FOX TELEVISION STATIONS, INC., et al v. AEREOKILLER LLC, et al Doc. 52

UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

FOX TELEVISION STATIONS, INC., et al.,

Plaintiffs/Counter-Defendants,

v.

FILMON X LLC, et al.,

Defendants/Counter-Plaintiffs.

Civil No. 1:13-cv-00758 (RMC)
Hon. Rosemary M. Collyer

DEFENDANTS' NOTICE OF EMERGENCY MOTION AND EMERGENCY MOTION TO MODIFY THE SCOPE OF THE INJUNCTION

Defendants AereoKiller LLC, FilmOn.TV Networks, Inc., FilmOn.TV, Inc., and FilmOn.com, Inc. (collectively, "FilmOn X") respectfully move the Court to modify the scope of the Preliminary Injunction issued on September 5, 2013 (Dkt. 34) (the "Preliminary Injunction") to exclude the geographic boundaries of the United States Court of Appeals for the First Circuit. FilmOn X requests expedited consideration of this motion because the Preliminary Injunction conflicts with a new decision issued on October 8, 2013 by the U.S. District Court of Massachusetts. Immediate relief is appropriate to vindicate FilmOn X's legal right to operate within the territory of the First Circuit and to avoid an unseemly conflict between this Court and the courts of another circuit.

The basis for FilmOn X's motion is set forth in the attached Memorandum, the accompanying Request for Judicial Notice, and the court records in this action. A proposed order is submitted concurrently herewith.

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Pursuant to Local Rule 7(m), FilmOn X's counsel provided notice of its intent to seek the relief requested in this motion to plaintiffs' counsel on October 10, 2013. (Declaration of Ryan Baker, ¶ 3.) Plaintiffs' counsel indicated that plaintiffs would oppose this motion. (*Id.*, ¶ 4 & Ex. 1.) This motion has been brought by defendants at the first available opportunity. (*Id.*, ¶ 5.)

Dated: October 10, 2013

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MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF FILMON X'S EMERGENCY MOTION TO STAY PRELIMINARY INJUNCTION PENDING APPEAL

INTRODUCTION

FilmOn X offers a service which enables users to remotely control an antenna and DVR to record and watch television programming. FilmOn X competes with Aereo, Inc. ("Aereo"), which offers a similar service.[1] The action before this Court is only one of several actions filed by the major television networks in several jurisdictions across the country against FilmOn X and Aereo.

On September 5, 2013, this Court enjoined FilmOn X from "streaming, transmitting, retransmitting, or otherwise publicly performing, displaying of distributing any Copyrighted Programming" throughout the United States, "with the exception of the Geographic boundaries of the United States Court of Appeals for the Second Circuit" where courts had previously ruled against the networks. (Dkt. 34 at 2.) In a subsequent Order, this Court recognized that principles of comity may require modification of the Preliminary Injunction if a court in another circuit issued a "contrary ruling" that would make it lawful for FilmOn X to operate its service in the circuit. (Dkt. 41 at 9.) Another such ruling has been issued.

On October 8, 2013, the networks lost another fight. The District Court of Massachusetts in *Hearst Stations, Inc. v. Aereo, Inc.* ("*Hearst v. Aereo*") issued a 20-page opinion in which it denied the networks' motion for preliminary injunction. It found that a broadcaster had failed "to make a sufficient showing that it is likely to prevail" on its claim that Aereo's service (which is similar to FilmOn X's in all relevant ways) violates the plaintiff's exclusive public performance rights under the Copyright Act. (*See* Request for Judicial Notice ("RJN") filed concurrently herewith, Ex. A at p. 8.) After surveying the existing case law across the federal circuits, the District Court of Massachusetts decided that the Second Circuit's reasoning in *Cartoon Network LP v. CSC Holdings, Inc. ("Cablevision"),* 536 F.3d 121 (2d Cir. 2008), was most persuasive. (*Id.*

[1] As this Court has previously ruled, the technological systems used by FilmOn X and Aereo "are essentially the same, and the parties agree that there are no legally meaningful differences." (Dkt. 33 at 4.)

at 10-13.) It agreed with Aereo's contention that "it cannot be liable for infringing [the plaintiff's] exclusive right to reproduce [plaintiff's] copyrighted works because its users provide the volitional conduct that creates the copy of the program they select." (*Id*. at 14.) It thus refused to issue a preliminary injunction on the ground that Aereo was "transmitting private rather than public performances per *Cablevision*." (*Id*. at 12, 20.)

Hearst v. Aereo is the law of the First Circuit. Pursuant to that law, FilmOn X's service is legal; the performances rendered by FilmOn X users are private; and they do not infringe on any copyright. Accordingly, this Court should immediately modify the Preliminary Injunction in this case to recognize that FilmOn X has the legal right to operate its service in the First Circuit in accordance with *Hearst v. Aereo*.

It is well established that a preliminary injunction should be modified where a new decision is issued that would render the continuance of the injunction in its original form inequitable. In fact, "[w]hen a change in the law authorizes what had previously been forbidden it is abuse of discretion for a court to refuse to modify an injunction founded on the superseded law." *American Horse Protection Ass'n, Inc. v. Watt*, 694 F.2d 1310, 1316 (D.C. Cir. 1982); *see also McGrath v. Potash,* 199 F.2d 166, 167–68 (D.C. Cir. 1952) (ordering district court to vacate an earlier injunction where Congress had passed a law that removed the statutory basis for the injunction).

This Court must, in the interest of comity, defer to the judgment of its sister court. To do otherwise, would be tantamount to having this Court sit as an appellate court, reviewing the decision of another trial court." *Common Cause v. Judicial Ethics Committee*, 473 F.Supp. 1251, 1254 (D. D.C. 1979). Further, emergency relief is appropriate to vindicate FilmOn X's legal rights to operate within the territory of the First Circuit.

PROCEDURAL BACKGROUND

On September 5, 2013, the Court granted plaintiffs' motion for preliminary injunction. The Preliminary Injunction bars FilmOn X from "streaming, transmitting, retransmitting, or otherwise publicly performing, displaying or distributing any Copyrighted Programming over the Internet (through websites such as filmon.com or filmonx.com)." (Dkt. 34 at 2.) Although FilmOn X had argued that any injunction should be limited to the D.C. Circuit, this Court found that 17 U.S.C. § 502(b) required the Preliminary Injunction to have nationwide effect. (*Id*. at 32-33.) But in order to avoid conflict with the Second Circuit's decision in *WNET, Thirteen v. Aereo, Inc.* ("*Aereo II*"), 712 F.3d 676 (2d Circ. 2013), this Court omitted the geographic area of the Second Circuit from the coverage of the Injunction. (Dkt. 34 at 2 (ruling that the injunction "applies throughout the United States pursuant to 17 U.S.C. § 502, with the exception of the Geographic boundaries of the United States Court of Appeals for the Second Circuit.").)

Subsequently, on September 12, 2013, this Court's denied FilmOn X's motions for a stay and reconsideration. (Dkt. 41.) While the Court declined to modify the geographic scope of the injunction at that time, it suggested that it would do so in the future if a court in another circuit disagreed with this Court's conclusion and ruled that the technology used by FilmOn X or Aereo is lawful. (*See* Dkt. 41 at 9 ("If other courts issue contrary rulings, FilmOn X may file a motion to modify this Court's injunction.").)

Subsequently, pursuant to the parties' agreement, proceedings before this Court were stayed pending appeal, although the Court expressly reserved the power to modify the Injunction based on "any changes in the pertinent law." (Dkt. 51 at 1-2 (ordering that "[t]he stay does not preclude any party from bringing to this Court's attention any changes in the pertinent law" and that "[t]he stay does not preclude the Court from modifying the scope of the injunctive relief granted pursuant to the Preliminary Injunction").)

Two days ago, on October 8, 2013, the U.S. District Court of Massachusetts in the First Circuit issued a 20-page opinion that denied a motion for a preliminary injunction filed by a local television station against Aereo. (RJN, Ex. A.) The Court adopted the law of the Second, Third, and Fourth Circuits in holding that a plaintiff claiming infringement must show volitional conduct on the part of the defendant. (*Id*. at 14.) It wrote: "Those courts reason that holding a media company liable just because it provides technology that enables users to make copies of programming would be the rough equivalent of holding the owner of a copy machine liable because people use the machine to illegally reproduce copyrighted materials." (*Id*. at 15.) Because "it is likely that the [Aereo] user supplies the necessary volitional conduct to make the copy", the Massachusetts district court denied the request for a preliminary injunction. (*Id*.)

Immediately after the Massachusetts district court's opinion was entered on the docket, on October 10, 2013, FilmOn X provided plaintiffs' counsel with notice of its intent to seek the relief requested in this motion. (Declaration of Ryan Baker, ¶ 3.) Specifically, FilmOn X asks that this Court modify the geographic scope of the injunction to exclude the jurisdiction of the First Circuit on an expedited basis. Plaintiffs' counsel indicated that they opposed this motion. (*Id*., ¶ 4.)

ARGUMENT

A. Modification Of The Preliminary Injunction Is Appropriate In Light Of The Massachusetts District Court's Ruling In *Hearst v. Aereo*, Because FilmOn X's service is lawful in the First Circuit

This Court should modify the scope of the injunction issued in this case to exclude the First Circuit, which has determined that a service similar to FilmOn X's does not infringe copyright. The Court has the power to make that modification. *New York State Assn. for Retarded Children, Inc. v. Carey,* 706 F.2d 956, 967 (2d Cir. 1983) ("The power of a court of equity to modify a decree of injunctive relief is long-established, broad, and flexible."). The federal rules explicitly

codify the court's inherent authority to modify an injunction in several places.[2] When a party appeals the court's interlocutory or final judgment granting, dissolving, or denying an injunction, the court, in its discretion, "may suspend, modify, restore, or grant an injunction during the pendency of the appeal." *Fed. R. Civ. Pro.* 62(c). Further, a party may obtain relief from a preliminary injunction if, among other things, "applying [the judgment or order] prospectively is no longer equitable." *Fed. R. Civ. Pro.* 62(c).

In its September 12, 2013 Memorandum Opinion, this Court explained that modification of an injunction is proper "when there has been a change of circumstances between entry of the injunction and the filing of the motion that would render the continuance of the injunction in its original form inequitable.'" (Dkt. 41 at 6 (quoting *Favia v. Ind. Univ. of Pa.*, 7 F.3d 32, 337 (3d Cir. 1993)).) Indeed, a motion to modify a preliminary injunction is meant "to relieve inequities that arise after the original order," and its "primary justification" is "to avoid the injustice of requiring a defendant to continue complying with an injunctive order under circumstances that would have prevented its entry in the first place." *Favia*, 7 F.3d at 337-38.[3]

The U.S. Supreme Court has held that it is appropriate to modify an injunction when the party seeking relief from an injunction or consent decree can show "a significant change either in factual conditions or in law." *Rufo v. Inmates of Suffolk County Jail,* 502 U.S. 367, 384. "A court

[2] Additionally, this Court has the power to hear a motion for reconsideration under Rule 54(b) where "a controlling or significant change in the law has occurred." *Williams v. Johanns,* 555 F.Supp.2d 162, 164 (D.D.C. 2008).

[3] While the normal rule is that a party's filing of a notice of appeal divests the district court of jurisdiction over the matters being appealed, "a district court is not deprived of jurisdiction to modify a preliminary injunction while that injunction is on appeal." *Cobell v. Norton* (D.D.C. 2004) 310 F. Supp. 2d 77, 83; *see also Indus. Ass'n v. Bd. of Governors of the Fed. Reserve Sys.*, 628 F. Supp. 1438, 1440 n. 1 (D.D.C. 1986) (noting that pending appeal district courts continue to "retain jurisdiction to ... modify, restore, or grant injunctions"). That is especially true in a case where modification is necessary to preserve the original intent of the preliminary injunction and the status quo created by controlling decisional law. Indeed, this Court's September 15, 2013 order, which excluded the Second Circuit from the scope of the Preliminary Injunction, contemplated that the injunction was never intended to apply to jurisdictions where courts have ruled that FilmOn X's service lawful. (*See* dkt. 34 at 32-33; dkt. 41 at 9.) Moreover, modification of the Preliminary Injunction to exclude the First Circuit would not impair the D.C. Circuit's review of the appeal in this matter.

may recognize subsequent changes in either statutory or decisional law." *Agostini v. Felton* (1997) 521 U.S. 203, 215. "When a change in the law authorizes what had previously been forbidden it is abuse of discretion for a court to refuse to modify an injunction founded on the superseded law." *American Horse Protection Ass'n, Inc. v. Watt*, 694 F.2d 1310, 1316 (D.C. Cir. 1982); see also M*cGrath v. Potash,* 199 F.2d 166, 167–68 (D.C. Cir.1952).

Indeed, "[t]here are many cases where a mere change in decisional law has been held to justify modification of an outstanding injunction." *System Federation No. 91, Ry. Emp. Dept., AFL-CIO v. Wright*, 364 U.S. 642, 650 (1961) (collecting cases). The decision in *Coca-Cola Company v. Standard Bottling Company*, 138 F.2d 788 (10th Cir. 1943), demonstrates that an injunction should be modified or vacated where subsequent case law establishes that the conduct enjoined is lawful. In that case, the trial court was asked to modify a consent decree that prohibited the defendant from "selling any product under the names Cherry and Cola, Ayer's Cola, Standard Cola, or any like word, name, or names." *Id*. at 789. In affirming a modification to the injunction that ended the prohibition against the use of the term "cola," the court noted that after the issuance of the injunction numerous courts had held that the plaintiff has no exclusive right to the term "cola." *Id*. at 790. Therefore, except for the earlier injunction, the use of the prior trade names recited in the order would have been entirely legal. *Id*.

Here, since the issuance of the Preliminary Injunction, there has been a substantial change in the decisional law regarding the legality of FilmOn X's service. As this Court noted in its September 5, 2013 Preliminary Injunction order, the Second Circuit was – at that time – the only jurisdiction in the country where courts had found a system like that of FilmOn X legal. (Dkt. 33 at 34.) Thus, in order to avoid a "conflict" with the law of the Second Circuit, the Court expressly excluded the Second Circuit from the geographic scope of the injunction but otherwise applied the injunction throughout the rest of the United States. (*Id*.)

The Massachusetts District Court has now joined the Second Circuit in finding a service based on uniquely assigned antennas and DVRs does not publicly perform copyrighted works and, accordingly, does not infringe plaintiffs' copyright. On October 8, 2013, the District of Massachusetts denied a motion for preliminary injunction brought by a local television station against Aereo. The motion in that case was similar to the motion brought by plaintiffs here. Whereas this Court found the reasoning of the district court in *Fox Television Systems, Inc. v. BarryDriller Content Systems, PLC* "more persuasive" than the Second Circuit's decision in *Aereo II* (Dkt. 33 at 2), Judge Gorton in the District of Massachusetts reached the contrary decision. He concluded that the Second Circuit's "interpretation [of the Transmit Clause] is a better reading of the statute because the 'canon against surplusage' requires this Court to give meaning to every statutory term if possible." (RJN, Ex. A at 13.)

In light of the conflict between this Court's decision and *Hearst v. Aereo*, this Court should modify the scope of the injunction to exclude the geographic boundaries of the First Circuit just as it did with the Second Circuit.

B. Comity And Respect For The Massachusetts District Court Requires Modification Of The Preliminary Injunction

This Court has "recognized that in some cases comity may require courts to limit the scope of injunctions." (Dkt. 33 at 34.) Indeed, the district court in *BarryDriller* correctly limited its injunction to the Ninth Circuit in light of the very possible circuit split and held that "[c]ourts should not issue nationwide injunctions where the injunction would not issue under the law of another circuit." *BarryDriller*, 915 F. Supp. at 1142-43 (quoting *United States v. AMC Entm't, Inc.*, 549 F.3d 760, 773 (9th Cir. 2008) (reversing grant of nationwide injunction)).

Here, the same principles of comity that lead this Court to exclude the Second Circuit from the geographic scope of the Preliminary Injunction dictate that the Court modify the Injunction to

also exclude the First Circuit. It would be improper for this Court to ignore Judge Gorton's decision and force its own contrary interpretation of the Transmit Clause within the jurisdiction of the First Circuit.

Subject to review by the U.S. Supreme Court, each federal circuit has the authority to set the law of the land in its territory. In performing their responsibilities, circuits have the authority "to rule on statutory meaning independently of each other" and therefore "[c]ircuits may have differing interpretations of the same statutes." *Holland v. National Mining Association,* 309 F.3d 808, 815 (D.C. Cir. 2002). Moreover, it is improper to "squelch the circuit disagreements that can lead to Supreme Court review" by allowing "one circuit's statutory interpretation to foreclose . . . review of the question in another circuit." *See id.* The First Circuit has done that and determined that FilmOn X's service does not infringe copyright. Accordingly, the Court's injunction should be modified to exclude the First Circuit.

CONCLUSION

For the foregoing reasons, FilmOn X respectfully requests that the Court modify the preliminary injunction to exclude the geographic boundaries of the First Circuit.

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