

Commercial Skipping

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By, David B. Sandelands, Esq.

In its recent opinion in *Fox Broadcasting v. Dish Network*, No. 12-57048 (9th Cir. 2013), the Ninth Circuit upheld the district court's denial of Fox's request for a preliminary injunction against Dish. The heart of the dispute between Fox and Dish arises from Dish's provision of equipment and services that allow Dish's subscribers to record and later view Fox's primetime programming while skipping the commercials. Television networks like Fox depend upon commercials for revenue, so needless-to-say, Fox did not view favorably Dish's commercial skipping activities and sought an injunction for alleged copyright infringement.

Dish enables "commercial skipping" through the provision of both equipment and services. In particular, Dish provides its customers with a digital video recorder and its "PrimeTime Anytime" and "Autohop" services. Using PrimeTime Anytime, Dish customers can record and store primetime broadcasts from Fox (and other networks) for a period of up to eight days. After eight days, the recordings are automatically deleted. Approximately a day after a broadcast first airs, a Dish customer can select Autohop which automatically skips over the commercials during playback of the broadcast. Autohop is only available for programs recorded using PrimeTime Anytime. To enable Autohop, Dish employees view Fox's primetime broadcasts each night and mark the beginning and end of each commercial. The marked broadcasts are then retransmitted to Dish's customers. When a customer views a marked broadcast, Autohop recognizes the marks and automatically skips the commercials.

Not pleased with Dish's commercial skipping feature, Fox sought a preliminary injunction. Fox alleged two theories of liability, direct copyright infringement and secondary or contributory copyright infringement. To establish direct infringement Fox had to prove that it owned the copyrighted broadcasts and copying by the defendant. *See Kelly v. Arriba Soft Corp.*, 336 F.3d 817 (9th cir. 2003). The district court found that Fox owned the copyrights to its broadcasts, but that Dish was not responsible for the copying. The district court reasoned that Dish exercised substantial "discretion" over the copying, i.e. Dish decides how long the copies are available for viewing, maintains the authority to modify the beginning and end times of the primetime programming block, prevents a user from stopping a recording once it has started, and, of course, enables its commercial skipping feature.

Nevertheless, the district court reasoned that Dish's customers must take the initial step of enabling PrimeTime Anytime and are therefore "the most significant and important cause" of a copy. In other words, Dish's customers, not Dish, push the "record" button. Therefore, Dish does not make the copies and is not liable for direct copyright infringement. The Ninth Circuit affirmed.

To establish secondary liability by Dish, Fox needed to show direct infringement by a third party. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001). Here, Dish did not dispute that Fox had established a *prima facie* case of direct infringement by Dish's customers. Fox owned the copyrights to its programs and Dish's customers made copies. Dish argued however, that its customers had a fair use defense to infringement because they made copies primarily for the purpose of "time shifting," i.e. for the purpose of watching the programs at a later point in time. Time shifting has long been held by the Supreme Court to be a legitimate fair use and thus a complete defense to infringement. See *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

Fox countered by arguing that Dish's customers made copies for purposes other than time shifting, namely for "commercial skipping" using Dish's Autohop feature. Fox further argued that commercial skipping harmed the value of its copyrighted broadcasts. In *Sony v. Universal*, the Supreme Court did not address the issue of whether commercial skipping was a fair use of copyrighted material and neither the district court nor the Ninth Circuit addressed the issue here. Rather, the district court reasoned that Fox had no copyright interest in whether the commercials included in its broadcasts were skipped because, while Fox owned the copyrights to its programs, it did not own the copyrights to the commercials. On this ground, the district court held that Dish was not liable for secondary copyright infringement and the Ninth Circuit affirmed.

As shown by *Fox v. Dish*, the federal courts have so far shown a disinclination to allow major content providers, such as Fox, to use copyright law to impose limitations on distributors of copyrighted materials, beyond that of traditional direct infringement. This appears to be particularly true where distributors use new technology to provide services such as commercial skipping that are strongly desired by consumers. This battle is far from over however as content providers derive substantial revenues from commercials and the practice of commercial skipping would appear to diminish the market value of their products.

David B. Sandelands is an attorney with Cislo & Thomas LLP. He can be reached at dsandelands@cislo.com.