"Technological gimmickry" or a novel non-infringing use?

THE CASE:
American Broadcasting Companies Inc et al v Aereo, Inc and WNET et al v Aereo, Inc
US District Court, Southern District of New York
March 1 2012

Fish & Richardson's **Kristen McCallion** looks at the issues surrounding the new internet TV company Aereo and its dispute with US TV broadcasters

In March, two federal copyright litigations were filed virtually simultaneously against New York based start-up company Aereo, just weeks before it was scheduled to roll out its internet broadcasting service – a service that television networks and broadcasters allege is an unlicensed and unlawful retransmission of television programmes over the internet in violation of US copyright law.

Aereo's internet broadcasting services

Aereo is a New York-based startup company that delivers over-the-air television broadcasts via the internet. The startup is backed by media mogul Barry Diller, who previously headed Paramount, Fox, and USA, and who is now the chairman of IAC/InterActiveCorp. It is reported that IAC is Aereo's top investor, with over $20 million invested in the company.

Aereo is a technology platform that airs live broadcast television through the internet to an Aereo subscriber's mobile device, computer or web-enabled television. The company offers proprietary miniature antenna and remote DVR technology, which it rents to consumers for a monthly membership fee of $12.00. Referred to as the 21st century version of "rabbit ears", Aereo's miniature antennas are approximately the size of a dime. Their very small size allows Aereo to store thousands of them in a Brooklyn warehouse.

From a web-enabled device, an Aereo subscriber instructs an assigned Aereo antenna to tune to a selected channel that is airing the programme the subscriber intends to watch. Aereo's tiny antenna captures signals from the public airwaves and retransmits them via the internet. The DVR records the programme as it is watched, giving the Aereo subscriber the ability to pause or rewind the live stream. Programmes that are recorded can be streamed over 3G, Wi-Fi and broadband connections.

Right now, Aereo's proprietary technology can be used only by New York City-based Aereo subscribers to access numerous New York City television channels, including major networks and local stations. But Diller has stated that Aereo intends to expand its service outside of New York City, to as many as 100 additional cities by the end of this year.

The allegations

The charges against Aereo appear in two cases filed in the Southern District of New York. In *American Broadcasting Companies, Inc, et al v Aereo Inc*, ABC, Disney, CBS, NBC, Universal, NBC Studios, Universal Network Television, Telemundo and WNJU-TV allege that Aereo is liable for willful copyright infringement due to its unauthorised reproduction, distribution, public performance and public display of plaintiffs' television programmes.

In *WNET et al v Aereo, Inc*, Twentieth Century Fox, Fox Television, Univision, PBS, and local New York television stations plead claims of copyright infringement due to Aereo's alleged unlawful public performance and reproduction of plaintiffs' television programmes. In the event the court finds that Aereo's service does not violate the public performance right in Section 106(4), the *WNET* plaintiffs will rely on an alternate New York state claim of unfair competition.

Both suits sought an injunction to prevent Aereo from going live, however, Aereo's service is currently up and running in New York City.

Aereo defends the legality of its service vigorously. In each case it has counterclaimed for a declaratory judgment of non-infringement. In *WNET*, Aereo has also moved to dismiss plaintiffs' unfair competition claim on the notion that it is preempted by the Copyright Act. Diller testified before a Senate panel in April, where he was a key witness at a Senate Commerce Committee hearing on the future of television resulting from the migration of viewing traditional television to internet and broadband-enabled video content.

Is Aereo's service "technological gimmickry" or a novel non-infringing use?

In the US a copyright owner has the exclusive rights to do and to authorise any of the following: (1) to reproduce the copyrighted work in copies; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies of the copyrighted work to the public; (4) to perform the copyrighted work publicly; (5) to display the copyrighted work publicly; and (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Plaintiffs allege that Aereo violates these exclusive rights, in particular their reproduction, distribution and public display rights. They claim that Aereo's broadcasting service, which has proceeded unlicensed by, and with no payment to, the television networks, amounts to nothing more than unlawful copyright infringement. Aereo's internet broadcasting service, harms the infrastructure through which the networks deliver their programmes to the online audience through their websites and authorised online networks, as well as through other companies that operate authorised online television broadcast services such as Hulu and iTunes.

Aereo's response is that it does not need a licence to stream free, over-the-air broadcasts to paying customers because its technology operates within the confines of both telecommunications law and copyright law.

Aereo relies on the Radio Act of 1927 to state that the airwaves are owned by the public and licensed to broadcasters for the benefit of the public interest which in turn allows it to proceed without licences because it merely enables its users to do what they are legally entitled to do: access free and legally accessible over-the-air television broadcasts using an antenna. Aereo also relies on the individualised nature of its miniature antennas that are tuned directly to, and used only by, one subscriber at a time for the duration of that subscriber's use of the service. According to Aereo, its individualised antennas make its retransmissions of programmes "private" and not public and, therefore, its service does not violate a copyright holder's exclusive rights set forth in Section 106, which reserves to the copyright holder only the

rights of "public" distribution, performance, and display.

Not so, say the networks. The *WNET* plaintiffs allege that Aereo's simultaneous performances of programmes to its subscribers constitute public performances and therefore violate Section 106(4) of the Copyright Act. The Copyright Act "explicitly provides that a transmission of a performance is public even if members of the public receive the transmission in separate places and at different times," and so it is irrelevant, plaintiffs argue, that Aereo offers an individualised antenna service. Aereo still performs the works publicly, according to plaintiffs, because Aereo's retransmissions go to a public audience of Aereo subscribers, and Aereo's "technological gimmickry" does not change the fact that the retransmission of plaintiffs' television broadcasts can only be done with plaintiffs' authority.

In support of the legality of the copying feature the Aereo service enables, Aereo argues that the Supreme Court's 1984 decision in *Sony Corp of America v Universal City Studios, Inc* allows consumers to create a copy of a television programme for personal use. Aereo further argues that the Second Circuit's 2008 decision in *Cartoon Network LP v CSC Holdings, Inc* allows consumers to record and playback the recordings they make on a personal device using a remotely-located DVR.

Aereo's defense is that it is simply providing technology to consumers that allows them to do what they are already legally entitled to do and no more. As innovators create new platforms and technology, the boundaries of copyright law will be interpreted, reinterpreted, stretched, molded, questioned, and reinforced. The suits filed against Aereo came as no surprise as they are the latest in a long line of battles that have erupted out of technological advances and new methods of bringing copyrighted content to consumers.

The Aereo case is reminiscent of a case filed recently against ivi TV. Touted as the "first online cable system," ivi TV offered an internet transmission service like that of Aereo's. ivi TV argued that Section 111 of the Copyright Act, which authorises cable TV companies to make secondary transmissions of copyrighted works embodied in primary transmissions, as long as a nominal statutory licensing fee is paid, allowed it to stream television content. A New York District Court rejected the company's Section 111 argument, holding that an internet retransmission service cannot qualify as a cable system, and that the compulsory licence for cable systems is intended for localised, and not nationwide, retransmission services[1]. ivi TV has appealed that decision.

Aereo's localised offering of its service to New York City residents, at least for now, may help it circumvent at least one aspect of the ivi TV ruling. And its ability to combine old technology (think "rabbit ears") with new (internet transmission to personal devices) is a novel approach that might just work. But the ultimate outcome, which rests in the hands of the courts, is anything but clear.

As this issue went to press, Aereo has had one of three claims brought against it dismissed by the court.

Footnote

1. *WPIX, Inc v IVI, Inc*, 2011 US Dist LEXIS 43582 (SDNY 18 Apr, 2011).

Author

Kristen McCallion is a senior associate in Fish & Richardson's New York office and is co-chair of the copyright group. Her practice focuses on copyright and trademark litigation as well as transactional and prosecution matters.