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### Chapter 12

#### Video Streaming and the Communication to the Public Right in the United States and European Union

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Arguably, copyright as a legal framework came into existence as a response to new technology, namely the printing press.<sup>1</sup> Since then, every generation or so, new ways of distributing copyright works emerged. These new technological means included: photography; gramophone records; moving pictures; broadcasting; cabling; photocopiers; direct broadcasting by satellite; and the Internet. Undoubtedly, the Internet is the most efficient technology that has ever existed for the dissemination of copyright works. This chapter focuses solely on one method of disseminating works over the Internet, namely video streaming.

Streaming is a method through which data, be it audio, visual or audiovisual, is delivered from one place to another over computer networks. Video streaming is a type of media streaming in which the data from a video file is continuously delivered via the Internet to a remote user. It allows a video to be viewed online without being downloaded onto a host computer or device.<sup>2</sup>

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<sup>1</sup> For a different view, see Augustine Birrell, *Seven Lectures on The Law and History of Copyright in Books* (London, Cassell and Company Ltd 1899) 48-49.

<sup>2</sup> See *Techopedia*, <https://www.techopedia.com/definition/9927/video-streaming> (last accessed 15<sup>th</sup> February 2018).

Video streaming is not only taking over the market that was traditionally reserved for DVDs<sup>3</sup>, but has also started to compete seriously with pay-TV and even with free-to-air services. According to a recent survey, two-thirds of 18-24 year olds would choose streaming services over traditional pay-TV.<sup>4</sup> Similarly, young viewers seem to spend more time on websites offering free and subscription-based video streaming services than they do watching TV.<sup>5</sup> As a result, the number of subscribers to video streaming services is rapidly increasing. For instance, Netflix's paying subscriber count has almost doubled during the period between 2012-2017 and as a result its market share in the U.S. equals that of all the top cable companies combined.<sup>6</sup>

While the terms "downloading" and "streaming" are sometimes used interchangeably, they are, in fact, two very different methods of communicating works over the Internet. In downloading, the file cannot be played until the entire work, or a significant part, has been copied into the permanent memory of the end user's computer. In streaming, the file is not copied into the permanent memory, and can be played as soon as there is enough data stored in the Random Access Memory [RAM].<sup>7</sup> Therefore, streaming is normally a faster process, which gives the impression of real time communication. With

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<sup>3</sup> Smith and Telang argue that it was as early as 2010 that "DVDs were on their way out and streaming was on its way in", see Micahel D. Smith and Rahul Telang, *Streaming, Sharing, Stealing* (Cambridge, Massachusetts, The Massachusetts Institute of Technology Press 2016) 137.

<sup>4</sup> See "Age Gap in Pay-TV v. SVOD Preference", published 18<sup>th</sup> July 2017 <http://www.marketingcharts.com/television/pay-tv-and-cord-cutting-79072> (last accessed 26<sup>th</sup> February 2018).

<sup>5</sup> Todd Spangler, "Younger Viewers Watch 2.5 Times More Internet Video Than TV (Study)", 29<sup>th</sup> March 2016, <http://variety.com/2016/digital/news/millennial-gen-z-youtube-netflix-video-social-tv-study-1201740829/> (last accessed 15<sup>th</sup> February 2018).

<sup>6</sup> See "Netflix Has Almost As Many Paying Subscribers As All The Top Cable TV Companies, Combined", published 3<sup>rd</sup> April 2017, <http://www.marketingcharts.com/television-76269> (last accessed 15<sup>th</sup> February 2018).

<sup>7</sup> In the context of streaming, the process of collecting data in the RAM is often referred to as "buffering". For buffering and EU copyright law, see Gianluca Campus, "Legal Aspects of the Video Buffering Process: the Uncertain Line Between Acts of Reproduction and Acts Accessory to a Communication to the Public" [2017] *EIPR* 366.

the advent of high speed broadband, streaming is becoming the most popular means of disseminating audio, visual and audiovisual works over the Internet.

### **Scope and structure:**

This chapter is concerned solely with the communication to the public right as applied to video streaming in the U.S. and the EU.<sup>8</sup> Since no copyright study that deals with more than one legal system would be complete without considering the international conventions, the relevant provisions of the Berne Convention [1971] and the WIPO Copyright Treaty [1996] are used as the standard against which the compatibility of U.S. and EU laws with them is examined. Furthermore, this chapter focuses exclusively on authors' rights. Neighbouring rights are excluded from the discussion and referred to briefly only where this is necessary to clarify the position with regard to authors' rights. This chapter divides video streaming into three types, each discussed separately: webcasting; on-demand streaming; and Internet retransmission of broadcasts.<sup>9</sup>

### **Section I- Webcasting**

The term "webcasting" is normally used to refer to the situation where a media file is distributed over the Internet using streaming media technology. It is a point to multi-point communication, where single source content is distributed to many users simultaneously. Here, the service provider transmits programmes of its own choice to be received in real time by members of the public who are geographically dispersed.<sup>10</sup>

Although the term "webcasting" is sometimes inaccurately used to cover on-demand streaming, it is used here to refer only to "real time" streaming. Therefore, webcasting could be defined as the use of the Internet to broadcast

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<sup>8</sup> For streaming and the reproduction rights, see Maurizio Borghi, "Chasing Copyright Infringement in the Streaming Landscape" (2011) 42{3} //C 316, 326-343.

<sup>9</sup> Although this chapter is solely concerned with video streaming, whatever is stated in respect of video streaming is also applicable *mutatis mutandis* to audio streaming.

<sup>10</sup> One of the earliest webcasts was that conducted by Apple on 10<sup>th</sup> June 1996, where a Metallica concert was streamed live from Slim's in San Francisco.

live or pre-recorded audio and/or visual content, much like traditional television and radio broadcasts.<sup>11</sup> Accordingly, it is the Internet equivalent of traditional broadcasting or cabling. Since under international copyright law broadcasting and cabling are treated differently, this section discusses both regimes and their application to webcasting.<sup>12</sup>

### **I.[A] Webcasting as a form of broadcasting**

Since the Rome Act of 1928, the exclusive right of authors to authorise the broadcasting of their works has been recognised under Article 11*bis* of the Berne Convention.<sup>13</sup> As such, it is one of the minimum rights specifically recognised under the Convention.<sup>14</sup> In introducing this provision, the Convention was ahead of most national laws, which were now required to offer foreign authors protection against the unauthorised broadcasting of their works even when such a protection was not available to national authors.<sup>15</sup>

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<sup>11</sup> *Webopedia*, <http://www.webopedia.com/sgsearch/results?cx=partner-pub-8768004398756183%3A6766915980&cof=FORID%3A10&ie=UTF-8&q=webcast> (last accessed 16<sup>th</sup> February 2018)

<sup>12</sup> Since webcasting is a new technology, some may argue that it should not be considered analogous to broadcasting or cabling under the Berne Convention and therefore should come within the scope of Article 8 of the WIPO Copyright Treaty [1996]. This line of reasoning is not followed here, mainly because it does not reflect the *raison d'être* of Article 8 as discussed under section II below.

<sup>13</sup> The Berne Convention, often referred to as the Berne Union, was established on 9<sup>th</sup> September 1886. Article 17 of the 1886 Act provided for periodic revisions and these have taken place roughly every twenty years. The first revision took place in Berlin in 1908 (the Berlin Act), followed by Rome in 1928 (the Rome Act), Brussels in 1948 (the Brussels Act), Stockholm in 1967 (the Stockholm Act), and Paris in 1971 (the Paris Act). It is also worth noting that an Additional Act was attached to the Convention in 1896, together with an Additional Protocol in 1914.

<sup>14</sup> The Berne Convention is based on two basic principles: national treatment and minimum rights.

<sup>15</sup> Since the Berne Convention is a public international law instrument that is solely concerned with private international law interests, i.e. the protection of foreign authors, the Convention does not, strictly speaking, specify the level of protection that may be granted to national authors. However, since it is highly unlikely that a country would offer foreign authors a standard of protection that it would deny its own authors, the Convention seems to have indirectly catered for the protection of national authors.

Unlike all the other communication to the public provisions of the Convention<sup>16</sup>, Article 11 *bis* is a subject-matter neutral provision and therefore covers all types of literary and artistic works.

In order to accommodate the needs of Norway, Australia and New Zealand<sup>17</sup>, which saw radio as a means of serving important educational and cultural policies and feared that the newly recognised right might extend the monopoly powers of collecting societies to cover radio broadcasting, the second paragraph of Article 11 *bis* of the 1928 Act of the Berne Convention permitted national laws to replace the exclusive broadcasting right with a compulsory licensing mechanism. This mechanism takes away from authors their right of authorisation and leaves them with a mere right of remuneration.<sup>18</sup> Such a system had the effect of strengthening the negotiating power of broadcasters vis-à-vis the collecting societies.

While the formula adopted in Article 11 *bis* (2) embodies a concession that permits national laws to impose a compulsory licence to restrict the scope of the author's exclusive right of broadcasting, it does not permit national laws to deny protection altogether.<sup>19</sup> Furthermore, to soften the impact of the compulsory licence mechanism, Article 11 *bis* (2) requires national laws to comply with three conditions: first, the compulsory licence is permissible only where a country expressly legislates for that and therefore its application must be restricted to the territory of the country in which it is prescribed; secondly, the application of the compulsory licence should in no event be prejudicial to the author's moral rights; and thirdly, it should not affect the author's entitlement to an equitable remuneration.

The compulsory licence mechanism of Article 11 *bis* was left intact under the Brussels Act (1948), the Stockholm Act (1967) and the Paris Act of 1971.

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<sup>16</sup> See Articles 11(1)(ii), 11 *ter*(1)(ii), 14(1)(ii) and 14 *bis*(1) of the Berne Convention.

<sup>17</sup> Stephen Ladas, *The International Protection of Literary and Artistic Property* (New York, The Macmillan Company 1938) 477.

<sup>18</sup> For the same meaning, see Dworkin & Taylor, *Blackstone's Guide to the Copyright, Designs & Patents Act 1988* (London, Blackstone Press Limited, 1992) 105.

<sup>19</sup> It is worth noting that upon the insistence of the French delegation, the Convention avoided using the term "compulsory licence" in the body of the text, see Sam Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986* (London, Queen Mary College, Centre For Commercial Law Studies 1987) 523.

However, during the preparatory stages for a possible protocol to the Berne Convention, later named the WIPO Copyright Treaty of 1996, the Committee of Experts expressed the view that the compulsory licence mechanism had outlived its usefulness.<sup>20</sup> As a result, the Australian Government, which was adamant in its opposition to the recognition of an absolute exclusive broadcasting right in 1928, submitted a comprehensive proposal for the elimination of the broadcasting compulsory licence mechanism.

Although the Australian proposal was received favourably by a number of delegates<sup>21</sup>, it did not gain enough support, especially among the developing countries. As a result, the WIPO Copyright Treaty of 1996 left the compulsory licence mechanism intact. This is confirmed by the Agreed Statement to Article 8 of the WIPO Copyright Treaty, which states that "it is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11 *bis* [2]" of the Berne Convention.<sup>22</sup>

Since webcasting could be classified as broadcasting under the Berne Convention, the question that needs to be answered here is whether webcasting could benefit from the compulsory licence mechanism of Article 11 *bis* (2). As far as EU copyright law is concerned, the answer is categorically in the negative. In respect of online communication and broadcasting, EU law has come close to full harmonisation.<sup>23</sup> The broadcasting right is considered a sub category of the broader right of communication to the public. As such, its exclusive nature is preserved under Article 3(1) of the Information Society Directive.<sup>24</sup>

Furthermore, all exceptions and limitations that EU member states may introduce to limit, restrict, or exempt certain acts from the scope of the author's exclusive right of communication to the public are listed under Article 5 of the

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<sup>20</sup> WIPO, Committee of Experts on a possible protocol to the Berne Convention, Fourth Session, December 5-9, 1994, Geneva, [1994] Copyright 214, 218.

<sup>21</sup> See the proposals of Canada, USA, EU, Argentina, Uruguay, *WIPO, Committee of Experts on a Possible Protocol to the Berne Convention*, Sixth Session, February 1-9, 1996, Geneva, WIPO, BCP/CE/VI/12, pp. 117-119.

<sup>22</sup> See the Agreed Statements Concerning The WIPO Copyright Treaty, adopted by the Diplomatic Conference on December 20, 1996, CRNR/DC/96.

<sup>23</sup> Ansgar Ohly, "Economic Rights", in: Estelle Derclaye (ed), *Research Handbook on the Future of EU Copyright* (Edward Elgar 2009) 225.

<sup>24</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ 2001, L 167, at 10.

Information Society Directive.<sup>25</sup> This provision, which reflects an exhaustive list of exceptions and limitations<sup>26</sup>, does not permit national laws to introduce a compulsory licensing mechanism to restrict the scope of the author's exclusive right of broadcasting, or the wider right of communication to the public.<sup>27</sup>

Although Article 5(3)(o) of the Information Society Directive permits national laws to maintain exceptions or limitations which were already in existence at the time of its coming into force, this provision covers only analogue uses. Since the Internet is a digital network, all communication over this medium, including webcasting, will naturally fall outside the scope of that provision.

As for U.S. law, the position is less clear. Under section 106 of the U.S. Copyright Act 1976, authors enjoy the exclusive right of public performance, which covers communication in public as well as communication to the public. Therefore, broadcasting comes within the ambit of the author's exclusive right of public performance. However, section 118 of the Act contains the possibility of a compulsory licence for the use of published nondramatic musical works and published pictorial, graphic, and sculptural works by public broadcasting entities.<sup>28</sup> Similar to the position of Australia and New Zealand during the Rome Conference of the Berne Convention, public broadcasters in the U.S.

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<sup>25</sup> As mentioned above, this chapter is solely concerned with authors' rights. Therefore, the exceptions and limitations that may be introduced in respect of the broadcasting and the making available rights of neighbouring rights holders, i.e. performers, sound recording companies and broadcasters, fall outside the scope of this chapter.

<sup>26</sup> For more on exceptions and limitations under the Directive, see Ted Shapiro, 'Directive 2001/29/EC on Copyright in the Information Society' in: Brigitte Linder and Ted Shapiro (eds), *Copyright in the Information Society* (Edward Elgar 2011) 27-56 and Silke von Lewinski, "Article 5 Exceptions and Limitations" in: Michel Walter and Silke von Lewinski (eds), *European Copyright Law* (OUP 2010) 1013-1064.

<sup>27</sup> It is worth noting that according to Article 5[5] of the Information Society Directive, any exception or limitation must still comply with the three-step test. For the history of the three-step test, see Martin Senftleben, *Copyright, Limitations and the Three-Step Test* (Kluwer Law International 2004), pp. 43-87. For the scope of the three-step test at the international level, see Jane C. Ginsburg, "Toward Supranational Copyright Law? The WTO Panel Decision and the 'Three-Step Test' for Copyright Exceptions", (2001) 187 *RIDA* 3; M Makeen, "The Reception in Public Dilemma Under U.S. Copyright Law" (2011) 58{2} *Journal of the Copyright Society of the USA* 355, 403-419.

<sup>28</sup> For the history of what was then called "educational broadcasting", see George H. Douglas, *The Early Days of Broadcasting* (London, McFarland and Company 1987) 142. For a general history of public broadcasting, see George H. Gibson, *Public Broadcasting: The Role of the Federal Government, 1912-1976* (New York, Praeger Publishers 1977).

continuously expressed their fear that the three collecting societies operating at the time (ASCAP, BMI and SESAC) might abuse their dominant position by determining licence conditions that they could not meet.<sup>29</sup> As a result, Congress adopted the compulsory licence mechanism as a compromise, by which authors would be remunerated for the broadcasting of their works and at the same time guaranteeing to public broadcasters a wide access to musical works on reasonable terms.<sup>30</sup>

For financial reasons and in the hope of reaching a far wider audience, public broadcasters may invoke the public interest as a reason to extend the application of the compulsory licence mechanism to webcasting. To that end, they may invoke a teleological interpretation, which focuses on the aim of the rule formulated in section 118, to emphasise the purpose of the provision and accordingly its extension to cover webcasting.

A literal reading of section 118 would render any such argument unpersuasive. Furthermore, since section 118 represents an exception, its scope must be determined in accordance with the principle of *exceptiones sunt strictissimae interpretationis*<sup>31</sup>, i.e. exceptions should only be interpreted narrowly or strictly. Therefore, any attempt to interpret the scope of the existing compulsory licensing mechanism widely to cover webcasting could possibly be in direct conflict with the general principles of statutory interpretation.

Extending the scope of the compulsory licence mechanism of section 118, through Congress or the judiciary, to cover webcasting may also raise questions at the international level. Although Article 11*bis* [2] of the Berne Convention permits national laws to replace the author's exclusive right of broadcasting with a compulsory licensing mechanism, any national law availing itself of such a possibility needs to comply with the three conditions discussed above, i.e. "specifically prescribed", no prejudice to moral rights, and entitlement to

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<sup>29</sup> In addition to the above three, a fourth collecting society, Global Music Right [GMR], was established in 2013.

<sup>30</sup> For the history and development of the compulsory licence mechanism in the U.S. and its expansion to cover non-commercial public broadcasting, see M Makeen, *Copyright in a Global Information Society: the Scope of Copyright Protection Under International, US, UK and French Law* (London, Kluwer Law International 2000) 112-121.

<sup>31</sup> It is also sometimes referred to as '*singularia non sunt extendenda*' or '*exceptio est strictissimae interpretationis*'.

equitable remuneration. While extending the compulsory licensing mechanism to cover webcasting may not be in direct conflict with the second and third requirements<sup>32</sup>, the first requirement is not as easy to satisfy.

The wording of Article 11 *bis* [2] makes it absolutely clear that the compulsory licensing mechanism only applies in the countries where it has been prescribed. Accordingly, the geographical reach of the compulsory licence mechanism must not go beyond the territory of the country in which it has been prescribed. Since the Internet is a global network, it recognises no national boundaries. Allowing webcasting in one country to benefit from the compulsory licensing mechanism would necessarily extend that mechanism beyond the territory of the country in which it has been prescribed and consequently would be in direct conflict with the first requirement.<sup>33</sup> However, it remains to be seen whether the use of geo-blocking technology, to ensure that only U.S. users are able to access the service, may encourage Congress to extend the application of the compulsory licensing mechanism to cover webcasting.

### **I.[B] Webcasting as a form of cabling<sup>34</sup>**

Unfortunately, the Berne Convention seems to have followed a technology-specific approach. As a result, a distinction is made between broadcasting and cabling. The distinction is based on whether the process of signal transport is wireless [broadcasting] or via wire [cabling]. Therefore, webcasting may also be classified in the traditional sense as cabling. In the context of the Berne

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<sup>32</sup> Notwithstanding that the Berne Convention only specifically recognises the moral rights of paternity and integrity, the protection of moral rights was one of the main reasons for the opposition of the United States to join the Berne Convention, S. Ladas, *The International Protection of Literary and Artistic Property* (New York, The Macmillan Company 1938), 856-876. See also, Kristin Lingren, "United States of America", in: G. Davies and K. Garnett (eds), *Moral Rights* (2<sup>nd</sup> edition, Sweet & Maxwell, London 2016) 1039. Even after joining the Convention in 1988, it is still questionable whether the U.S. grants the level of moral rights protection required under the Berne Convention.

<sup>33</sup> For the same meaning, see Mihály Ficsor, *The Law of Copyright and the Internet* (OUP, 2002) 496 and Mihály Ficsor, "Collective Management of Copyright and Related Rights in the Digital Networked Environment: Voluntary, Presumption-based, Extended, Mandatory, Possible, Inevitable?", in: D. Gervais (ed), *Collective Management of Copyright and Related Rights* (Kluwer Law International, The Hague 2006) 59.

<sup>34</sup> The scope of this subsection is restricted to cabling, as in cable-originated programmes. For cable retransmission on the Internet [hereinafter referred to as Internet retransmission], see *infra* Section III.

Convention, the author's exclusive right of cabling was recognised in the Brussels Act of 1948. However, unlike the broadcasting right provision of Article 11*bis*, which is subject-matter neutral, the cabling right under the Berne Convention is subject-matter specific. Consequently, the cabling right is covered by a number of fragmented provisions.<sup>35</sup> While each of these provisions has its own defects, which are not relevant in the context of webcasting, none permits national laws to impose a compulsory licence to restrict the scope of the exclusive cabling right.<sup>36</sup> Accordingly, if webcasting was to be classified as a type of cabling, neither the U.S. nor the EU may introduce a compulsory licensing mechanism to cover such a use.

In sum, although international copyright treaties do not recognise a specific webcasting right, this new mode of exploitation is covered by the existing broadcasting and cabling rights. While the cabling right under the Berne Convention is not subject to any specific exceptions or limitations, Article 11*bis* (2) of the Convention permits national laws to restrict the scope of the author's exclusive right of broadcasting with a compulsory licensing mechanism.

Under EU law, webcasting comes under the general right of communication to the public. The exclusive nature of this right is preserved under the Information Society Directive and therefore no EU national law may restrict its scope with a compulsory licensing mechanism. In contrast, the U.S. does not recognise a general communication to the public right. Therefore, webcasting comes within the scope of the public performance right. The scope of this right is restricted with a compulsory licensing mechanism in respect of public broadcasting systems. However, extending the reach of the public broadcasting compulsory licensing mechanism to cover webcasting might bring U.S. copyright law into conflict with its obligations under the Berne Convention.

## Section II. On-demand streaming

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<sup>35</sup> See Articles 11(1)(ii), 11*ter*(1)(ii), 14 (1)(ii) and 14*bis*(1) of the Berne Convention.

<sup>36</sup> The fact that the Berne Convention did not recognise a compulsory licence in favour of cable operators makes the argument for the abolition of the broadcasting compulsory licence of article 11*bis* even stronger, especially since the cable industry competes with the broadcasting industry to attract the same viewers and copyright should not be employed to favour one rival at the expense of another. However, given the experience of the Stockholm Revision Conference of 1967 and that of Paris of 1971, where the haves and have-nots found it difficult to compromise, it is highly unlikely that the substantive provisions of the Berne Convention will ever be revised again.

On-demand streaming refers to a type of streaming where the data streams have been prepared and are available for users who wish to play a specific video, such as a cinematographic work or a song, at a time of their choosing.<sup>37</sup> According to the Internet TV Dictionary, it is where the streaming media content is transmitted to the client upon the latter's request.<sup>38</sup> Similar to webcasting, on-demand streaming is used to reach people who are geographically dispersed. However, unlike webcasting, on-demand streaming also reaches people who are chronologically dispersed. As such, it is a type of video-on-demand or VOD, and therefore is a point-to-point type of communication. Thus, it is an interactive service, where the listener or the viewer decides where and when to watch the content of the requested file.

On-demand streaming is becoming increasingly popular. A number of websites in today's world offer on-demand streaming. While some, such as Netflix, are subscription-based<sup>39</sup>, others, such as YouTube, are free to the end user.<sup>40</sup> Additionally, a growing number of broadcasters offer "catch-up TV" to enable their viewers to watch their shows hours, days or even weeks after the original television broadcast.

## **II. [A] On-demand streaming under international copyright instruments.**

In the early 1990s, doubts were raised as to whether existing international instruments, and more specifically the Berne Convention, covered transmission of works via electronic networks such as the Internet.<sup>41</sup> Similarly, it was unclear whether on-demand services would come within the scope of any of the exclusive rights that are specifically recognised under that Convention.<sup>42</sup> As a result, the WIPO took the decision to prepare a Possible Protocol to the Berne Convention to update the norms of international copyright.

At the eleventh hour, and only during the 1996 Diplomatic Conference, there was a change of heart among members of the Berne Union and the idea of a protocol was dropped. Instead, the provisions of the protocol were

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<sup>37</sup> IT Law Wiki, see [http://itlaw.wikia.com/wiki/On-demand\\_streaming](http://itlaw.wikia.com/wiki/On-demand_streaming) (last accessed 17<sup>th</sup> February 2018)

<sup>38</sup> [http://www.itvdictionary.com/definitions/on-demand\\_streaming\\_definitions.html](http://www.itvdictionary.com/definitions/on-demand_streaming_definitions.html) (last accessed 3<sup>rd</sup> February 2018)

<sup>39</sup> This type of service is normally referred to as SVOD or subscription video on demand.

<sup>40</sup> This type of service is referred to as AVOD or advertising, or ad-based, video on demand.

<sup>41</sup> Tanya Aplin and Jennifer Davis, *Intellectual Property Law* (3<sup>rd</sup> edition, OUP 2017) 69.

<sup>42</sup> Paul Goldstein and Bernt Hugenholtz, *International Copyright: Principles, Law and Practice* (OUP, 3<sup>rd</sup> edition 2013) 335.

incorporated into a new international instrument that took the form of the WIPO Copyright Treaty of 1996.<sup>43</sup> For the purposes of this chapter, the most important provision of the Treaty is Article 8, which states:

“Without prejudice to the provisions of Articles 11(1)(ii), 11bis(1)(i) and (ii), 11ter(1)(ii), 14(1)(ii) and 14bis(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.”

This provision, which for some reflects one of the Treaty’s main achievements<sup>44</sup>, was introduced to address the dissemination of works over the Internet in general and on-demand services in particular. Accordingly, it sought to achieve two objectives: to introduce a general communication to the public right to supplement the communication to the public right provisions of the Berne Convention and to extend copyright protection to cover on-demand services.

The first objective was deemed necessary because the fragmented cabling provisions of the Berne Convention are subject-matter specific and therefore created gaps in protection. For instance, artistic works enjoyed very limited protection against their unauthorised communication by cable under the Berne Convention. Even within the context of musical, dramatic, dramatico-musical and literary works, the cabling provisions of the Berne Convention are inherently defective: they only protect authors against the unauthorised communication by cable of the performance, representation and recitation of their works and not against the communication of the work *per se*.<sup>45</sup> Thus, Article 8 of the WIPO Copyright Treaty extended the protection of the communication to the public right to cover all types of literary and artistic works, which hitherto only the performance of which was protected by the cabling provisions of the Berne Convention.

The second objective was achieved through the introduction of the “making available” aspect of the communication to the public right to cover the dissemination of copyright works to people geographically and chronologically dispersed [hereinafter referred to as the “making available right”]. While the

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<sup>43</sup> Article 1(4) of the WIPO Copyright Treaty requires every member state to comply with all the substantive law provisions of the Berne Convention, i.e. Articles 1-21 and the Appendix.

<sup>44</sup> J. Reinbothe, M. Martin- Prat, and S. von Lewinski, ‘The New WIPO Treaties: A First Resume’, (1997) 19 EIPR 171, 173.

<sup>45</sup> See Articles 11(1)(ii), 11 *ter* (1)(ii) and 14(1)(ii) of the Berne Convention.

provisions of the Berne Convention were more concerned with the communication to members of the public who are geographically dispersed, the last sentence of Article 8 of the WIPO Copyright Treaty was drafted with the aim of extending copyright protection to cover people who are chronologically dispersed. Thus, the making available right extended copyright protection to cover on-demand services.<sup>46</sup>

In order to accommodate the different legal traditions and different drafting techniques, the WIPO Copyright Treaty did not require national laws to specifically recognise a general communication to the public right and/or the making available aspect of that right. Instead, it adopted the so-called "umbrella solution". According to this approach, it was not the legal characterisation which was important, but rather that the acts involved were covered by an appropriate exclusive right in domestic law.<sup>47</sup> Thus, it was left to national laws to choose the appropriate right or rights to cover on-demand services.

Unfortunately, the drafters of the WIPO Copyright Treaty seem to have overlooked that this umbrella solution in international copyright terms could lead to chaos. The exploitation of authors' works over the Internet recognises no national boundaries, and allowing national laws to protect against such exploitation by different rights which are normally subject to different limitations from one jurisdiction to another may lead to a great deal of uncertainty.<sup>48</sup> Furthermore, since the classification of the right would also play a crucial role in determining the applicable law, the umbrella solution would naturally make solving the private international law aspects even more complex. Whilst the umbrella solution might have appeared to be an appropriate political compromise, in legal terms it can only be perceived as a setback.

## II. [B] On-demand streaming under U.S. law

As a result of the umbrella solution, the U.S deemed it unnecessary to introduce a general communication to the public right or a specific making available right in its domestic law. Notwithstanding that, it could be argued

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<sup>46</sup> Mihály Ficsor, *The Law of Copyright and the Internet: The 1996 WIPO Treaties, their Interpretation and Implementation* (OUP 2002) para. 4.56

<sup>47</sup> See the submissions of the Delegations of the USA and the UK to the Committee of Experts on a Possible Protocol to the Berne Convention, Fifth Session, WIPO Document *BCP/CE/V/9-ISR/CE/IV8*, para. 20.

<sup>48</sup> For the same opinion, see the submission of the Delegation of Hungary, WIPO Committee of Experts on Possible Protocol to the Berne Convention, Sixth Session, Geneva, February 1-9, 1996, WIPO Document *BCP/CE/VI/16-ISR/CE/V/14*, para. 96.

that the U.S. Copyright Act of 1976 was the first national legislation to specifically extend copyright protection to cover on-demand services. This was achieved through the public performance and public display rights.

Section 101 of the 1976 Act defines “to perform or display a work publicly” in the following terms:

“(1) to perform or a display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.”

While the first paragraph of the definition covers communication in public, the second paragraph covers communication to the public and is widely known as the “Transmit Clause”.<sup>49</sup> The second part of the second paragraph of the definition covers the communication of works to people geographically and chronologically dispersed. It was introduced mainly to cover on-demand services, or as Professor Nimmer put it, the situation where the same copy of a given work is repeatedly played, albeit at different times.<sup>50</sup>

In introducing the chronological aspect in 1976, the U.S. legislature showed foresight, since most on-demand services, including the Internet, were not yet invented. Furthermore, it could be argued that in introducing the making available right under the WIPO Copyright Treaty, the drafters were very much influenced by the chronological aspect of the definition of the 1976 Act and thus very similar wording was adopted under Article 8 of the Treaty.

Even before the adoption of Article 8 of the WIPO Copyright Treaty, courts in the U.S did not hesitate to extend the scope of the public performance right to cover video-on-demand. In *On Command Video Corporation v. Columbia Pictures Industries*<sup>51</sup>, the plaintiff developed a system for the electronic delivery of movies to hotel guestrooms, upon the occupier’s request. Once a guest selected a movie, that video selection disappeared from the menu of available videos displayed on all other television sets in the hotel and therefore no movie

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<sup>49</sup> For the distinction between “communication in public” and “communication to the public”, see Makeen, *Copyright in a Global Information Society*, *op. cit.*, pp. 33-83.

<sup>50</sup> M. B. Nimmer, and D. Nimmer, D., *Nimmer on Copyright* (New York, Mathew Bender 2010), § 8. 14 [c] [3].

<sup>51</sup> 777 F. Supp. 787 (N.D. California 1991).

could be communicated to more than one hotel room at a time. Since section 101 of the 1976 Act defines the performance of a motion picture as “to show its images in any sequence or to make the sounds accompanying it audible”, the court did not find it difficult to conclude that the On Command system satisfied the performance requirement.

Unlike in France<sup>52</sup>, the performance *per se* is not a restricted act under U.S. law and therefore a performance must be public to come within the scope of the author’s exclusive rights. In confirming that On Command publicly performs the motion pictures, the court applied the chronological aspect of the Transmit Clause and held that a performance may still be public whether the number of hotel guests viewing the “transmission is one or hundred, and whether these guests view the transmission simultaneously or sequentially”.<sup>53</sup>

Although this decision makes it clear that VOD comes within the scope of the public performance right<sup>54</sup>, two elements may slightly undermine its value in the context of on-demand streaming. First, while clarifying the scope of the term performance, the court stated “{a} movie is thus performed only when it is visible and audible”.<sup>55</sup> This could mean that only when the content of the stream is actually visible and audible on the end user’s device would there be a performance. Put differently, the mere offering of movies on a VOD website may not suffice.<sup>56</sup> Secondly, in deciding that the transmission of a movie to a hotel room constitutes “public performance” under the Transmit Clause, the court based its analysis on the commercial nature of the relationship between the transmitter and the audience.<sup>57</sup> This reasoning not only rewrites the statutory language by introducing the commercial nature element<sup>58</sup>, but also *contrario* may lead to the undesirable result of exempting non-commercial on demand streaming websites from any copyright liability under the public performance right.

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<sup>52</sup> The only exception specifically recognised under French law is that of gratuitous performances within the family circle.

<sup>53</sup> 777 F. Supp. 787 (N.D. California 1991), at 790.

<sup>54</sup> This was confirmed in *United States v. ASCAP*, where it was stated that unlike downloading, streaming is governed by the public performance right, 627 F.3d 64 (2d Cir. 2010), at 74.

<sup>55</sup> *Ibid*, at 789.

<sup>56</sup> For the same issue, but in the context of the distribution right and online exploitation, see John Horsfield-Bradbury, “‘Making Available’ as Distribution: File-sharing and the Copyright Act”, (2008) 22 *Harv. J.L. & Tech.* 273.

<sup>57</sup> 777 F. Supp. 787 (N.D. California 1991), at 790.

<sup>58</sup> *Cartoon Network v. CSC Holdings, Inc.*, 536 F.3d 121 (2<sup>nd</sup> Cir. 2008), at 139.

Given the umbrella solution adopted under the WIPO Copyright Treaty, national laws are allowed to apply a combination of rights to cover on-demand streaming. Therefore, under U.S. law, a single transmission may simultaneously violate the public performance and the public display rights. In *Video Pipeline, Inc. v. Buena Vista Home Entertainment*, movie previews were made available on demand via the plaintiff's website to in-store video rental customers.<sup>59</sup> The court applied the public display right, which under U.S. law covers the non-sequential showing of motion pictures, together with the public performance right to enjoin the plaintiff from streaming the video clips to its retail customers.

## II. [C] On-demand streaming under EU law.

Under EU law, on-demand streaming is covered by the making available right. This making available right forms part of the wider communication to the public right of Article 3 of the Information Society Directive. It was introduced not only to implement Article 8 of the WIPO Copyright Treaty, but also as the Court of Justice of the European Union [CJEU] put it, albeit in the context of broadcasters' rights, "to overcome the legal uncertainty regarding the nature and the level of protection of acts of on-demand transmission by providing for harmonised protection at Community level for that type of act".<sup>60</sup> Therefore, this making available right does not cover the transmission of predetermined programmes, but comes into play only when members of the public can access the protected work at a time and place chosen by them.<sup>61</sup> It is not necessary for members of the public actually to access the copyright work<sup>62</sup>, for the mere act of making the video available on the Internet triggers the making available right.

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<sup>59</sup> 192 F. Supp. 2d 321 (D.N.J. 2002), aff'd, 342 F.3d 191 (3<sup>rd</sup> Cir. 2003).

<sup>60</sup> Judgment of 26<sup>th</sup> March 2015, *C More Entertainment AB v. Linus Sandberg*, Case C-279/13, EU:C:2015:199, para. 30; see also Recital 25 of the Information Society Directive.

<sup>61</sup> Unfortunately, the CJEU seems to have indirectly extended the criterion governing the application of the making available right, i.e. the chronological aspect, beyond its intended purpose to cover the communication of predetermined programmes, see Judgment of 7<sup>th</sup> December 2006, *Sociedad General de Autores y Editores de España (SGAE) v. Rafael Hoteles SA*, Case C-306/05, 2006 E.C.R. I-11519, EU:C:2006:764, paras 38-39.

<sup>62</sup> S. von Lewinski and M. Walter, "Information Society Directive", in: Michel Walter and Silke von Lewinski (eds), *European Copyright Law* (OUP 2010) 983.

The making available right covers all on-demand streaming services, such as VOD, pay per view, selection of works from online databases and podcasts.<sup>63</sup> Recently, the CJEU made it clear that the making available right is also relevant in the context of peer-to-peer networks. In *Stichting Brein v. Ziggo BV and XS4ALL Internet BV*<sup>64</sup>, the scope of this right was extended to cover the making available and management of a sharing platform on the Internet, which by means of indexation of metadata relating to protected works and the provision of a search engine, allows users of that platform to locate those works and to share them within a peer-to-peer network.

In sum, at the international level, on-demand streaming is covered by the making available right of Article 8 of the WIPO Copyright Treaty. However, this right was introduced only as an umbrella solution and therefore it is left to national laws to choose the right or rights through which on-demand streaming may be covered. Thus, while the U.S. chose to protect authors against on-demand streaming by the public performance and public display rights, the EU adopted a specific making available right for that purpose.

### **III. Internet retransmission of a broadcast**

Unlike webcasting, where the service provider originates its own programmes, the service provider in Internet retransmissions captures over-the-air broadcast signals, or cable signals, carrying copyright works and retransmits them to people geographically dispersed over the Internet. While cable and satellite packages are inflexible and therefore may require viewers to pay for programmes they do not watch, Internet retransmissions seem to satisfy consumers' needs for more choice and control over how and when they view television programmes.<sup>65</sup> The term "Internet retransmissions" covers simultaneous and delayed retransmissions. Since delayed retransmissions would naturally implicate the reproduction right, it falls outside the scope of this chapter. Accordingly, the rest of this section focuses only on simultaneous Internet retransmissions, where the service provider captures the signals and immediately retransmits them without delay to its subscribers.

#### **III.A Internet retransmission under international copyright instruments**

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<sup>63</sup> Irini Stamatoudi and Paul Torremans, "The Information Society Directive", in: Stamatoudi and Torremans (eds), *EU Copyright Law: a Commentary* (Edward Elgar 2014) 413.

<sup>64</sup> Judgment of 14<sup>th</sup> June 2017, Case C-610/15, EU:C:2017:456, para. 35.

<sup>65</sup> Pooja Patel, "Aereo and Internet Television: a Call to Save the Ducks (a la Carte)", (2016) 14 *Duke L. & Tech. Rev.* 140, 141.

Under international copyright instruments, Internet retransmissions constitute communication to the public. However, for three reasons, it is submitted that Article 8 of the WIPO Copyright Treaty 1996 has no application to Internet retransmission, which continues to be governed solely by Article 11*bis*(1)(ii) of the Berne Convention which protects authors against the unauthorised communication of their works by cable retransmission and rebroadcasting. First, the wording of Article 8 of the WIPO Copyright Treaty preserved the integrity of the Berne Convention and consequently the “without prejudice clause” of that provision makes it clear that Article 11*bis*(1)(ii) of the Berne Convention should remain intact. Secondly, the *raison d’être* of the general communication to the public right of Article 8 of the WIPO Copyright Treaty, as discussed above, was to supplement the defective and subject matter specific cabling provisions of the Berne Convention, as opposed to cable retransmission. In this connection, it is worth noting that unlike all the other communication to the public provisions of the Berne Convention, which are subject-matter specific, Article 11*bis* offers comprehensive protection and covers all types of literary and artistic works, in whatever form. Thirdly, the making available aspect of Article 8 of the WIPO Copyright Treaty, as discussed above, was intended to cover on-demand services, where members of the public access the work from a place and at a time chosen by them. Conversely, it has no application to services that operate on a predetermined programmes basis, such as Internet retransmission services. Thus, neither the general communication to the public right of Article 8 of the WIPO Copyright Treaty, nor its making available aspect, is relevant in the context of Internet retransmissions.

Since Article 11 *bis*(1)(ii) of the Berne Convention is the most relevant provision to Internet retransmissions, its wording, history and scope will be briefly examined here. As a general principle, under the Berne Convention the dissemination of works in non-material form is governed by the criterion of “new

public". As such, every act of exploitation that communicates the rendition to a new potential audience is considered to be a separate and independent prohibited act. Accordingly, the Convention recognises public performance, broadcasting and reception in public as separate exclusive rights.<sup>66</sup>

The Convention does not follow this general criterion in relation to the simultaneous cable retransmission right of Article 11*bis*(1)(ii). This provision grants authors of literary and artistic works the exclusive right of authorising:

"any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organisation other than the original one".

Under the Rome Act of 1928 of the Berne Convention, the broadcasting right was the only economic right specifically recognised in Article 11*bis*. During the Brussels Revision Conference, the Belgian Government and the Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle [BIRPI] suggested extending the scope of that provision to cover cable retransmission. Accordingly, they submitted a proposal that followed the "new public" criterion, giving the author the exclusive right to authorise "any new communication, whether over wires or not, of the work broadcast".<sup>67</sup>

The proposal would have had the effect of making simultaneous cable retransmission and simultaneous rebroadcasting subject to the author's authorisation when such retransmission or rebroadcast served to communicate the broadcast work to a new public.<sup>68</sup> Some delegations objected to this criterion on the grounds that any kind of retransmission can be classified as reaching a new audience that could not otherwise be reached and that it was not possible,

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<sup>66</sup> Articles 11 [1]{i}, 13 ter [1]{i} and 14 [1]{ii} cover the public performance, Article 11bis [1]{i} covers broadcasting and 11bis[1]{iii} covers reception in public.

<sup>67</sup>*Actes de la Conférence réunie à Bruxelles*, du 5 au 26 juin 1948, Berne, International Office, [1951], p. 270.

<sup>68</sup>*Actes de la Conférence réunie à Bruxelles*, op. cit., p. 265.

or practical, to investigate every installation used by a broadcasting organisation to determine whether it reached a new public.<sup>69</sup>

Furthermore, the delegations of Monaco and the Netherlands expressed the view that, for economic or other reasons, a broadcasting organisation that held the broadcasting right might prefer to serve a section of its audience via cable. In such a case, in their view, applying the "new public" criterion would subject such communication by cable to the author's consent, a result that might affect the development of the new cable technology.<sup>70</sup>

Accordingly, the two delegations supported by the delegation of Luxembourg proposed that authorisation to broadcast a work should cover any retransmission, whether by wire or not, made by the original broadcasting organisation.<sup>71</sup> As a result, a new proposal submitted by the Belgian delegation and adopted by the Conference provided that any communication to the public, whether over wires or not, would be subject to the author's authorisation when made by an organisation other than the original authorised broadcasting organisation. The adopted wording, as Walter correctly pointed out, "corresponded to the solution proposed by Monaco and the Netherlands which, *a contrario*, also required the author's consent for any rediffusion made by a body other than the one originally authorised".<sup>72</sup>

Accordingly, under the Convention there is a rebuttable presumption that an

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<sup>69</sup> *Actes de la Conférence réunie à Bruxelles, op.cit.*, pp. 273, 275, 278-279, 289. The Sub-Committee on Broadcasting and Mechanical Instrument of the Brussels Conference also found the criterion of 'new public communication' to be vague, p. 114.

<sup>70</sup> *Actes de la Conférence réunie à Bruxelles, op. cit.*, p. 275.

<sup>71</sup> "The right to broadcast a work covers the use of any process and means of sending out and transmitting sounds and images exploited by the broadcasting organisation granted the right". *Actes de la Conférence réunie à Bruxelles, op. cit.*, pp. 278- 279, and for the Luxembourg position see p. 289.

<sup>72</sup> Michel M. Walter, "Telediffusion and Wired-distribution Systems: Berne Convention and Copyright Legislation in Europe", [1974] *Copyright* 302, 304.

authorisation to broadcast, in the absence of any agreement to the contrary, will cover the use of all broadcasting installations, whether wireless or wire, of the same broadcaster.<sup>73</sup> Thus, disposing of the fear that authors one day might argue that each amplification and/or relay by the original broadcaster constitutes a rebroadcast requiring fresh consent and a new royalty. As such, the retransmission right comes into play only when the retransmission of signals is conducted by an organisation other than the original one.<sup>74</sup>

Put differently, the adopted text of Article 11bis [1]{ii} employs the notion of “different use” to distinguish between broadcasting and retransmission by cable. Since broadcasting and retransmission by cable are two different types of use, then each requires the author’s consent. However, as a concession to the original broadcaster, the adopted provision recognised a specific exception through which the original broadcast and any further cable retransmission are considered to be a single use, where both are undertaken by the same entity. Thus, the wording and legislative history of Article 11*bis*(1)(ii) make it clear that the criterion of ‘new public’ was explicitly rejected in respect of simultaneous cable retransmission. Similarly, the plain language of that provision makes it clear that the simultaneous cable retransmission right comes into play only when carried out by an organisation other than the original one, irrespective of whether the retransmission was made to a new public or to a public that was reachable by the original broadcast.

Notwithstanding the clarity of the text adopted under Article 11bis (1)(ii), some continental scholars, including Robert Dittrich, came up with an interpretation that neither the text nor the legislative history of that provision could support.<sup>75</sup>

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<sup>73</sup> In this connection, see Actes de la Conférence réunie à Bruxelles, *op. cit.*, p. 289.

<sup>74</sup> H. Desbois, A. Françon, “Copyright and the Dissemination by Wire of Radio and Television Programmes” (1975) 86 *RIDA* 3, 50-52.

<sup>75</sup> Robert Dittrich, “On the Interpretation of Article 11*bis* [1] and [2] of the Berne Convention”, [1982] *Copyright* 294.

Fearing that it might lead to double payment for the author in respect of the same audience, Dittrich rejected the "organisation other than the original one" criterion and instead advocated the "service zone theory".<sup>76</sup>

In defining the service zone, Dittrich stated that it is the legally assigned area of responsibility in the case of broadcasting organisations under public law, and in the case of broadcasting organisations set up under private law by their statutes.<sup>77</sup> He went on to say that any relaying of a broadcast by wire within that service area is to be considered "a mere act of reception, even if reception is thereby improved or indeed made possible where previously it was not owing to a transmission shadow".<sup>78</sup> In his view, the service zone theory would not only avoid the danger of double payment, but would also give the broadcasting organisation a free hand in the choice of available technology to fulfil its legal obligation or, as the case may be, to exercise its intention, to service a particular area.<sup>79</sup> Furthermore, he asserted that it would make no difference whether the "relay station was installed and/or operated by the broadcasting organisation itself, by others alone or by others with financial or organisational assistance from the broadcasting organisation".<sup>80</sup>

It is submitted that the service zone theory is a foreign concept to the Berne Convention. This is especially so, since it amounts to a subtle attempt to introduce through the backdoor the "new public" criterion, which was emphatically rejected at the Brussels Conference. Furthermore, it goes against

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<sup>76</sup> The same reasoning seems to be followed by Werner Rumphorst, "Cable Distribution of Broadcast" [1983] *Copyright* 301, 302 and Dietrich Reimer, "The Right of Public Performance in View of Technological Advancement" (1979) 10 *IIC* 541, 547, 559.

<sup>77</sup> Robert Dittrich, *op. cit.*, 300.

<sup>78</sup> *Ibid.* For the same opinion, see Dietrich Reimer, *op. cit.*, 547, 559.

<sup>79</sup> Although a distinction might be made between the "service zone or area" and the "direct reception zone or area", this is not followed here. Therefore, this chapter uses the term "service zone" to cover the service area, direct reception area and operating area of the transmitter.

<sup>80</sup> Robert Dittrich, *op. cit.*, 301.

the clear wording of Article 11bis(1)(ii). Moreover, most international scholars are in agreement that the only criterion applicable to cable retransmission is that of “organisation other than the original one”.<sup>81</sup> Therefore, under the Berne Convention an Internet retransmission would constitute a separate and independent prohibited act from that of broadcasting, if carried out by an organisation other than the original broadcasting station. Any national law of a Berne Union member that does not protect authors against Internet retransmissions made by a third party, i.e. an entity other than the original broadcaster, would be in breach of its international obligations.

### **III.B. Internet Retransmission under EU Law**

Since UK law has so far been the only national law to come under EU scrutiny in respect of Internet retransmissions, it is discussed here in detail. Although the service zone theory was formulated by continental European scholars, it seems that the idea upon which it is based originated from UK law. A quarter of a century prior to the publication of Dittrich’s service zone theory, the UK Copyright Act of 1956 adopted a provision that, for all intents and purposes, introduced a service zone exception in respect of simultaneous cable retransmission.<sup>82</sup> The reason for recognising such an exception was the belief that it would support the development of cable infrastructure.<sup>83</sup> Accordingly, under the Copyright Act

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<sup>81</sup> Frank Gotzen, “Cable Television and Copyright in Belgium” [1982] *Copyright* 307, 310; Victor Hazan, “The ‘Body other than the Original Broadcaster’ in Cable transmissions- Article 11bis [1] (i) of the Berne Convention”, [1984] *Copyright* 228, 236; Michel M. Walter, “Telediffusion and wired-distribution systems: Berne Convention and copyright legislation in Europe”, [1974] *Copyright* 302, 304; Ulrich Uchtenhagen, “Broadcasting and Copyright”, WIPO/CNR/CA/94/8, p. 6; and H. Desbois, A. Françon, “Copyright and the Dissemination by Wire of Radio and Television Programmes” (1975) 86 *RIDA* 3, 50-52.

<sup>82</sup> Thus, any deferred retransmission fell outside the scope of the exemption.

<sup>83</sup> See Consultation Paper, *The Balance of Payments between Television Platforms and Public Service Broadcasters*, Department for Culture, Media & Sport, (26<sup>th</sup> March 2015) para.38 available at <https://www.gov.uk/government/consultations/the-balance-of-payments-between-television-platforms-and-public-service-broadcasters-consultation-paper> (last accessed 25th January 2018).

1956, cable operators were allowed to retransmit free of charge the broadcast works of the British Broadcasting Corporation [BBC] and the Independent Television Authority [ITA] without obtaining the authors' permission.<sup>84</sup> Even if the work broadcast by the BBC, or the ITA, which was to become the Independent Broadcasting Authority [IBA], was unauthorised by the copyright owner, the cable operator was still exempted from copyright liability, but the scope of the retransmission by cable was taken into account in assessing damages against the BBC or the IBA.<sup>85</sup>

During the process of revising the 1956 Act, which led to a major overhaul of UK copyright law and the enactment of the Copyright, Designs and Patent Act 1988 (CDPA), it was pointed out to the revision committee [the Whitford Committee] that the service zone exemption was in direct conflict with Article 11*bis* [1] (ii) of the Berne Convention. Furthermore, it was proposed to the Whitford Committee that authors should at least share in the commercial proceeds flowing from the retransmission of their works by cable.<sup>86</sup> Although that proposal amounted to a compulsory licensing mechanism, it would still have been in compliance with Article 11*bis*. This is especially so, since, as discussed above, the second paragraph of that provision allows Berne Union members to replace the exclusive rights recognised under the first paragraph, including cable retransmission, with a compulsory licensing mechanism.

The response of the Whitford Committee was couched in what was described as 'somewhat strange terms'<sup>87</sup>: "We are impressed by the fact that the present position, although somewhat anomalous by international standards, works well

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<sup>84</sup> Copyright Act 1956, section 40 [3], [3A].

<sup>85</sup> Copyright Act 1956, section 40 [4].

<sup>86</sup> Copyright and Designs Law: Report of the Committee to Consider the Law on Copyright and Designs 1977, 'The Whitford Committee', Cmnd 6732, London, HMSO, [1980], p. 115, para. 439.

<sup>87</sup> Denis de Freitas, "Diffusion of Broadcast Programmes- UK Authors Lose Out Despite the Berne Convention" (1979) 1 *EIPR* 121, 122.

in practice”.<sup>88</sup> Regrettably, section 73 of the CDPA of 1988 followed the recommendation of the Whitford Committee and retained the simultaneous cable retransmission exemption. Indeed, it could be argued that that provision, with its thirteen subsections, has widened the scope of the cable retransmission exemption.<sup>89</sup>

It was this provision of the CDPA that provided the CJEU with its first opportunity to consider the issue of Internet retransmission. In *ITV Broadcasting v TV Catchup Ltd* [TVC]<sup>90</sup>, the defendant operated a website that offered Internet retransmission service of a number of stations, including those transmitted by the claimants. TVC service was designed to allow people who do not have access to their television sets at the time of broadcasting to follow their favourite programmes “on the move”, i.e. on their computers or mobile devices in almost real time. This was done through capturing the signals via an antenna, converting the incoming transmission into a different compression standard, and without delay retransmitting the same [known as simultaneous retransmission] to the end user upon their request over the Internet. Accordingly, while the same antenna might have served a group of end users, a separate individual packet of data was addressed to every individual user. Put differently, not a single stream was addressed to more than one end user at a time. Therefore, a new stream was created for every single individual user and never to a group of users.

All Internet retransmissions made by TVC were of content that could be viewed for free on television sets in the UK, provided that the user held a valid UK

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<sup>88</sup> Whitford Committee, *op. cit.*, paras. 431, 445.

<sup>89</sup> “73. Reception and retransmission of wireless broadcast by cable

(1) This section applies where a wireless broadcast made from a place in the United Kingdom is received and immediately re-transmitted by cable.

(2) The copyright in the broadcast is not infringed—

(a) if the re-transmission by cable is in pursuance of a relevant requirement, or

(b) if and to the extent that the broadcast is made for reception in the area in which it is re-transmitted by cable . . .”

<sup>90</sup> Judgment of 7<sup>th</sup> March 2013, *ITV Broadcasting v TV Catchup Ltd*, Case C-607/11 EU:C:2013:147.

television licence. To that end, TVC made sure that its subscribers had confirmed that they had a valid UK television licence before allowing access to its service. Furthermore, TVC authenticated the location of users and refused access to those outside the UK.

The service offered by TVC was funded by advertising. In addition to “pre-roll advertising”, which was shown before the end user was able to view the Internet retransmission, TVC also employed “in-skin advertising”, where the viewer saw the TVC stream surrounded by advertising. The advertisements already contained in the original broadcast were left intact and sent to the end user as part of the stream.

The claimants instituted proceedings against TVC before the High Court of Justice of England and Wales claiming, *inter alia*, infringement of their communication to the public right as recognised under section 20 of the CDPA and Article 3 (1) of the Information Society Directive.<sup>91</sup> In defining the scope of section 20 of the CDPA and Article 3(1) of the Information Society Directive, the claimants invoked the wording and spirit of Article 11*bis* (1)(ii) of the Berne Convention, discussed above, and argued that whenever there is an intervention by a broadcasting organisation other than the original one, there is a communication to the public.<sup>92</sup> The defendant on the other hand contended that its activities were exempted from any copyright liability based on section 73 of the CDPA and the service zone exception contained therein.<sup>93</sup>

The claimants made a number of arguments to exclude the application of section 73 of the CDPA. First, the claimants pointed out that since any Internet retransmission was digital in nature, it could not be in compliance with Article

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<sup>91</sup> *ITV Broadcasting Limited, ITV 2 Limited, ITV Digital Channels Limited, Channel 4 Television Corporation, Four Ventures Limited, Channel 5 Broadcasting Limited, ITV Studios Limited v TV Catchup Ltd*, 18<sup>th</sup> July 2011, [2011] EWHC 1874; 2011 WL 2747844.

<sup>92</sup> *Ibid*, para. 84.

<sup>93</sup> *Ibid*, para. 20.

5(3)(o) of the Information Society Directive.<sup>94</sup> Secondly, they argued that since the exception could only apply to retransmissions of unadulterated signal, the Internet retransmission of TVC failed that condition for being viewed within “in-skin” advertising. Thirdly, they asserted that the Internet retransmission of TVC was a delayed retransmission because the showing of pre-roll advertisements to the end user disqualified the Internet retransmission from being simultaneous. Fourthly, they contended that the term “cable” as used under section 73 should be narrowly interpreted so as not to cover Internet retransmissions. Curiously, all the above arguments were unreservedly rejected by Floyd J, as he was then.<sup>95</sup>

The court accepted, however, that for TVC to benefit from the exception, the whole or substantially the whole of the process must be by cable. Accordingly, it was held that the defendant could not take advantage of the defence where their retransmissions were for reception by mobile phones.<sup>96</sup> Similarly, the court accepted that the defendant could not benefit from the exception where the Internet retransmission goes beyond the service zone of the original broadcaster.<sup>97</sup> Accordingly, Floyd J handed down a provisional judgment, in which he held that TVC were entitled to the benefit of the exception under section 73, except to the extent where the Internet retransmission was for (a) reception by mobile phones or (b) reception outside the original service zone of the broadcaster. He also stayed proceedings in relation to the scope of the rights of communication to the public and reproduction pending a reference to the CJEU.

In seeking clarification from the CJEU, Floyd J correctly pointed out that neither the scope of the communication to the public nor its application to Internet

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<sup>94</sup> See *sura* section 1.(A).

<sup>95</sup> *Ibid*, paras 130-140.

<sup>96</sup> *Ibid*, para. 139.

<sup>97</sup> *Ibid*, para. 142.

retransmissions were rendered *acte claire* by previous decisions of the CJEU.<sup>98</sup> Accordingly, he referred a host of questions to the CJEU for preliminary ruling, the most important of which can be summarised in the following terms:

Whether the concept of 'communication to the public', within the meaning of Article 3(1) of Directive 2001/29, must be interpreted to cover retransmission of copyright works included in a terrestrial television broadcast:

- where the retransmission is made by an organisation other than the original broadcaster;
- by means of an internet stream made available to the subscribers of that other organisation;
- where the subscribers are within the intended area of reception of the initial broadcast and may lawfully receive the broadcast on a television receiver; and
- where the Internet retransmission is communicated through one-to-one connection.<sup>99</sup>

In answering the referred questions, the CJEU reiterated that the principal objective of the Information Society Directive was to establish a high level of protection of authors and that therefore the communication to the public right must be interpreted broadly.<sup>100</sup> Similarly, the Court reiterated that the author's right of communication to the public under the Information Society Directive covers any transmission or retransmission of a work to the public not present at the place where the communication originates. Furthermore, the Court made reference to Article 3(3) of that Directive and stated that authorising the inclusion of protected works in a communication to the public does not exhaust the right to authorise or prohibit other communications of those works to the public.

The Court noted that since the Information Society Directive did not define

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<sup>98</sup> *ITV Broadcasting Limited v TV Catchup Ltd*, 14<sup>th</sup> November 2011, [2011] EWHC 2977 (Pat), 2011 WL 5105629, para. 23.

<sup>99</sup> See *ITV Broadcasting Limited v TV Catchup Ltd*, 14<sup>th</sup> November 2011, [2011] EWHC 2977 (Pat), 2011 WL 5105629, para 24 and Judgment of 7<sup>th</sup> March 2013, *ITV Broadcasting v TV Catchup Ltd*, Case C-607/11 EU:C:2013:147, para. 18.

<sup>100</sup> *Case C-607/11 EU:C:2013:147*, para. 20.

the concept of communication exhaustively, the meaning and scope of that concept must be defined in the light of the context in which it occurs and also in the light of the objective of the Directive.<sup>101</sup> This line of reasoning seems to have allowed the Court to adopt a technology-specific approach and thus to deviate from the “new public” criterion<sup>102</sup>, which hitherto had been applied indiscriminately by the CJEU. Instead, the Court introduced the concept of “different technical use” as the governing criterion for the application of the communication to the public right to Internet retransmissions.

This concept, according to the Court, reflects the intention of the EU legislature that each transmission or retransmission of a work that “uses a specific technical means” must be individually authorised by the author of the work in question.<sup>103</sup> Accordingly, the Court concluded that since an Internet retransmission uses a specific technical means different from that of the original broadcasting, they are separate acts of communication.

In determining the scope of the term “public”, the Court followed previous case law which defined the term to mean “an indeterminate number of potential recipients and which implies a fairly large number of persons.”<sup>104</sup> Furthermore, the Court made it clear that it was irrelevant whether the potential recipients accessed the retransmitted works through a one-to-one connection. This is especially so, since that technique does not prevent a fairly large number of persons from having access to the retransmitted work at the same time.<sup>105</sup>

By introducing the criterion of “different technical use” to govern the application of the EU communication to the public right to Internet

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<sup>101</sup> *Ibid*, para. 22.

<sup>102</sup> *Ibid*, para. 39. The CJEU has been consistent in defining the term “new public” as a public that was not taken into account by the copyright holders when they authorised the initial communication to the public.

<sup>103</sup> *Case C-607/11, op. cit.*, paras 23.

<sup>104</sup> *Ibid*, para. 32.

<sup>105</sup> *Ibid*, para. 34. The Court also acknowledged that the “for profit” nature of the defendant’s activity was not a determinative factor.

retransmissions, the CJEU seems to have achieved two objectives. First, it interpreted the EU communication to the public right in a way that is compliant with Article 11*bis*(1)(ii) of the Berne Convention. This provision, as discussed above, adopts the concept of “different use”, which is also known as the organisation other than the original one, as the sole criterion to distinguish between two separate and independent acts: communication by broadcasting and any further communication by simultaneous cable retransmission of the broadcast. Thus, as a result of introducing the criterion of “different technical use”, the EU communication to the public right, at least in the context of Internet retransmission, seems to be in conformity with its international obligations under the Berne Convention.<sup>106</sup>

Secondly, it freed the EU communication to the public right, at least within the context of Internet retransmissions, from the shackles of the “new public” criterion. In stating that the meaning and scope of the communication to the public must be defined in the light of the context in which it occurs<sup>107</sup>, the CJEU seems to have implicitly acknowledged that the criteria governing the application of the EU communication to the public right may differ from one situation to another, depending on the technological context. Accordingly, while satisfying the “new public” criterion remains a prerequisite for the application of the communication to the public right to hyperlinking<sup>108</sup>, reception in public<sup>109</sup>,

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<sup>106</sup> Although the EU is not a member of the Berne Convention, it is still required to comply with its provisions. This is especially so, since the EU is a member of TRIPS, which requires members to comply with all the substantive law provisions of the Berne Convention, excluding the moral rights provision of Article 6 *bis*.

<sup>107</sup> *Case C-607/11* EU:C:2013:147, para. 22.

<sup>108</sup> Judgment of 13<sup>th</sup> February 2014, *Nils Svensson v. Retriever Sverige AB*, Case C-466/12, EU:C:2014:76, para. 24; Judgment of 8<sup>th</sup> September 2016, *GS Media BV v Sanoma Media Netherlands BV and others*, Case C-160/15, EU:C:2016:644, paras. 40, 42 and 52; and order of 21<sup>st</sup> October 2014, *BestWater International v. Michael Mebes*, C-348/13, unpublished, EU:C:2014:2315, paras. 14 and 18.

<sup>109</sup> Judgment of 31<sup>st</sup> May 2016, *Reha Training Gesellschaft für Sport- und Unfallrehabilitation mbH v. Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte eV (GEMA)*, Case C-117/15, EU:C:2016:379, para.

simultaneous cable retransmission through a collective antenna<sup>110</sup> and even the simultaneous cable retransmission to hotel rooms<sup>111</sup>, it is irrelevant in the context of Internet retransmissions.<sup>112</sup>

In the context of cable retransmission in general, and Internet retransmission in particular, this “new public” criterion, as discussed above, is tantamount to adherence to the service zone theory.<sup>113</sup> Therefore, in rejecting the application of the “new public” criterion, the CJEU had implicitly dismissed the relevance of the service zone theory in the context of Internet retransmission.

When the case returned to the High Court, Floyd J applied the approach adopted by the CJEU.<sup>114</sup> Accordingly, the Internet retransmission by TV Catchup was held to be a communication to the public within the meaning of Article 3 of the Information Society Directive. However, since the validity of the service zone exception was not explicitly referred to the CJEU, the High Court held that TV Catchup had a valid defence under section 73 (2) (b) and (3) of the CDPA 1988 and therefore was allowed to continue to retransmit public service broadcasting. The application of the defence was subject to the same two conditions of the

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45; Judgment of 4<sup>th</sup> October, *Football Association Premier League and Others v. QC Leisure and Karen Murphy*, C-403/08 and C-429/08, EU:C:2011:631, para. 197.

<sup>110</sup> Judgment of 16<sup>th</sup> March 2017, *AKM v. Zürs.net Betriebs GmbH*, Case C-138/16, EU:C:2017:218, para. 29. Here, the CJEU seems to have merged the “different technical use” criterion, as used in this chapter, with the “new public criterion” and required both to be satisfied for a traditional simultaneous retransmission by cable to come within the scope of the communication to the public right, see paras. 26-27.

<sup>111</sup> Judgment of 7<sup>th</sup> December 2006, *Sociedad General de Autores y Editores de España (SGAE) v. Rafael Hoteles SA*, Case C-306/05, 2006 E.C.R. I-11519, EU:C:2006:764, para. 40.

<sup>112</sup> *Case C-607/11, op. cit.*, para. 39.

<sup>113</sup> For a criticism of applying the “new public” criterion by the CJEU to cases of simultaneous cable retransmission, see M Makeen, “The Controversy of Simultaneous Cable Retransmission to Hotel Rooms Under International and European Copyright Laws”, (2009-2010) 57 [1-2] *Journal of the Copyright Society of the USA* 59, 97-103.

<sup>114</sup> *ITV v TVCatchup* [2013] EHC 3638 (Ch); 2013 WL 6047421. However, the published report seems to be incomplete and the complete version is available at: <http://presscentre.itvstatic.com/presscentre/sites/presscentre/files/TVCatchup.pdf> (last accessed 1<sup>st</sup> February 2018).

provisional order, namely that the retransmission is not made to mobile devices or to areas outside the catchment area of the original broadcast.

Both parties appealed the decision. TV Catchup appealed the part of the decision that held Internet retransmission to mobile devices to be a copyright infringement. However, the Court of Appeal confirmed the mobile devices part of the decision and dismissed TV Catchup's appeal.<sup>115</sup> The broadcasters, on the other hand, appealed the part of the decision that extended the application of the service zone exception of section 73 of the CDPA to cover Internet retransmission and challenged the compatibility of that section with EU copyright law. As a result, yet again, proceedings were stayed and the Court made a reference to the CJEU to clarify whether Article 9 of the Information Society Directive permitted the retention of the exception of section 73 of the CDPA and if so, whether that exception extended to cover Internet retransmission or only retransmission by traditional cable systems.<sup>116</sup>

Article 9 of the Information Society Directive states:

"This Directive shall be without prejudice to provisions concerning in particular patent rights, trade marks, design rights, utility models, topographies of semiconductor products, type faces, conditional access, access to cable of broadcasting services, protection of national treasures, legal deposit requirements, laws on restrictive practices and unfair competition, trade secrets, security, confidentiality, data protection and privacy, access to public documents, the law of contract."

In rejecting the application of Article 9 to cover the service zone exception of section 73 and accordingly Internet retransmissions, the CJEU noted that the

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<sup>115</sup> *ITV Broadcasting Ltd v. TVCatchup Ltd (in administration)* [2015] EWCA Civ 204; [2015] E.C.D.R. 16, paras. 91-95.

<sup>116</sup> *Ibid*, paras. 87-90. For analysis of the questions referred to the CJEU, see Nishani Reed, "Is Time Catching up with TVCatchup and the Cable Retransmission Defence?" [2015] *Ent. L. Rev.* 181.

principal objective of the Directive is to establish a high level of protection of authors. The Court then based its judgment on two grounds. The first being that the concept of “access to cable of broadcasting services”, as used in the above provision, in the absence of any express reference to the laws of member states, must be given an autonomous and uniform interpretation throughout the European Union.<sup>117</sup> The Court went on to say that the term “access to cable” as used in Article 9 does not cover retransmission by cable, which was deliberately omitted from the scope of the provision.<sup>118</sup>

The second ground upon which the Court based its judgment is the exhaustive nature of the exceptions and limitations recognised under Article 5 of the Information Society Directive and that Internet retransmissions do not fall within the scope of any of the exceptions or limitations enumerated under that provision.<sup>119</sup> Thus, it held that interpreting Article 9 of the Directive as permitting national law to exempt Internet retransmissions within the service zone of the original broadcast from copyright liability would run counter to the exhaustive nature of the exceptions and limitations and would be detrimental to the objectives of that Directive.<sup>120</sup>

Notwithstanding the results of the Brexit referendum, this ruling seems to have forced the hand of the UK government to reconsider its position on the service zone exception. Consequently, section 34 (1) of the Digital Economy Act 2017 repealed section 73 of the CDA and its service zone exception.<sup>121</sup> This provision of the Digital Economy Act, which came into force on 31<sup>st</sup> July 2017, not only abolished the service zone exception in respect of Internet retransmissions, but

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<sup>117</sup> Judgment of 1<sup>st</sup> of March 2017, *ITV v. TV Catchup Ltd* [in administration], Case C-275/15, EU:C:2017:144, para. 18.

<sup>118</sup> *Ibid*, paras. 18-23.

<sup>119</sup> It is worth noting that even when a national law introduces an exception or limitation that is already recognised under Article 5, that exception or limitation still needs to comply with the three-step test.

<sup>120</sup> Case C-275/15, EU:C:2017:144, *op. cit.*, paras. 25-28.

<sup>121</sup> Digital Economy Act 2017, c. 30, 27<sup>th</sup> April 2017.

also in respect of traditional cable retransmission. Therefore, after six years of litigation<sup>122</sup>, and almost two decades after this author had raised the issue of incompatibility of section 73 of the CDPA with the UK's international obligations<sup>123</sup>, the service zone exception has finally ceased to exist. Thus, under EU law, Internet retransmissions require the copyright owners' consent and no national law may employ the service zone theory to exempt such an activity from the scope of the communication to the public right.

### III.C Internet Retransmission under U.S. Law

In the U.S., as discussed above, the public performance right covers communication in public and communication to the public. While U.S. copyright law has consistently been successful in responding to new technologies<sup>124</sup>, it has always struggled with the notion that a single rendition may lead to multiple public performances. Therefore, cable retransmission has had an uneasy life under U.S. copyright law.

With the steady increase in the late 1960s and early 1970s in the number of cable retransmission systems<sup>125</sup>, or, as they were then known community antennae television (CATV), a conflict between copyright owners and cable

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<sup>122</sup> During that period, a number of short case comments were published by various authors. For a concise history of the litigation covering the period 2011-2015, see Iona Silverman and Yindi Gesinde, "*ITV v. TV Catchup*: the saga continues . . . .", (2016) *EIPR* 580. For the first ruling by the CJEU, see Rachel Montagnon and Joel Smith, "Live Streaming of TV Content to Recipients Licensed to Receive the Original Broadcast Infringes the Communication to the Public Rights of Copyright Owners", [2013] *Ent.L. Rev* 149. For the second ruling by the CJEU, see Joel Smith, Victoria Horsey and Adam Goddard, "Law Catches up with Free TV Streaming Sites" [2017] *EIPR* 386.

<sup>123</sup> M Makeen, *Copyright in a Global Information Society*, *op. cit.*, 251.

<sup>124</sup> For a view that the ever expanding scope of the public performance right might be to the detriment of transmissions technology, see Nicole Webster, "Copyright Takeover: Balancing Art and Technology After Aereo" (2017) 57 *Santa Clara L. Rev.* 161, 177.

<sup>125</sup> While in 1952 there were approximately 70 such systems serving a total of 14,000 households, by 1983 there were over 4,700 cable systems, see William Grant, *Cable Television* (Virginia, Reston Publishing 1983) xiv.

operators became inevitable. As a result, the Supreme Court had to decide two cases of cable retransmission within a period of six years: *Fortnightly Corp. v. United Artists Television*<sup>126</sup>, and *Teleprompter Corp. v. Columbia Broadcasting System*.<sup>127</sup> In these two cases, the cable operator, without the copyright owner's consent, retransmitted simultaneously to its subscribers broadcast signals carrying copyright works.<sup>128</sup>

Oddly enough, in reaching its decision, which reflected reluctance to accept that a single rendition may lead to multiple public performances, the Supreme Court employed what is widely known as the "viewer/performer" test. According to that test, both broadcasters and viewers play a role in the total television process. A distinction must be made, however, between the active role played by broadcasters and the passive role played by viewers.<sup>129</sup> According to the Court, cable systems came within the viewer's sphere. Thus, it concluded that simultaneous cable retransmission was essentially a viewer function and did not amount to a separate public performance from that of broadcasting.

As a result of these two cases, cable systems engaged more aggressively in the transmission of all types of television programmes and copyright owners lobbied for legislation to reverse the approach adopted by the Supreme Court. In response, Congress, which is an intensely political body, loath to impose one-sided losses on any interest group, even if sound copyright policy dictates that result<sup>130</sup>, sought a compromise that accommodated the needs of both camps.<sup>131</sup>

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<sup>126</sup> 392 U. S. 390 (1968).

<sup>127</sup> 415 U. S. 394 (1974).

<sup>128</sup> These two cases share similar facts, save that in *Fortnightly* the cable operator retransmitted local signals and in *Teleprompter* the retransmission was of distant signals.

<sup>129</sup> 392 U. S. 390 [1968], p. 399 and 415 U. S. 394 [1974], p. 408.

<sup>130</sup> Thomas P. Olson, "The Iron Law of Consensus: Congressional Responses to Proposed Copyright Reforms Since the 1909 Act", (1988-1989) 36 *Journal of the Copyright Society of the US* 109, 111, 116.

<sup>131</sup> Gerald Meyer, "The Feat of Houdini or How the New Act Disentangles the CATV-Copyright Knot", (1977) 22 *25 N. Y. L. S. L. R.* 545, 549.

Accordingly, the 1976 Act adopted the single rendition/multiple public performances approach and widened the scope of the term public performance to cover not only the initial rendition or showing, but also any further act by which the rendition or showing is transmitted or retransmitted to the public.<sup>132</sup> This approach reversed the basis upon which the Supreme Court rendered its decisions of *Fortnightly* and *Teleprompter* and made it clear that the simultaneous cable retransmission amounts to a separate and independent public performance from the initial broadcast. However, Congress acknowledged that a system where every cable system needed to negotiate for the rights to every work it retransmits was impractical and unduly burdensome.<sup>133</sup> Therefore, by virtue of section 111, a compulsory licensing mechanism was recognised to cover the simultaneous cable retransmission.<sup>134</sup> This compulsory licensing mechanism, which reflects the core of the compromise adopted by Congress, not only guarantees to cable operators unhindered access to copyright works, but also allows them to bypass the transaction costs and impracticalities of negotiating individual licences. Equally, this compulsory licensing mechanism restores a measure of protection to copyright owners by ensuring that they are compensated whenever their works are subject to retransmission by cable.<sup>135</sup>

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<sup>132</sup> The House Report stated "a singer is performing when he sings a song; a broadcasting network is performing when it transmits his performance (whether simultaneously or from records); a local broadcaster is performing when it transmits the network broadcast; a cable television system is performing when it retransmits the broadcast to its subscribers; and any individual is performing whenever he plays a phonorecord embodying the performance or communicates the performance by turning on a receiving set", H. R. Rep., 94-1476, 2d Sess., [1976] pp. 62-63.

<sup>133</sup> H. R. Rep., 94-1476, 2d Sess., [1976] p.89.

<sup>134</sup> This provision has been described as the most technical section of the 1976 Copyright Act, see Edward B. Samuels, 'Copyright and the New Communications Technology', (1980) 25 *N. Y. L. S. L. R.* 905, 911.

<sup>135</sup> Although most types of simultaneous cable retransmission come within the scope of the compulsory licensing mechanism of Section 111, it is worth noting that that provision exempts certain retransmissions from any copyright liability and any retransmission falling outside the scope of the exemptions, or not meeting the conditions of the compulsory licensing mechanism, is subject to full liability.

In *WPIX, Inc v. ivi, Inc*, the defendant attempted to extend the application of the compulsory licensing mechanism of section 111 to cover its Internet retransmission.<sup>136</sup> In rejecting the defendant's argument, the court followed the *Chevron* two-step process, which requires the court to ascertain whether Congress has clearly spoken on the issue and if it has not, the court can proceed to the second step and defer to an agency's interpretation of the statute, so long as it is reasonable.<sup>137</sup> The Court concluded that although the statutory language of section 111 was slightly ambiguous, the legislative history made it clear that it was not the intention of Congress to extend the compulsory licensing mechanism to Internet retransmissions. Furthermore, the Court invoked the Copyright Office's interpretation, which has consistently maintained that Internet retransmission services are not qualified for a section 111 licence.

Had this decision stood on its own, it would have put an end to the Internet retransmission controversy within the geographical jurisdiction of the Second Circuit. However, a few years earlier, in *Cartoon Network v. CSC Holdings* [known as the Cablevision decision]<sup>138</sup>, the same Circuit held that transmissions from Remote Storage Digital Video Recordings (RS-DVR) to individual subscribers fall outside the scope of the author's exclusive right of public performance. According to the court, since every RS-DVR transmission is made to a single subscriber, those transmissions could not amount to "public" performances.<sup>139</sup>

Notwithstanding its attempt to restrict the scope of its holding to the technology subject to the dispute<sup>140</sup>, the Second Circuit's decision seems to have inadvertently encouraged businesses to design technologies to circumvent the

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<sup>136</sup> 691 F.3d 275 (2<sup>nd</sup> Cir. 2012).

<sup>137</sup> *Chevron U.S.A., Inc v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

<sup>138</sup> *Cartoon Network v. CSC Holdings, Inc.*, 536 F.3d 121 (2<sup>nd</sup> Cir. 2008).

<sup>139</sup> *Ibid*, at 138.

<sup>140</sup> "This holding, we must emphasize, does not generally permit content delivery networks to avoid all copyright liability by making copies of each item of content and associating one unique copy with each subscriber to the network, or by giving their subscribers the capacity to make their own individual copies." *Ibid*, at 139.

copyright owner's exclusive right of public performance.<sup>141</sup> As GIBLIN and GINSBURG correctly observed, the decision "appears to instruct technology providers that if they design their systems to enable each user to make unique personal copies, that structure could, in appropriate cases, effectively immunize the services from any liability under both the reproduction and the public performance rights."<sup>142</sup>

Aereo, which was one of those business models designed with the Second Circuit holding in mind<sup>143</sup>, intended to satisfy consumers' needs for more choice and cheaper subscription fee than that of a traditional cable service. Accordingly, Aereo developed a system through which it could retransmit broadcast programmes to its subscribers over the Internet. This system allowed subscribers to watch the retransmitted programme on their computers and mobile devices. In order to watch a programme, the subscriber first has to log into their own account on Aereo's website. When a subscriber selects a programme, an automatic request is sent to the application server, which in turn directs the information about the selected programme and the user to the antenna server.

Unlike in TV Catchup, the antenna server then instructs and allocates a separate antenna to each individual user's request. The antenna receives the broadcast signals and sends the same back to the antenna server, which in turn sends them to another server where a user's directory is created and a copy of the incoming signals is made. Once enough has been recorded, normally six or seven seconds of programming, the system sends the programme from the user's directory to the subscriber's device. Thus, through its Internet retransmission, Aereo offered its subscribers the opportunity to watch near-live

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<sup>141</sup> *WNET, Thirteen v. Aereo, Inc*, 712 F.3d 676 (2<sup>nd</sup> Cir. 2013), at 694.

<sup>142</sup> Rebecca GIBLIN and Jane C. GINSBURG, "We (Still) Need to Talk About *Aereo*: New Controversies and Unresolved Questions After the Supreme Court's Decision" (2015) 38 *Colum LJ & Arts* 109, 115.

<sup>143</sup> Another business model was that of *FimOnX*, which for a while was a competitor to *Aereo*.

broadcast television.

Undoubtedly, this system was specifically designed to fall within the scope of the Second Circuit decision in *Cablevision*. To this end, Aereo deliberately used thousands of very small antennae, housed in a central warehouse, to satisfy the requests made by its subscribers. Furthermore, no two users were assigned the same antenna simultaneously and no recording made for a subscriber was ever available to another subscriber.

The copyright owners of the programmes thus retransmitted filed copyright infringement action against Aereo before the U.S. District Court for the Southern District of New York. In *American Broadcasting Companies v. Aereo*, the District Court followed the *Cablevision* approach and denied the plaintiff's motion for a preliminary injunction prohibiting Aereo from retransmitting their programmes.<sup>144</sup> The Second Circuit affirmed and made it clear that it was bound by the decision in *Cablevision* until such time as it is overruled either by *en banc* panel or by the Supreme Court.<sup>145</sup>

Before the Supreme Court, where the original name of the case was revived as *American Broadcasting Companies et al v. Aereo*, the question was whether Aereo's Internet retransmission fell within the scope of the copyright owners' exclusive right of public performance.<sup>146</sup> In a split decision, the Supreme Court gave an answer in the affirmative and reversed the decision of the Court of Appeal. In doing so, the Supreme Court followed the century old tradition of

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<sup>144</sup> 874 F. Supp. 2d 373 (S.D.N.Y 2012). In a case with very similar facts, the U.S. District Court for the Central District of California reached the opposite conclusion, see *Fox Television Stations v. BarryDriller Content Systems* 915 F. Supp.2d 1138 (2013).

<sup>145</sup> *WNET v. Aereo* 712 F.3d 676 (2d Cir. 2013), at 695. It is worth noting that the change in the name of the case was because initially there were two groups of plaintiffs and they joined together before the court of appeal.

<sup>146</sup> *American Broadcasting Companies et al v. Aereo*, 134 S. Ct. 2498 (2014)

breaking the issue into two parts: “to perform” and “publicly”.<sup>147</sup>

The Court acknowledged that “considered alone, the language of the Act does not clearly indicate when an entity performs or transmits and when it merely supplies equipment that allows others to do so”.<sup>148</sup> In holding that Aereo “performs”, the Court highlighted the many similarities it shares with cable systems.<sup>149</sup> Thereupon it adopted a purposive approach of interpretation and pointed out that one of Congress’ primary aims in amending the Copyright Act in 1976 was to overturn its cable systems (CATV) decisions.<sup>150</sup> Accordingly, the definition provision of section 101 clarified that “to perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible”. Under this language, according to the Court, “both the broadcaster and the viewer of a television programme ‘perform’, because they both show the programme’s images and make audible the programme’s sounds”.<sup>151</sup> This language abolished the odd distinction between performer and viewer, i.e. the “performer/viewer” test, upon which the two CATV decisions were based.

Furthermore, the Court stated that in enacting the communication to the public clause, or as it is known in the U.S. “the Transmit Clause”, as part of the public performance definition, Congress intended to bring the activities of CATV systems within the scope of the public performance right. Moreover, the Court remarked that section 111 of the 1976 Act had created a highly detailed

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<sup>147</sup> Although Aereo’s system allowed subscribers to record the programme on its server to watch at a later time, which automatically implicates the reproduction right, that aspect of Aereo’s service was not raised before the Supreme Court.

<sup>148</sup> 134 S. Ct. 2498 (2014), at 2504.

<sup>149</sup> The dissenting opinion emphasised one particular difference between Aereo and cable systems, namely that while cable systems continuously send programmes, Aereo’s system remains inert until activated by a request from a subscriber. Accordingly, the dissent concluded that for the lack of volition, Aereo did not perform. 134 S. Ct. 2498 (2014), at 2512--2516. This sole technological difference was dismissed by the majority as not a “critical difference”, *ibid*, at 2508.

<sup>150</sup> These two decisions, as discussed above, made it clear that cable systems fell outside the scope of the public performance right.

<sup>151</sup> 134 S. Ct. 2498 (2014), at 2504.

compulsory licensing scheme to regulate cable retransmission. Put differently, had Congress intended to exempt cable retransmission from the scope of the public performance right, the whole of section 111 would have been redundant. It then concluded that Aereo's activities are substantially similar to those of the CATV companies that Congress had amended the Act to reach, and that therefore "Aereo performs".<sup>152</sup>

The next issue was whether Aereo performs "publicly". The Court took the statutory definition of public performance as its starting point. As discussed above, the communication to the public limb of the definition, which is known as the Transmit Clause, states: "(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times."

Aereo contended that since each Internet retransmission is made to only one subscriber at a time, it does not transmit "to the public". The petitioners, on the other hand, argued that the Second Circuit's reading of the Transmit Clause was fundamentally flawed and that it may render Aereo's simultaneous retransmissions to thousands of paying subscribers private. This is especially so, since in exempting Aereo from the scope of the public performance right, the Second Circuit based its decision on the fact that every user receives a unique copy, through a unique transmission that is never accessible to more than one person at a time, and therefore concluded that such a transmission is not "public". The petitioners argued that the Transmit Clause requires the court to focus on whether the public is capable of receiving the "performance" and not whether it is capable of receiving the "transmission" and therefore it is irrelevant that every user receives a separate retransmission from Aereo.

In rejecting Aereo's argument, the Supreme Court pointed out that since Aereo performs the same work, by showing the same images and making the same sounds audible, it is of little relevance whether it transmits from the same or separate copies. Furthermore, the Court correctly pointed out that "an entity may transmit a performance through one or several transmissions, where the

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<sup>152</sup> 134 S. Ct. 2498 (2014), at 2507.

performance is of the same work".<sup>153</sup> Put differently, in defining the term "public", the Court focused on the relationship between the work and the potential recipient.<sup>154</sup> Accordingly, if the copyright owner or lawful possessor of the work subject to transmission is the sole potential recipient or recipients, then there will be no public; any other types of potential recipients may constitute "public". This reflects a shift in the criterion governing the application of the term public in the context of Internet streaming, which hitherto had been based on the relationship between the sender and the recipient of the performance to determine whether it had been made to the public.<sup>155</sup>

The dissenting opinion criticised the majority's decision for adopting the shaky approach of "it looks like a cable system, therefore it performs", or as they put it, the "guilt by resemblance" approach.<sup>156</sup> Similarly, by not engaging with the issue of volitional conduct, the majority's view was intensely criticised as inconsistent with the legal standard that a defendant may be held directly liable only if it has engaged in volitional conduct that violates the Act.<sup>157</sup> In their view, the distinction between direct and secondary liability would collapse in the absence of the volitional conduct requirement.<sup>158</sup>

In addition to the dissenting opinion, the decision was criticised as "result oriented (defendant is a bad guy and therefore loses) as to be devoid of any governing principles".<sup>159</sup> Furthermore, notwithstanding the majority's attempt to restrict the scope of its ruling to the technology at hand<sup>160</sup>, which allowed later courts to make a distinction between different technologies<sup>161</sup>, its approach was

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<sup>153</sup> *Ibid*, at 2509.

<sup>154</sup> *Ibid*, at 2510.

<sup>155</sup> Giblin and Ginsburg, *op. cit.*, p. 123.

<sup>156</sup> *Ibid*, at 2515.

<sup>157</sup> *Ibid*, at 2512.

<sup>158</sup> *Ibid*, at 2514.

<sup>159</sup> William F. Patry, *Patry on Copyright*, (Thomson West 2017), § 14:28.

<sup>160</sup> 134 S. Ct. 2498 (2014), at 2511.

<sup>161</sup> *Fox Broadcasting Company v. Dish Network*, 160 F. Supp. 3d 1139 (C.D. California 2015), at 1159-1162.

not unreasonably criticised for construing the Transmit Clause “in a technology-blind manner”.<sup>162</sup> Some commentators went as far as arguing that the Supreme Court decision endangers technological innovation.<sup>163</sup>

When the case was remanded to the District court in New York, Aereo adopted a new strategy. Aereo argued that in light of the Supreme Court decision, which concluded that its system looked and functioned like a cable company, it should be considered a “cable system” and therefore entitled to a compulsory licence under section 111 of the Copyright Act.<sup>164</sup> The copyright owners, on the other hand, invoked *WPIX, Inc v. ivi*, which, as discussed above, denied the extension of the compulsory licensing mechanism to cover Internet retransmissions.

In rejecting Aereo’s argument, the court gave four reasons. First, while the Supreme Court considered Aereo’s activities to be similar to that of a cable company, it intentionally refrained from classifying it as a cable system. Therefore, an entity that performs copyright works in a way similar to cable systems must not necessarily be deemed a cable system for all other purposes of the Copyright Act.<sup>165</sup> Secondly, the court made it clear that nothing in the Supreme Court opinion can be read as abrogating *WPIX, Inc v. ivi*, discussed above, and that therefore the Second Circuit holding remains a binding precedent that must be followed.<sup>166</sup>

Thirdly, the court considered Aereo’s attempt to distinguish its system from that of *ivi* to be flawed. Aereo emphasised that its system, unlike that of *ivi*, does not give its subscribers access to broadcasts outside of their home DMA

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<sup>162</sup> Yvette Joy Liebesman, “When does copyright law require technology blindness? Aiken meets Aereo”, (2015) 30 *Berkley Technology Law Journal* 1383, 1386-1387, 1423-1424.

<sup>163</sup> Nicole Webster, “Copyright Takeover: Balancing Art and Technology After Aereo”, (2017) 57 *Santa Clara L. Rev.* 161, 189.

<sup>164</sup> *American Broadcasting Companies et al v. Aereo*, Oct. 23, 2014 (S.D. New York) 2014 WL 5393867 [not reported in F. Supp 3d 2014].

<sup>165</sup> *Ibid*, at 3.

<sup>166</sup> *Ibid*, at 5.

[Designated Market Area] and therefore falls within the objective of section 111's compulsory licensing scheme which, as acknowledged in the *ivi*'s decision, "was intended to support local market -rather than national market- systems".<sup>167</sup> The court indicated the fallacy of that argument by stating that the geographic reach of Internet retransmission was but one of many factors the Second Circuit considered in reaching its decision.

Fourthly, the court pointed out that in following the first part of the *Chevron* analysis, discussed above, the Second Circuit emphasised that "the legislative history indicates that if Congress had intended to extend section 111's compulsory license to Internet retransmissions, it would have done so expressly—either through the language of section 111 as it did for microwave retransmissions or by codifying a separate statutory provision as it did for satellite carriers".<sup>168</sup> Moreover, the court stressed that according to the second part of the *Chevron* analysis, reference should be made to the Copyright Office's interpretation of section 111, which consistently concluded in 1997, 2000 and 2008 that Internet retransmissions are not cable systems and therefore do not qualify for the benefits of the compulsory licensing scheme. Thus, the court ruled for a preliminary injunction against Aereo's simultaneous, or near live, Internet retransmissions.

Shortly after the preliminary injunction was granted, Aereo filed for bankruptcy.<sup>169</sup> As a result, the granting of the injunction was heavily criticised. While some levelled their criticism at the injunction for letting innovation "be crushed in copyright's hungry mouth"<sup>170</sup>, others criticised it for adopting a

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<sup>167</sup> *Ibid*, referring to slightly different wording in *WPIX, Inc v. ivi*, *op. cit.*, at 282–83.

<sup>168</sup> *Ibid*.

<sup>169</sup> Aereo applied for bankruptcy on 20<sup>th</sup> of November 2014. See Geoffrey Palachuk, "How Evolving Technology Demands Rapid Re-evaluation of Legislative Protections in Light of Streaming Television Broadcasts" (2014–2015) 50 *Gonz. L. Rev.* 117, 142 footnote 120.

<sup>170</sup> Nicole Webster, "Copyright Takeover", *op. cit.*, 196.

technology specific approach which bars new business models from reaping the benefits given to cable companies and as a result for failing to maintain fair competition within the retransmission industry.<sup>171</sup> Notwithstanding the intense criticism, the Ninth Circuit has recently reached the same conclusion in *Fox Television Stations, Inc v. AereoKiller et FilmOn* [hereinafter FilmOn].<sup>172</sup> However, the reasoning employed in *FilmOn* seems to differ slightly from that of Aereo in three respects.

First, while assessing the weight to be given to the Copyright Office's interpretation of Section 111, and in order to avoid constitutional law questions, the Ninth Circuit followed the less deferential *Skidmore* framework<sup>173</sup>, instead of that of *Chevron*.<sup>174</sup> Secondly, the Court of Appeal in *FilmOn* invoked the general principles of interpretation and remarked that since the compulsory licensing mechanism represents an exception, its scope should be narrowly construed.<sup>175</sup> Thirdly, the Court of Appeal acknowledged that extending the compulsory licensing mechanism to cover Internet retransmissions would risk putting the U.S. in violation of its international obligations.<sup>176</sup> Thus, it referred to the well-established principle that an Act of Congress must not be construed to violate

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<sup>171</sup> Pooja Patel, "Aereo and Internet Television: a Call to Save the Ducks (a la Carte)", (2016) 14 *Duke L. & Tech. Rev.* 140, 151-156,158.

<sup>172</sup> 851 F.3d 1002 (9<sup>th</sup> Cir. 2017). AereoKiller, which had been known as FilmOn X, is a clone of Aereo and operates using similar technology on the West Coast.

<sup>173</sup> *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944).

<sup>174</sup> "[T]he *Chevron* deference standard contemplates the two steps of evaluating whether a statute is ambiguous, and if so, deferring to any reasonable or permissible agency interpretation. The *Skidmore* deference standard, by contrast, calls upon reviewing courts to evaluate an interpretation's persuasiveness by weighing various factors including the agency's thoroughness and consistency", *Kristin E. Hickman and Matthew D. Krueger*, "In Search of the Modern *Skidmore* Standard" (2007) 107 (6) *Columbia Law Review* 1236, 1246-1247.

<sup>175</sup> *FilmOn*, *op. cit.*, at 1011.

<sup>176</sup> *Ibid.* It is a shame that the court did not explicitly state which provision of which international instrument it had in mind while discussing the compatibility of U.S. law with its international obligations. If the court meant Article 11 *bis* [2] of the Berne Convention, then in order to avoid repetition here, whatever is said above in the context of webcasting is applicable *mutatis mutandis* to Internet retransmissions.

the law of nations, when other possible construction is available.<sup>177</sup>

In sum, as far as international copyright law is concerned, the *Aereo* Supreme Court decision is in conformity with the U.S. international obligations. However, as far as domestic law is concerned, it seems that the issue of Internet retransmission raises the same question that was raised in the late 1960s and early 1970s in the context of CATV. However, while the 1909 Act offered courts only two options in respect of CATV, i.e. to exempt or to bring their activities within the scope of the public performance right, the 1976 Act offers courts a third option in the context of Internet retransmission, namely to analogise Internet retransmission services to cable companies and therefore extend the application of the compulsory licensing mechanism of Section 111 to cover their activities. Given the position adopted by courts in New York and California, it is unlikely that this third option will be available to Internet retransmission services without a legislative intervention.

### **Conclusion**

At the international level, this chapter has demonstrated that none of the three different types of video streaming discussed here operates in a legal vacuum. While the broadcasting, cabling and simultaneous cable retransmission provisions of the Berne Convention offer adequate protection against unauthorised webcasting and Internet retransmissions, one of the main achievements of the WIPO Copyright Treaty was recognising the making available right and thus extending copyright protection to on-demand services, including on-demand streaming.

Although the Berne Convention permits national laws to impose a compulsory licensing mechanism in respect of broadcasting and retransmission by cable, any national law that extends the application of that mechanism to cover webcasting or Internet retransmissions may run the risk of being in breach of its international

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<sup>177</sup> *Murray v. Schooner Charming Betsy*, 6 U.S. 64 (1804).

obligations. This is especially so, since the Internet recognises no national boundaries and the Berne Convention requires any such mechanism to be bounded by the territory of the country in which it is prescribed. Although the use of geo-blocking technology may arguably resolve this issue, it remains to be seen whether extending the compulsory licensing mechanism to webcasting and/or Internet retransmissions would be in compliance with the three-step test as laid down in Article 13 of TRIPS.

Under EU law, with the exception of communication in public, the general communication to the public right, together with its making available aspect, covers all means of dissemination of works in non-material form. While webcasting and Internet retransmissions come within the scope of the general communication to the public right, on-demand streaming comes within its making available aspect. No national law may exempt any of the three types of video streaming from the scope of the author's exclusive right of communication to the public. Similarly, any national law that imposes a compulsory licensing mechanism to restrict the scope of that right will be in direct conflict with EU law.

Interestingly, while the EU communication to the public right was intended to be technology-neutral, no uniform criterion seems to have been developed to govern its application to video streaming. Whereas webcasting is governed by the EU-cherished criterion of "new public", Internet retransmission is governed by that of "different technical use". As for the making available aspect of that right, it comes into play only when the potential audience are geographically and chronologically dispersed.

Under U.S. law, the scope of the public performance right is broad enough to accommodate webcasting, Internet retransmissions and on-demand streaming. However, as this chapter demonstrated, on-demand streaming may also trigger the public display right. Among the three types of video streaming, Internet retransmission proves to be the most controversial. This is mainly because

technological innovation in this field seems to outpace copyright law. Although the Supreme Court decision in *Aereo* managed to settle the issue in respect of one particular technology, it seems to have inadvertently encouraged some commentators and entrepreneurs to seek the extension of the simultaneous cable retransmission compulsory licensing mechanism to cover Internet retransmissions. Whether the U.S legislature will be able to resist its natural tendency of extending the compulsory licensing mechanism to cover new technologies, in order to accommodate different conflicting interests, is an intriguing issue for the future.