

Nos. 15-3885(L), 15-3886(XAP)

United States Court of Appeals *for the* Second Circuit

FOX NEWS NETWORK, LLC,

Plaintiff – Appellee – Cross-Appellant,

- v. -

TVEYES, INC.,

Defendant – Appellant – Cross-Appellee.

*On Appeal from the United States District Court
for the Southern District of New York*

REDACTED PETITION FOR REHEARING *EN BANC* AND PANEL REHEARING

Date of Decision: February 27, 2018
Judges: Newman, Jacobs (C.JJ.), Kaplan (D.J.)

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March 16, 2018

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INTRODUCTION AND RULE 35(b) STATEMENT

TVEyes, Inc. respectfully petitions for *en banc* review, and in the alternative, panel rehearing, of the decision in *Fox News, LLC v. TVEyes, Inc.*, Nos. 15-3885(L) & 15-3886(XAP), 883 F.3d 169, 2018 WL 1057178 (2d Cir. Feb. 27, 2018) (Jacobs, C.J., joined by Newman, C.J. and in part and in the judgment by Kaplan, D.J., sitting by designation) (attached as Addendum (“Add__”)). The panel reversed the decision of the District Court for the Southern District of New York (Hellerstein, J.), holding as a matter of law that TVEyes’s media-monitoring service is not protected against Fox’s copyright infringement claims by the defense of fair use, 17 U.S.C. 107, and ordering that TVEyes’s service be enjoined in full.

The panel reached this conclusion despite the panel majority’s correct holding (Add11-13) that statutory fair use factor one (“purpose and character of the use”) favors TVEyes. As the panel majority correctly held, like Google in *Authors Guild v. Google, Inc.*, 804 F.3d 202 (2nd Cir. 2015) (“*Google Books*”), whose digital copying of millions of books was transformative because it “created a text-searchable database that ‘communicate[d] something new and different from the original’” (Add11 (quoting 804 F.3d at 214)), TVEyes makes “similarly transformative” use of Fox’s and others’ broadcast content. The panel nonetheless found no fair use because it held that statutory fair use factors three (“amount and

substantiality of the portion used”) and four (“effect of the use upon the potential market for or value of the copyrighted work”) favored Fox.

The panel’s holding on factor four warrants *en banc* review. The panel held (Add16) that “the success of the TVEyes business model” demonstrates that TVEyes necessarily “displaces potential Fox revenues.” That holding conflicts with prior decisions rejecting the notion that market harm may be presumed from a copyright defendant’s commercial success. It also conflicts with prior decisions holding that a copyright holder may not preempt the exploitation of a transformative market that it is not reasonably likely to enter.

Specifically, the panel’s factor four holding conflicts with *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592-93 (1994); *Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*, 756 F.3d 73, 91 (2d Cir. 2014); *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87, 99 (2d Cir. 2014); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 614 (2d Cir. 2006); *On Davis v. The Gap, Inc.*, 246 F.3d 152, 175 (2d Cir. 2001); *Castle Rock Entm’t, Inc. v. Carol Publ’g Grp.*, 150 F.3d 132, 145 n.11 (2d Cir. 1998); and *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 929-30 & n.17 (2d Cir. 1994), as well as decisions of other circuits.

The market-harm ruling also raises questions of exceptional importance. If copyright holders can block the creation of transformative markets like the market for a comprehensive and searchable research database of televised news content

here, they will be able to stand in the way of a host of technological advances that would otherwise enable the use of information in new ways that create enormous public benefit. Rehearing *en banc* is warranted.

Alternatively, TVEyes requests rehearing by the panel and remand of the fair use determination to the district court because triable disputes of fact preclude the panel's conclusion that there is no fair use here as a matter of law.

FACTUAL BACKGROUND

A. TVEyes's Media-Monitoring Service

TVEyes is a media-monitoring service that enables online research and analysis of television and radio broadcasts by creating a text-searchable database of all television and radio content from more than 1,400 channels. SPA2-3; CA357-58; CA1595; CA1841. In the district court's words, "[w]ithout TVEyes, there is no other way to sift through more than 27,000 hours of programming broadcast on television daily, most of which is not available online or anywhere else, to track and discover information." SPA25. TVEyes's subscribers are businesses or organizations, including news outlets, government offices (including the White House), political campaigns, the armed forces, and businesses that analyze media coverage. SPA25-26; CA1606-20; CA253-56.

TVEyes restricts subscribers' use to internal research purposes only—a limitation reinforced through contract, warnings, reminders and technological

limitations. SPA5-6; CA252-53; CA261-80; CA2219-21. Searched-for clips on TVEyes begin to play 14 seconds before the selected keyword occurs, not at a predesignated “beginning” of any news story. CA1631-32. Although a clip can potentially play for up to 10 minutes, fewer than 0.08% of clips are ever played that long; 82% of clips are played for one minute or less. CA372, CA1625-26.

B. The District Court Decisions

The parties cross-moved for summary judgment on TVEyes’s fair use defense. The district court granted summary judgment to TVEyes that its core viewing function is a fair use. SPA26. The district court ruled that “recording content, putting it into a searchable database and, upon a keyword query, allowing users to view short clips of the content up to 32 days from the date of airing ... constitutes fair use.” SPA40. Applying the four statutory factors, the court found that: (1) the nature of the use favors TVEyes because the use is transformative; (2) the nature of the copyrighted work is neutral; (3) the amount of use is neutral because the value of the database requires it to be comprehensive; and (4) the market effect favors TVEyes because Fox showed no licenses lost to TVEyes, Fox’s licensing market is very small, Fox licensees must agree to not use clips in any way derogatory to or critical of Fox, and any minimal impact on licensing is outweighed by the substantial benefit to the public. SPA12-27.

Of relevance to the district court's factor-four ruling and the issues raised in this petition, the district court record contains uncontroverted evidence that Fox imposes severe restrictions on the availability of its programming for the purpose of conducting research, analysis and criticism. Specifically: (1) only 16% of Fox's broadcast content is available on its website, rendering the vast majority of Fox broadcasts unavailable online, SPA7, CA2206; (2) Fox's website prohibits visitors from using content on the site for business purposes, CA731-32, CA1641-42, CA2207; (3) video segments on Fox's website are edited or "corrected" versions of the original and lack metadata like time of broadcast, SPA7, CA55-58, CA375, CA1640-41, CA2349-50; (4) Fox licensees are prohibited from using licensed clips to criticize Fox, SPA8, CA720, CA1643-44, CA1757; (5) Fox licensees [REDACTED], CA720; (6) Fox licensees [REDACTED], [REDACTED], CA720, CA1764-65, CA2344; (7) Fox's licenses cost [REDACTED] per clip, CA670-71, CA682-711; and (8) Fox's "exclusive" licensing agents [REDACTED], [REDACTED] CA1644, CA1734, CA1738, CA1762-66.

The district court later ruled that certain subsidiary TVEyes functions (archiving) are also fair use, while other functions (emailing, downloading,

date/time-search) are not fair use unless modified. SPA43-50. The court issued a permanent injunction against the functions it held not a fair use. SPA57-61.

C. The Panel Decision

On cross-appeals under 28 U.S.C. 1292(a)(1), the panel reversed, holding that none of the functions raised on appeal constituted a fair use. On factor one (nature of the use), the panel majority held (Add11-14) that TVEyes's use is transformative, and thus favors TVEyes, because creating a text-searchable database by capturing broadcast content enables users "to isolate, from an ocean of programming, material that is responsive to their interests and needs" (Add12) and to obtain "nearly instant access" to material that would not otherwise be efficiently retrievable (Add12). The panel held (Add14) that factor two (nature of the work) was neutral. The panel held (Add14-15) that factor three (substantiality of use) favored Fox because "TVEyes makes available virtually the entirety of the Fox programming that TVEyes users want to see and hear" and the "ten-minute clips" that TVEyes makes available were more substantial than the textual "snippet[s]" in *Google Books*. Finally, the panel held (Add15-17) that factor four (market harm) favors Fox, asserting that "[t]he success of the TVEyes business model demonstrates that deep-pocketed consumers are willing to pay well for a service that allows them to search for and view selected television clips," and thus that there is "a plausibly exploitable market for such access to televised content"

(Add16). The panel then presumed from this commercial success that TVEyes “displaces potential Fox revenues” (Add16), either by “depriving Fox of licensing revenues from TVEyes or from similar entities” (Add16-17) or by usurping Fox’s own possible “wish to exploit the market for such a service rather than license it to others” (Add17).

Balancing the four factors, the panel concluded (Add17) that “TVEyes’s service is not justifiable as a fair use,” and reversed (Add19) the district court’s order “to the extent it held that TVEyes’s product was a fair use.” The panel ordered (Add19) the district court to enjoin TVEyes’s current service.

I. EN BANC REVIEW IS WARRANTED

The panel’s analysis and holding on market harm under fair use factor four creates clear conflicts with this Court’s fair use precedents and the decisions of other courts, and raises a question of exceptional importance. For both reasons, it warrants the full Court’s review.

A. The Panel’s Holding On Fair Use Factor Four Conflicts With The Decisions Of This Court And Other Courts

In its analysis of fair use factor four—the effect of the use upon the potential market for or value of the copyrighted work, 17 U.S.C. 107(4), and “the single most important element of fair use,” *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 566 (1985)—the panel departed from this Court’s and other courts’ precedents in two ways (Add16-17): (1) the panel presumed

economic harm from the defendant's commercial success, in conflict with prior decisions rejecting the circular premise that a copyright defendant's receipt of fees necessarily deprives the copyright holder of fees; and (2) the panel speculated that Fox "might wish to exploit the market" for TVEyes's service, in conflict with prior decisions holding that a copyright holder may not so preempt a transformative market that it is not reasonably likely to enter. Both conflicts call for *en banc* review.

First, the panel's ***presumption of market harm from commercial success*** directly conflicts with the settled law of this Court. As the Court recognized in *Bill Graham*, "were a court automatically to conclude ... that potential licensing revenues were impermissibly impaired simply because the secondary user did not pay a fee for the right to engage in the use, the fourth fair use factor would *always* favor the copyright holder." 448 F.3d at 614 (quotation omitted). Judge Leval similarly recognized that any such presumption is invalid: "By definition every fair use involves some loss of royalty revenue because the secondary user has not paid royalties." Pierre N. Leval, *Toward A Fair Use Standard*, 103 HARV. L. REV. 1105, 1124 (1990); *see* William F. Patry, PATRY ON FAIR USE § 6:10 (2017) (summarizing fallacy of this "circular[] argument").

This Court's precedents accordingly hold that a secondary user's profit without payment of royalties to the copyright holder does not in itself establish

market harm. *See Bill Graham*, 448 F.3d at 615 (“we do not find a harm to [plaintiff’s] license market merely because [defendant] did not pay a fee”); *Swatch*, 756 F.3d at 91 (a court may not circularly define the relevant market as the market defendant exploited); *Texaco*, 60 F.3d at 929-30 & n.17 (“[N]ot every effect on potential licensing revenues enters the analysis under the fourth factor” because “a copyright holder can *always* assert some degree of adverse effect on its potential licensing revenues as a consequence of the secondary use at issue simply because the copyright holder has not been paid a fee to permit that particular use.”).

Such an approach is not only sensible, but required by U.S. Supreme Court precedent. *See Campbell*, 510 U.S. at 590-91 (market harm cannot be presumed based on mere commerciality). Other circuits agree. *See Peter Letterese & Assocs., Inc. v. World Inst. of Scientology Enters.*, 533 F.3d 1287, 1319 n.37 (11th Cir. 2008) (loss of licensing fee does not establish market harm because, “[i]f it did, circular reasoning would resolve all fair use cases for the plaintiff”) (quotations omitted); *Princeton Univ. Press v. Mich. Doc. Servs., Inc.*, 99 F.3d 1381, 1387 (6th Cir. 1996) (similar).

The panel decision conflicts with these decisions, and *en banc* rehearing is warranted to resolve the conflict and make clear that the mere fact that a defendant makes a profit from a service does not compel the conclusion that the copyright holder is entitled to a license and thus has suffered market harm.

Second, the panel’s decision also conflicts with decisions of this Court and other courts by allowing a copyright owner to *preempt the exploitation of a transformative market*. While the panel majority’s ruling on factor one correctly held that TVEyes’s service is transformative under *Google Books*, the panel’s market-harm analysis entirely ignored the transformative nature of TVEyes’s service. To the contrary, the panel speculated (Add17) that “Fox itself might wish to exploit the market for such a service rather than license it to others,” ignoring that the uncontroverted record showed exactly the contrary (*see supra* at 5).

The panel’s ruling that Fox was free to block a transformative market that TVEyes had created and that Fox was not likely to enter conflicts with prior decisions of the Supreme Court and this Court. As *Campbell* recognized, “there is no protect[a]ble derivative market for criticism” because “the unlikelihood that creators ... will license critical reviews ... of their own productions *removes* such uses from the very notion of a potential licensing market.” 510 U.S. at 592 (emphasis added). This Court’s precedents likewise make clear that a copyright holder, in order to show market harm, must establish that the defendant’s market is one that is “traditional, reasonable, or likely to be developed” by the copyright holder. *Swatch*, 756 F.3d at 91 (quotations omitted).

The panel decision conflicts with *Campbell* and *Swatch* because there is no likelihood of Fox entering such a market here. There is no evidence in the record

that Fox would create a comprehensive research service that allows subscribers to search its content (much less *all* networks' content) and compare, analyze, and critique coverage of topics by keyword. To the contrary, the uncontroverted evidence shows (*see supra* at 5) that Fox's licensing model *prohibits* use of Fox clips to criticize Fox, and *severely restricts* the use of Fox's website or licenses for research and analysis concerning its broadcast content.

The panel similarly creates conflict with this Court's prior decisions holding that "any economic 'harm' caused by transformative uses *does not count* because such uses, by definition, do not serve as substitutes for the original work." *HathiTrust*, 755 F.3d at 99 (emphasis added); *see On Davis*, 246 F.3d at 175 ("If the harm resulted from a transformative secondary use ..., this transformative use will be found to be a fair use, notwithstanding the harm."). Those decisions follow the Supreme Court's teaching that, when the "second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred." *Campbell*, 510 U.S. at 591 (remanding to district court for consideration of facts). Again, the panel decision conflicts: Under *HathiTrust*, whether "Fox itself might wish to exploit the market" (Add17) "does not count." 755 F.3d at 99.

The panel's market-harm holding likewise conflicts with this Court's holding that "copyright owners may not preempt exploitation of transformative markets" by requiring licenses for transformative uses. *Bill Graham*, 448 F.3d at 615

(quotations omitted); *see Castle Rock*, 150 F.3d at 145 n.11 (“by developing or licensing a market for ... transformative uses of its own creative work, a copyright owner plainly cannot prevent others from entering those fair use markets”).

In light of these conflicts, the Court should grant *en banc* review.

B. The Panel’s Holding On Fair Use Factor Four Involves An Issue Of Exceptional Importance

En banc review is further justified because of the importance of ensuring that copyright holders like Fox are not empowered to block the creation of new technologies like digital databases that allow broad-ranging research, analysis and criticism. For example, TVEyes enables subscribers to conduct comparative research on the video content of news broadcasts across time and across networks. (How did Sam Nunberg’s demeanor and presentation change across cable news interviews throughout the day on March 5, 2018? How did Fox News’s on-screen headlines about the Charlottesville protest compare to those of other networks? How did the tone of coverage of the Parkland school shooting differ across networks?). In this multimedia age, information must be seen and heard to be understood. *Swatch*, 756 F.3d at 84 (“a speaker’s demeanor, tone, and cadence” elucidates beyond “a stale transcript”).

Moreover, the panel’s holding endangers new technologies important to political dialogue. For example, Fox News is a player of outsized relevance to national political debate. If the President tweets about an issue that aired on Fox

News, then Fox News *itself* becomes the news and a subject for research and criticism that is enabled by TVEyes's comprehensive database.¹ But under the panel's market-harm ruling, TVEyes's service is blocked and Fox may withhold access to its past broadcast content or license it only on prohibitive terms.

II. ALTERNATIVELY, THE PANEL SHOULD GRANT REHEARING

If *en banc* review is not granted, TVEyes respectfully requests panel rehearing based on the arguments set forth above in Part I and also on the ground that the panel "overlooked or misapprehended" significant relevant facts and law. Fed. R. App. P. 40(a)(2). On rehearing, the panel should remand the fair use determination to the district court.

A. The Panel Improperly Decided Against Fair Use As A Matter Of Law

Fair use "raise[s] essentially factual issues" that "are normally questions for the jury." *DC Comics Inc. v. Reel Fantasy, Inc.*, 696 F.2d 24, 28 (2d Cir. 1982).

¹ See, e.g., Ryan J. Reilly, HUFFPOST "*Trump's Latest Pardon Shows The Best Way To Get One: Go On Fox News*" (Mar. 9, 2018) at <https://www.huffingtonpost.com/entry/trump-pardon-kristian-saucier-us-5aa2e103e4b07047bec662d1>; Andrew Marantz, THE NEW YORKER, "*How 'Fox & Friends' Rewrites Trump's Reality*" (Jan. 15, 2018) at <https://www.newyorker.com/magazine/2018/01/15/how-fox-and-friends-rewrites-trumps-reality>; Matthew Gertz, POLITICO, "*I've Studied the Trump-Fox Feedback Loop for Months. It's Crazier Than You Think*" (Jan. 5, 2018) at <https://www.politico.com/magazine/story/2018/01/05/trump-media-feedback-loop-216248>; Philip Bump, THE WASHINGTON POST, "*The Fox News president*" (Oct. 16, 2017) at <https://www.washingtonpost.com/news/politics/wp/2017/10/16/the-fox-news-president/>.

Because fair use “is so highly dependent on the particular facts of each case, courts generally, including this court, have found it appropriate to allow the issue to proceed to trial.” *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1258 (2d Cir. 1986); *see* GOLDSTEIN ON COPYRIGHT § 12.1 (3d ed. 2017) (“The fact-intensive nature of fair use determinations makes them particularly resistant to summary resolution.”). This is especially true with respect to factor four. *Campbell*, for example, set forth principles on fair use, conducted a thorough market-harm analysis, yet still remanded to the district court to resolve factual questions on the fourth factor in light of specific licensing practices. 510 U.S. at 593-94.

In concluding that TVEyes’s fair use defense was “defeat[ed]” as a matter of law (Add18; *see* Add19), the panel overlooked these settled principles and misapprehended the procedural posture of the case, which comes to the Court on cross-motions for summary judgment. “Where, as here, cross-motions for summary judgment are appealed, each party’s motion must be examined on its own merits, and in each case all reasonable inferences must be drawn against the party whose motion is under consideration.” *Sompo Japan Ins. Co. of Am. v. Norfolk S. Ry. Co.*, 762 F.3d 165, 174 (2d Cir. 2014) (quotations omitted); *Fireman’s Fund Ins. Co. v. TD Banknorth Ins. Agency Inc.*, 644 F.3d 166, 169 (2d Cir. 2011) (Jacobs, C.J.) (similar).

The panel's decretal paragraph (Add19) is cryptic, saying only that "[t]he order of the district court is reversed to the extent it held that TVEyes's product was a fair use." To the extent the panel was reversing the district court's denial of *Fox's* motion for summary judgment on fair use, it should have construed all disputed facts in TVEyes's favor. It failed to do so. For example, if disputed facts were construed in TVEyes's favor, the court could not possibly have found market harm under factor four given Fox's failure to show any actual or likely loss of licensing revenues to TVEyes.

To the extent that the panel was reversing the district court's grant of *TVEyes's* summary judgment motion on fair use, however, it also should have remanded the fair use determination to the district court. Even putting aside the legal error in allowing Fox to preempt a transformative market (*see supra*, at 10-13), and even drawing all inferences on *disputed* facts in Fox's favor, there was overwhelming *undisputed* evidence that Fox was not harmed by TVEyes's transformative market because that is not a market Fox was exploiting or was remotely likely to enter. *See supra*, at 5 (collecting uncontroverted evidence). Contrary to the panel's speculation (Add17), therefore, there was *no* basis to conclude that "Fox itself might wish to exploit the market for such a service rather than license it to others." Speculation may not replace fact-finding. *See Perfect 10*,

Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1168 (9th Cir. 2007). And the undisputed evidence to the contrary creates a triable issue of fact.

These disputes of fact on both motion sequences preclude the panel's holding of no fair use as a matter of law.

B. The Panel Failed To Consider The Public Benefits TVEyes Offers

The panel also misapprehended factor four by overlooking this Court's requirement that a court must consider "the benefit the public will derive if the use is permitted" and balance it against any supposed market harm. *Bill Graham*, 448 F.3d at 613 (quotations omitted); *Swatch*, 756 F.3d at 90 (same). In its factor-four analysis, the panel entirely ignored the district court's findings that "TVEyes' service provides social and public benefit and thus serves an important public interest" (SPA27; *see* SPA 25-26; SPA42) and that "TVEyes helps promote the free exchange of ideas" by ensuring that broadcast content does not "disappear[] after airing into an abyss" (SPA44).

For this reason as well, the panel should remand the fair use determination to the district court.

CONCLUSION

The Court should grant rehearing *en banc*; in the alternative, the panel should grant rehearing.

Dated: March 16, 2018

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

1. This petition complies with the type-volume limitation of Fed. R. Add. P. 35(b)(2)(A) and 40(b)(1) because it contains **3725** words (based on the Microsoft Word word-count function) excluding parts exempted by Fed. R. Add. P. 32(f).
2. This petition complies with the typeface and typestyle requirements of Fed. R. Add. P. 32(a)(5)-(6) and 35(c)(2) because it has been prepared in proportionately spaced typeface using **Microsoft Word** in **Times New Roman, 14-point**.

/s/ Kathleen M. Sullivan
Kathleen M. Sullivan

Dated: March 16, 2018

ADDENDUM

15-3885(L)
Fox News Network, LLC v. TVEyes, Inc.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term, 2016

(Argued: March 7, 2017 Decided: February 27, 2018)

Docket Nos. 15-3885(L), 15-3886(XAP)

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FOX NEWS NETWORK, LLC,

Plaintiff-Appellee-Cross-Appellant

- v. -

TVEYES, INC.,

Defendant-Appellant-Cross-Appellee.

-----x

Before: NEWMAN, JACOBS, Circuit Judges, and KAPLAN, District
Judge.*

* Judge Lewis A. Kaplan, United States District Court for the Southern District of New York, sitting by designation.

Defendant TVEyes, Inc. (“TVEyes”) is a media company that continuously records the audiovisual content of more than 1,400 television and radio channels, imports that content into a database, and enables its clients, for \$500 per month, to view, archive, download, and email to others ten-minute clips. TVEyes also copies the closed-captioned text of the content it imports, allowing its clients to search for the clips that they want by keyword, as well as by date and time.

Plaintiff Fox News Network, LLC (“Fox”) sued TVEyes for copyright infringement in the United States District Court for the Southern District of New York. The principal question on appeal is whether TVEyes’s enabling of its clients to watch Fox’s programming is protected by the fair use doctrine.

TVEyes’s re-distribution of Fox’s content serves a transformative purpose insofar as it enables TVEyes’s clients to isolate from the vast corpus of Fox’s content the material that is responsive to their interests, and to access that material in a convenient manner. But because that re-distribution makes available to TVEyes’s clients virtually all of Fox’s copyrighted content that the clients wish to see and hear, and because it deprives Fox of revenue that properly belongs to the copyright holder, TVEyes has failed to show that the product it offers to its clients can be justified as a fair use.

Accordingly, we reverse the order of the district court to the extent that it found fair use. Our holding does not encompass the copying of Fox’s closed-captioned text into a text-searchable database, which Fox does not challenge on appeal. We affirm the district court’s order to the extent that it denied TVEyes’s request for additional relief. We also remand for entry of a revised injunction.

Judge Kaplan concurs in a separate opinion.

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JACOBS, Circuit Judge:

In this copyright infringement suit, defendant TVEyes, Inc. (“TVEyes”) offers a service that enables its clients to easily locate and view segments of televised video programming that are responsive to the clients’ interests. It does so by continuously recording vast quantities of television programming, compiling the recorded broadcasts into a database that is text-searchable (based primarily on the closed-captioned text copied from the broadcasts), and allowing its clients to search for and watch (up to) ten-minute video clips that mention terms of interest to the clients.¹ Plaintiff Fox News Network, LLC (“Fox”), which has sued TVEyes in the United States District Court for the Southern District of New York, does not challenge the creation of the text-searchable database but alleges that TVEyes infringed Fox’s copyrights by re-distributing Fox’s copied audiovisual content, thereby enabling TVEyes’s clients to access that content without Fox’s permission. The principal question on appeal is whether TVEyes’s enabling of its clients to watch Fox’s programming is protected by the doctrine of fair use. See 17 U.S.C. § 107.

The district court held that fewer than all of the functions of TVEyes’s service constitute a fair use. Specifically, the district court deemed a fair use the functions enabling clients of TVEyes to search for videos by term, to watch the resulting videos, and to archive the videos on the TVEyes servers; but the court held that certain other functions were not a fair use, such as those enabling TVEyes’s clients to download videos to their computers, to freely e-mail videos to others, or to watch videos after searching for them by date, time, and channel (rather than by keyword). The district court therefore dismissed Fox’s challenge to important functions of TVEyes’s service, but also held that TVEyes was liable to

¹ TVEyes also captures radio content. For simplicity, this opinion will focus on only television broadcasts.

Fox for copyright infringement on account of other functions of that service. A permanent injunction limited various aspects of TVEyes's service.²

This appeal shares features with our decision in Authors Guild v. Google, Inc., 804 F.3d 202 (2d Cir. 2015) ("Google Books"). That case held that Google's creation of a text-searchable database of millions of books (including books under copyright) was a fair use because Google's service was "transformative" and because integral features protected the rights of copyright holders. However, we cautioned that the case "test[ed] the boundaries of fair use." Google Books, 804 F.3d at 206. We conclude that defendant TVEyes has exceeded those bounds.

TVEyes's re-distribution of Fox's audiovisual content serves a transformative purpose in that it enables TVEyes's clients to isolate from the vast corpus of Fox's content the material that is responsive to their interests, and to access that material in a convenient manner. But because that re-distribution makes available virtually all of Fox's copyrighted audiovisual content--including all of the Fox content that TVEyes's clients wish to see and hear--and because it deprives Fox of revenue that properly belongs to the copyright holder, TVEyes has failed to show that the product it offers to its clients can be justified as a fair use.

Accordingly, we reverse the order of the district court to the extent it held that some of the challenged TVEyes functions constituted a fair use. We affirm the order to the extent that it denied TVEyes's request for additional relief. Furthermore, because the district court's issuance of an injunction was premised on the incorrect conclusion that much of what TVEyes offered was a fair use, we remand for the district court to revise the injunction in light of this opinion.

I

TVEyes is a for-profit media company. It offers a service that allows its clients to efficiently sort through vast quantities of television content in order to find clips that discuss items of interest to them. For example, a client in

² Fox does not challenge on appeal the dismissal (on summary judgment) of its claims alleging "hot news" misappropriation and "direct competition" misappropriation.

marketing or public relations interested in how a particular product is faring in the media can use the TVEyes service to find, watch, and share clips of recent television broadcasts that mention that product.

The service works this way. TVEyes records essentially all television broadcasts as they happen, drawing from more than 1,400 channels, recording 24 hours a day, every day. By copying the closed-captioned text that accompanies the content it records (and utilizing speech-to-text software when necessary), TVEyes creates a text-searchable transcript of the words spoken in each video. The videos and transcripts are consolidated into a database. A client inputs a search term and gets a list of video clips that mention the term. A click on a thumbnail image of a clip plays the video, beginning fourteen seconds before the search term was spoken, and displays a segment of the transcript with the search term highlighted. The parties dispute the quality of the clips. Fox contends that the clips are high definition; TVEyes contends that the clips are grainier than the original broadcasts. The clips can be played for no more than ten minutes, but a user can play an unlimited number of clips. To prevent clients from watching entire programs, TVEyes (during the course of this litigation) implemented a device that is claimed to prevent clients from viewing consecutive segments. The parties dispute whether this measure is effective.

TVEyes's service has ancillary functions. A TVEyes client may "archive" videos permanently on the TVEyes servers and may download videos directly to the client's computer. These services are useful because TVEyes otherwise deletes captured content after thirty-two days. Clients can also email the clips for viewing by others, including those who are not TVEyes clients. And clients can search for videos by date, time, and channel (rather than by keyword). The parties dispute whether clients can watch live broadcasts on TVEyes.

A TVEyes subscription costs approximately \$500 per month, is available for business and professional use, and is not offered to private consumers for personal use. Clients include journalists, government and political organizations, law enforcement, the military, for-profit companies, and non-profits.

TVEyes asserts that it restricts its clients' use of its content in various ways. For example, clients are required to sign a contract that limits their use of clips to

“internal purposes only” and are warned upon downloading a clip that it is to be used for only “internal review, analysis or research.” Fox contends that these safeguards are ineffective and disputes the assertion by TVEyes that its service is primarily used for “internal” research and analysis.

Fox claims that at some point TVEyes unsuccessfully approached it to procure a license to use Fox programming. Fox demanded that TVEyes stop using its programming; when TVEyes refused, litigation ensued. The lawsuit focuses on nineteen copyrighted Fox broadcasts. The legal question is whether TVEyes has a “fair use” defense to Fox’s copyright infringement claims. 17 U.S.C. § 107.

II

The Copyright Act provides:

[T]he fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research, is not an infringement of copyright. 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.

Id.

In fair use litigation, courts undertake a “case-by-case analysis” in which each factor is considered, “and the results [are] weighed together, in light of the purposes of copyright.” Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 577-78 (1994). The factors are non-exclusive, but consideration of each is mandatory.³ Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P., 756 F.3d 73, 81 (2d Cir. 2014). Some of the factors are more important than others, with the fourth (market impact) being “the single most important element.” Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 566 (1985). Fair use is an affirmative defense, so TVEyes bears the burden of proving it. Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913, 918 (2d Cir. 1994).

It is useful to analyze separately distinct functions of the secondary use (i.e., the use by TVEyes of Fox’s copyrighted material), considering whether each independent function is a fair use. See Google Books, 804 F.3d at 216-18. TVEyes has two core offerings: the “Search function” and the “Watch function.” The Search function allows clients to *identify* videos that contain keywords of interest. The Watch function allows TVEyes clients to *view* up to ten-minute, unaltered video clips of copyrighted content. Fox does not challenge the Search function on appeal. Fox’s challenge is to the Watch function, and we determine that its inclusion renders TVEyes’s package of services unprotected by the fair use doctrine. That conclusion subsumes and obviates consideration of certain functions that are subsidiary to the Watch function, such as archiving, downloading, and emailing the video clips.

Turning to the Watch function, we next consider each of the four factors listed in § 107.

³ *Pace* Judge Kaplan’s argument that our discussion of transformative use (which is integral to the first statutory factor) should be omitted from the fair-use analysis--or be deemed dicta. Whether the majority opinion’s discussion “may contribute to confusion and uncertainty” (Concurring Op. at 3) is not for me to say.

A

In considering the first statutory factor--the “purpose and character” of the secondary use, 17 U.S.C. § 107(1)--the primary inquiry is whether the use “communicates something new and different from the original or [otherwise] expands its utility,” that is, whether the use is “transformative.” Google Books, 804 F.3d at 214. To be transformative, a use must “do[] something more than repackage or republish the original copyrighted work”; it must “add[] something new, with a further purpose or different character, altering the first with new expression, meaning or message” Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 96 (2d Cir. 2014) (quoting Campbell, 510 U.S. at 579). “Although . . . transformative use is not absolutely necessary for a finding of fair use, . . . [transformative] works . . . lie at the heart of the fair use doctrine,” Campbell, 510 U.S. at 579, and “a use of copyrighted material that ‘merely repackages or republishes the original’ is unlikely to be deemed a fair use,” Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104, 108 (2d Cir. 1998) (quoting Pierre N. Leval, Toward a Fair Use Standard, 103 Harv. L. Rev. 1105, 1111 (1990)).

Precedent is helpful. Both parties rely most heavily on Google Books, which provides the starting point for analysis.

In Google Books, a consortium of libraries collaborated to make digital copies of millions of books, many of them under copyright. Google pooled these digital copies into a text-searchable database. 804 F.3d at 207. Anyone could search the database free. When a user entered a search term, Google returned a list of books that included the term, and, for each responsive book, Google provided a few “snippets” that contained the term. Id.

We held that Google’s copying served a transformative purpose because it created a text-searchable database that “communicate[d] something new and different from the original.” Id. at 214. “[T]he result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn.” Id. at 217 (quoting HathiTrust, 755 F.3d at 97).

We also held that the “snippet view” of unaltered, copyrighted text “add[ed] important value to the basic transformative search function” by allowing users to verify that the list of books returned by the database was responsive to the user’s search. Id. Thus, a user searching for the term “Hindenburg” could infer from snippets whether the book was referencing the Weimar president or the exploded zeppelin. See id. at 217-18.

TVEyes’s copying of Fox’s content for use in the Watch function is similarly transformative insofar as it enables users to isolate, from an ocean of programming, material that is responsive to their interests and needs, and to access that material with targeted precision. It enables nearly instant access to a subset of material--and to information about the material--that would otherwise be irretrievable, or else retrievable only through prohibitively inconvenient or inefficient means.

Sony Corporation of America vs. Universal City Studios, Inc. is instructive. See 464 U.S. 417 (1984). In Sony, a television customer, who (by virtue of owning a television set) had acquired authorization to watch a program when it was broadcast, recorded it in order to watch it instead at a later, more convenient time. That was held to be a fair use. While Sony was decided before “transformative” became a term of art, the apparent reasoning was that a secondary use may be a fair use if it utilizes technology to achieve the transformative purpose of improving the efficiency of delivering content without unreasonably encroaching on the commercial entitlements of the rights holder.

The Watch function certainly qualifies as technology that achieves the transformative purpose of enhancing efficiency: it enables TVEyes’s clients to view all of the Fox programming that (over the prior thirty-two days) discussed a particular topic of interest to them, without having to monitor thirty-two days of programming in order to catch each relevant discussion; and it eliminates the clients’ need even to view entire programs, because the ten most relevant minutes are presented to them. Much like the television customer in Sony, TVEyes clients can view the Fox programming they want at a time and place that is convenient to

them, rather than at the time and place of broadcast. For these reasons, TVEyes's Watch function is at least somewhat transformative.⁴

* * *

The first statutory factor also implicates considerations distinct from whether the secondary use is transformative. In particular, Fox argues that the “commercial nature” of TVEyes's copying (its sale of access to Fox's content) weighs against a finding of fair use. 17 U.S.C. § 107(1).

The commercial nature of a secondary use weighs against a finding of fair use. See Campbell, 510 U.S. at 585. And it does so especially when, as here, the transformative character of the secondary use is modest. See id. at 579 (“[T]he [less] transformative the new work, the [more] will be the significance of other factors, like commercialism . . .”). The Watch function has only a modest transformative character because, notwithstanding the transformative manner in which it delivers content, it essentially republishes that content unaltered from its original form, with no “new expression, meaning or message.” HathiTrust, 755 F.3d at 96 (quoting Campbell, 510 U.S. at 579); cf. Kirkwood, 150 F.3d at 106 (service that transmits unaltered radio broadcasts in real time over telephone lines is not transformative); Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342

⁴ TVEyes argues that the Watch function is transformative because it allows clients to conduct research and analysis of television content by enabling them to view clips responsive to their research needs. Research, TVEyes argues, is a purpose not shared by users of the original content. This argument proves too much.

That a secondary use can facilitate research does not itself support a finding that the secondary use is transformative. See American Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994). In Texaco, a company was allowing each of its 400 to 500 scientists to photocopy journal articles pertinent to their individual research projects, thus enabling three subscriptions to service the needs of hundreds of scientists. Id. at 915-16. We stated that if copying were deemed transformative “simply because [it was done] in the course of doing research,” then “the concept of a ‘transformative’ use would be extended beyond recognition.” Id. at 924.

F.3d 191, 199-200 (3d Cir. 2003) (service that streams short previews of movies without commentary is not transformative). The clients of TVEyes use Fox's news broadcasts for the same purpose that authorized Fox viewers use those broadcasts--the purpose of learning the information reported.

The first statutory factor therefore favors TVEyes, albeit slightly.

B

The second statutory factor is "the nature of the copyrighted work." 17 U.S.C. § 107(2). This factor "has rarely played a significant role in the determination of a fair use dispute," and it plays no significant role here. Google Books, 804 F.3d at 220.

TVEyes presses the argument that, since facts are not copyrightable, the factual nature of Fox's content militates in favor of a finding of fair use. We have rejected this argument: "Those who report the news undoubtedly create factual works. It cannot seriously be argued that, for that reason, others may freely copy and re-disseminate news reports." Id. at 220.

C

The third statutory factor is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3). The relevant consideration is the amount of copyrighted material *made available to the public* rather than the amount of material *used by the copier*. Google Books, 804 F.3d at 222.

This factor clearly favors Fox because TVEyes makes available virtually the entirety of the Fox programming that TVEyes users want to see and hear. While "courts have rejected any categorical rule that a copying of the entirety cannot be a fair use," "a finding of fair use is [less] likely . . . when the copying is extensive, or encompasses the most important parts of the original." Id. at 221. In this respect, the TVEyes Watch function is radically dissimilar to the service at issue in Google Books.

Google's snippet function was designed to ensure that users could see only a very small piece of a book's contents. Each snippet was three lines of text, constituting approximately one-eighth of a page; a viewer could see at most three snippets per book for any searched term, and no more than one per page. Users were prevented from performing repeated searches to find multiple snippets that could be compiled into a coherent block of text. Approximately 22% of a book's text was "blacklist[ed]": no snippet could be shown from those pages. *Id.* at 222. And snippets were not available at all for such books as dictionaries or cookbooks, in which a snippet might convey all the information that a searcher was likely to need. While the snippets allowed a user to judge whether a book was responsive to the user's needs, they were abbreviated to ensure that it would be nearly impossible for a user to see a meaningful exposition of what the author originally intended to convey to readers.

TVEyes redistributes Fox's news programming in ten-minute clips, which--given the brevity of the average news segment on a particular topic--likely provide TVEyes's users with all of the Fox programming that they seek and the entirety of the message conveyed by Fox to authorized viewers of the original. Cf. Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 564-65 (1985) (finding no fair use when the copying involved only about 300 words, but the portion copied was "the heart of the book"). TVEyes's use of Fox's content is therefore both "extensive" and inclusive of all that is "important" from the copyrighted work. Google Books, 804 F.3d at 221.

D

The fourth statutory factor is "the effect of the [secondary] use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4). This factor is "undoubtedly the single most important element of fair use." Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 566 (1985). It "focuses on whether the copy brings to the marketplace a competing substitute for the original, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original." Google Books, 804 F.3d at 223. Critically, it requires consideration of "not only the . . . market harm caused by the particular actions of the alleged infringer," but also the market harm that would result from

“unrestricted and widespread conduct of the [same] sort.” Campbell, 510 U.S. at 590 (internal quotation marks and alteration omitted).

TVEyes argues that its service poses little risk of being a “competing substitute” for Fox’s offerings. Google Books, 804 F.3d at 223. Fox argues that TVEyes undercuts Fox’s ability to profit from licensing searchable access to its copyrighted content to third parties. Fox has much the stronger point.

“It is indisputable that, as a general matter, a copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work, and that the impact on potential licensing revenues is a proper subject for consideration in assessing the fourth factor.” Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 614 (2d Cir. 2006) (quoting Texaco, 60 F.3d at 929). However, “not every effect on potential licensing revenues enters the analysis under the fourth factor.” Texaco, 60 F.3d at 929. A copyright owner has no right to demand that users take a license unless the use that would be made is one that would otherwise infringe an exclusive right. See Bill Graham Archives, 448 F.3d at 615. Even if a use does infringe an exclusive right, “[o]nly an impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets should be legally cognizable when evaluating a secondary use’s effect upon the potential market for or value of the copyrighted work.” Texaco, 60 F.3d at 930 (internal quotation marks omitted).

That limitation does not restrict our analysis here. The success of the TVEyes business model demonstrates that deep-pocketed consumers are willing to pay well for a service that allows them to search for and view selected television clips, and that this market is worth millions of dollars in the aggregate. Consequently, there is a plausibly exploitable market for such access to televised content, and it is proper to consider whether TVEyes displaces potential Fox revenues when TVEyes allows its clients to watch Fox’s copyrighted content without Fox’s permission.

Such displacement does occur. Since the ability to re-distribute Fox’s content in the manner that TVEyes does is clearly of value to TVEyes, it (or a similar service) should be willing to pay Fox for the right to offer the content. By providing Fox’s content to TVEyes clients *without* payment to Fox, TVEyes is in

effect depriving Fox of licensing revenues from TVEyes or from similar entities. And Fox itself might wish to exploit the market for such a service rather than license it to others. TVEyes has thus “usurp[ed] a market that properly belongs to the copyright-holder.” Kirkwood, 150 F.3d at 110. It is of no moment that TVEyes allegedly approached Fox for a license but was rebuffed: the failure to strike a deal satisfactory to both parties does not give TVEyes the right to copy Fox’s copyrighted material without payment.

In short, by selling access to Fox’s audiovisual content without a license, TVEyes deprives Fox of revenues to which Fox is entitled as the copyright holder. Therefore, the fourth factor favors Fox.

E

To ascertain whether TVEyes’s service is protected as a fair use, the final step is to weigh the four statutory factors together, along with any other relevant considerations. The factors should not be “treated in isolation, one from another”; rather, “[a]ll are to be explored, and the results [are to be] weighed together, in light of the purposes of copyright.” Campbell, 510 U.S. at 577-78. While the factors are not exclusive, in this case they provide sufficient guidance. See Kirkwood, 150 F.3d at 111.

We conclude that TVEyes’s service is not justifiable as a fair use. As to the first factor, TVEyes’s Watch function is at least somewhat transformative in that it renders convenient and efficient access to a subset of content; however, because the function does little if anything to change the content itself or the purpose for which the content is used, its transformative character is modest at best. Accordingly--and because the service at issue is commercial--the first factor favors TVEyes only slightly. The second factor is neutral in this case. The third factor strongly favors Fox because the Watch function allows TVEyes’s clients to see and hear virtually all of the Fox programming that they wish. And the fourth factor favors Fox as well because TVEyes has usurped a function for which Fox is entitled to demand compensation under a licensing agreement.

At bottom, TVEyes is unlawfully profiting off the work of others by commercially re-distributing all of that work that a viewer wishes to use, without

payment or license. Having weighed the required factors, we conclude that the balance strongly favors Fox and defeats the defense of fair use.

III

TVEyes challenges the district court's conclusion that it is liable to Fox under a theory of *direct* copyright infringement.⁵ A direct infringer exercises "volitional conduct" to make the infringing copy. Cartoon Network LP, LLLP v. CSC Holdings, Inc. ("Cablevision"), 536 F.3d 121, 131 (2d Cir. 2008). The conduct at issue in Cablevision was *non-volitional*; however, it bears no resemblance to what TVEyes does. The Cablevision defendant provided a remote DVR service similar to the recording capability of a DVR in a television viewer's home. Unless the *subscriber* chose to record a program, it remained on the defendant's server for no more than .1 second. See id. at 124-25. By contrast, TVEyes decides what audiovisual content to record, copies that content, and retains it for thirty-two days. And this copying, at least to the extent that it is done to enable the Watch function, is an infringement. Volitional conduct that infringes is clear.

IV

The district court issued a permanent injunction prohibiting TVEyes from enabling its clients to download clips of Fox's programming or to search for such clips by date and time; the court also imposed restrictions on TVEyes's enabling of its clients to email clips or to post them to social media sites. We review the issuance of a permanent injunction "for abuse of discretion, which may be found where the Court, in issuing the injunction, relied on . . . an error of law." S.C. Johnson & Son, Inc. v. Clorox Co., 241 F.3d 232, 237 (2d Cir. 2001) (quoting Knox v. Salinas, 193 F.3d 123, 128-29 (2d Cir. 1999) (per curiam)).

⁵ A party that has not committed direct copyright infringement may still be liable under the doctrine of contributory infringement, which allows a defendant to be held liable for infringing acts of third parties. See Sony, 464 U.S. at 435; Arista Records, LLC v. Doe 3, 604 F.3d 110, 117-18 (2d Cir. 2010). Fox asserted liability only on the ground of direct infringement, so we do not consider contributory infringement.

The district court's injunction was shaped by an error of law: the mistaken assumption that the Watch function (and some features subsidiary to it) had fair-use protection. We therefore remand to the district court to revise the injunction in accordance with this opinion.

Because the product TVEyes currently offers includes the infringing Watch function and its subsidiary features (i.e., clients' ability to archive, download, and email clips, as well as to view clips after conducting a date/time search⁶), the court should enjoin TVEyes from offering that product. However, because Fox does not dispute TVEyes's right to offer its Search function, the court's injunction shall not bar TVEyes from offering a product that includes that function without making impermissible use of any protected audiovisual content.⁷

CONCLUSION

The order of the district court is reversed to the extent it held that TVEyes's product was a fair use. The order is affirmed to the extent it denied TVEyes's request for additional relief. We remand for the district court to revise the injunction to conform with this opinion. Any further appeal will be assigned to this panel.

⁶ There is no copyright infringement in the use of the date/time search function to discover the particular program that was playing on a certain channel at a certain time. That information is a historical fact, which is not copyrightable. See Arica Institute, Inc. v. Palmer, 970 F.2d 1067, 1075 (2d Cir. 1992). However, enabling a client to *view* a copied video located on the basis of a date/time search can constitute infringement, and it is not a fair use.

⁷ Because Fox has not challenged the Search function on this appeal, and the parties have therefore presented no arguments about it, we express no views on it, neither upholding nor rejecting it.

KAPLAN, District Judge,* concurring:

I concur in the result as well as part I, the preamble to part II, and parts II.B, III and IV of the majority opinion. With great respect for my learned and distinguished colleagues, however, I do not join in their characterization of TVEyes' Watch function as "somewhat transformative." I decline for two reasons.

First, although the majority writes that it "is at least somewhat transformative," it holds that the Watch function nevertheless is not a fair use of Fox's copyrighted material. Stated differently, it holds that the other factors relevant to the fair use determination carry the day in favor of Fox regardless of whether the Watch function is or is not transformative. The "somewhat transformative" characterization therefore is entirely immaterial to the resolution of this case – in a familiar phrase, it is *obiturn dictum*.¹ I would avoid any such characterization even if I agreed with it.

Second, while I prefer not to state a view as to whether the Watch function is transformative, I would be remiss, given the majority's opinion, if I did not express my doubt that the majority's view is correct. To the contrary, were we compelled to reach the point, I would be inclined to conclude that it is not.

I

I do not suggest that this or any appellate court should "purge dictum from [its] opinions."² But there are situations in which sound prudential reasons counsel against making statements that are "superfluous to the court's performance of its function."³ I submit that this is one of them.

1. "[T]he goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at

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Lewis A. Kaplan, United States District Judge for the Southern District of New York, sitting by designation.

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Contrary to the majority's suggestion, we are not obliged to reach a definitive decision as to each of the fair use factors in order to decide the fair use issue. *Henley v. Devore*, 733 F. Supp.2d 1144, 1155 (C.D. Cal. 2010) (assuming but not deciding that secondary use was transformative, but nevertheless rejecting fair use defense).

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Pierre N. Leval *Judging Under the Constitution: Dicta About Dicta*, 81 N.Y.U. L. REV. 1249, 1282 (2006) (hereinafter "*Dicta*").

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Id. at 1257.

the heart of the fair use doctrine[].”⁴ “[T]he more transformative the new work, the less will be the significance of other factors.”⁵ It therefore is not at all surprising that attempts by alleged infringers to characterize their uses of copyrighted works as “transformative” have become a key battleground in copyright litigation, particularly as technological advances provide ever-new contexts in which the uncompensated use of copyrighted works is very attractive. And the law governing such controversies often is far from clear. As noted commentators have observed, courts “appear to label a use ‘not transformative’ as a shorthand for ‘not fair,’ and correlatively ‘transformative’ for ‘fair.’ Such a strategy empties the term of meaning.”⁶ Indeed, as will appear, some of our own decisions on the issue are at least in tension with one another.⁷

In these circumstances, a finding of transformative use, while “not absolutely necessary for a finding of fair use,”⁸ is “of crucial importance to the fair use analysis.”⁹ And as the issue of fair use, in the words of a distinguished panel of this Court that remain apt despite intervening years, is “the most troublesome in the whole law of copyright,” it is one that “ought not to be resolved in cases where it may turn out to be moot, unless the advantage is very plain.”¹⁰ The majority’s unnecessary characterization of the Watch function as “somewhat transformative” has no “advantage,” let alone one that is “very plain.” Indeed, I fear it may contribute to confusion and uncertainty regarding this central concept in the law of fair use. Moreover, it threatens to do so in circumstances in which there is no realistic possibility of further appellate review.¹¹ The determination of the transformative use issue should be left for a case in which the question necessarily is presented.

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Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994).

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Id.

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4 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05, at 13-169 (2017).

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See id. at 13-170.

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Id. at 13-166.

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Id. at 13-166 to 167.

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Deller v. Samuel Goldwyn, Inc., 104 F.2d 661, 662 (2d Cir. 1939) (per curiam) (L. Hand, A. Hand, Patterson, JJ).

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Dicta, 81 N.Y.U. L. Rev. at 1262.

2. The advisability of expressing a view as to whether the Watch function is “transformative” is diminished further because this case passes judgment on a technological innovation. New efficiency-enhancing content delivery technologies that will seek to distribute copyrighted material owned by others doubtless now or soon will exist. Indeed, the efficiency enhancement that the Watch function allegedly provides appears to be, or to have become at least partly, available from Internet-based television subscription services to which Fox News presumably licenses its content.¹² Given (a) the rapid pace of technological change, (b) the importance of the concept of transformative purpose in fair use jurisprudence, and (c) the fact that it is unnecessary to address the question in this case, I respectfully disagree with the majority’s decision to express a view as to whether the Watch function is transformative.

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I understand that Internet-based cable subscription services now available allow a subscriber to record cable shows, store (some with limits on the amount that can be stored, some without), and re-watch those shows within a certain time frame (for example, within nine months of the recording). See Eric Liston, *How to Watch Fox News Without Cable – Your Top 5 Options*, FLIXED (Dec. 6, 2017), <https://fliced.io/watch-fox-news-without-cable/>. Someone who wanted to “monitor” Fox News could DVR (i.e., direct video record) all Fox News shows using these paid services. Upon using TVEyes’s Search function – the transformative nature of which was not challenged – to identify when a term was said in a broadcast, the user could click directly to that portion of the broadcast and watch it immediately online using their paid subscription service. It is unclear whether these services as they currently exist would allow a user to monitor all local broadcasts throughout the country, but they certainly diminish the Watch function’s convenience value.

And technology will march on, perhaps soon eliminating altogether the efficiency the majority claims renders the Watch function transformative.

I recognize, of course, that there appears to be no discussion of these services in the record. This is at least partially attributable to the fact that the advent of some of these services post-date this litigation. But this demonstrates handily the point that technology is rapidly evolving, which is all the more reason to decline to pronounce a piece of technology transformative when it is not necessary to do so.

II

In view of the majority's expression of its opinion that the Watch function is "somewhat transformative," I feel compelled to express my own doubts regarding that conclusion.

1. The majority's opinion begins its analysis by observing, correctly in my view, that "[i]t is useful to analyze separately distinct functions of the secondary use (i.e., the use by TVEyes of Fox's copyrighted material), considering whether each independent function is a fair use."¹³ It then turns to the distinction between the Search function and the Watch function. The Search function "allows clients to *identify* videos that contain keywords of interest"¹⁴ – it "enables users to isolate, from an ocean of programming, material that is responsive to their interests."¹⁵ The Watch function, in contrast, "allows TVEyes clients to *view* up to ten-minute, unaltered video clips of copyrighted content."¹⁶ In short, the Search function, which is not challenged here, is simply a vehicle that locates Fox's copyrighted works among other works of interest – it finds the desired species of fish in the majority's metaphorical sea. But the Watch function then catches those fish and delivers them to the fishmonger's stall where TVEyes lays them unchanged (one might say untransformed) on cracked ice for the inspection of its patrons.

Metaphor aside, the majority then proceeds to "test the Watch function, considering each of the four [fair use] factors."¹⁷ It describes our decision in *Google Books*,¹⁸ noting that we there "held that the 'snippet view' of unaltered, copyrighted text 'add[ed] important value to the basic transformative search function' by allowing users to verify that the list of books returned by the database was

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Op. at 13:9-11. See also *Craft v. Kobler*, 667 F. Supp. 120, 128 (S.D.N.Y. 1987) (Leval, J.) ("In assessing claims of fair use, we must consider the number, size and importance of appropriated passages, *as well as their individual justifications.*" (emphasis added)); 4 WILLIAM N. PATRY, PATRY ON COPYRIGHT § 10.13, at 10-47 to 10-49 (2012).

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Op. at 13:13-14 (emphasis in original).

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Id. at 16:7-9.

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Id. at 13:14-15 (emphasis in original).

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Id. at 14:4-5.

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Authors Guild v. Google, Inc., 804 F.3d 202 (2d Cir. 2015) (hereinafter "*Google Books*").

responsive to the user's search."¹⁹ And it then goes on to say:

"TVEyes's copying of Fox's content for use in the Watch function is similarly transformative insofar as it enables users to isolate, from an ocean of programming, material that is responsive to their interests and needs, and to access that material with targeted precision. It enables nearly instant access to a subset of material—and to information about the material—that would otherwise be irretrievable, or else retrievable only through prohibitively inconvenient or inefficient means."²⁰

But, as the majority itself wrote earlier, it is the Search function that enables users to identify the desired fish in the ocean, not the Watch function. What the Watch function does is to enable instant access to digital recordings of Fox's content that have been identified by the Search function. And the majority's justification for concluding that the Watch function is "somewhat transformative" is that it "improve[s] the efficiency of delivering content."²¹

2. I am inclined to reject the idea that enhancing the efficiency with which copies of copyrighted material are delivered to secondary issuers, in the context in which the Watch function does so, is transformative.

The concept of transformation is a relatively recent addition to copyright jurisprudence, but its antecedents have been around for a long time.

In 1841, Justice Story said that "no one can doubt that a reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism," but use that "supersede[s] the original work" is not fair.²² Building on that idea, Judge Leval's landmark article, which later was adopted substantially by the Supreme Court in the *Pretty Woman* case,²³ said:

"I believe the answer to the question of justification turns primarily on whether, and to what extent, the challenged use is *transformative*. The use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test; in Justice Story's words, it would merely 'supersede the objects' of the original. If on the

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Op. at 16:1-4.

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Id. at 16:7-13 (emphasis added).

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Id. at 16:14-17:14.

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Folsom v. Marsh, 9 F. Cas. 342, 344 (No. 4,901).

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Campbell, 510 U.S. at 578-79.

other hand, the secondary use adds value to the original – if the quoted matters is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings – this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.

Transformative uses may include criticizing the quoted work, exposing the character of the original author, proving a fact, or summarizing an idea argued in the original in order to defend or rebut it. They may also include parody, symbolism, aesthetic declarations, and innumerable other uses.”²⁴

Even on the majority’s view that TVEyes’ Watch function substantially improves the efficiency with which TVEyes customers can access Fox copyrighted broadcasts of possible interest, it does no more than repackage and deliver the original works. It adds no new information, no new aesthetics, and no new insights or understandings. I therefore doubt that it is transformative. Indeed, I regard *Infinity Broadcast Corp. v. Kirkwood* as having settled the question whether a use is transformative simply because it is more efficient or convenient than what preceded it.²⁵

In that case, the defendant, Kirkwood, offered a service through which a Kirkwood customer, regardless of its physical location, could dial a Kirkwood device over a phone line, tune to the radio station of its choice in any of the nation’s 10 largest radio markets, and listen to the broadcast of its chosen station. Kirkwood marketed the service to “radio stations, advertisers, talent scouts, and others” for purposes such as “auditioning on-air talent, verifying the broadcast of commercials, and listing to a station’s programming format and feel.”²⁶ No doubt Kirkwood’s service was convenient and efficiency-enhancing. It enabled interested clients who, by reason of distance, could not receive the radio stations of interest to them to (a) access those stations through Kirkwood, (b) listen to their broadcasts over telephone lines and (c) do so for reasons that, at least in many cases, had nothing to do with the purposes for which local listeners tuned their radios to their stations of choice. Nevertheless, this Court rejected Kirkwood’s fair use defense, stating that there was a “total absence of transformativeness” in Kirkwood’s retransmission of the broadcasts.²⁷ And the Watch function at issue here is essentially indistinguishable in principle.

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Pierre N. Leval, *Toward a Standard of Fair Use*, 103 HARV. L. REV. 1105, 1111 (1990).

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150 F.3d 104 (2d Cir. 1998).

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Id. at 106 (internal quotation marks omitted).

27

Id. at 109.

We rejected the argument that convenience of accessing copyrighted material is a transformative purpose in *American Geophysical Union, et al. v. Texaco*²⁸ as well. That involved photocopying of scientific journal articles for use in laboratories. Texaco there argued that “its conversion of the individual [journal] articles through photocopying into a form more easily used in a laboratory might constitute transformative use.”²⁹ Notwithstanding the fact that the photocopies often were more convenient or efficient than, for example, buying, borrowing, shelving and carrying about bound volumes of journals, we wrote that “Texaco’s photocopying merely transforms the material object embodying the intangible article that is the copyrighted original work. Texaco’s making of copies cannot properly be regarded as a transformative use of the copyrighted material.”³⁰

Also closely aligned with this case are others that dealt with technologies relating to digitized music, mp3s, and music sharing. Defendants in those cases argued that their technologies should be considered fair use because they permitted “space-shifting”—they allowed users to store music in different, more convenient forms that allowed them to listen to it in venues more desirable to them.³¹ In other words, the technology enhanced efficiency and convenience. But courts presented with this argument either rejected the idea that space-shifting is a transformative purpose or considered the space-shifting argument relevant only to the question of the commercial nature of the use.³²

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60 F.3d 913 (2d Cir. 1994).

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Id.

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Id. at 923 (citations omitted).

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See *A&M Records, Inc. v. Napster, Inc.* 239 F.3d 1004, 1019 (9th Cir. 2001), as amended (Apr. 3, 2001), *aff’d sub nom. A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002).

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See *A&M Records, Inc.*, 239 F.3d at 1019 (cases holding space-shifting or time-shifting to be fair use inapposite “because the methods of shifting in [those] cases did not also simultaneously involve distribution of the copyrighted material to the general public”); *Recording Indus. Ass’n of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 1079 (9th Cir. 1999) (“The [device at issue] merely makes copies in order to render portable, or ‘space-shift,’ those files that already reside on a user’s hard drive. Such copying is paradigmatic noncommercial personal use entirely consistent with the purposes of the Act.” (citation omitted)); *UMG*

These cases support my inclination to conclude that a technological means that delivers copies of copyrighted material to a secondary user more quickly, efficiently or conveniently does not render the distribution of those copies transformative, at least standing alone.

Nor does *Google Books* support the conclusion that efficiency-enhancing delivery technology is transformative in the circumstances of this case. *Google Books*, like this case, involved two features: a searchable database and the display of “snippets” from the books containing the search term.³³ We held that copying the books to enable the search function had the transformative purpose of “identifying books of interest to the searcher.” That purpose was different than the purpose of the books themselves, which served to convey their content to the reader, and it constituted fair use.³⁴ We held also that the snippets – “horizontal segment[s] comprising ordinarily an eighth of a page” – “add[ed] importantly to the highly transformative purpose of identifying books of interest to the searcher.”³⁵ But *Google Books* does not resolve this case.

Google designed the snippet feature “in a manner that substantially protects against its serving as an effectively competing substitute for Plaintiffs’ books,” employing safeguards such as “blacklisting” (making permanently unavailable for snippet view one snippet per page and one complete page out of every ten) and showing no snippets at all from the sorts of books for which a short snippet would represent all the content a searcher wanted to see (such as dictionaries and cookbooks).³⁶ Here, on the other hand, the Watch function shows ten minute clips, and parties can play unlimited numbers of ten minute clips. Certainly a ten minute clip in many, perhaps most, situations suffices for a user to view an entire news segment. And in situations in which that is not the case, the parties dispute the effectiveness of a preventive measure TVEyes introduced during

Recordings, Inc. v. MP3.Com, Inc., 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) (considering the argument that space-shifting is transformative to be “simply another way of saying that the unauthorized copies are being retransmitted in another medium—an insufficient basis for any legitimate claim of transformation”).

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804 F.3d at 206.

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Id. at 217-18.

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Id. at 209, 218.

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Id. at 222-23.

the course of this litigation to stop users from watching consecutive clips.³⁷ Given the posture of this case – review of a summary judgment decision adverse to Fox on this point – we must view the facts presented by Fox as true and therefore base our decision on the premise that users may access all of Fox’s content by stringing clips together.³⁸

The facts here thus differ from *Google Books* quite substantially. The snippet function considered there delivered much less copyrighted content than the Watch function at issue here. Nevertheless, we there concluded that the snippet function only “adds” to the transformative purpose of the Search function. Our conclusion with respect to the *Google Books* snippet feature therefore does not control the proper characterization of the Watch function at issue here. Moreover, we cautioned in *Google Books* that the case “test[ed] the boundaries of fair use.”³⁹

3. Nor am I persuaded by the majority’s reliance on *Sony Corporation of America v. Universal City Studios, Inc.*⁴⁰

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Op. at 10:13-16.

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Fair use is an affirmative defense to Fox’s infringement claim and thus a matter as to which TVEyes bears the burden of proof. Accordingly, in resisting a determination that TVEyes is entitled to judgment on the basis of fair use, Fox is entitled to the view of the evidence most favorable to it with respect TVEyes’ contention that the Watch function is transformative, as it is on all other aspects of that defense. *FDIC v. Giammettei*, 34 F.3d 51, 54 (2d Cir. 1994) (“whatever evidence *there is* to support an essential element of an affirmative defense will be construed in a light most favorable to the non-moving defendant”) (emphasis in original); *Frankel v. ICD Holdings, S.A.*, 930 F. Supp. 54, 64-65 (S.D.N.Y. 1996) (“one who relies upon an affirmative defense to defeat an otherwise meritorious motion for summary judgment must adduce evidence which, viewed in the light most favorable to and drawing all reasonable inferences in favor of the non-moving party, would permit judgment for the non-moving party on the basis of that defense”).

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Google Books, 804 F.3d at 206.

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464 U.S. 417 (1984).

Sony considered a claim that the manufacturer of Betamax video recorders was liable for contributory copyright infringement because its sale of the recorders facilitated copyright infringement by consumers by virtue of the consumers' recording of copyrighted broadcasts to enable them to view the programs at times more convenient to them.⁴¹ The Court rejected the contributory infringement claim, essentially on the bases that (a) substantial numbers of copyright holders would not object to the consumers' use of the Sony equipment for "time shifting," and (b) the plaintiffs had failed to prove any likelihood of consequent economic harm.⁴²

The majority here reads *Sony* as reasoning "that a secondary use may be a fair use if it utilizes transformative technology to improve the efficiency of delivering content."⁴³ But *Sony* was decided before Judge Leval's article introduced the concept of transformative use or purpose into the copyright lexicon.⁴⁴ I thus find what *Sony* teaches about transformative purpose, if anything, to be less than perfectly clear. I certainly do not find within *Sony* the idea that efficiency-enhancing technology is transformative.

The efficiency enhancement at issue in *Sony* was "time-shifting" – the use by a consumer of a Betamax device to record a broadcast so that the consumer could watch that show at a later, presumably more convenient, time.⁴⁵ The Court asked whether time-shifting was a substantial noninfringing use; the answer to that question determined whether Sony could be liable for contributory infringement.⁴⁶ It was in that context that the Court found that unauthorized time shifting – consumers recording copyrighted shows without authorization to watch the shows once at a later time – was "not necessarily infringing."⁴⁷

The Court's discussion of time-shifting focused on the non-commercial nature of in-home recording: "[R]espondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial

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Id. at 419.

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Id. at 456.

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Op. at 17:1-3.

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Op. at 17:1-3.

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Sony, 464 U.S. at 423.

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Id. at 442.

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Id. at 447.

noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondent's copyrights."⁴⁸

Perhaps the Court in *Sony* would have found efficiency-enhancing technology to be transformative for that reason alone had that argument been put to it. But I see no indication of that in the opinion. Rather, *Sony* turned on the question whether "time-shifting," on the facts presented in that case, was a commercial use that affected the broadcasters' ability to make a profit in the market. And the Court so concluded without considering, at least explicitly, whether the recordings served a purpose different from the original broadcasts. In fact, the Court said that "timeshifting merely enables a viewer to see such a work which he had been invited to witness."⁴⁹ In other words, time-shifting allows a user to do exactly that which the user could have done with the original: watch the show for whatever entertainment, informational or other purpose it serves. No new purpose had been added. So I hesitate to conclude that *Sony* mandates, or even suggests, the idea that efficiency-enhancing technology is transformative.

My hesitation in this regard is strengthened by this Court's subsequent treatment of *Sony*. No prior opinion of this Court says, or even suggests, that *Sony* stands for the proposition that time-shifting in particular, or efficiency-enhancing delivery technology in general, is transformative. In *Swatch Group Management Services Ltd v. Bloomberg L.P.*, we described *Sony* as a decision "finding a non-transformative use to be a fair use."⁵⁰ *Infinity Broadcast Corp.* described *Sony*'s discussion of time-shifting as a "determin[ation] that time-shifting of television programs by consumers in their homes was a non-commercial use."⁵¹ Indeed, as noted, we there held that an efficiency promoting technology was not transformative and gave no sign that *Sony* was relevant to that conclusion.

Similarly, *Authors Guild, Inc. v. HathiTrust*⁵² and *Google Books*⁵³ cite *Sony* for various principles, but never for the proposition that efficiency-enhancing technology is transformative, despite that idea's obvious potential application in those cases. Because *HathiTrust* and *Google Books* so clearly confront an issue closely related to that here, I see as instructive their omission of the idea that *Sony* declared efficiency-enhancing delivery technology to be transformative. I would join those

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Id. at 455.

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Id. at 449.

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756 F.3d 73, 84 (2d Cir. 2014) (emphasis added).

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150 F.3d at 109 n.3.

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755 F.3d 87 (2d Cir. 2014).

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804 F.3d at 202.

cases in declining to construe *Sony* as offering significant guidance regarding transformative use.

In sum, *Sony*'s relevance to transformative use is, at best, unclear. I decline to join in the majority's novel interpretation of *Sony*.

III

For the foregoing reasons, I concur in the judgment of this Court and in part I, the preamble to part II, and parts II.B, III and IV of the majority opinion. I decline to join in part II.A and its characterization of the Watch function as "somewhat transformative."

CERTIFICATE OF SERVICE

I certify that on the 20th day of March, 2018, I electronically filed the foregoing REDACTED PETITION FOR REHEARING *EN BANC* AND PANEL REHEARING with the United States Court of Appeals for the Second Circuit via the appellate CM/ECF system.

I further certify that on the 16th day of March, 2018, I caused to be served by hand delivery sixteen (16) hard copies of the CONFIDENTIAL PETITION FOR REHEARING *EN BANC* AND PANEL REHEARING (FILED UNDER SEAL) upon the United States Court of Appeals for the Second Circuit, and that on the same day I caused the same document to be served upon the following counsel for Plaintiff-Appellee-Cross-Appellant by U.S. mail and e-mail:

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Dated: March 20, 2018

/s/ Kathleen M. Sullivan
Kathleen M. Sullivan