

# Copyright Alert: *Fox v Dish* Summary Judgment Rulings

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## Mixed Outcomes on Copyright and Contract Issues Re: Volition, Time- and Space-Shifting, Intermediate Copying and Commercials-Skipping

In a complex opinion addressing intermingled copyright and contract issues, a Federal District Court has wrought an amalgam of rulings in the clash between a major television network and a leading pay television provider whose innovative technology facilitates unauthorized uses of broadcast content. *Fox Broadcasting Co. v. DISH Networks LLC* (Case No. CV 12-4529), [Redacted] Order (C.D. Cal., Jan. 20, 2015).

The ruling included mostly wins, but some losses, for DISH with implications for other online services that enable time- and space-shifting by end-users. Judge Dolly M. Gee of the Central District of California granted partial summary judgments that upheld DISH's right under copyright law to offer technologies that allow users to transfer copies of lawfully-stored programming to their own mobile devices and to automatically record full prime time lineups and then skip commercials. On the other hand, Judge Gee held that DISH breached its license agreement with Fox in offering the copy-transferring service, and had no fair use right to copy recordings for the purpose of implementing its technologies.

This Alert will focus on the copyright issues. The case involves several technologies offered by DISH, all designed to make it easier and more convenient to access TV programming for later (or elsewhere) viewing.

### The key copyright rulings were as follows:

- Consumers who copy the entire evening's offerings of TV programming still have a fair use right to do so under the *Sony/Betamax* decision.
- Space-shifting is fair use—this appears to be the first case to squarely so hold—so neither DISH nor its customers have copyright liability for streaming programming from their home DVRs or set-top boxes to their cell phones or tablets and for sending copies of programs to their mobile devices.
- Automated commercials-skipping does not violate copyright, nor is providing the technology that effects the skipping—but, nonetheless, it was not fair use for DISH to copy TV programs in order to make its commercials-skipping technology work reliably. So that copying infringed Fox's copyrights.

### Fox v. Dish in more detail:

The District Court's summary judgment decision follows its earlier denial of Fox's request for a preliminary injunction, *Fox Broadcasting v. Dish Network*, 905 F.Supp.2d 1088 (C.D. Cal. 2012), and the Ninth Circuit's decision affirming that denial, *Fox Broadcasting v. Dish Network*, 747 F.3d 1060 (9<sup>th</sup> Cir. 2013).

The copyright holdings and reasoning were as follows:

- **Aereo and volition.** The Supreme Court's recent decision in *American Broadcasting Company v. Aereo, Inc.*, 134 S.Ct. 896 (U.S. 2014), has caused controversy over whether the Supreme Court had *sub silentio* overturned a long line of cases holding it is not direct copyright infringement to provide an automated technology that consumers use to engage in arguably infringing acts, when the provider does not engage in the volitional conduct causing the infringement. The "volition" doctrine had been widely accepted, and the District Court here—in what is probably the first post-*Aereo* case to consider the issue—held that *Aereo* did not "jettison by implication" the "volitional conduct" requirement for direct infringement. The

Court limited *Aereo* to “cable-like” contexts, and distinguished the DISH technology from *Aereo*’s.

- **Wholesale copying does not infringe.** Applying the volition doctrine, the court held that neither offering nor using DISH’s “PrimeTime AnyTime” (PTAT) service infringed Fox’s copyrights. PTAT allows automated copying of all of the four major networks’ prime time programming.
  - Under the volition doctrine, the court held, it was not DISH but its users who chose to enable the copying of the programming at issue or to perform it, hence DISH was not liable for direct copyright infringement.
  - The Court rejected Fox’s contention that “making available” represents an exercise of the public distribution right, holding that DISH had no direct liability under that theory either.
  - End-users, the Court also held, still have a fair use right to record TV programming under the *Sony Betamax* decision, and the widespread changes in markets for broadcast content did not establish the existence of meaningful non-speculative economic harm to Fox’s copyrights caused by such copying. Hence *Sony*’s fair use analysis—which held that *time* shifting did not injure the content creator and was a fair use—remained viable.
  - And since viewers’ use of PTAT was fair use, there was no underlying direct infringement for DISH’s alleged secondary liability to rest upon.
- **Unauthorized home-to-mobile-device streaming.** Defendant’s “DISH Anywhere” service was held not to infringe for similar reasons. This service uses Sling technology to allow end-users to stream live content from their own set-top boxes to their mobile, internet-connected devices. First, the Court held, it is the consumers, not DISH, who are “performing” the works when they stream them to themselves. Since individual consumers are not engaged in *public* performances of the broadcasts they rightfully possess or possess access to, their activities are not infringing the public performance right. And, again, since there is no underlying direct infringement, there is nothing for DISH’s purported secondary liability to rest upon.

- **Unauthorized home-to-mobile device copying.** Whereas DISH Anywhere facilitates streaming, “Hopper Transfer” allows end-users to transmit copies of programming which they have previously recorded on their DVRs, to their mobile phones and tablets.
  - Regarding end-users, in perhaps the first case in which a court squarely addressed the issue, the Court held that “*space*-shifting” content that consumers rightfully possess to their own devices represents “paradigmatic fair use.” The Court relied in part on the holding of *RIAA v. Diamond Multimedia*, 180 F.3d 1072 (9<sup>th</sup> Cir. 1999), that copying for such purposes was “paradigmatic noncommercial use,” though that case involved the Audio Home Recording Act, not the Copyright Act of 1976. Although other copyright cases have mentioned space-shifting, it has previously been in contexts in which it was not clear that the end-users actually owned their own copies or had lawful access to the shifted works, or were cases in which the “shifting” also involved transmission to other parties.
  - Since consumers had a fair use right to use the Hopper Transfer, there was no direct infringement for which DISH itself could be secondarily liable.
  - DISH’s victory on this point may be of limited value to DISH itself, however, since the Court held that the offering of the service breached one of DISH’s contracts with Fox.
- **Intermediate copying and fair use.** DISH’s “AutoHop” feature allows consumers to choose to skip all the commercials on the programming they record, by automatically jumping past the commercials when they play back a recorded broadcast. In the earlier, preliminary injunction stage of this case, the District Court determined that skipping commercials was not itself likely to be a copyright violation. The Ninth Circuit agreed: “If recording an entire copyrighted program is a fair use, the fact that viewers do not watch the ads... cannot transform the recording into a copyright violation.” The District Court now granted summary judgment on the same issue.

- However, in order for DISH to ensure that the commercial-skips take place at the correct point in the recorded programming, DISH itself makes “Quality Assurance” copies of the programming on its servers, which copies its employees review for that sole purpose.
- The “QA” copies are never viewed by end-users, and DISH argued that such “intermediate copying” was fair use. The District Court—in addition to holding that making QA copies violated one of DISH’s agreements with Fox—rejected the fair use defense.
- The Court gave substantial weight to its conclusion that the use was commercial and that it was not transformative, since the copies “in no way alter [the] originals ‘with new expression, meaning, or message’” (quoting *Campbell v. Acuff-Rose*, 510 U.S. 569 (1994)). The Court appears to have discounted the line of fair use cases holding that a *use* can be transformative even though the work itself is entirely unchanged. Alternatively, the Court may be deciding that some new non-altering uses—such as skipping commercials—are simply less worthy of transformative status than others—creating new works.
- The Court gave what appeared to be decisive weight to its conclusion that the fourth statutory fair use factor (17 U.S.C. § 107(4)), the effect of the use on the market for or value of the copyright, weighed against fair use. Although (the Court acknowledged) there was “no demonstrable existing market for the intermediate copies themselves, there was evidence that Fox monetizes the right to copy its programming, and “[t]he fact that DISH’s use of the QA copies is *sui generis*... does not mean it has no intrinsic value.”
- The Court’s logic regarding economic harm raises questions and is potentially far-reaching: Licensing is common, and it will nearly always be the case that in one way or another the copyright holder monetizes the right to use its copyrighted work. If the possibility of charging for a use is deemed sufficient to prove economic harm, regardless of differences in uses or likelihood

that the new use would actually be licensed, this factor—frequently characterized as the most important one—could always be held to tilt against fair use.

- Further, the Court’s ruling creates the paradoxical result that there was no fair use right to make the copies needed to implement the very skipping technology whose exercise was held to be noninfringing. Such a ruling takes away with one hand the rights given with the other.

The partial summary judgment order left a number of issues for trial, particularly regarding damages. After seeing the summary judgment rulings, however, the parties requested the Court to stay the case, representing that a settlement was highly likely, and thereby suggesting that an appeal is not. Because it is not likely to be reviewed, the Court’s decision may be the final word in its assessment of these technologies, and may assume significant precedential authority. As things stand, each side in this latest chapter of the enduring struggles between copyright holders and online technology enterprises may feel the rulings have given some cause for smiles and some for tears.

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