

Cablevision: Remote DVR Service Creates Copyright Challenges for Content Providers

By George C. Lewis, P.C. and David St. John-Larkin

On June 29th, 2009, the U.S. Supreme Court denied without comment a Petition for Writ of Certiorari filed by several film studios and television networks. The Court's denial of the Petition leaves in place a Second Circuit decision that Cablevision can not be held directly liable for copies of program content made by Cablevision subscribers using a network-based digital video recording (DVR) system proposed by Cablevision. While the Court's decision may permit Cablevision and other media distributors to deploy a new form of DVR service (assuming an avalanche of IP assertions does not overwhelm Cablevision or other distributors adopting similar technology), its decision also leaves many questions unanswered.

In March of 2006, Cablevision announced and began marketing a new type of DVR service that would operate much like the traditional DVR services provided by TiVo, Inc. and various satellite and cable companies to record content (i.e., television shows). Instead of the traditional recording and time-shifting of content by a hard drive located within a set-top-box, Cablevision's proposed service would record and time-shift content using a hard drive remotely located at the cable system's headend. In broadcasting, the term headend refers to the broadcaster's facility or facilities from which the content stream (i.e., the radio, television or cable programming) is transmitted.

Cablevision's proposed service, referred to as a remote storage DVR system or "RS-DVR," promised to yield significant costs savings to Cablevision by reducing its capital expenditures and installation costs for DVRs deployed in the field (or at the very least, reducing the number of DVRs Cablevision might need to maintain), while offering the same user experience and services to its subscribers as offered by traditional DVR providers. Importantly, the RS-DVR system proposed by Cablevision permitted Cablevision subscribers to schedule their own recordings, which would then be stored at the headend in a storage area that is unique to each individual subscriber (i.e., multiple scheduled recordings of the same content would be recorded, albeit inefficiently, into each subscriber's storage area at the headend). Cablevision notified its content providers of its proposed RS-DVR system, but did not seek any license from them to operate or sell the RS-DVR system.

Several film studios and television networks responded to Cablevision by suing it for declaratory and injunctive relief, alleging that Cablevision's proposed RS-DVR service would directly infringe their exclusive rights to both reproduce and publicly perform their copyrighted works. Later described as "critical[]" for the Appellate Court's analysis, the Plaintiff's did not allege that Cablevision's RS-DVR service contributorily infringed the Plaintiff's copyrighted works (i.e., on the basis of secondary liability), nor did Cablevision assert a defense based upon fair use.

On March 22, 2007, the United States District Court for the Southern District of New York awarded summary judgment to the Plaintiffs and enjoined Cablevision from operating its proposed RS-DVR system without licenses from the Plaintiffs. *Twentieth Century Fox Film Corp. et al. v. Cablevision Sys. Corp. et ano*, 478 F.Supp.2d 607 (S.D.N.Y. 2007). Specifically, the District Court held that (1) an initial brief storage of the content by buffers in the RS-DVR system would directly infringe the Plaintiffs' exclusive right of reproduction under the Copyright Act, (2) that copying of the content for storage onto the RS-DVR system hard drives would also infringe the Plaintiffs' exclusive right of reproduction, and (3) that transmission from the RS-DVR system hard drives to Cablevision subscribers infringed the Plaintiffs' exclusive right of public performance.

Cablevision appealed the District Court's decision. On August 4, 2008, the U.S. Court of Appeals for the Second Circuit reversed the District Court award of summary judgment in favor of Cablevision. *Cartoon Network LP, v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008). With respect to the District Court's finding that an initial brief storage of the content by the RS-DVR system infringes the Plaintiffs' exclusive right of reproduction, the Second Circuit held that "the copyrighted works...are not 'embodied' in the buffers for a period of more than transitory duration, and are therefore not 'fixed' in the buffers." *Id.* at 130. Thus, the Second Circuit concluded that the acts of buffering by the RS-DVR system do not create copies, as defined by the Copyright Act. *Id.* Regarding the copying of the content for storage onto the RS-DVR system hard drives, and particularly with respect to District Court's emphasis upon "who makes the copies," the Second Circuit held that "copies produced by the RS-DVR system are 'made' by the [Cablevision] customer, and Cablevision's contribution...does not warrant the imposition of direct liability." *Id.* at 126. Finally, with respect to the transmission of copies from the RS-DVR system hard drives to Cablevision subscribers, the Second Circuit held that because "each RS-DVR transmission is made to a single subscriber using a single unique copy produced by that subscriber...such transmissions are not performances 'to the public.'" *Id.* at 138. The Second Circuit also took special care to "emphasize" that their opinion "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..." *Id.* at 139.

As a result of the Supreme Court's denial of the Petition for Writ of Certiorari, the Second Circuit's decision stands, thus treating Cablevision's RS-DVR system as a technical abstraction of the traditional DVR. According to the Second Circuit, with respect to allegations of direct liability of a content distributor, a remote DVR system receives the same treatment as a traditional DVR system. The Second Circuit, however, was careful to constrain its holding to the specific facts presented in the case. As a result, several interesting artifacts and questions arise from this decision related to DVR services and technology.

First, the Second Circuit decision expressly did not entertain whether Cablevision was contributorily liable for copyright infringement and whether it could exercise a fair use defense under the Copyright Act. Leaving these questions aside, one question that was

paramount to the Second Circuit's decision, and one that may weigh heavily in the analysis of liability for contributory infringement, is the extent to which a subscriber produces or schedules the recording of content at a DVR, whether a traditional DVR or remote DVR such as the RS-DVR. Put another way, the extent to which content distributors might themselves schedule recordings on behalf of their subscribers (e.g., automatically scheduling the recording of content) may significantly affect the determination of direct liability and "who" makes the copies. This definition of "who" makes copies may be ameliorated to the extent subscribers direct their content distributor to schedule recordings for them.

Another interesting result of the Second Circuit's decision is that the legal outcome places a potentially significant technical inefficiency and burden upon those content distributors that opt to provide DVR service utilizing Cablevision's RS-DVR system and similar technology. Instead of efficiently storing a single copy of any given program recorded by its subscribers at the headend, and providing access to the single copy only as requested by individual subscribers, the Second Circuit's decision effectively requires storage of a separate copy for each and every subscriber that schedules a recording at the remote DVR. Specifically, the Second Circuit noted that "...the RS-DVR system, as designed, only makes transmissions to one subscriber using a copy made by that subscriber...[and] that the universe of people capable of receiving an RS-DVR transmission is the single subscriber whose self-made copy is used to create that transmission." *Id.* at 137. Thus, the Second Circuit's reliance on a single copy being recorded and accessible by a single subscriber as one of the bases for Cablevision avoiding direct liability for the transmission "to the public" may result in Cablevision and other RS-DVR systems requiring greater storage than would otherwise be necessary to store a single copy of the work.

Looking forward, the Second Circuit's decision is also silent regarding whether the RS-DVR system, should it transform the copy stored by a subscriber (e.g., reformatting the copy for use on a mobile device), would itself make Cablevision or any an RS-DVR system provider directly liable for copyright infringement. The multiple use of copies stored in the cloud is likely to be an issue facing courts in the future and, at least from this case, it is not clear what boundaries exist for the use of content stored at a server versus the more traditional ways of creating and storing content. These are but a few of the questions and interesting artifacts resulting from the *Cablevision* decision.

| *David St. John-Larkin* [JD](#) and *George C. Lewis, P.E.* are trademark, patent and copyright attorneys with *Merchant & Gould* in Denver. They may be reached at 303.357.1670.