

# Aereo Ruling Holds Implications for Cloud Industry

Jesse J. Holland, Associated Press

WASHINGTON (AP) — The Supreme Court will decide whether a startup company can offer live television broadcasts over the Internet without paying fees to broadcasters.

The high court agreed on Friday to hear an appeal from television broadcast networks in their attempt to shut down Aereo Inc., which takes free signals from the airwaves and sends them over the Internet to paying subscribers.

Broadcasters have sued Aereo for copyright infringement. The big networks have supplemented their advertising revenue with fees from cable and satellite TV companies for redistributing their stations to subscribers. If customers drop their pay-TV service and use Aereo, broadcasters would lose some of that revenue.

The 2nd U.S. Circuit Court of Appeals ruled last year Aereo did not violate the copyrights of broadcasters with its service but a similar service has been blocked by other judges.

Aereo claims what it is doing is legal because it has thousands of tiny antennas at its data centers and assigns individual subscribers their own antenna. According to Aereo, that makes it akin to customers picking up free broadcast signals with a regular antenna at home.

Aereo's service starts at \$8 a month and currently covers New York, Boston, Houston and Atlanta, among others. Subscribers get about two dozen local over-the-air stations, plus the Bloomberg TV financial channel.

"We believe that consumers have a right to use an antenna to access over-the-air television and to make personal recordings of those broadcasts," said Aereo CEO and founder Chet Kanojia. "The broadcasters are asking the Court to deny consumers the ability to use the cloud to access a more modern-day television antenna and DVR. If the broadcasters succeed, the consequences to consumers and the cloud industry are chilling."

Broadcasters have argued that the use of individual antennas is a mere technicality meant to circumvent copyright law and threatens their ability to produce marquee sports or awards show events, including the Academy Awards, the Grammys and the Super Bowl. CBS, Fox and Univision television networks are among those that say they might end their free broadcasts and become a subscription-only channel like CNN, Nickelodeon and Discovery if Aereo is successful.

"We believe that Aereo's business model, and similar offerings that operate on the

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same principle, are built on stealing the creative content of others. We are pleased that our case will be heard and we look forward to having our day in court," CBS said in a statement.

A cable company took a middle ground on the issue. "Cablevision remains confident that while the Aereo service violates copyright, the Supreme Court will find persuasive grounds for invalidating Aereo without relying on the broadcasters' overreaching — and wrong — copyright arguments that challenge the legal underpinning of all cloud-based services," spokeswoman Lisa Anselmo said.

A New York City-based federal appeals court in 2008 ruled that Cablevision Systems Corp. could offer a remote DVR service without paying additional licensing fees to broadcasters because each playback transmission was made to a single subscriber using a single unique copy produced by that subscriber.

This comes as Aereo announced Tuesday that it has secured \$34 million in additional funding from outside investors to help it expand beyond the 10 metropolitan areas it currently serves. It will also allow Aereo to develop apps for additional devices, such as Internet-connected TVs and game consoles and battle copyright-infringement lawsuits filed by broadcasters like the one before the Supreme Court.

Justice Samuel Alito is not taking part in the Aereo arguments but the court did not give a reason.

The Aereo case was one of eight the court decided to grant Friday, most of which will be argued in April. Included in those are complaints by an anti-abortion group in Ohio over a state law that bars false statements about political candidates or ballot initiatives and a labelling dispute between POM Wonderful and the Coca-Cola Co. over a pomegranate- and blueberry-flavored drink made up almost entirely of apple and grape juices.

The court also said it will take up an aspect of the long-running fight between Argentina and hedge funds that are trying to collect a billion-dollar judgment on debts stemming from the country's 2001 crisis. The new case centers on efforts by the hedge funds to locate where Argentina keeps assets in banks in the U.S. and around the world. Argentina is appealing a lower court ruling upholding subpoenas issued to two banks in New York.

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