**No. 12-57048**

**IN THE**
**United States Court of Appeals**
**For the Ninth Circuit**

FOX BROADCASTING COMPANY, INC., TWENTIETH CENTURY FOX FILM CORP., AND FOX TELEVISION HOLDINGS

*Plaintiffs-Appellants,*

v.

DISH NETWORK L.L.C. AND DISH NETWORK CORPORATION,

*Defendants-Appellees.*

Appeal from the U.S. District Court for the
Central District of California
No. 12-cv-04529-DMG (SHx), Hon. Dolly M. Gee

# BRIEF OF LAW SCHOLARS AND PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF DEFENDANTS-APPELLEES BRIEF

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# TABLE OF CONTENTS

# TABLE OF AUTHORITIES

**Page(s)**

**CASES**

## TABLE OF AUTHORITIES (cont.)

**Page(s)**

**CASES**



**RULES**

# TABLE OF AUTHORITIES (cont.)

**Page(s)**

## I. Interest of Amici Curiae.[1]

*Amici* are law professors and scholars who teach, write, and research in the area of intellectual property and technology. *Amici* have an interest in this case because of their interest in the sound development of intellectual property law and because of its potential impact on copyright fair use, including private non-commercial time-shifting of television programs and commercial copying of works for the purpose of accessing unprotected facts, information, or technical knowledge about a work. Resolution of the fair use issues has far-reaching implications for the scope of copyright protection, a subject germane to *Amici's* professional interests and one about which they have great expertise. A complete list of individual *amici* is attached as Appendix A.

*Amici* respectfully submit this brief with the consent of all parties. Fed. R. App. P. 29(a).

## II. Summary of Argument.

The outcome of this case will affect the future of private non-commercial time-shifting of television programs – a fair use right expressly recognized by the Supreme Court almost three decades ago in *Sony Corp. of America v. University City Studios, Inc.*, 464 U.S. 417 (1984). The advance of technology from the

[1] Pursuant to Rule 29(c)(5), *amici* state that they have been assisted in the preparation of the brief by counsel, other than Dish's counsel in this proceeding, that represents Dish in other matters, but that Dish has not funded or contributed money for the preparation or submission of the brief.

videotape recorder ("VTR"), to the videocassette recorder ("VCR") considered in *Sony,* to today's digital video recorder ("DVR") has not – nor should it – affect that right. While Appellants Fox Broadcasting Company, Inc., Twentieth Century Fox Film Corp., and Fox Television Holdings ("Fox") claim not to be launching an assault on private non-commercial time-shifting of television programs, the *Sony* precedent, or the underlying technology, their legal arguments do exactly that.

Under *Sony*, however, using the Hopper (Dish's DVR) and PrimeTime Anytime ("PTAT") is as much a fair use as the original Betamax technology. Both enable private non-commercial time-shifting of legally acquired television programs, and Fox's attempt to overrule *Sony* by claiming it has licensed time-shifted programming to internet websites such as Hulu and iTunes should be to no avail, as fair use markets cannot be reclaimed from the public through subsequent licensing practices. To allow this would be to take settled fair uses and turn them into infringements over time at the copyrights holder's discretion.

Fox continues its attack on fair use by seeking to stop Dish's creation of quality assurance ("QA") copies of Fox's programs, which Dish then uses to access unprotectable facts about the programs – the start and stop times of show segments – and to use those facts to ensure that AutoHop, its commercial skipping program, responds appropriately. Use of such intermediate copies in order to access non-protected information has long been held to be fair in both this Circuit

and others. Fox attempts to distinguish these precedents by arguing that such copying is somehow not "transformative" of a message or meaning within the television program itself; but such transformation is not required for the purposes of understanding works or extracting unprotectable facts.

Amici respectfully file this brief out of concern that adoption of Fox's interpretation of copyright law would undermine longstanding and important areas of fair use precedent. We also seek to provide the court with additional background and context about these key historical rulings and the technologies that they addressed. We urge the Court to reject Fox's attempt to engineer a sea change in copyright law and the resulting precedential conflicts it would create.

## III. Argument.

For nearly three decades, copyright law has considered private non-commercial time-shifting of television programs, as well as commercial copying of works for the purpose of accessing unprotected facts, information, or technical knowledge about a work, to be fair use. *See Sony Corp. of Am. v. University City Studios, Inc.*, 464 U.S. 417 (1984); *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1993); *Sony Computer Enter., Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000); *A.V. ex rel. Vanderhye v. iParadigms, LLC*, 562 F.3d 630 (4th Cir. 2009); *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 (9th Cir. 2007). Fox's appeal attempts to narrow or reverse these bedrock holdings by arguing that new

technologies (the Hopper) or techniques of accessing knowledge (the QA copies) are not protected by fair use. Its interpretation of fair use is inconsistent with the precedents of the Supreme Court, this Court, and other circuits on these core fair use issues.

The advance of technology does not diminish the holdings of *Sony*, *Sega*, or their progeny. Embedded within these decisions were sound principles that further the purpose of the Copyright Act – to promote progress of both technology and public access to copyrighted content. These principles stand just as strong, if not stronger, today.

### A. Fair Use Evolves as Technology Evolves.

The history of television broadcast recording technology mirrors that of all consumer electronics, moving from analog to digital, from rudimentary to complex. Starting in 1963, the VTR began a technological revolution that has continued unabated. The earliest VTR – which was similar to reel-to-reel audio tapes – was expensive, difficult to assemble and could only record twenty minutes in black and white. Sony developed its first VTR for home use in 1964, but only a few hundred were sold. RCA's similar product in 1965 also had little success. *EvolutionZona.com,* www.evolutionzona.com/evolution-of/videocassette-recorders.php (last visited Jan. 23, 2013).

In the 1970s, the VTR gave way to the VCR. This allowed users to record analog audio and video from broadcast television on removable videocassettes. The videocassette was much easier to use than its reel-to-reel predecessors and could store longer programs in both color and black and white. For the first time, time-shifting of television programs was a real option for consumers, a fact which was not lost on the VCR manufacturers who showcased that ability – and the content owners who feared it.

There were two competing formats for VCRs: the Sony Betamax released in 1975 and the VHS introduced by JVS in 1976. BeemBee.com, www.beembee.com/2010/videocassette-recorder-history (last visited Jan. 23, 2013). Although the Betamax ultimately lost the battle for the marketplace, it won a more crucial one in the courts when the Supreme Court unequivocally established that unrestricted home recording of commercial broadcast television for purposes of time-shifting was a non-infringing fair use. *Sony,* 464 U.S. at 454–55. The VCR and the right of consumers to record television broadcasts were now entrenched. Far from this being the end of content or broadcasters, the marketplace flourished and the technology continued to grow.

Home recording technology took its next leap with the advent of the DVR. Unlike VCRs that recorded analog audio and video to videocassettes, DVRs record broadcast television in a digital format to a disk drive or other storage devices.

The first consumer DVRs, ReplayTV and TiVo, were released to the public in 1999. Jimmy Schaeffler, *Digital Video Recorders: DVRs Changing TV and Advertising Forever* 17 (2009), *available at http://www.amazon.com/gp/reader/024081116X/?tag=ebooksshare0c-20*.

Over time, DVR functionality improved dramatically, and storage capacity has increased from eight gigabytes to two terabytes. DVRs now also have advanced commercial skipping capability, giving users the power to bypass commercials using a thirty-second skip option.[2] And DVRs can now be used to record multiple programs at the same time and replay those programs on multiple televisions and devices at a later time. Ultimately, however, both VCRs and DVRs do essentially the same thing: allow the consumer to record a live television program so the viewer can watch the program at a later time. Both VCRs and DVRs allow viewers to pause, rewind, fast-forward, and skip over parts of the program. The main difference between the two is ease of use, quality of the recorded program, and storage capacity.

Throughout the entire technological evolution of home recording of television shows, there has been one constant: no matter how basic or how cutting edge the technology has been – from the first VTR through to the Hopper device at

[2] VCRs and DVRs, of course, have always had the capability to skip commercials by using the fast forward button. And, consumers have always had the right to avoid commercials by simply ignoring or talking over them, or leaving the room while they were playing.

issue in this litigation – consumers have been able to record television programs at home for personal use, and users of that technology have always had a fair use right to make those recordings. The *Sony* precedent that upheld this fair use right has remained good law and in effect for almost 30 years. Time-shifting and commercial skipping are now as regular a national pastime as watching a day game of the World Series – only at night and uninterrupted.

In this case, however, Fox seeks to challenge *Sony* and cabin its holding to VCRs. But there is no material distinction between the basic VCR functionality at issue in *Sony* and the Hopper. Both devices provide consumers with the capability of private, non-commercial time-shifting of television programs they have lawfully acquired. To reverse the ruling below and find use of the Hopper for these purposes to infringe Fox's copyrights essentially would be to reverse *Sony* and hold that most if not all forms of private time-shifting are illegal. Even Fox's arguments – that the video recording device at issue time-shifts television too easily and efficiently for Fox's comfort and frustrates Fox's desire to monetize private consumer copying of its programs – are essentially repeats of Universal Studio's arguments in *Sony*.

### B. ***Sony*** **Forecloses The Argument That Hopper Users Directly Infringe Fox's Copyrights.**

*Sony* stands for two propositions. First, "[t]he 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 …. [I]t need merely be capable of substantial noninfringing uses." *Id.* at 442. Second, a user of that copying equipment has a fair use right to record a program for private, non-commercial use. *Id.* at 454–55. While the *Sony* court referred to the users' conduct as "time-shifting," it recognized that the right to record and privately perform a television program at the time of one's choosing necessarily includes the right to pause, fast-forward, skip, and rewind.[3]

The District Court rightly recognized that *Sony* was the beginning and the end of the analysis with respect to Fox's derivative liability claim, because the copies made by consumers using the Hopper are no different than the copies made by consumers who used the Betamax. Both are private, non-commercial home uses. Thus, the court correctly observed that both are non-infringing fair uses which negate derivative liability for the device provider.

Fox, however, views the District Court's limited analysis as an opportunity to undermine the scope of the *Sony* holding by trying to distance the Hopper (and

[3] Like many private activities concerning copyrighted works, private performances or displays are explicitly exempted from the copyright holder's list of exclusive rights in their works. *See Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975) (finding restaurant owner's presentation of radio music to his customers did not infringe copyright holders' exclusive right to perform the copyrighted work publicly for profit); *Broadcast Music, Inc. v. Claire's Boutiques, Inc.*, 949 F.2d 1482, 1495–96 (7th Cir. 1991) (analyzing *Aiken* and holding that retail store was permitted to play radios during business hours under home-type exemption).

indeed, all DVRs) from the VCR. Although Fox denies that it is attacking DVR use – "the 'personal DVR' is not at issue in this case," (Br. of Pls.-Appellants' ("Opening Br.") at 13) – its legal arguments do exactly that. For example, Fox argues that the copy of a program made by a user of PTAT is not fair "[w]here, as here, the copier is using the entire work for the same entertainment purpose as originally intended, the copies merely supersede the objects of the original and the use is not transformative." (*Id.* at 48) (quotations omitted). This factual proposition would apply to any DVR and would even apply to the VCR at issue in *Sony*. Similarly, Fox argues that PTAT is unfair because it "creates a storehouse of recorded programs for the user to browse and choose from another day." *Id.* at 45. Again, that is what every DVR does (and every VCR did) and, indeed, what they are supposed to do. Finally, Fox argues that PTAT is unlawful "because it is commercial in nature," as it "substitutes for services that charge for on-demand and commercial–free viewing…." *Id.* at 48, n.12. This is what every DVR and VCR has always done. *See Sony*, 464 U.S. at 423 n.3, 450 n.33, 453 n.36 (considering and rejecting arguments that VCR users would avoid commercials, that theater or home rental would suffer because consumers would not buy separate tapes if they taped the show on a VCR, and that library-building would occur, such as one witness who had over 100 tapes).

Implicit in Fox's argument is that today's technology makes the result in *Sony* a relic of another generation. Indeed, Fox claims there is something unique about the Hopper's home recording and replay options that take it out of the realm of *Sony*. But the *Sony* court expressly dealt with the variety of ways in which consumers could manipulate the recording and replay of shows – ways that defeat Fox's attempt to portray *Sony* as obsolete. As the court explained when reviewing the features of the Betamax, "[t]he pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided … the viewer is present when the program is recorded. The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen." *Id.* at 423. None of those capabilities altered the fair use nature of the consumers' recording of the copyrighted programs.

Because adoption of Fox's reasoning would have broader implications for current DVR use, as well as DVR innovation and use in the future as technology advances and hard drives continue to increase in size, it is important that Fox's approach to *Sony* be understood for what it really is – an attempt to relitigate the public's interest in making fair use copies with the aid of time-shifting machines.

In an attempt to sidestep the conflict its arguments have with *Sony*, Fox primarily focuses on market harm and tries to create confusion by blurring the distinction between what it owns (the programs) and what it does not own (the commercials). It suggests that "eliminating viewers' exposure to a show's advertisements altogether – in contrast to the manual fast-forwarding that occurs on a standard DVR – deprives Fox of the opportunity to interest viewers in ***its*** commercials…." (Opening Br. at 50) (emphasis added). However, these are not Fox's commercials and they are not part of Fox's copyrights. Thus, the impact of commercial skipping should have no impact on the fair use analysis in this case. Fair use must be measured against the copyright being used, not against other unrelated content.

Fox then uses its notion of a blurred marketplace to argue that private home commercial skipping somehow destroys a relevant copyright licensing market (i.e., commercial-free viewing). In doing so, Fox argues that *Sony*'s shelf-life as a fair-use holding is limited because video on demand ("VOD") and online distribution channels like Hulu and iTunes did not exist when time-shifting was first considered to be a fair use. However, that is not the law. If it was, then fair use rights would only be temporary, and would exist only to the extent that copyright holders allowed them to exist by not entering the market previously consumed by the fair use. In other words, the creation or licensing of a site such as Hulu, an act

wholly within the copyright holder's discretion, would automatically end the validity of *Sony*. To the contrary, fair use rights exist in spite of the desires of copyright holders. As the Second Circuit stated: "a copyright holder cannot prevent others from entering fair use markets merely by developing or licensing [fair uses]." *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 614–15 (2d Cir. 2006) (quotations omitted).

To be clear, Fox is not trying to protect the market it currently controls for its content; it is trying to protect the market for content that it does not own (the commercials) and annex a so-called "market" that in fact consists of purely private in-home behavior, the control of which has been explicitly denied to copyright holders since at least 1984 (non-commercial home recording). Indeed, there was substantial doubt at the time *Sony* was decided whether the reproduction right in the 1976 Act was even intended to encompass private in-home copying for purely personal use. Since *Sony*, Congress has repeatedly acted to exempt private in-home copying for personal use from the scope of the Act. Fox is trying to claim a market created by home viewers, not copyright holders. Only long after time-shifting was found to be a fair use did copyright holders try to take over time-shifting for themselves, first developing videotape rental and distribution and then VOD and internet sites. Having first fought time-shifting, copyright holders' later embrace of that marketplace is simply an attempt to usurp private conduct that

otherwise falls outside the scope of the Act. *See Castle Rock Enter., Inc. v. Carol Publ'g Grp*, 150 F.3d 136, 146 n.11 (2d Cir. 1998) ("[C]opyright owners may not preempt exploitation of [fair use] markets ….").

The bottom line is that Fox's entry into this "market" cannot be a basis for concluding that consumers' fair use rights no longer exist. Fox's willingness now to license or sell some of its content without being burdened by commercials does not preempt the consumers' fair use right to unburden that content themselves.[4]

### C. The District Court's Fair Use Analysis Led To The Erroneous Conclusion That Dish Directly Infringed Fox's Copyrights By Making Quality Assurance Copies.

Fox's second attack on fair use comes in the form of targeting Dish's engineers for their use of quality assurance ("QA") copies of Fox's broadcasts.

[4] Aside from market harm, Fox raises issues regarding the first three fair use factors, but only in a cursory fashion. Fox argues that time-shifting is not transformative since the copy that is time-shifted is used for the same "entertainment purpose" as the broadcast itself. (Opening Br. at 48). Fox's argument is unavailing, as the *Sony* court found time-shifting to be a fair use despite never describing time-shifting as transformative. *Sony*, 464 U.S. 417. In any event, Fox's argument is an extraordinarily narrow view of transformation. *See, e.g.*, *Sofa Enter., Inc. v. Dodgers Prods., Inc.*, 782 F. Supp. 2d 898, 905 (C.D. Cal. 2010) (finding *Jersey Boys* play's use of a seven second clip *of The Ed Sullivan Show* to be transformative). As for the nature of the copyrighted work and amount and substantiality of the work taken, Fox merely states that the programs are creative and they are copied in their entirety. (Opening Br. at 48–49). Time-shifting would be of little value if it was limited to "non-creative" programs and, even then, to only a portion of that program. Fox's three sentence analysis of factors two and three confirms why these factors are sometimes viewed as irrelevant. *See Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1171 (9th Cir. 2012) ("The relative importance of factor one … and factor four … has dominated the case law.").

Here, again, Fox attempts to reverse long-standing fair use precedents concerning the right to copy a work for the purpose of understanding it and accessing non-copyrighted facts about it. From the publicly-available record, it appears Dish only made QA copies in order to extract non-copyrighted facts from Fox's programs (i.e., the start and stop time of the show segments). Such activities are well within the long history – both in this Circuit and others – of allowing such copying for the ultimate purpose of a non-infringing use. *See Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527–28 (9th Cir. 1993) (extracting technical information from video games to create competing games); *Sony Computer Enter., Inc. v. Connectix Corp.*, 203 F.3d 596, 608 (9th Cir. 2000) (extracting information about the PlayStation operating system in order to create an alternative platform for playing PlayStation games); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 821–22 (9th Cir. 2003) (extracting visual data to create image thumbnails to guide search engine users); *Perfect 10 v. Amazon*, 487 F.3d at 726 (same); *A.V. ex rel. Vanderhye v. iParadigms, LLC*, 562 F.3d 630, 645 (4th Cir. 2009) (extracting text from student essays to run plagiarism detection tests); *Authors Guild, Inc. v. Hathitrust*, --- F. Supp. 2d ---, 2012 WL 4808939, at *14 (S.D.N.Y. Oct. 10, 2012) (extracting metadata about books in order to conduct research and scholarship related to those works).

Despite these precedents, Fox argues that such copying is infringing because it is somehow not "transformative" of a message or meaning within the television program itself; but the precedents above stand for a broad right to copy works for the purposes of understanding them or extracting unprotectable facts even if the underlying content is never altered. To reverse or narrow these rulings would not only undermine or eliminate well-established methods of innovation, research, and scholarship, but would also allow copyright owners such as Fox to control aspects of copyrighted work that the Constitution and the Supreme Court have expressly denied them. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346–47 (1991).

**(i) Copying For the Purpose of Understanding or Accessing Nonprotected Information About a Work Has Long Been Found to be "Transformative" or Otherwise In Line With the Purposes of Copyright Law.**

In *Sega v. Accolade*, the defendant Accolade wanted to develop videogames that would be compatible with Sega's Genesis videogame console. 977 F.2d at 1514. To do so, Accolade "reverse engineered" Sega's video games programs using a process called "disassembly" in order to extract from Sega's programs the compatibility requirements of the Genesis console. *Id.* at 1514–15. Disassembly consisted of wiring a decompiler into the console circuitry and printing out the resulting source code from three different Sega games. *Id.* at 1515. From there,

Accolade analyzed the code in order to find areas of similarity among the three games, and then loaded the disassembled code back into a computer to discover "the interface specifications for the Genesis console." *Id.* After completing this process, Accolade created its own Genesis-compatible games. *Id.* at 1515–16.

Sega sued Accolade for, among other things, copyright infringement, and obtained a preliminary injunction. The District Court rejected Accolade's fair use defense. On appeal, this court reached a contrary ruling, stating:

> We are asked to determine … whether the Copyright Act permits persons who are neither copyright holders nor licensees to disassemble a copyrighted computer program in order to gain an understanding of the unprotected functional elements of the program…. [W]e conclude that, when the person seeking the understanding has a legitimate reason for doing so and when no other means of access to the unprotected elements exists, such disassembly is as a matter of law a fair use of the copyrighted work.

*Id*. at 1513–14.

The Ninth Circuit's analysis of the fair use factors in *Sega* is instructive when looking at whether the QA copies are a fair use. Starting with the purpose and character prong, the court first noted that Accolade's use "was an intermediate one only and thus any commercial 'exploitation' was indirect or derivative." *Id.* at 1522. Because this was essentially a non-exploitive (or as some have called it,

"nonexpressive")[5] purpose, and because the public benefited by an increase in the number of independently created video games for the Genesis Console, the purpose and character factor weighed in Accolade's favor. *Id.* at 1523.

The Court's rationale in *Sega* applies with equal force to the QA copies, particularly since the District Court correctly noted that "[l]ike the QA copies here, the disassembly copies [in *Sega*] were not used in the end product or for any purpose beyond ascertaining the object code, which was not entitled to copyright protection." (Prelim. Inj. Order ("P.I. Order"), DE 118 at 20). Dish creates the QA copies solely to extract non-copyrighted facts from Fox's programs – the start and end times of program segments. These facts about the programs are not protectable. *See, e.g.*, *Feist*,499 U.S. at 348 ("Others may copy the underlying facts from the publication.…"); *Nat'l Basketball Assoc. v. Motorola, Inc.*, 105 F.3d 841, 847 (2d Cir. 1997) (finding no copyright protection for "factual information culled from [] broadcasts"). Moreover, these facts benefit the public by enabling more accurate and easier methods of enjoying private non-commercial time-shifting.

Although a finding of transformation is not required to have Dish's activities be a fair use (*see Sony*, 464 U.S. 417, 454–55), here, the QA copies are arguably

[5] *See* Matthew Sag, *Orphan Works as a Grist for the Data Mill*, Berkeley Tech. L.J. (forthcoming), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2038889.

"transformative" under the Supreme Court's approach in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), because they use the copyrighted content for an entirely different purpose than Fox – to allow Dish's subscribers to unscramble the programmatic egg that Fox has scrambled together (i.e., the copyrighted program and the commercials) into separate components. This is a different purpose and is no less transformative than the defendant's action in *iParadigms* where the defendant copied and stored students' written work in an archive for use in determining plagiarism, 562 F.3d at 640, or the digitization of copyrighted books by defendants to facilitate keyword searching in *Authors Guild*, 2012 WL 4808939 at *14.

Having analyzed the purpose of Accolade's use and found it to favor fair use, the *Sega* court then had no problem finding that the second factor, the nature of the copyrighted work, favored Accolade because Sega's video games contained "unprotected aspects" (the object code) that could not be examined without copying, thus warranting "a lower degree of protection than more traditional literary works." *Id.* at 1526. The same rationale applies here: Fox's programs contain unprotected materials (the start and stop time of the show segments) that can be used most effectively by making the QA copies. As a result, this factor favors Dish.

The third factor was not given much weight in *Sega* because, although Accolade disassembled entire Sega programs, Accolade's ultimate use of the protected material was limited and was an indirect use. 977 F.2d at 1526–27. The third prong should be given little weight here as well because, although Dish copies Fox's entire programs, its use of the copies is limited solely to determining whether its AutoHop system is working properly; thus, Dish is using the QA copies for a limited, indirect purpose.

Finally, the *Sega* court found that the effect on the potential market inquiry favored Accolade, despite "the minor economic loss Sega may suffer," because there was "no basis for assuming that Accolade's" games "significantly affected the market for Sega's" games. *Id.* at 1523–24. The court went even further in noting that "[a]n attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of the promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine." *Id*.

As discussed in more detail *infra* in section III.C.(ii)(4), the speculative aspect of Sega's market harm is not dissimilar from harm that Fox speculates about in this case. But just as important is the fact that Fox's copyrights do not give it the concomitant right to acquire exclusive control over commercials, or the private

non-commercial viewing of home recordings – a market that the Supreme Court denied to broadcasters in 1984.

The analysis and the holding in *Sega* were reaffirmed in *Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000). *Connectix* again found copying for reverse engineering purposes to be a fair use.[6] "Connectix's intermediate copying and use of Sony's copyrighted [software system] was a fair use for the purpose of gaining access to the unprotected elements of Sony's software." *Id.* at 602. The *Connectix* court reached this conclusion despite the fact that it also found that Connectix's use would cause Sony to "lose console sales and profits." *Id.* at 607. The court aptly noted that "some economic loss by Sony as a result of [Connectix's competition] does not compel a finding of no fair use." *Id.* Similarly, Sony's attempt to have "control over the market for devices that play games Sony produces or licenses" was rejected because copyright protection is limited and does not confer such a monopoly. *Id*. As a result, the court found that the effect on the potential market favored Connectix.

[6] Sony manufactured and sold PlayStation video game consoles; the games for the PlayStation came on CDs that were inserted into the console. *Connectix*, 203 F.3d at 598. Connectix repeatedly copied Sony's software, which included some non-copyrighted components, during a reverse engineering process in order to design "emulator" software that would permit users to play Sony PlayStation games on their computers rather than on a PlayStation console. *Id*. at 598–99.

### (ii) Cases Beyond *Sega* and *Connectix* Also Support a Finding that the AutoHop QA Copies are a Fair Use.

Separate and apart from *Sega* and *Connectix*, an analysis of the fair use factors necessitates a finding that the QA copies are a fair use.

#### (1) Purpose and Character of the Use.

In its preliminary injunction ruling, the District Court took an unduly narrow view of what constitutes a transformative use: QA "copies are not transformative because they do not alter the originals with 'new expression, meaning, or message.'" (P.I. Order at 21–22). The District Court's view of "purpose" seemed to impose a requirement that the original work actually had to be altered, as opposed to a purpose that simply adds value to the original by extracting data in order to allow others to do something different or better with the original. However, *Sega*, *Connectix*, and numerous other fair use precedents have found purposes that are in favor of fair use without any need to alter the original work's expression, meaning, or message. Indeed, in *Sega* and *Connectix* nothing in the original was altered, nor was that the purpose of the copying. Instead, the purpose of the copying was to allow the creation of wholly original and independent games or platforms.

Dish's making of the intermediate QA copies is to determine whether it was accurately marking the starting and stopping points in the broadcast. Dish is using

the QA copy for the non-infringing purpose of extracting facts and marking unprotected elements of the broadcast, which necessarily improves the AutoHop system and the non-infringing use made of that system by Dish's consumers. That is an entirely different purpose than the purpose of the broadcast itself, and it is what the holdings in *Perfect 10* and *iParadigms* expressly sanction.

In *Perfect 10*, this Circuit found Google's use of thumbnail images of copyrighted photographs in its search engine results to be transformative. 487 F.3d at 721. The court reached this conclusion because a search engine "transforms the image into a pointer directing a user to a source of information." *Id.* The fact that the thumbnails were exact copies did not diminish their transformative nature, because they were being used for a new purpose. *Id.* The court also concluded that although Google's use of the images contributed to its "bottom line," the commercial nature of its use was outweighed by its transformative nature and by its public benefit as an electronic reference tool. *Id.* at 722–23.

The Fourth Circuit case *iParadigms* is also instructive. 562 F.3d 630. In *iParadigms*, the defendant archived copies of the plaintiffs' school essays in order to create a plagiarism database. *Id.* at 634. The plaintiffs, former high school students, argued that the defendant's use could not be "transformative because the archiving process does not *add* anything to the work—[it] merely stores the work unaltered in its entirety." *Id.* at 639. Relying on this Circuit's *Perfect 10* decision,

the Fourth Circuit rejected plaintiffs' argument, holding that a work can be "transformative in function or purpose without altering or actually adding to the original work" when it has "an entirely different function and purpose than the original work[]." *Id.*; *see also Authors Guild*, 2012 WL 4808939, at *11 (finding the digitization of books to be a transformative use "because the copies serve an entirely different purpose than the original works: the purpose is superior search capabilities rather than actual access to copyrighted material").

In addition to the fact that the use is transformative, the "purpose and character" factor also favors Dish because the QA copies are a non-expressive use of data (the start and stop times of the programs), which is an independent justification in favor of finding fair use. Indeed, the Supreme Court has made clear that copyright owners' interests in exploiting their works must be balanced with "society's competing interest in the free flow of ideas, information, and commerce …." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 580 (1985) (citation omitted); *see also Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir. 1976) ("protection granted to a copyrightable work extends only to the particular expression of an idea and never to the idea itself"). Based on these principles, the Second Circuit held that a sports reporting service that distributed real-time game statistics based on a data feed from reporters was not infringing, *National Basketball Association v. Motorola, Inc.*, 105 F.3d 841, 847 (2d Cir.

1997), and the district court in *Authors Guild* found a defendant's digitization of copyrighted works to facilitate keyword searching to be a fair use. 2012 WL 4808939, at *14.

**(2) Nature of the Copyrighted Work.**

In concluding that Fox's programs are entitled to heightened protection because they are creative and closer to the core of intended copyright protection, the District Court missed a critical part of the analysis – the scope of Fox's copyrights. Fox's copyrights are limited to the copyrightable elements of its programs, a point that Fox must readily concede. Those copyrights do not extend to the matter that is unprotected (such as the start or stop time of each segment of the programs) or the commercials themselves. The fact that Fox chose to tie the broadcast of its programs to the broadcast of the commercials does not in any way increase the scope of Fox's copyrights. The proper analysis by the District Court would have looked at the entirety of the QA copies, which would have led to the conclusion that large parts of the QA copies had nothing to do with Fox's programs or its copyrights and, thus, should have tilted this factor in favor of Dish.

**(3) Amount and Substantiality of the Portion Used.**

While the District Court correctly noted that it would "do little to aid Dish in creating an accurate 'marking' announcement" if it did not copy the entire broadcast, the court then stumbled in concluding that copying the "entire work"

nevertheless caused this factor to weigh against Dish (albeit only modestly). (P.I. Order at 22). Having concluded that the entire program had to be copied by Dish in order to accomplish its purpose, the District Court should have followed *Perfect 10* and *Kelly* and concluded that this factor did not weigh in favor of either Fox or Dish. *Perfect 10*, 487 F.3d at 724; *Kelly*, 336 F.3d at 821; *see* also *Campbell,* 510 U.S. at 586–87 (holding that the amount taken, even if it is the entire work, need only be reasonable in relation to the purpose of the copying).

**(4) Effect on the Potential Market for the Copyrighted Work.**

The District Court's analysis of the fourth factor (effect of the use on the market) is simplistic, formulaic, and based on the notion that because "a market exists for the right to copy and use the Fox Programs," Dish's QA copies harm "Fox's opportunity to negotiate a value for those copies…." (P.I. Order at 23–24). However, the QA copies do no such thing, nor could they since they are intermediate copies that are not distributed. Indeed, any claim of serious market or licensing harm is belied by the fact that users' home use of the Hopper to watch programs is fair use; Dish does not help users do anything that they could not already do for themselves. Nevertheless, Fox makes a series of predictions about the harm it will suffer if the QA copies are found to be fair use. Those predictions are as rife with speculation as they were when they were first made in *Son*y.

Indeed, the plaintiffs in *Sony* were concerned that use of the Betamax would pass "invisible boundaries" and that "copyright owner[s] [would lose] control over [their] program[s]." *Sony*, 464 U.S. at 451. As to potential future harm in particular, the plaintiffs argued that time-shifting would reduce the amount of people who watched programs live, would result in the reduction of advertising revenue, would cause a decrease in the amount of rerun viewership, and would damage theater or film rental viewership. *Id.* at 453. The Court concluded that none of these arguments established a concrete future harm. *Id.* at 454. Thus, the Supreme Court concluded that the harm from the fair use of time-shifting, whether authorized or unauthorized, was "speculative and, at best, minimal." *Id.* at 454.

In the twenty-eight years since *Sony*, while a falling sky is still the centerpiece of the potential harm claimed by Fox, the passage of time has not made that prediction any less speculative. Fox's arguments that "Dish's ad-skipping" service will cause Fox to lose "control over its copyrighted works" (Opening Br. at 53) or that AutoHop will "impact what advertisers will pay for air time on broadcast networks" (*id.* at 58), or that AutoHop "threaten[s] to disrupt" Fox's non-television businesses such as Internet streaming (*id.* at 6), are rank speculation. Similarly, the fact that Moody's believes AutoHop will have "broad negative credit implications across the entire television industry" (*id.* at 59) is no more reliable than Moody's investment grade rating for Enron debt four days before Enron filed

for bankruptcy. Unfortunately, the District Court did not even address the speculative nature of Fox's arguments. It simply accepted them, and that was wrong. If there is not a demonstrable harmful effect, then there is no reason to prohibit the use, as such prohibition "would merely inhibit access to ideas without any countervailing benefit." *Sony*, 464 U.S. at 450–51; *see also Perfect 10*, 487 F.3d at 725 (rejecting as "hypothetical" an argument that users would not pay for "reduced-sized" downloadable images when they could view them on Google because there was no evidence of such use occurring).

Ultimately, what Fox is really doing is using speculative harm to argue that it – and it alone – should decide how and when consumers view its programs in their homes after the programs have been transmitted to them. The fourth factor is not nearly that rigid. *Bill Graham Archives*, 448 F.3d at 614–15; *Authors Guild*, 2012 WL 4808939, at *14. The District Court should have recognized that.[7]

[7] In its principal brief, Fox also incorrectly argues that certain courts have found "unauthorized copying that substitutes for licensed copies in ways that *Sony* time-shifting did not are not protected fair uses." (Opening Brief at 51). This is not true. The Second Circuit case *Agee v. Paramount Communications, Inc.* did not involve the issue of time-shifting; instead, the defendant copied three of the plaintiff's songs to make an audio track for its television program Hard Copy, and to make a television promo for the show. 59 F.3d 317, 319 (2d Cir. 1995). As the court correctly noted, that was not time-shifting. *Id.* at 323. Fox's other cited case, *In re Aimster Copyright Litigation*, 334 F.3d 643, 647 (7th Cir. 2003), did not even remotely involve time-shifting; the court merely stated in dicta that time-shifting in order to skip commercials was not a fair use.

**D. Conclusion.**

Whether we are talking about a cassette that holds two hours of programming, or a DVR that can store a hundred times more than that, home recording of broadcast television was and remains a protected fair use of copyrighted works. If anything, today's technology keeps consumers from having to make tough decisions about which shows to watch and which to miss, allowing them to record for later viewing as many shows as they want, thereby expanding the audience for television shows.

The fears raised by the copyright holders in *Sony* and echoed by Fox in this case are as unfounded today as they were then. The ability to record television shows at home for later viewing has not diminished the audience, kept those viewers from being counted in ratings, or decreased revenue. Even with competition from hundreds of other channels and other technologies that vie for consumers, broadcast television is thriving in large part thanks to the viewers' ability to record what they want when they want. The *Sony* and *Sega* cases have been a fundamental part of this evolution in television and technology, and this

Court should affirm their ongoing viability by rejecting Fox's attempt to narrow or eliminate their relevance.

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**CERTIFICATE OF COMPLIANCE WITH FEDERAL RULE OF APPELLATE PROCEDURE 32**

Pursuant to Rule 32 of the Federal Rules of Appellate Procedure, I certify that:

1. This brief complies with the type-volume limitation of Rule 32(a)(7)(B) of the Federal Rules of Appellate Procedure because this brief contains 6953 (based on the Microsoft Word word-count function), excluding the parts of the brief exempted by Rule 32(a)(7)(B)(iii); and

2. This brief complies with the typeface requirements of Rule 32(a)(5) and the type style requirements of Rule 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14 point Times New Roman type.

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**CERTIFICATE OF SERVICE**

I hereby certify that on January 24, 2013, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the CM/ECF system. I certify that those parties or counsel for parties listed on the attached Service List who are registered CM/ECF users have been served through the appellate CM/ECF system, and that those parties or counsel for parties who are not registered CM/ECF users were served by e-mail and U.S. mail.

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