Television Remixed: The Controversy over Commercial-Skipping

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I just feel that anything that allows a person to be more active in the control of his or her life, in a healthy way, is important. [1]

–Fred Rogers (President and host of *Mr. Rogers' Neighborhood*), during testimony in front of the Supreme Court in *Sony v. Universal Studios.*

[T]he basis on which technology acquires power over society is the power of those whose economic hold over society is greatest.[2]

–Theodor W. Adorno & Max Horkheimer.

INTRODUCTION

If there is one thing that viewers of network television would agree on, it is likely to be the annoying nature of commercial advertisements.[3] One study found that 65% of the consumers

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1 Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 445 n.27 (1984).

2 MAX HORKHEIMER & THEODOR W. ADORNO, DIALECTIC OF ENLIGHTENMENT 121 (John Cumming trans., Continuum, 1987) (1944).

3 *See generally* Press Release, Yankelovich Partners, Consumer Resistance to Marketing Reaches All-Time High; Marketing Productivity Plummets, According to

polled "feel constantly bombarded with too much marketing and advertising."[4] In addition, 69% of those polled were interested in "products and services that would help them skip or block marketing."[5] Part of the problem is the advertising industry's use of the widely accepted "saturation marketing" model, which calls for massive increases in the number of advertisements.[6] The emergence of "spam" in the last decade has also contributed to the growing perception of advertising in general as untrustworthy and disrespectful to consumers.[7]

Luckily for television viewers in consumer electronics-laden societies, technology has existed for almost three decades that allows them to skip through commercials (referred to herein as "commercial-skipping" or "ad skipping"). The dawn of video recording technology in the 1970's, in the form of the Video Cassette Recorder ("VCR" or "VTR"), enabled this activity.[8] The VCR enabled viewers to record television programs onto magnetic tape encased in a user friendly format, the videocassette.[9] While recording, consumers could press the pause button during commercial breaks to omit advertisements and resume recording once the program began again.[10] In addition, while playing the tape, viewers could skip through portions of the program, including commercials, using the VCR's fast-forward functionality.[11]

The digital age has brought an even more efficient way to record and replay television, and with it, more efficient ways to skip through commercials. Digital Video Recorders (DVRs)

Yankelovich Study (April 15, 2004) *available at* http://www.commercialalert.org/Yankelovich.pdf.

4 *Id.*

5 *Id.*

6 *Id.*

7 *Id.*

8 *See generally* JAMES LARDNER, FAST FORWARD: HOLLYWOOD, THE JAPANESE, AND THE ONSLAUGHT OF THE VCR (W. W. Norton & Co. 1987) (describing the development of the VCR and the aftermath of its release in 1976).

9 *See id.* at 55.

10 Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 423 (1984).

11 "The fast-forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen." *Id.*

record video and sound on hard disks instead of magnetic tape, allowing consumers to skip through commercials with ease.[12] The digital software embedded in DVRs provides for conveniences as automatic skipping of commercials[13] or fast-forwarding at 30-second increments (the most common duration of a television advertisement).[14] A couple of presses of a 30-second skip-ahead button enable a viewer to skip commercials entirely without having to scan for the program's continuation. DVRs have gained in popularity in recent years,[15] with TiVo alone surpassing 4 million subscribers to its service in 2005.[16] Cable companies are also aggressively marketing their own proprietary DVR devices to compete with TiVo, offering no initial fees on DVR boxes and lower monthly subscription charges.[17]

Skipping through commercials, however, poses two major problems. One issue is economic: advertisers, having paid the networks dearly for advertising time, do not relish the ability of

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[12] *See* Sal Prince, *Detailed Look at Set Top Digital Video Recorders (DVR)*, ABOUT.COM, http://dvr.about.com/od/tvcapturemethods/a/pscs.htm (last visited Mar. 19, 2006).

[13] The automatic skipping of commercials was possible through Replay TV's now defunct "Automatic Commercial Advance" feature. This feature was dropped after the litigation involving Paramount Pictures. Press Release, ReplayTV, ReplayTV Introduces New 5500 Series with Four New Powerful Features (Jun. 10, 2003) *available at* http://www.replaytv.com/About/Replaytv/press.asp?ID=595. *See also infra* notes 87–89 and accompanying text.

[14] Despite dropping "Automatic Commercial Advance," Replay TV kept its "QuickSkip" feature, which "allows users to choose to skip parts of a recorded program in 30-second increments." Press Release, ReplayTV, *supra* note 13.

[15] "In 2003, 3.2 million households in the United States had one, and by 2008 that figure is expected to hit 34 million, according to the market research firm IDC." Alan Cohen, *The Trouble with TiVo*, IP Law & Business, June 10, 2004, *available at* http://www.law.com/jsp/article.jsp?id=1086706001999#.

[16] Press Release, TiVo, TiVo Announces Significant Growth for Quarter Ending October 31, 2005: Total Subscriptions Surpass 4 Million (Nov. 29, 2005) *available at* http://a423.g.akamai.net/7/423/1788/91b3f0c8dc0d5e/www.tivo.com/cms_files/pdfs/press/_69.pdf.

[17] At the time of this Note's publication, Time Warner Cable of New York was offering a DVR box with an additional $8.95 per month service charge (contrasted with TiVo's free DVR with a monthly service fee of $16.95 which requires a 3-year commitment). Pricing information *available at* http://www.timewarnercable.com/nyandnj/products/cable/packagesandpricing.html (last visited Mar. 19, 2006) and http://www.tivo.com/2.1.1.0.c.asp?productId=80 dvr (last visited Mar. 19, 2006).

television viewers to easily skip through their commercials.[18] According to these advertisers and the networks that rely on the revenue they provide, commercial-skipping on a mass scale subverts the entire economic foundation upon which network television is based.[19] The second problem is legal: is commercial-skipping a legal activity, free of copyright entanglements or does commercial-skipping constitute copyright infringement and if so, under what legal theory?

The Supreme Court has never ruled conclusively on the issue of commercial-skipping even though it has addressed the unauthorized recording of television programs for later viewing.[20] On its face, recording copyrighted television programs onto videocassettes without authorization seems to be clear copyright infringement.[21] After all, copyright law primarily protects authors from the unauthorized copying and distribution of their works.[22] Nevertheless, the Supreme Court ruled in 1984 that "time-shifting"—recording video for later viewing—was a *fair use*,[23] and therefore a legal activity. The legal doctrine of fair use, now codified in the Copyright Act, allows for limited copying and uses of copyrighted works when four criteria are met.[24] Although the Supreme Court ruled that recording television *programs* onto video could be fair use, it avoided any explicit discussion of the issue of

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[18] *See* FREDERICK WASSER, VENI, VIDI, VIDEO: THE HOLLYWOOD EMPIRE AND THE VCR 3, 86 (Thomas Schatz ed. 2001).

[19] Complaint at 5, Paramount Pictures Corp. v. ReplayTV, Inc., 2002 WL 32151632 (C.D. Cal. Oct. 31, 2001) (NO. 2:01 CV 09358) *available at* http://lexopolis.com/library/cases/e-law/replaytv_complaint.htm [hereinafter Paramount Complaint]. "Defendants' unlawful [commercial-skipping] scheme attacks the fundamental economic underpinnings of free television and basic nonbroadcast services and, hence, the means by which plaintiff's copyrighted works are paid for." *Id.*

[20] *See generally* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

[21] The U.S. Copyright Act, 17 U.S.C. § 106 (2000 & Supp. 2002), provides authors exclusive rights to reproduce their copyrighted work.

[22] *Id.*

[23] *See Sony*, 464 U.S. at 449–51.

[24] For an activity to be considered fair use, the following four criteria must be considered: 1) the purpose and character of the use; 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. 17 U.S.C. § 107 (2000).

skipping through commercials, even though the plaintiffs—major movie studios and television networks—had painted the activity as a threat.[25] By not explicitly delineating commercial-skipping as a separate activity from time-shifting, it might be inferred that the Supreme Court viewed commercial-skipping as a type of time-shifting, and therefore a fair use activity.

Despite this inference, there are still some who believe that commercial-skipping amounts to copyright infringement. Judge Posner, for one, has written of a theory of infringement that argues that commercial-skipping creates an adapted version of a television broadcast or program called a derivative work, therefore infringing on one of the protections afforded copyright holders.[26]

Large media companies also continue to challenge the legality of commercial-skipping in cases such as that brought against ReplayTV, a manufacturer of DVRs.[27] And new legislation such as the Family Movie Act conveniently sidesteps the issue, leaving commercial-skipping open to more legal challenges.[28]

In the absence of a successfully proven theory of copyright infringement, those seeking to prevent commercial-skipping are hard-pressed to come up with any reasonable form of enforcement. Laurence Pulgram of Fenwick & West, who led the defense of ReplayTV, remarked that "[i]f dodging commercials is against the law, you'd have to strap people in their chairs and snatch the remote out of their hands."[29] Such a solution evokes Alex's

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[25] Brief for Respondents at 32, Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, No. 81-1687 (1984).

[26] *See In re* Aimster Copyright Litig., 334 F.3d 643, 647–48 (7th Cir. 2003); *see also* 17 U.S.C. § 103 (2000) ("The third use, commercial-skipping, amounted to creating an unauthorized derivative work, . . . namely a commercial-free copy that would reduce the copyright owner's income from his original program, since "free" television programs are financed by the purchase of commercials by advertisers.").

[27] Paramount Complaint, *supra* note 19, at 5–7. *See infra* notes 82–84 and accompanying text.

[28] *See infra* note 113 and accompanying text.

[29] Fred von Lohmann, *ReplayTV Zaps Ads and Permits Show Swapping; Get Ready for the Next Big Copyright Battle*, CAL. LAW., June 2002, at 30. Lawrence Lessig makes a similar point in his book, *Free Culture.* "Remote channel changers have weakened the "stickiness" of television advertising (if a boring commercial comes on the TV, the remote makes it easy to surf), and it may well be that this change has weakened the television advertising market. But does anyone believe we should regulate remotes to

"reformation" in *A Clockwork Orange*, where his eyelids were clipped open forcing him to watch films intended to brain wash him into a normal member of society.[30]

The enforcement solution favored by many foes of commercial-skipping and time-shifting might be a technological one, in which digital rights management systems ("DRMs") regulate viewer conduct, prohibiting users from any type of time-shifting activity.[31] These "technological measure[s] that effectively control[ ] access to a work" are designed to protect the rights of copyright holders by prohibiting certain uses.[32] For example, DVDs employ encryption that prohibits copying, sampling, or playback in certain foreign countries.[33] This is a form of DRM, and the same type of technological solution could potentially be written into the future architecture of television content delivery.[34] The types of liberties written into this future

reinforce commercial television? (Maybe by limiting them to function only once a second, or to switch to only ten channels within an hour?)" LAWRENCE LESSIG, FREE CULTURE 127 (2004).

[30] ANTHONY BURGESS, A CLOCKWORK ORANGE 100 (W.W. Norton & Co., Inc. 1962) (1986).

[31] Media companies have consistently worked to discourage fair use technologies that enable time-shifting or space-shifting. *See e.g.*, Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984); Paramount Pictures Corp. v. ReplayTV, 298 F. Supp. 2d 921 (C.D. Cal. 2004); Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764 (2005).

[32] This description comes from the Digital Millenium Copyright Act, though DRM is not formally defined in this section. 17 U.S.C. § 1201 (2000). The Digital Millenium Copyright Act, or DMCA, dramatically increased penalties for those who circumvent or manufacture or distribute devices that assist others in circumventing technological measures such as DRM. 17 U.S.C. §§ 1203–04 (2000).

[33] Alex Eaton-Salners, *DVD Copy Control Association v. Bunner: Freedom of Speech and Trade Secrets*, 19 BERKELEY TECH. L.J. 269, 271–272 (2004).

[34] In the digital television context, the FCC attempted to implement a "broadcast flag," which would prevent consumers from copying certain programs off of the new digital television standard. Am. Library Ass'n v. FCC, 406 F.3d 689, 691 (D.C. Cir. 2005). The court of appeals recently came down clearly on the side of consumers by ruling that the FCC had no authority to mandate the implementation of a broadcast flag, which would prevent consumers from copying certain programs on digital television. *Id*. at 708. The result was a victory for the plaintiffs, a collection of librarians and public interest groups that argued that their fair use rights would be sharply curtailed if the broadcast flag passed into law. *Id*. at 691, 697. Recently, Philips filed a patent for a technology that can add flags to digital television content. Barry Fox, *Invention: The TV Advert Enforcer*, NEW SCIENTIST, Apr. 16, 2006, http://www.newscientist.com/article.ns?id=dn9011 The

television architecture will determine what we watch, when we watch it, and even whether we can turn it off. In effect, the architectures or codes that enable the transmission of digital television become our laws, regulating our conduct and dictating what we do with content.[35]

Should copyright protection be applied to commercials according to a derivative works theory or can the fair use exception properly encompass commercial-skipping activity? Are there any solutions that can appease both protective copyright holders and consumers worried about their personal liberties?

Part I of this Note will serve as an introduction to the economic basis for free television, focusing on the importance of advertising and the relationship between advertisers and viewers. This Note suggests that legal doctrine regarding commercial-skipping has been relatively lacking, due in large part to the fact that it remains a bit of a political hot potato for Congress and a difficult legal question for the courts. Nevertheless, Part I will introduce how the legality of commercial-skipping has been questioned in recent case law and legislation. Moving on, Part II will explore and compare the legal theories of fair use and derivative works in order to resolve the question of how ad-skipping should be properly analyzed and addressed by the courts and the legislature. Part II suggests that derivative works theory is a wholly inappropriate way to approach the problem. Finally, Part III proposes subtle amendments to the several provisions of the Copyright Act, including section 103 (derivative works) and section 107 (fair use) to more fully integrate fair use into the Copyright Act, making the act more uniform in the process. The amendments will also prevent the definition of derivative works from being expanded

company suggested that commercial breaks could be flagged to stop a viewer from changing channels until the advertisements, whether live or recorded, are completed. *Id*. The flags could also be recognized by DVRs, which would then disable the fast forward control while the commercials are playing. *Id*.

[35] *See generally* Joel R. Reidenberg, *Lex Informatica: The Formulation of Information Policy Rules Through Technology*, 76 TEX. L. REV. 553, 569 (1998) (noting that "[i]n essence, policy choices are available either through technology itself, through laws that cause technology to exclude possible options, or through laws that cause users to restrict certain actions."); LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE (Basic Books, 1999).

further. Part III will also discuss the various market solutions that are creating new opportunities for advertisers to reshape the traditional TV advertisement through emerging technologies.

I. THE ECONOMICS OF TELEVISION ADVERTISING AND THE EMERGENCE OF COMMERCIAL-SKIPPING AS A "THREAT."

A. Advertising as the Economic Foundation of Commercial TV

The story of commercial-skipping is definitely one of big money. As a chief executive of one major media services firm remarked, "[t]he 30-second ad is the lingua franca of the global advertising business."[36] In 2004, total U.S. television advertising revenue topped more than 70 billion dollars, according to Nielsen Monitor-Plus.[37] The (free) broadcast networks' take of this advertising revenue was around 45 billion dollars.[38]

That last figure is important because broadcast network television is subsidized by advertising revenue.[39] The U.S. government gave free broadcast licenses to the networks since it was seen as a way to serve the public interest.[40] Since the networks' free broadcasts continue today without the collection of subscription fees or other direct charges to viewers, the sale of advertising time has become *the* essential source of broadcast networks' revenue.[41] Nonetheless, the process of estimating how

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[36] Lorne Manly, *The Future of the 30-Second Spot*, N.Y. TIMES, Mar. 27, 2005, § 3 (Sunday Business), at 1.

[37] *Id.*

[38] *Id.*

[39] "Advertising, which subsidizes 'free' broadcast television . . . still sells goods by manipulating public attitudes about beauty and status." Ken Auletta, *The New Pitch; Do Ads Still Work?*, THE NEW YORKER, Mar. 28, 2005, at 34–35.

[40] "[The U.S. Government] has subsidized TV stations because it wanted the media to serve the public interest. Broadcasters get their licenses free, and, in exchange, they're supposed to keep the citizenry informed." James Surowiecki, *Free Air*, THE NEW YORKER, Oct. 18, 2004, at 60.

[41] In its opinion in *Sony*, the Supreme Court explained that, "[t]he traditional method by which copyright owners capitalize upon the television medium—commercially sponsored free public broadcast over the public airwaves—is predicated upon the assumption that compensation for the value of displaying the works will be received in the form of

much a particular commercial costs (or rather, what the value of the audience is to that advertiser) is based on indirect and imprecise calculations.[42]

Some media companies have portrayed the DVR as a threat to the television industry's entire economic business model.[43] But despite warnings that DVR's will cause advertising revenue to fall,[44] data shows that advertising revenue for network, local and syndicated television actually increased by 12% in 2004.[45] This increase occurred despite the tripling of sales of DVR's for the same year and data that shows that 90% of American homes now own a VCR.[46]

B. Why Commercial-Skipping is About Consumer Liberty

As much as the commercial-skipping story is about money, it is equally about consumer liberty and autonomy. Several vocal consumer rights organizations have highlighted the many personal liberty implications raised by overzealous copyright holders and advertisers wishing to push their product into consumers' faces no matter how invasive or contrary to our commonly held ideas of

advertising revenues." Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 446 n.28 (1984).

[42] "It is the *value* that the audience itself creates that is bought by advertisers and sold by programmers . . . advertisers agree to accept these indirect measures as the basis on which to exchange billions of dollars that approximate the value of the audiences." WASSER, *supra* note 18, at 86. The Sony court noted that Ex-MCA President Sidney Sheinberg called the audience ratings system a 'black art' because of the significant level of imprecision involved. *Sony*, 464 U.S. at 452.

[43] *See supra* note 19 and accompanying text.

[44] "There are estimates that the personal video recorder will cost the television industry $12 billion in advertising revenue by 2006." Ellen P. Goodman, *Media Policy Out of the Box: Content Abundance*, *Attention Scarcity*, *and the Failures of Digital Markets*, 19 BERKELEY TECH. L.J. 1389, 1428 n.137 (2004). *See also* Paramount Complaint, *supra* note 19, at 4–6.

[45] "Network TV revenue, the largest segment, increased 9.5 percent to $24.9 billion. Local TV was up 12 percent to $18.3 billion, one percent better than the [Television Bureau of Advertising's] 10–11 percent forecast. Though the smallest segment, Syndicated TV posted the largest percentage increase, up 15.8 percent to $3.9 billion." Katy Bachman, *TVB: TV Ad Revenue Grew 12 Percent in 2004*, MEDIAWEEK, Mar. 17, 2005, *available at* http://www.mediaweek.com/mw/news/tvstations/article_display.jsp?vnu_content_id=1000845683.

[46] Rick Lyman, *Revolt in the Den: DVD Has the VCR Headed to the Attic*, N.Y. TIMES, Aug. 26, 2002, at A1.

personal autonomy.[47] The very fact that 71% of DVR owners are estimated to skip through commercials[48] indicates that the television advertisement is an annoyance, something to skip through to get to the content viewers actually want to watch.

In fact, research shows that consumers are willing to pay a premium for the convenience of skipping through advertisements.[49] One study showed that 72% of high-tech consumers do not think that commercial-skipping features of DVR's should be restricted or eliminated.[50] According to the same study, 74% of high-tech consumers said that the ability to skip through commercials was more important than watching programs "on demand."[51]

Put another way, viewers want *control* over what they watch and commercial-skipping gives them that control. The promise of attaining more control over broadcast television is the key appeal of video recorders.[52] In 1951, RCA executive David Sarnoff directed his engineering department to invent a "videograph," a

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[47] Electronic Frontier Foundation (EFF), a nonprofit San Francisco digital rights group, represented several owners of the ReplayTV DVR in a suit against the same movie studios and TV networks who were suing ReplayTV at the time. Benny Evangelista, *Commercial Skipping 'Thieves' Sue Accusers; Fans of SONICblue Gear Strike Back at Entertainment Giants*, S.F. CHRON., June 7, 2002, at B2.

[48] A study conducted by CNW Marketing Research found that 71 percent of PVR users skip over commercials when watching recorded programming. David Moore, *Something Good to Say About TiVo*, BUSINESS WORLD NEWS, July 9, 2002, *available at* http://www.businessworldnews.tv/html/pvr_users.html.

[49] The statistic comes from two recently released reports—*All Things Digital* and *How People Use® Interactive TV*—published as part of *The Home Technology Monitor*, a service tracking consumers' ownership and use of media technologies. Press Release, Knowledge Networks, Key Consumers Will Sacrifice Convenience, Cash for Ability to Skip TV Commercials; Less Likely to Trade Their Privacy (Mar. 10, 2004), *available at* http://www.knowledgenetworks.com/info/press/releases/2004/031004_htmdvr.htm.

[50] The study also noted that "[t]his sentiment was stronger among younger respondents (86% of those ages 18 to 34) than older ones (66% of those 50 or older)." *Id.*

[51] *Id.* Video-on-demand services typically offer instant, interactive access to movies and television programs through a cable box, satellite provider, or broadband connection. *See* Informitv.com, Glossary, VOD, http://informitv.com/glossary/vod/ (last visited Mar. 29, 2006); Sho.com, Showtime On Demand, FAQs, http://www.sho.com/site/ondemand/faq.do (last visited, Mar. 29, 2006).

[52] "The mantra of the VCR was 'giving choice back to the people.'" WASSER, *supra* note 18, at 82.

device that could playback video using magnetic tape.[53] It has been suggested that even during the gestation stages of the videograph, Sarnoff imagined the device to free viewers from the constraints of commercial television and give them more control over what they viewed.[54]

Years later, the original advertisements for the Sony Betamax VCR asked, "What in the world are we doing to ourselves? Our lives are being governed to too great an extent by TV schedules."[55] Even TiVo's marketing information on its website in 1999 demonstrated this focus on control to sell video recorders: "TiVo literally turns broadcast television upside down—giving viewers *ultimate control* over what they choose to watch, and when they choose to watch it."[56] In summary, the idea of giving control back to viewers may have been one of the central principles guiding the development of the VCR, or at the very least a continuing theme.[57] Even the two main developers of the VCR from Sony and JVC stated openly that video recording was a corrective to commercial television.[58]

Just why does commercial television need a corrective? Some have noted its power to treat us not as citizens or individuals but instead as perpetual consumers. For example, television critic Todd Gitlin has written that "commercials . . . have important *indirect* consequences on the contours of consciousness overall: they get us accustomed to thinking of ourselves and behaving as a

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53 *Id. at* 48.

54 In *Veni*, *Vidi*, *Video*, Frederic Wasser wrote that Business Historian Margaret Graham "wonders whether RCA's home video system was the fulfillment of a promise RCA made long ago to its public. In a sense it was the product that David Sarnoff . . . had imagined would free television viewers from commercial broadcasting, the part of the entertainment electronics industry he himself had helped to create but had long despised." *Id. at* 58.

55 *Id. at* 83.

56 TiVo.com, About TiVo, http://web.archive.org/web/19981205181540/www.tivo.com/about.html (emphasis added) (last visited Mar. 19, 2005).

57 *See* WASSER, *supra* note 18, at 59.

58 *See id.* "[Sony video developer Akio] Morita regarded the [video recording] machines as a declaration of independence against the tyranny of time. 'People do not have to read a book when it's delivered,' he liked to say. 'Why should they have to see a TV program when it's delivered?'" LARDNER, *supra* note 8, at 68.

market rather than a *public*, as consumers rather than citizens."[59] He goes on to note that "[r]egardless of the commercial's 'effect' on our behavior, we are consenting to its domination of the public space."[60] Indeed, with television's oppressively standardized allotment of time into neat programmed packages, it's no wonder that viewers seek to unshackle themselves from its constraints on their schedules.[61]

It is interesting to note that in the early days of videocassette recorders, there appeared to be two camps of developers, one proposing a playback-only VCR and the other a recording VCR. With their more extensive features and ability to copy television programs, recording VCR's gave more control to the consumer but also raised the specter of potential copyright infringement claims. While the playback machines were mostly being promoted by American manufacturers,[62] the recording VCR's were primarily a Japanese effort.[63] This difference appears to have arisen out of American manufacturers' respect for American copyright regime at the time.[64] This disparity in Pan-Pacific attitudes toward approaching U.S. copyright law has dissolved since the *Sony* case. American companies like RCA or Zenith have manufactured recording VCR's for a number of years. In addition, TiVo dominates the marketplace for DVR's[65] along with other American companies like Motorola and Scientific-Atlanta.[66]

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[59] TODD GITLIN, *Prime Time Ideology: The Hegemonic Process in Television Entertainment*, *in* TELEVISION: THE CRITICAL VIEW 516, 521 (Horace Newcomb ed., 5th ed. 1994).

[60] *Id.*

[61] "The TV schedule has been dominated by standard lengths and cadences, standardized packages of TV entertainment appearing, as the announcers used to say, 'same time, same station.'" *Id.* at 520.

[62] Examples of playback-only formats include EVR, Cartrivision, TeD, DiscoVision and Selectavision VideoDisc. *See* WASSER, *supra* note 18, at 60–65.

[63] *See id.* at 60. Examples of recording formats include Portapack, U-matic, VHS, Betamax. *See id.* at 70–75.

[64] *See id.* at 60.

[65] Mike Slocombe, *DVR Sales Rise*, *But VCRs Still Currently Dominant*, DIGITAL LIFESTYLES, Mar. 9, 2005, http://digital-lifestyles.info/display_page.asp?section=platforms&id=1993.

[66] Mike Hughlett, *Motorola Aims for TiVo Crowd; Comcast Customers Get New Cable Box with VCR Powers*, CHI. TRIB., Dec. 8, 2004, Business, at 1.

Ultimately, determining who gets control over viewer habits reflects a larger culture clash between the two increasingly interdependent industries of technology and entertainment.[67] Consumer electronics and technology companies preach technological innovation, empowerment and consumer convenience, while media companies scream copyright infringement when technology alleges to give consumers *too much* control over their copyrighted content.[68] At least twice in the last two decades, the giant movie studios and television production companies have been shaken from their slumber by video recording technology perceived to be tools of infringement.[69] The answer to these entertainment companies was not to sue consumers (whom they might alienate in the process) but instead to go after the video recorder manufacturers.[70]

C. Commercial-Skipping Litigation: Suing Video Recorder Manufacturers into Compliance

As Justice Thomas, of the Ninth Circuit Court, wrote in *MGM v. Grokster (II)*,[71] "[f]rom the advent of the player piano, every new means of reproducing sound has struck a dissonant chord with musical copyright owners, often resulting in federal litigation."[72] This observation has its analogs in the television industry. This is especially true in the last 30 years, as innovations enabling viewers to copy television programs struck a 'dissonant chord' with

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[67] "'This is another round of the traditional and historic battle between entrenched interests and new technology,' says Jim Burger, an attorney with Washington (D.C.) law firm Dow Lohnes & Albertson. 'All these fights are retrograde action to prevent technology from changing the fundamentals of a business.'" Jane Black, *ReplayTV Is Not Another Napster*, BUSINESSWEEK ONLINE, Feb. 6, 2002, http://www.businessweek.com/bwdaily/dnflash/feb2002/nf2002026_6277.htm.

[68] *See*, *e.g.*, Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S. Ct. 2764 (2005); Sony Corp. of Amer. v. Universal City Studios, Inc., 464 U.S. 417 (1984); Paramount Pictures Corp. v. ReplayTV, 298 F. Supp. 2d 921 (C.D. Cal. 2004); A&M Records, Inc. v. Napster, Inc., 284 F.3d 1091 (9th Cir. 2002).

[69] *See*, *e.g.*, *Sony v. Universal*, *4*64 U.S. 417; *ReplayTV*, 298 F. Supp. 2d 921.

[70] "[C]hasing individual consumers is time consuming and is a teaspoon solution to an ocean problem . . ." Randal C. Picker, *Copyright as Entry Policy: The Case of Digital Distribution*, 47 ANTITRUST BULL. 423, 442 (2002) *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=307005.

[71] Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 380 F.3d 1154 (9th Cir. 2004).

[72] *Id.* at 1158.

television copyright holders, resulting in litigation with each technological leap forward.[73]

Sony v. Universal City Studios[74] is the most famous example of this litigious cycle. In 1983, the case reached the Supreme Court, challenging the technological threat posed by VCR's to copyrighted works.[75] Universal City Studios and Walt Disney Productions had initially brought suit against Sony Corporation of America in 1976,[76] the year after VCR's were introduced to the market.[77] At the heart of the case was the claim that recording free broadcast television in one's home infringed on the plaintiffs' copyrights. Since Sony knew of such infringing activity and materially contributed to it through the manufacture of VCR's, they could be sued under a theory of contributory liability.[78] In other words, because the movie studios couldn't possibly attempt to sue every individual infringer, they argued that Sony—by manufacturing and promoting VCR's—contributed to the infringement and could be held liable. Sony prevailed, however, and VCR's exploded in popularity around the world.[79] The debate about copying television programs and skipping over commercials was effectively submarined for the next 17 years.[80]

Nevertheless, in a throwback to the *Sony* case, several large television companies and movie studios[81] filed a lawsuit in 2001

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[73] *See*, *e.g.*, *Sony v. Universal*, 464 U.S. 417 (videocasette recorders); *ReplayTV*, 298 F. Supp. 2d 921 (digital video recorders).

[74] 464 U.S. 417.

[75] *Id.* at 420.

[76] *Id.*

[77] Sony.com, Sony Goes to Battle for Its Favorite Child, http://www.sony.net/Fun/SH/1-14/h1.html (last visited Mar. 19, 2006).

[78] *See* Fred von Lohmann, *Remedying 'Grokster'*, LAW.COM, July 25, 2006, http://www.law.com/jsp/article.jsp?id=1122023112436.

[79] *See In re* Aimster Copyright Litig., 334 F.3d 643, 650 (7th Cir. 2003) (Posner, J.). The *Sony* case established a new copyright defense sometimes referred to as the "Betamax defense." This Betamax defense held that "a technology vendor could not be liable for distributing a technology 'capable of substantial noninfringing uses.'" *See* von Lohmann, *supra* note 78.

[80] *Compare Sony v. Universal*, 464 U.S. 417 (1984) *with* Paramount Complaint, supra note 19 (the complaint was filed in 2001, 17 years after the *Sony* decision).

[81] Paramount Pictures Corp., Disney Enterprises, Inc., Time Warner Entertainment Co., L.P., Metro-Goldwyn-Mayer Studios, Inc., Columbia Pictures Industries, Inc., were among a number of television and film companies in the entertainment industry that

against SONICblue, a manufacturer of DVR's known as ReplayTV.[82] Although the claims in the lawsuit were similar to those made in *Sony*, the plaintiffs essentially asked the court to hold the new digital technology to a different standard than the analog tape in the *Sony* case.[83] The complaint charged SONICblue with an "unlawful plan . . . to arm their customers with . . . *unprecedented new tools* for violating plaintiffs' copyright interests . . ."[84] This plea for different treatment was based primarily on their objections to two "novel" methods of allegedly violating plaintiffs' rights.[85]

The first novel method cited was a feature that allowed customers to make digital copies of copyrighted programs and distribute them to friends and family through high-speed internet connections.[86] The second was an improved method for commercial-skipping, called AutoSkip.[87] The plaintiffs complained that ReplayTV enabled, assisted, and induced its customers to make copies of programming for the purpose of "viewing the programming with all commercial advertising automatically deleted."[88]

One might wonder why the media and broadcast companies sued SONICblue over AutoSkip when TiVo also features a fast-forward button that allows commercials to be skipped over. The difference here was that ReplayTV's AutoSkip feature automatically deleted the commercials, so that viewers could not scan commercials at high speed like they do with TiVo.[89] As a result, ReplayTV users would not even be aware of who is

brought suit. *See* Paramount Pictures Corp. v. ReplayTV, 298 F. Supp. 2d 921, 923 n.1 (C.D. Cal. 2004).

82 *See id.* at 923.

83 *See* Paramount Complaint, *supra* note 19, at 2–3. Nevertheless, the complaint mentions an analog VCR called the DDV2120 that ReplayTV manufactured that offered the same commercial-deleting feature. *Id.* at 3.

84 *Id.* at 2 (emphasis added).

85 *Id.*

86 *Id.* at 3.

87 *Id.* at 5–6.

88 *Id.* at 2–3.

89 "TiVo, ReplayTV's chief competition in personal video recorders, allows users to whiz through commercials at top speed. With ReplayTV's AutoSkip, it's as if there were no commercials at all." Black, *supra* note 67.

advertising during a program, preventing them from rewinding and viewing a commercial that might be relevant to them.

In addition, the plaintiffs may also have been taking advantage of an opening proposed by the district court in *Sony*—that commercial-skipping in VCR's was "too tedious" an activity to truly pose a threat.[90] By stressing that AutoSkip was a vastly easier way to allegedly infringe on programs, the plaintiffs sought to further differentiate their claims from the technology in *Sony*.

There are some basic problems with the argument that merely skipping through commercials is an infringing activity. The plaintiffs were essentially opening themselves up to counter-arguments that getting up and going to the bathroom might constitute copyright infringement.[91] Even channel surfing during a commercial break might be interpreted as infringement.[92] The theme of control arises here again: how far do we want advertisers and copyright holders to control not only what we want to watch, but also what we *don't* want to watch?

Underlying the plaintiffs' claims against commercial-skipping was an argument of economic harm against their copyright interests. Their complaint argued that "[ReplayTV's] scheme attacks the fundamental economic underpinnings of free television and basic nonbroadcast services . . . . Advertisers will not pay to have their advertisements placed within television programming delivered to viewers when the advertisements will be invisible to those viewers."[93] This argument, however, has not been proven

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[90] "'It must be remembered, however, that to omit commercials, Betamax owners must view the program, including the commercials, while recording. To avoid commercials during playback, the viewer must fast-forward and, for the most part, guess as to when the commercial has passed. For most recordings, either practice may be too tedious.'" Sony Corp. of Amer. v. Universal City Studios, Inc. 464 U.S. 417, 452 n.36 (1984) (quoting Universal City Studios, Inc. v. Sony Corp. of Amer., 480 F. Supp. 429, 468 (C.D. Cal. 1979)).

[91] In an interview, Jamie Kellner, then-Chairman and CEO of Turner Broadcasting division of [then] AOL-Time Warner, had this to say about DVR users who skip commercials: "Any time you skip a commercial . . . you're actually stealing the programming." Mr. Kellner went on to admit that "there's a certain amount of tolerance for going to the bathroom." Staci D. Kramer, *Content's King*, CABLE WORLD, Apr. 29, 2002, http://msl1.mit.edu/ESD10/docs/cable_world_tvr_2.pdf.

[92] *See generally* Paramount Complaint, *supra* note 19.

[93] *Id.* at 4.

decisively since it was made. Although television advertising revenue fell slightly in 2005,[94] it had increased in 2004 at a time of rapid growth in DVR sales.[95] In addition, research studies have failed to come up with a reliable picture of an overall trend in ad spending.[96]

Any economic discussion raised by the arguments in the *ReplayTV* case should not end with studies of advertising revenue. It should also reflect scrutiny of the efficiency of television advertisements in general. For while the studios and broadcasters continue to present their case for how much advertising revenue is at stake in the fight over ad-skipping, they fail to mention that their own business model of relying on advertisements is increasingly a failing venture.[97] Television commercials are a highly inefficient way to advertise compared to alternatives that offer personalized ad-delivery or interactive advertisements, such as those emerging in new technologies: Namely, the web[98] and video games.[99]

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[94] Katy Bachman, *TV Ad Revenue Down 10% in Q3*, MEDIAWEEK, Jan. 6, 2006, *available at* http://www.mediaweek.com/mw/news/media_agencies/article_display.jsp?vnu_content_id=1001806978.

[95] *See supra* notes 45–46 and accompanying text.

[96] "Despite the hoopla about advertisers moving online, the $70 billion television ad market dwarfs the Web business 5 to 1. Says aQuantive CEO Brian P. McAndrews, once an ABC executive: 'TV is the largest medium out there.'" Timothy J. Mullaney, *TV Eyeballs Close-Up*, BUSINESSWEEK ONLINE, Mar. 27, 2006, http://www.businessweek.com/magazine/content/06_13/b3977404.htm. *But see TV Ads Losing Power*, *Survey Shows*, WALL ST. J., Mar. 23, 2006, at B2. "Television networks continue to publish research that traditional TV advertising is potent as ever, but national advertisers aren't buying it." (quoting Josh Bernoff, vice president of Forrestor). *Id.*

[97] "The TV model 'is nearing an end to its practical usefulness, and it's not TiVo's fault,' [Tim Hanlon, a senior vice president at Starcom MediaVest Group] said. 'There's a whole witches' brew of opportunity of video on interactive TV, and advertisers have to rethink how they approach it—and not with more 30-second commercials.'" Stefanie Olsen & Richard Shim, *TiVo Looks to Tune in to Advertisers*, CNET NEWS.COM, Mar. 23, 2004, http://news.zdnet.com/2100-9584_22-5178017.html.

[98] An example would be Google's AdWords, which allow advertisers to "[r]each people when they are actively looking for information about [the advertisers'] products and services online, and send targeted visitors directly to what [advertisers] are offering." Google Advertising Programs, http://www.google.com/ads/ (last visited Mar. 19, 2006).

[99] *See generally* Paul Hyman, *Advertisers Await Game Measurement*, THE HOLLYWOOD REPORTER, Jan.26, 2006, http://medialit.med.sc.edu/videogameads.htm; *see also* Antone Gonsalves, *THQ is the First Major Videogame Publisher to Support Internet-Delivered Advertising*, TECHWEBNEWS, Dec. 19, 2005, http://medialit.med.sc.edu/videogameads.htm (explaining that companies are creating networks to distribute

University of Chicago law professor Randal C. Picker has suggested this much in his article, *The Digital Video Recorder: Unbundling Advertising and Content*.[100] He argues that the current economic model governing television works poorly at best.[101] He notes that:

> They put on a commercial for dog food, but you are allergic to dogs, a commercial for diapers, but, mercifully, your kids are old enough that you no longer need to decide whether Pampers are better than Huggies. Many of the commercials are for product categories that you do not purchase; others are for products, such as cars or computers, that you use constantly but purchase only sporadically.[102]

Moreover, commercials not only target the wrong demographics, but their creative messages don't seem to have the same impact they used to.[103] Part of the problem is no doubt the saturation marketing model, where advertisers clamor for consumer attention with a cacophony of advertising messages.[104] But the other part of the problem is the dearth of effective advertising campaigns that truly connect with large audiences.[105] The district court in *Sony* may have even suggested that ad-skipping should be seen as an acceptable risk of advertising on television.[106] Judge Ferguson wrote that "[a]dvertisers will have to make the same kinds of judgments they do now about whether persons viewing televised programs actually watch the advertisements which interrupt them."[107]

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advertising to internet-connected devices); Olga Kharif & Stephen Baker, *Advertisers Take Aim at Gamers*, BUSINESSWEEK, June 22, 2004, *available at* http://yahoo.businessweek.com/technology/content/jun2004/tc20040622_2673_tc150.htm.

[100] Randal C. Picker, *The Digital Video Recorder: Unbundling Advertising and Content*, 71 U. CHI. L. REV. 205 (2004).

[101] *Id.* at 205.

[102] *Id.*

[103] *See id.*

[104] *See supra* note 6 and accompanying text.

[105] *Id.*

[106] WASSER, *supra* note 18, at 87.

[107] Universal City Studios, Inc. v. Sony Corp. of Amer., 480 F. Supp. 429, 468 (C.D. Cal. 1979).

In the end, the *ReplayTV* case didn't see the light of a full trial. Instead, ReplayTV's parent, SONICblue, had been mortally wounded by the high cost of litigation.[108] The company filed for bankruptcy in 2002[109] and was sold to D&M Holdings for $36.2 million.[110] In 2003, D&M Holdings decided to drop the AutoSkip feature from all future ReplayTV devices.[111] Although consumers could still fast forward, the legal fight had brought an end to the automatic skipping of commercials on ReplayTV DVRs.[112]

D. Congress' response and the Family Movie Act of 2004

Debates over the legality of commercial-skipping have also found their way into the halls of Congress. Recent legislation passed by Congress and signed into law by President Bush incorporated a section called the Family Movie Act of 2005.[113] The Family Movie Act allows an exemption from infringement for skipping audio and video content in motion pictures.[114] The exemption is narrowly worded to target companies that offer services intended to protect children from obscene or offensive content.[115] One of these companies is ClearPlay, whose devices

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[108] Michael Freedman, *Hollywood Goes Local*, FORBES.COM, Apr. 30, 2003, http://www.forbes.com/home/2003/04/30/cz_mf_0430hollywood.html

[109] Jim Hu, *Sonicblue Seeks Bankruptcy Protection*, CNET NEWS.COM, Mar. 21, 2003, http://news.com.com/2100-1047-993647.html.

[110] *ReplayTV Cuts Commercial Skipping Technology*, USA TODAY, June 10, 2003, *available at* http://usatoday.com/tech/news/techpolicy/2003-06-10-replay_x.htm.

[111] Eric A. Taub, *ReplayTV's New Owners Drop Features That Riled Hollywood*, N.Y. TIMES, July 21, 2003, at C3.

[112] *Id.*

[113] Orrin Hatch sponsored the Family Movie Act of 2005 to Congress as part of the Family Entertainment and Copyright Act of 2005. 17 U.S.C. § 110(11) (2005).

[114] The Family Movie Act amends 17 U.S.C. § 110 by adding subsection 11 to exclude from copyright infringement: "the making imperceptible, by or at the direction of a member of a private household, of limited portions of audio or video content of a motion picture, during a performance in or transmitted to that household for private home viewing, from an authorized copy of the motion picture . . . if no fixed copy of the altered version of the motion picture is created . . . ." 17 U.S.C. § 110(11) (2005).

[115] Clearplay and Family Shield Technologies are examples. John Accola, *A Win for Movie Sanitizers*, ROCKY MOUNTAIN NEWS.COM, Aug. 18, 2005, http://www.rockymountainnews.com/drmn/business/article/0,1299,DRMN_4_4013469,00.html.Note that the Family Movie Act does not name these individual companies, nor does it make references to specific types of content that may be skipped over.

filter out offensive portions of motion pictures and other programs.[116] When customers who have a ClearPlay device watch a movie with nudity or violence that has been flagged, the offensive portions are fast-forwarded automatically.[117] On its face, the technology is akin to ReplayTV's AutoSkip feature. Both involve the use of technology to skip forward through unwanted content, but the impetus for skipping through content in each case is different. The ClearPlay solution is premised on the intention to shield children from offensive content, while ReplayTV's AutoSkip feature stems from the desire to delete annoying or unwanted commercial advertisements.

Therefore, to shield companies like ClearPlay from copyright infringement claims without legitimizing the legality of commercial-skipping, Congress passed a more narrowly worded version of the Family Movie Act.[118] It didn't start out this way.

> To respect the First Amendment of the Constitution, the "Family Movie Act" is drafted in a content-neutral manner so that its operation and impact do not depend upon whether the content that was made imperceptible contains items that are often viewed as offensive, such as profanity, violence, or sexual acts. This content-neutrality also pertains to content made imperceptible that is rarely, if ever, viewed as offensive. The goal of the legislation has been to give the viewer the ability to make imperceptible limited portions of work that he or she chooses not to see for themselves or their family, whether or not the skipped content is viewed as objectionable by most, many, few, or even one viewer. Efforts to limit the application of the legislation to specific types of content were rejected by the Committee for First Amendment reasons.

H.R. Rep. No. 109-33(I), pt. 1, 6 (2005).

[116] "ClearPlay's technology comes embedded in DVD players, such as a 2004 RCA product. The company creates frame-accurate filters that skip or mute over explicit sex, graphic violence or vulgar language in DVD movies. Customers can customize their ClearPlay experience by choosing from 14 different category settings." Press Release, ClearPlay, ClearPlay Announces Filtering for 1000 Movies (Dec. 26, 2004), *available at* http://clearplay.com/Press.aspx?pid=14.

[117] *Id.*

[118] H.R. Rep. No. 109-33(I), pt. 1, 6 (2005).

> One difference between [the enacted] version of the "Family Movie Act" and the [previous] version that passed the House in the 108th Congress is the deletion of a reference in S 112 of H.R. 4077 to commercial advertisements and network or station promotional announcements. The Committee is aware of some dispute concerning automated television commercial skipping devices . . . The Committee concurs with the [copyright] Register's determination that this Act has no bearing on either the legality or illegality of such services or any litigation over the issue.

The original version of the Family Movie Act passed by the House included a provision that "explicitly excluded from the scope of the copyright exemption . . . 'ad-skipping technologies' that make changes, deletions, or additions to commercial advertisements . . . ."[119] This provision faced opposition in the Senate, where Senator Orrin Hatch expressed concern that the provision could create "unwanted inferences with respect to the merits of the legal positions at the heart of recent 'ad-skipping' litigation. . .[which] remain unsettled in the courts . . . ."[120]

Senator Hatch's statement shows just how much Congress considers the issue a political hot potato. In Senator Hatch's own words, "it was never the intent of this legislation to resolve or affect those issues in any way."[121] The provision explicitly addressing ad-skipping was struck before the Act was signed into law.[122]

In order to create an exemption for ClearPlay and similar companies without explicitly commenting on commercial-skipping, Congress had to carefully draft language that used pre-existing definitions from the Copyright Act.[123] The language of the Family Movie Act exempts technologies that make imperceptible limited portions of a "motion picture."[124] Under the language of the Copyright Act, each advertisement would be treated as a "motion picture" and therefore ad-skipping technology would skip over the entire motion picture, not just limited portions of it.[125] Thus, under the Family Movie Act, it is possible that a court could find that commercial-skipping constitutes copyright infringement.

Id. *See also* 151 Cong. Rec. S495 (Jan. 25, 2005) (statement of Sen. Hatch).

[119] *See also* 151 Cong. Rec. S495.

[120] *Id*.

[121] *Id*.

[122] *Id*.

[123] The preexisting definition of "motion picture" from 17 U.S.C. § 101 (2003) was used.

[124] 17 U.S.C. § 110(11) (2005).

[125] "Motion pictures" are defined broadly as: "audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any." 17 U.S.C. § 101 (2003).

In the wake of the *ReplayTV* case and the Family Movie Act, the door is still wide open for another challenge to the legality of commercial-skipping. The unsettled legal questions at work in the *ReplayTV* case and Congress' reluctance to involve itself with what it sees as an issue for the courts leaves much room for speculation. The courts and Congress need a clear legal doctrine now to rule definitively on the legality of commercial-skipping.

II. WHICH COPYRIGHT DOCTRINE TO USE FOR COMMERCIAL-SKIPPING? FAIR USE VS. DERIVATIVE WORKS

If we are seeing the beginning of a trend, the *ReplayTV* case and the Family Movie Act both portend increasing scrutiny of the legality of commercial-skipping. Under existing law, commercial-skipping may be considered time-shifting, which falls under the fair use exception to copyright infringement.[126] Nevertheless, an alternative theory that commercial-skipping constitutes the creation of a "derivative work" would take it out of the fair use exception and categorize it as an infringing activity.[127] The question remains: which legal doctrine within copyright law is best suited to determine whether commercial-skipping is infringement? First, this Note will review what fair use is and how the doctrine was applied by the Supreme Court in the *Sony* Betamax case.[128] In this section, this Note will explore how fair use might be applied to commercial-skipping. I'll then consider whether commercial-skipping might constitute the creation of a derivative work instead and explain why this is a flawed theory to use in this context.

A. Copyright and Fair Use Analysis

The constitutionally granted mission of copyright law is "to promote the [p]rogress of . . . useful Arts.[129] It achieves this goal by rewarding authors who have invested resources in literary or

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126 *See* discussion, *infra* notes 135–138.
127 *See* discussion, *infra* notes 165–166.
128 Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984).
129 U.S. CONST., art. I, § 8, cl. 8.

artistic works that benefit the public good.[130] To allow authors to profit from their works, the Copyright Act provides authors with a "bundle of rights" in their copyrighted works.[131] These exclusive rights include the rights of reproduction, adaptation, distribution, performance, and display of the work.[132] As defined by the Copyright Act, a copyrightable work is an "original work[] of authorship fixed in any tangible medium of expression."[133] Copyright infringement occurs when another party reproduces, publicly distributes, adapts, or publicly performs or displays a work without the copyright holders' authorization, thereby violating the exclusive rights set forth above.[134]

However, not all uses of a copyrighted work are infringing. Some uses involving the exclusive rights above can fall into an exception from infringement. Fair use is one of the most important exceptions within copyright law that protects users of copyrighted works and limits the protections afforded to authors.[135] Fair use was intended to protect the public benefits of certain uses of copyrighted works for education or research purposes[136] but has since developed as a broader defense against claims of copyright infringement, especially through its application to time-shifting in the *Sony* case.[137]

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[130] ROBERT P. MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 11 (3d ed. 2003).

[131] *Id. See also* CRAIG JOYCE ET AL., COPYRIGHT LAW 486 (5th ed. 2001).

[132] 17 U.S.C. § 106 (2000 & Supp. 2002).

[133] 17 U.S.C. § 102(a) (2000).

[134] JOYCE ET AL., *supra* note 131, at 653.

[135] The fair use doctrine developed over many years through case law and was codified in 1976 under § 107 of the Copyright Act. *See* 17 U.S.C. § 107 (2000). The first known reference to fair use is considered to be Folsom v. Marsh, 9 F. Cas. 342 (C.C. Mass. 1841). MERGES ET AL., *supra* note 130, at 451.

[136] "Although the works and uses to which the doctrine of fair use is applicable are as broad as the copyright law itself, most of the discussion of section 107 has centered around questions of classroom reproduction, particularly photocopying." H.R. REP. NO. 94-1476, at 66 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5680. "[T]he fair use of a copyrighted work, including . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright." § 107.

[137] *See* Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 442–56 (1984).

In determining whether a particular use of a copyrighted work could fall under the fair use doctrine, a court must consider four distinct prongs:

> 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 tothe copyrighted work as a whole; and
>
> 4) the effect of the use upon the potential market for or value of the copyrighted work.[138]

B. The Application of Fair Use in the Sony Betamax Case and as Applied to Commercial-Skipping.

The Supreme Court primarily focused on the first and fourth prongs of fair use in the *Sony* case.[139] The main question in *Sony* was whether the sale of VCRs to the public violated any of the rights conferred to Universal Studios and the other plaintiff by the Copyright Act.[140] At the heart of Universal's copyright infringement claim was the unauthorized copying of television programs and movies from free, off-the-air broadcast television with the aid of a VCR.[141] The case pitted the movie studio plaintiffs against consumers who wanted to *time-shift* their programs using the VCR, so that they could watch programs at more convenient times.[142] Although one of the main issues settled in the case was whether Sony Corporation could be held contributorily liable,[143] the primary issue of time-shifting was analyzed under the doctrine of fair use.[144]

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138 17 U.S.C. § 107 (2000).

139 *See generally Sony*, 464 U.S. 417.

140 *Id.* at 420 (Univeral's co-plaintiff was Walt Disney Productions).

141 *Id*.

142 "Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch." *Id.* at 423.

143 The Court held that Sony was not contributorily liable. *Id*. at 456.

144 *Id*. at 443–56.

The *Sony* court's determination of what constituted a fair use has direct implications for the legality of commercial-skipping. If commercial-skipping falls under the fair use umbrella as proscribed under *Sony*, defendants can avail themselves of the fair use defense to rebut claims of copyright infringement. Therefore, any examination of fair use's applicability to ad-skipping must look closely at the Court's interpretation of the doctrine in *Sony*.

Setting the stage for a fair use analysis, the Supreme Court followed the district court's view that copyright law favors the public over the individual author.[145] The Court stressed that "[copyright] protection has never accorded the copyright owner complete control over all possible uses of his work."[146] This viewpoint obviates toward a preference for the consumer's control over a work's *consumption.* Therefore, in attempting to balance the interests of the public (who consume artistic or literary works) with those of copyright holders (who are paid for such consumption), the Court found that time-shifting was not an infringing activity.[147]

The first criterion of fair use focused on by *Sony* was "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes."[148] Following the district court's findings, the Supreme Court determined that "time-shifting for private home use must be characterized as a noncommercial, nonprofit activity."[149] The district court had determined that a time-shifting consumer acts primarily out of a need to increase his access to television programs and not from a desire to profit from the activity.[150]

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[145] The Court cited the district court opinion, noting that the district court judge was guided by the correct approach to copyright law's ambiguities: "The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good." *Id*. at 432 (quoting Universal City Studios, Inc. v. Sony Corp. of Am., 480 F. Supp. 429, 447 (C.D. Cal. 1979)).

[146] *Sony*, 464 U.S. at 432.

[147] *Id*. at 456.

[148] *Id*. at 448 n.30 (citing 17 U.S.C. § 107 (2000)).

[149] *Id.* at 449.

[150] Universal City Studios, Inc. v. Sony Corp. of Am., 480 F. Supp. 429, 454 (C.D. Cal. 1979).

Nevertheless, there is a side debate about whether time-shifting allows the consumer to side-step the fundamental profit-making model of television. For example, the media industry argues that it loses out on a potential revenue stream from selling prerecorded tapes.[151] However, the Supreme Court dismissed this argument.[152] The Court noted that:

> [T]he time-shifter no more steals the program by watching it once than does the live viewer, and the live viewer is no more likely to buy prerecorded videotapes than is the time-shifter. Indeed, no live viewer would buy a prerecorded videotape if he did not have access to a VTR.[153]

Essentially, the Court pointed out the irony in the movie studios' argument—without VCR's, there would not even be a revenue stream from prerecorded tapes.[154]

Similar arguments have been put forward in the context of commercial-skipping. The plaintiffs in the *ReplayTV* case[155] argued that if a viewer skips over commercials, she will not receive

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> The purpose of [time-shifting] is to increase access to the material plaintiffs choose to broadcast. . . . This access is not just a matter of convenience, as plaintiffs have suggested. Access has been limited not simply by inconvenience but by the basic need to work. Access to the better program has also been limited by the competitive practice of counterprogramming.

Id.

[151] *Sony*, 464 U.S. at 483 (Blackmun, J., dissenting). "It has been suggested that 'consumptive uses of copyrights by home VTR users are commercial even if the consumer does not sell the homemade tape because the consumer will not buy tapes separately sold by the copyrightholder.'" *Id*. at 450, n.33.

[152] *Id*. at 450.

[153] *Id*. at 450, n.33.

[154] A similar argument has recently been set forth by Fred von Lohmann, who notes that the quickly growing market for digital music (and subsequent revenue streams to record companies) would not exist without devices like the iPod and even file sharing programs like Napster or Grokster. Both innovations sparked new demand and the expansion of revenue streams for the music industry, effectively "growing the pie" for rightholders. *See* Fred von Lohmann, Senior Staff Attorney, Electronic Frontier Foundation, Presentation at 2005 Fordham Intellectual Property, Media & Entertainment Symposium, *iPods*, *TiVo and Fair Use as Innovation Policy* (Apr. 1, 2004), *available at* http://www.law.berkeley.edu/institutes/bclt/courses/fall05/ipscholarship/Von%20Lohmann%20Fair%20Use%20As%20Innovation%20Policy.pdf.

[155] Paramount Pictures Corp. v. ReplayTV, 298 F. Supp. 2d 921 (C.D. Cal. 2004).

the commercial message.[156] Essentially, she would therefore not "buy" the copyrighted program, and is effectively "stealing" the programming. Yet following the reasoning of the Supreme Court, live viewers most likely skip commercial advertising as much as time-shifters using a VCR or a DVR. It is a matter of common experience that many people use commercial breaks to go to the bathroom,[157] wash the dishes or even channel surf to watch segments of other shows, instead of being subjected to commercials.[158]

Ironically, the very act of skipping past an advertisement might be considered to have noncommercial nature. If a commercial is an enticement to purchase a product, a fast-forwarding viewer is simply shutting off messages of a commercial nature and making a statement that he or she is not "open for business," so to speak. No individual is profiting—monetarily speaking—by skipping through a commercial. The activity has no inherently commercial use except to negate the barrage of commercial messages invading one's private space. These arguments, among others, would most likely allow an ad-skipping feature to be classified as a noncommercial use under the first prong of fair use.

In *Sony*, after time-shifting was found to be noncommercial (*i.e.*, not-for-profit), the Court moved straight to the fourth prong to consider "the effect of the use upon the potential market for or value of the copyrighted work."[159] As the Court framed the standard for this particular prong, "[a] challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the

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[156] This argument is premised on the idea that the value of the programming is recouped when viewers receive television advertisements. *See* Paramount Complaint, *supra* note 19, at 4.

[157] Matthew Scherb, Comment, *Free Content's Future: Advertising*, *Technology*, *and Copyright*, 98 NW. U. L. REV. 1787, 1818 (2004).

[158] MTV has even tried introducing a 'Pong'-like video game during commercial breaks to reduce channel surfing throughout its Wimbledon coverage. *Return of Service for Ad Break Tennis*, BROADBANDTVNEWS.COM, June 26, 2003, http://www.broadbandtvnews.com/archive_uk/260603.html.

[159] Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 448 n.30 (1984) (citing 17 U.S.C. § 107 (2000)).

copyrighted work."[160] The plaintiff movie studios in *Sony* failed to meet their burden of proof of showing harm done by time-shifting, mostly because their predictions of harm "hinge[d] on speculation about audience viewing patterns and ratings."[161]

For the Supreme Court, the issue of commercial-skipping has been a hot potato. They would rather bat it back to Congress for resolution. Like most new technologies that alter the marketplace for copyrighted works, the Supreme Court has consistently deferred to Congress.[162] Since there was no legislation that specifically addressed VCR's or time-shifting at the time of *Sony*, the Supreme Court wrote that it "must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests."[163] It is thus ironic that Senator Orrin Hatch expressed deference to the courts regarding the legal issues at the heart of the *ReplayTV* litigation in his remarks regarding the Family Movie Act on the Senate floor.[164] Both the Supreme Court and Congress would rather have the other branch of government take up the issue.

C. Commercial-Skipping as Infringement: The Flawed Theory of Derivative Works

The existing *Sony* rule seems to state that because commercial-skipping falls under the umbrella of private time-shifting, it is a fair use activity. However, an alternative theory that commercial-skipping constitutes the creation of a "derivative work" raises doubts about whether commercial-skipping falls under this

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[160] *Id.* at 451.

[161] *Id*. at 452 (quoting Universal City Studios, Inc. v. Sony Corp. of Am., 480 F. Supp. 429, 469 (C.D. Cal. 1979)).

[162] The Court noted that:

> [f]rom its beginning, the law of copyright has developed in response to significant changes in technology. Indeed, it was the invention of a new form of copying equipment—the printing press—that gave rise to the original need for copyright protection. Repeatedly, as new developments have occurred in this country, *it has been the Congress that has fashioned the new rules that new technology made necessary*.

Sony v. Universal, 464 U.S. at 430–431 (emphasis added).

[163] *Id.* at 431.

[164] *See* 151 Cong. Rec., *supra* note 118 (statement of Sen. Hatch).

umbrella.[165] As a result, derivative works theory pulls commercial-skipping away from the protection of the fair use doctrine and becomes an infringing use. This viewpoint can be attributed to Judge Posner, who reinterpreted *Sony's* precedent in his dicta in *Aimster*.[166]

Posner's interpretation of *Sony* split the principal purposes of VCR's into three parts: commercial-skipping, time-shifting, and librarying.[167] This differentiation of commercial-skipping from time-shifting drives Posner toward a particular conclusion, that commercial-skipping creates a derivative work.[168] The Copyright Act defines a derivative work as being based upon "one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version . . . ."[169] Specific examples of derivative works may even include movie sequels,[170] toys,[171] trivia books,[172] and even theme parks.[173] The right to prepare derivative works is intended to benefit the original author of a copyrighted work by protecting his interest in the future opportunities to exploit new markets and improvements upon his or her work.[174]

Judge Posner's conclusion that commercial-skipping creates a derivative work[175] is deeply flawed. Since he did not explain the rationale behind such a theory, one must engage in conjecture to explain it. Therefore, in order for Posner's argument to hold any

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165 *See*, *e.g.*, *In re* Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003).

166 *See id.* at 647–55.

167 *Id*. at 647.

168 *Id*.; *See also* Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPR. SOCIETY 209 (1983).

169 17 U.S.C. § 101 (2003).

170 Anderson v. Stallone, No. 87-0592 WDK (Gx), 1989 U.S. Dist. LEXIS 11109 (C.D. Cal. Apr. 26, 1989).

171 MERGES ET AL., *supra* note 130, at 426; *see also* Ty, Inc. v. Publ'ns Int'l, Ltd., 333 F. Supp. 2d 705 (N.D. Ill. 2004) (holding that a book of photographs of Beanie Babies was a derivative work).

172 Castle Rock Entm't v. Carol Publ'g Group, 150 F.3d 132 (2d Cir. 1998) (finding that a trivia book about the Seinfeld television show was a derivative work).

173 MERGES ET AL., *supra* note 130, at 426.

174 *Id.* at 427.

175 *See In re* Aimster Copyright Litig., 334 F.3d 643, 647–48 (7th Cir. 2003).

water, one might follow several lines of reasoning that stretch copyright in untenable directions.

The first line of reasoning that Posner seems to propose confuses the idea of authoring and exploiting a work with consumption of a work. The exclusive right to the preparation of a derivative work prohibits others from creating and exploiting newly authored works like sequels or musical adaptations without the original author's authorization.[176] By arguing that a derivative work is created when a viewer skips through commercials, Posner loses sight of the most basic requirements of copyright—copyright law only protects expressions fixed in a tangible medium.[177] Skipping a commercial can hardly be argued as a form of expression, and the fast-forwarding is never fixed in a tangible medium.[178]

Instead of an expression, commercial-skipping is really more of a method of operating a DVR or VCR, and each time a consumer skips through the ads, it represents his or her own preference or "idea" of what to watch. For example, a viewer has an idea of when he or she wants to start or stop skipping a commercial. But can a method of operating a DVR or an idea of when to skip commercials be copyrightable? The clear answer is no. Copyright law limits the scope of what is copyrightable through its codification of a doctrine known as the "idea/expression dichotomy."[179] Put simply, this doctrine states that if something is an idea or a method of operation, rather than an expression of that idea or method of operation, it is not copyrightable.[180] My values or preferences might be "expressed" through my choice of which commercials to skip through, but as mentioned above, that "expression" is never fixed in any tangible

[176] 17 U.S.C. § 106 (2000 & Supp. 2002).

[177] 17 U.S.C. § 102(a) (2000).

[178] S*ee supra* note 133 and accompanying text.

[179] The Copyright Act limits copyright protection to original works of authorship but excludes an "idea, procedure, process, system, method of operation . . . regardless of the form in which it is described, explained, illustrated, or embodied in such work." 17 U.S.C. § 102(b) (2000).

[180] 17 U.S.C. § 102. This doctrine "operates to channel protection for works between the patent and copyright regimes." MERGES ET AL., *supra* note 130, at 344.

medium, a key requirement of copyrightability.[181] Therefore, commercial-skipping clearly falls on the wrong side of the idea/expression dichotomy and is not copyrightable.

Perhaps most importantly, Posner's fundamental view that the principal purposes of VCR's could be split into three separate and distinct categories (time-shifting, librarying, and commercial-skipping) rests on somewhat abstract distinctions of viewer intent. Time-shifting technically refers to the un-anchoring of a television program from its designated time slot to a time more convenient for the viewer.[182] But at an even more fundamental level, it could be argued that time-shifting implies a broad swath of intentions for shifting prerecorded blocks of programming, both large and small. Bathroom breaks must be taken, popcorn popped, and nudity skipped through—especially when young children watch an R-rated movie with their parents. All of these varied intentions fall under the umbrella of time-shifting, and it seems arbitrary to extract commercial-skipping from the umbrella and expose it to the cold rain of infringement.

As an example, the comparison of commercial advertising with nudity effectively illustrates the folly in attempting to differentiate a myriad of intentions for time-shifting content. Utilizing a line drawing test between the various purposes for fast-forwarding is too subjective an endeavor. While some parents might feel more strongly about shielding their children from nudity in movies (and even some of television's more risqué shows), others might want to protect their children from the aggressive consumerism—*i.e.*, omnipresent advertising—that is rampant in today's society. In other words, if the courts or Congress were to come down on either side of this imaginary divide, they would essentially be making value judgments for the parents.[183] In effect, control over the use of technology becomes control over our thought-making processes.[184] The content that we do or do not want to watch might already be mandated by a piece of legislation written by

[181] *See supra* notes 177–178 and accompanying text.

[182] *See In re* Aimster Copyright Litig., 334 F.3d 643, 647 (7th Cir. 2003).

[183] Congress flirted with making such value judgments during the debates over the Family Movie Act. *See supra* notes 113–120 and accompanying text.

[184] *See* Reidenberg, *supra* note 35 and accompanying text.

politicians typically swayed more by wealthy media interests than that of his or her constituents.[185]

So if this is all just a tug of war over values, Judge Posner relies on economic arguments to bolster his conservative values. As support for his argument that commercial-skipping is infringement, he cites a popular argument in the pleadings from *Sony* and *ReplayTV*, noting that creating a "commercial-free copy . . . would reduce the copyright owner's income from his original program, since 'free' television programs are financed by the purchase of commercials by advertisers."[186] Yet again this argument butts up against the very fact that without the ability to time-shift, many viewers would not be afforded the opportunity to view commercials at all.[187] In effect, giving viewers the option to skip through commercials also enables the opportunity to view commercials; the two are intrinsically linked.

Another possible line of reasoning that would support Posner's application of derivative works theory to commercial-skipping involves the contours of the original work. If a derivative work is created based upon an original work, does the original work include the television program or the television program *and* the commercials? Posner's theory seems to suggest that the copyrights of commercial advertisements are fused into the copyright of the television programs. As a result of this logic, the copyright in the entire program, including commercials, is held by the author, and therefore everything from beer commercials and fabric softener advertisements should then be attributed to his or her creative genius. Such a position is directly adverse to the viewpoint held by the register of Copyrights, the Hon. Marybeth Peters. She declared, while writing about the Family Movie Act that "[a] commercial is a work separate and apart from the motion picture per se . . . ."[188]

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[185] In addition to the Family Movie Act, the FCC's Broadcast Flag is also a good example of government agencies attempting to wrest control away from consumers and place it in the hands of large media companies. Stephen Labaton, *Antipiracy Rule For Broadcasts is Struck Down*, N.Y. TIMES, May 7, 2005, at A1.

[186] *See Aimster*, 334 F.3d at 647–48.

[187] *See supra* note 142 and accompanying text.

[188] Hon. Marybeth Peters, *Copyright & Privacy: Collision Or Coexistence? Conference Brochure: Copyright & Privacy—Through The Legislative Lens*, 4 J. MARSHALL REV.

Finally, Posner's dicta is particularly frustrating because he cites three cases[189] that have nothing to do with commercial-skipping and moves on without explaining in detail how deleting commercials from a program can be considered a derivative work.

III. SOLUTIONS

A. Legal Solutions

We have now seen why commercial-skipping can't possibly constitute the creation of a derivative work. To apply such an analysis would require one to make a number of increasingly untenable assumptions about the definition of an original work and confuse copyright law's treatment of use versus consumption.[190]

Instead, the doctrine of fair use is particularly well-suited to address claims of infringement involving commercial-skipping for several reasons. First, the fair use doctrine is already well-established as *the* legal defense for alleged copyright infringement claims, especially those involving private uses of copyrighted material. In particular, the doctrine has been consistently applied to deal with consumer recording or playback of video since *Sony*.[191] Secondly, by not categorizing commercial-skipping as a distinct use separate from time-shifting, the *Sony* court must have intended commercial-skipping to be encompassed under time-shifting, and therefore, the fair use doctrine.

One problem facing the application of the fair use doctrine to commercial-skipping is the ambiguity present in existing legislation.[192] As argued in this Note, commercial-skipping under a fair use analysis should fall under a broad definition of time-

INTELL. PROP. L. 266, 270 (2005). When parsing this statement, keep in mind that "motion picture" doesn't refer only to films, but to *any* moving pictures, including television and other forms of visual moving media. The full definition of "motion picture" within the Family Movie Act can be found at 17 U.S.C. § 101 (2003).

189 *See Aimster*, 334 F.3d at 647 (citing WGN Cont'l Broad. Co. v. United Video, Inc., 693 F.2d 622 (7th Cir. 1982), Gilliam v. Am. Broad. Cos., 538 F.2d 14 (2d Cir. 1976) and Ty, Inc. v. GMA Accessories, Inc., 132 F.3d 1167 (7th Cir. 1997)).

190 *See supra* notes 175–189 and accompanying text.

191 *See* Paramount Pictures Corp. v. ReplayTV, 298 F. Supp. 2d 921 (C.D. Cal. 2004).

192 *See supra* notes 120–125 and accompanying text.

shifting set forth in *Sony*. As a result, both Congress and the courts will have to act in tandem if the legality of commercial-skipping is to be fully recognized at law. Clearing up the legal ambiguity surrounding commercial-skipping will require amendments to the Copyright Act and the Family Movie Act.

Clearly the Family Movie Act is the most important legislative nod toward the problem of ad-skipping, without explicitly condoning or prohibiting it.[193] The major problem with the Family Movie Act is that it prohibits skipping over "limited portions" of a "motion picture." This definition of "motion picture" from the Copyright Act is overly broad, encompassing commercial advertisements.[194] The Family Movie Act should be amended so that all private, noncommercial time-shifting activities should be allowed, including commercial-skipping. To do this, Section 110(a)(11) should be amended to delete "of limited portions" so that consumers will have more control over how much audio or video content of a "motion picture" they can skip over.

The Copyright Act should also see amendments that will bring it more in line with the *Sony* precedent regarding fair use doctrine to allow commercial-skipping and time-shifting. The derivative works provision in particular continues to be construed in ways that Congress may not have intended, as is demonstrated by interpretations such as Judge Posner's.[195] The derivative works provision[196] should therefore be amended to prevent the confusion between the creation of works and their use in a private, noncommercial setting. As it reads now, the derivative works provision of the U.S. Copyright Act has two parts.[197] The first two parts make it clear that copyright protection extends to authors of compilations and derivative works for their contribution to such works, while excluding from that protection preexisting material contained within the compilation or derivative work.[198] A third

193 *Id.*

194 *See supra* note 125 and accompanying text.

195 *See In re* Aimster Copyright Litig., 334 F.3d 643, 647 (7th Cir. 2003); s*ee also supra* notes 175–189 and accompanying text.

196 17 U.S.C. § 103 (2000).

197 17 U.S.C. §§ 103(a)−(b).

198 "The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material

section should be added to Section 103 to exempt private, noncommercial *uses* from falling under a derivative works definition that was intended to cover newly authored works containing copyrighted material. Section 103(c) might read as follows: "[t]he term 'derivative works' shall not include private, noncommercial uses of copyrighted works that do not involve the 'creation' of a new work fixed in any tangible medium."

This Note also proposes making an amendment to the Copyright Act's fair use provision.[199] Since the precedent in *Sony* has been widely followed, it is now time to amend this provision to include private time-shifting to the list of allowed fair uses of copyrighted works such as criticism, comment, teaching, or research. An effective amendment to the first section of Section 107 would add, "private time-shifting" to the end of the list of noninfringing purposes for using copyrighted work. The four prongs of the fair use test would continue to operate, and the intention of the provision would become far clearer.

B. Economic Solutions

Apart from the legal solutions that are possible through the courts and the legislature, there seems to be no doubt that the advertising world has a responsibility to seek solutions to the problem of ad-skipping through changes to their market strategy. The best solution is also the simplest: create commercials that are more appealing to viewers.[200] But this is obviously not a realistic expectation. Instead, we should look toward real, tangible trends in technology that are shaking up the world of traditional televised

employed in the work, and does not imply any exclusive right in the preexisting material." 17 U.S.C. § 103(b).

[199] 17 U.S.C. § 107 (2000).

[200] "The bottom line is that ad agencies and marketing executives have to be far more specific and far more creative in how they reach their potential customer base," says Art Spinella, Vice President and General Manager of CNW Marketing Research. This statement is quoted in David Moore, *Something Good to Say About TiVo*, BUSINESSWORLDNEWS.COM, July 9, 2002, http://www.businessworldnews.tv/html/pvr_users.html. "[W]hat will pay off is innovation and thinking outside of the box, and maybe making the ads as entertaining (or relevant to prospective customers' own tastes, interests, or desires) as the content itself." Alyce Lomax, THE MOTLEY FOOL, Feb. 27, 2006, *available at* http://msnbc.msn.com/id/11591678/.

advertising and encourage advertisers to embrace DVRs rather than fight them.

Sophisticated time-shifters, especially those using the latest DVR, may be the most coveted consumers for advertisers. They are not only able to afford DVRs and their subscription fees, but they may also be the ones staying late in the office each weeknight, missing their favorite programs' scheduled time slots.[201] Without DVRs, advertisements may not even find their target audience if no one is home at the exact time they are transmitted. Better that the commercials at least have the *potential* of being viewed, rather than not at all.

One popular method advertisers have used to go after these DVR users is to place their products into television programs.[202] This so-called "product placement" is widely held to be effective, but there are debates about whether certain programs become marketing vehicles or infomercials instead of real story-driven programs.[203] This concern might be more relevant now more than ever, as product placement has evolved to the point where advertisers are digitally "painting" their products into television programs.[204]

To subvert ad-skipping activities on DVR's, other solutions rest with embracing the very technology that allows time-

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[201] *See supra* note 150.

[202] "Blending brand names and products into television shows, as opposed to traditional ads that run during commercial breaks, has gained greater currency in recent years as the industry faces the rising popularity of TiVo and other devices that let viewers skip commercials." Steve Gorman, *Digital Product Placement Alters TV Landscape*, REUTERS, Feb. 26, 2006, http://abcnews.go.com/Business/ wireStory?id=1664152.

[203] *Id.*

> [S]ome industry experts suggest that product placement—digital or otherwise—has limited value in delivering a commercial message. Hollywood producers and writers also have raised concerns about their work being turned into virtual infomercials, and consumer activists have fretted about blurring the line between entertainment content and advertising.

Id.

[204] *Id.* "CBS has used the technology to plug brands such as StarKist Tuna and Chevrolet on several other shows, including the hit police drama 'CSI: Crime Scene Investigation' and new sitcom 'How I Met Your Mother.'" *Id.*

shifting.[205] Ads can be targeted toward each individual viewer according to buying or viewing habits, similar to the Adword program developed by Google.[206] Imagine a person that watches Home & Garden Television ("HGTV") 90% of the time. After detecting such a pattern of viewing, the DVR could select a higher number of house improvement product ads to transmit during each commercial break. TiVo has experimented with a solution where as soon as the viewer starts to skip through commercials, advertisements pop-up on half the screen.[207] The first attempts were spotty, with many members of TiVo's online community forums complaining of software bugs and other annoyances.[208] Kentucky Fried Chicken ("KFC") even recently experimented with an ad wherein one would have to press the slow motion button on a DVR remote during playback to receive hidden secret messages.[209]

New technologies affecting advertising are also being offered on the Internet. The first serious shakeup of the traditional television advertisement model came in 2005, with Apple Computer's introduction of the video iPod.[210] Though not the first portable hard drive video player on the market by any stretch,[211] following Apple's traditional strategy, it was the first player to offer a soup-to-nuts solution for browsing, purchasing,

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[205] "The same digital set-top boxes that turn your television into an ad-zapping, instant-gratification device also provide an opportunity for the advertising-dependent television business to rejuvenate and rejigger the time-honored 30-second spot." Manly, *supra* note 36.

[206] *See supra note* 98 and accompanying text.

[207] Richard Shim, *TiVo Tests Pop-up Style Ads*, CNET NEWS.COM, Mar. 28, 2005, http://news.zdnet.com/2100-1040_22-5644197.html.

[208] TiVo Community Forum, TiVo FF Billboards Are Here and They Suck!, http://www.tivocommunity.com/tivo-vb/showthread.php?t=232067 (last visited Mar. 28, 2005).

[209] *See* Lomax, *supra* note 200. "The KFC ad in question contains a 'secret' that can only be unearthed by watching the ad using the slo-mo one gets when one is fast-forwarding through the ad . . . [T]his isn't a TiVo or DVR 'killer,' but more of an accomplice. However, one thing is true—this type of ad uses the fast-forwarding fun to its benefit, giving users the option to interact with the ad instead of ignore it." *Id.*

[210] *See* Ina Fried & John Borland, *Apple Unveils Video iPod*, *New iMac*, CNET NEWS.COM, Oct. 12, 2005, http://news.com.com/Apple+unveils+video+iPod,+new+iMac/2100-1041_3-5893863.html. To assuage fears in the television industry, Steve Jobs carefully stressed several times that the iPod's video capability is a mere "bonus," and that it was still fundamentally a music-playing device." *Id.*

[211] *Id.*

downloading, and playing video on a portable device in conjunction with its elegant iTunes software.[212] But the main difference between its iPod and other video players on the market was the coup it achieved through a partnership with a newly reenergized Walt Disney Company.[213] With a new CEO at the helm willing to take risks not previously taken by former CEO Michael Eisner,[214] the company began offering select ABC shows through Apple's iTunes software for download onto the new iPods for $1.99 an episode.[215] What's more, the content is offered without any commercial advertising.[216]

In an ironic twist, TiVo soon after announced that it was working on a version of its software that would allow iPod owners to transfer TiVo'd programs to their video iPods.[217]

Sony also jumped into the foray earlier in 2005, announcing that it will start offering 500 of the most popular films in its catalog available for digital download starting next year.[218] Even one of the largest Internet search companies, Google, has announced ambitious plans to offer television and video services over the web.[219] Google initially will not include commercial advertisements in the content it offers, though it said that it is in

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[212] Fred Vogelstein, *Steve Jobs Owns Your Living Room*, FORTUNE, Jan. 30, 2006, *available at* http://money.cnn.com/2006/01/27/technology/pluggedin_fortune/.

[213] *See generally* Peter Burrows et al., *Steve Jobs' Magic Kingdom*, BUSINESSWEEK ONLINE, Feb. 6, 2006, http://www.businessweek.com/magazine/content/06_06/b3970001.htm (noting how the new CEO of Disney is more willing to take on partnerships in new technology than the risk-averse Michael Eisner).

[214] *See id.* "Among Iger's first decisions was dismantling the corporate strategic planning operation Eisner often used to scuttle risky new plans. . . . As a board member, Jobs may argue for fast-tracking some of the digital distribution experiments Eisner discarded." *Id.*

[215] *See supra* note 210 (noting the price of each television show downloaded from iTunes).

[216] *See id.*

[217] *See* Nick Wingfield & Brooks Barnes, *TiVo Plans to Allow Unlimited TV-Show Downloads to iPods*, WALL ST. J., Nov. 21, 2005, at B1; *see also* Press Release, TiVo, TiVo To Bring TV Programming To Apple Video iPod™ and PSP™ (Playstation® Portable) (Nov. 11, 2005), *available at* http://www.tivo.com/cms_static/press_66.html.

[218] *Sony Wants an 'iTunes For Movies'*, BBC NEWS, Mar. 31, 2005, http://news.bbc.co.uk/2/hi/technology/4396481.stm.

[219] Kevin J. Delaney, *Google Moves Beyond the Web As It Sets TV-Downloads Deal*, THE WALL ST. J., Jan. 7, 2006, at A2.

discussions to possibly add advertisements later.[220] How advertising will be ultimately bundled into its video offerings remains to be seen.[221]

In April 2006, Walt Disney Co. once again shocked the television industry by announcing that it would be offering television programs from ABC and its other networks for free on the Web.[222] The company announced that programs like "Lost," "Desperate Housewives," and other popular shows would be available for download the morning after their broadcast from the respective networks' websites.[223] In contrast to the advertisement-free content offered through iTunes, the free television programs available from the networks' websites contain commercial breaks.[224] Moreover, although consumers can pause, fast-forward, and rewind the content, they cannot skip through the commercials.[225] Not surprisingly, Universal Pictures was one of ten advertisers to show its support of Disney's solution to commercial-skipping.[226] In a reunion of sorts, the movie studio signed up with Disney to have its advertisements included in the un-skippable commercial breaks.[227]

CONCLUSION

As has been demonstrated, the legality of commercial-skipping continues to be uncertain. In any case involving claims of copyright infringement against ad-skipping technologies, courts should apply the doctrine of fair use and definitively reject any notions that a derivative works theory should be utilized. Congress should also amend ambiguous sections of the Copyright Act to make it more consistent with current fair use case law. As more

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[220] *Id.*

[221] *Sony Wants an 'iTunes For Movies'*, *supra* note 218.

[222] Brooks Barnes, *Disney Will Offer Many TV Shows Free on the Web*, THE WALL ST. J., Apr. 10, 2006, at A1.

[223] *Id.*

[224] *Id.*

[225] *Id.*

[226] *Id.*

[227] *Id.* Universal and Disney were co-plaintiffs in the *Sony* case. *See supra* notes 74–76 and accompanying text.

technologies emerge that allow advertisers to target or personalize their messages we'll either find new ways to avoid the ads, or we might just find them more compelling. The next few years of continued technological developments and the resulting shifts in the advertising industry should be very interesting to watch.