony Betamax* case.¹⁸⁴ Although this case has a significant impact on modern technology, it is important not to confuse the unique issues in *Aereo* with the copyright issues developed in the DISH Network litigation, as the cases are particularly distinct.¹⁸⁵ The major

¹⁷⁶ See Hurley, *supra* note 174; see also Healey, *supra* note 174; see also Oxenford, *supra* note 174.

¹⁷⁷ *Am. Broad. Co., v. Aereo, Inc.*, 134 S. Ct. 2498, 2506 (2014).

¹⁷⁸ *Id.*

¹⁷⁹ *Id.* at 2503.

¹⁸⁰ See generally, *Fox Broad. Co. v. Dish Network L.L.C.*, No. CV 12-4529 DMG (SHx), 2015 WL 1137593 (C.D. Cal. Jan. 20, 2015).

¹⁸¹ *Id.*

¹⁸² *Am. Broad. Co.*, 134 S. Ct. at 2503–04.

¹⁸³ *Id.* at 2503.

¹⁸⁴ See Hurley, *supra* note 174; see also Healey, *supra* note 174.

¹⁸⁵ See Oxenford, *supra* note 174.

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difference between the cases is the cause of action.¹⁸⁶ In *Aereo*, the main issue is whether the copyright infringement derives from a violation of the right to publicly perform, while in *Sony* or the *Dish* cases, the infringement derived from a violation of the reproduction right.¹⁸⁷ One of the key points in the *Sony* holding is that the Court held that the infringement issues were protected by the fair use defense, while in *Aereo*, “*Aereo* has not been arguing that the use of the television signal by consumers is a fair use, but instead that there is no violation of the right of the copyright holder at all—as there is no public performance.”¹⁸⁸ This is a critical difference between the cases, resulting in a completely different analysis.¹⁸⁹ Another key point in the *Sony* holding was that the Court found that the Betamax technology “capable of commercially significant noninfringing uses,” while the *Aereo* technology is not capable of meeting this criteria.¹⁹⁰ Therefore, even though the *Aereo* case will become a landmark decision in the field of online streaming or other “place-shifting” technology, it does little to clarify the application of the *Sony* standard to modern time-shifting technology.

IV. CONCLUSION: IMPACT OF THE DISH NETWORK LITIGATION ON THE ENTERTAINMENT INDUSTRY AND CONSUMERS

Where does the conclusion of the DISH litigation leave scholars and attorneys in deciphering how the *Sony* doctrine will be applied to new technology? Some scholars believe that the *Sony* standard is still relevant and applicable in full, remaining “the gold standard for copyright litigation arising from TV recordings.”¹⁹¹ In 1998, legislative history notes that Congress held the *Sony* decision to be so seminal that it was reluctant to “threaten this standard” with the original version of the Digital Millennium Copyright Act legislation, and the “conferees . . . meaningfully clarified that the *Sony* decision remains valid law.”¹⁹² The *Sony* case remains a respected

¹⁸⁶ *Id.*

¹⁸⁷ See *Am. Broad. Co.*, 134 S. Ct. at 2507.

¹⁸⁸ Oxenford, *supra* note 174.

¹⁸⁹ Oxenford, *supra* note 174; *Am. Broad. Co., Inc.*, 134 S. Ct. at 2507.

¹⁹⁰ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 421 (1984) (holding that the commercial value of their copyrights were not impaired and thus the Betamax technology is capable of commercially significant noninfringing uses); *Am. Broad. Co.*, 134 S. Ct. at 2503.

¹⁹¹ Scott Graham, *In Dish Networks Case, Ninth Circuit Applies Dated Precedent to New Copyright Claim*, THE RECORDER (Jul. 24, 2013) (available on LEXIS).

¹⁹² 3-12A Nimmer on Copyright § 12A.19[B] (LEXIS through Nov. 2014) (“During the final deliberations leading to enactment, many legislators commented that the Digital Millennium

and applicable doctrine.¹⁹³ Although the DISH litigation will not result in a sea change in copyright law, the course of the AutoHop litigation has emphasized the glaring uncertainties that remain regarding the application of the *Sony* standard to future technological disputes, even thirty years later.¹⁹⁴ Application of the *Sony* standard should be clearly defined at this point, even in the case of progressive technology. As intellectual property amici argue in their brief submitted to the Southern District of New York, “courts have consistently held that exploitation of copyrighted material for private home enjoyment is a noncommercial, nonprofit activity.”¹⁹⁵ The outcome of this case turns on the Court’s analysis regarding the fourth fair use factor: the effect of the use upon the potential market for or value of the copyrighted work.¹⁹⁶ The Hopper is no different than the Betamax regarding the character of its use.¹⁹⁷ Although the recording technology has drastically advanced since the early Betamax, consumers still use the Hopper for time-shifting in their private homes.¹⁹⁸ The real issue in this case is not whether the *Sony* standard should be applied to the Hopper at all; rather, the true issue boils down to contractual relationship issues between the two parties.¹⁹⁹ The four major networks had a business relationship with DISH, evidenced by the retransmission agreements between the parties.²⁰⁰ The networks argue that the use of the copyrighted works is commercial because it harms their ability to license the copyrighted work to other parties, yet

Copyright Act leaves the *Sony* ruling undisturbed”) (citing to 144 Cong. Rec. H10618 (daily ed. Oct. 12, 1998) (remarks of Rep. Klug) (“The original version of the legislation threatened this [*Sony*] standard, imposing liability on device manufacturers if the product is of limited commercial value. . . I’m very pleased that the conferees have meaningfully clarified that the *Sony* decision remains valid law.”); 144 Cong. Rec. E2136 (Oct. 12, 1998) (remarks of Rep. Bliley). Commissioner Lehman previously testified to that same effect. *See* 1997 Hearings, Serial No. 33, at 62)). Nimmer notes that in a “formalistic sense” the notion that the *Sony* ruling has been unaffected by subsequent laws is accurate, but notes that as a practical matter the effect of the legal framework of the DMCA leaves the state of the law relatively undetermined.

¹⁹³ *Id.*

¹⁹⁴ *See id.*

¹⁹⁵ Brief Amicus Curiae of Intellectual Property Scholars, 7, *Dish Network L.L.C. v. Am. Broad. Co.*, (on appeal from (No. 1:2012cv04155) (S.D.N.Y. 2012)).

¹⁹⁶ 17 U.S.C. § 107 (2005).

¹⁹⁷ Brief Amicus Curiae of Intellectual Property Scholars, 7, *supra* note 192.

¹⁹⁸ *Id.*

¹⁹⁹ *See In re Autohop Litig.*, No. 12. Civ. 4155(LTS)(KNF), 2013 WL 5477495, at *9 (S.D.N.Y. Oct. 1, 2013).

²⁰⁰ *Id.* at *2.

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consumers have already paid to access the copyrighted work through their subscriptions to the DISH service.²⁰¹ The AutoHop technology “merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge,” which mirrors the use of the Betamax technology that the Court held to be fair in *Sony*.²⁰² DISH developed advanced technology and found a new market ripe for exploration.²⁰³ In doing so, DISH exemplified the purpose of the Copyright Act: to promote the progress of science and the useful arts.²⁰⁴ The major networks’ business relationship with DISH should not eviscerate the *Sony* standard. DISH and the four major television networks should thoughtfully negotiate their contractual relationship to develop an agreement where each party can benefit from technological progress, rather than chilling new developments to the detriment of the consumer.

Where does the settlement of the DISH litigation leave consumers? The *Hollywood Reporter* contended that Charlie Ergen, DISH Network’s co-founder, was the “most hated man in Hollywood” in the aftermath of the Hopper release, leading with a tagline that stated, “[h]is company has been labeled the ‘worst place to work in America’, he’s being sued by all four networks, and his ad-skipping Hopper could decimate TV industry economics [as a result of] the entertainment business’ ugliest fight.”²⁰⁵ However, it is unlikely that the consumers share this view, as the Autohop greatly enhances the television viewing experience by allowing consumers to easily fast-forward over advertisements that distract from their favorite programs. After the settlement, the major networks agreed that DISH would:

alter its ad-skipping Hopper feature so that it won’t work on ABC, ESPN, and other Disney network shows until three days after a show airs. That time period is crucial because ratings for up to three days (live plus recording)

²⁰¹ *Id.* at *8.

²⁰² Brief Amicus Curiae of Intellectual Property Scholars 8, *supra* note 195 (citing *Sony Corp. of Am.*, 464 U.S. at 449).

²⁰³ Brief Amicus Curiae of Intellectual Property Scholars, 12–13, *supra* note 195.

²⁰⁴ U.S. CONST. art. I, § 8.

²⁰⁵ Eriq Gardner, *Dish Network’s Charlie Ergen is the Most Hated Man in Hollywood*, THE HOLLYWOOD REPORTER (Apr. 2, 2013), <http://www.hollywoodreporter.com/news/dish-networks-charlie-ergen-is-432288>.

are the basis on which advertisers buy and pay for time on the networks.²⁰⁶

DISH's CEO and President, Joseph Clayton, announced: "The creation of this agreement has really been about predicting the future of television with a visionary and forward-leaning partner."²⁰⁷ However, it's hard to agree that restricting technology in fear of corporate advertising power is really very "forward-leaning." The failure of these companies to litigate these issues to completion might save a few dollars in corporate pockets today, yet the convoluted state of the law regarding new advances in time-shifting technology will likely hinder their growth and development efforts in the future. Consumers are harmed by this outcome, which results in a chilling of technological advancements that had the potential to enhance the way consumers interact with popular culture. One bright spot for the television consumer is that the "most hated man in Hollywood" is still "extremely aggressive about innovating new modes of distribution," and Ergen has mentioned that DISH may be developing a new streaming service that allows direct access to consumers, similar to Netflix.²⁰⁸ DISH even bought out an additional block of wireless spectrum, valued at more than \$1.5 billion, creating speculation that DISH might be planning to launch a new content service or begin moving into the wireless phone field.²⁰⁹ Don't change the channel on DISH Network quite yet.

²⁰⁶ Alex Ben Block, *Dish Network and Disney Reach Retrans Deal Over Ad-Skipping Hopper*, THE HOLLYWOOD REPORTER (Mar. 3, 2014), <http://www.hollywoodreporter.com/news/dish-network-disney-reach-retrans-685698>.

²⁰⁷ *Id.*

²⁰⁸ *Id.*

²⁰⁹ *Id.*; see also John Eggerton, *FCC Clears Way for Dish to Bid in H Block Auction*, BROADCASTING AND CABLE (Dec. 20, 2013), <http://www.broadcastingcable.com/news/washington/fcc-clears-way-dish-bid-h-block-auction/128093>.