1	IN THE SUPREME COURT OF THE UNITED STATES		
2	x		
3	AMERICAN BROADCASTING :		
4	COMPANIES, INC., ET AL., :		
5	Petitioners : No. 13-461		
6	v. :		
7	AEREO, INC., FKA BAMBOOM :		
8	LABS, INC. :		
9	x		
10	Washington, D.C.		
11	Tuesday, April 22, 2014		
12			
13	The above-entitled matter came on for oral		
14	argument before the Supreme Court of the United States		
15	at 11:26 a.m.		
16	APPEARANCES:		
17	PAUL D. CLEMENT, ESQ., Washington, D.C.; on behalf		
18	of Petitioners.		
19	MALCOLM L. STEWART, ESQ., Deputy Solicitor General,		
20	Department of Justice, Washington, D.C.; on behalf of		
21	the United States, as amicus curiae, supporting		
22	Petitioners.		
23	DAVID C. FREDERICK, ESQ., Washington, D.C.; on behalf of		
24	Respondent.		

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1 PROCEEDINGS 2 (11:26 a.m.) 3 CHIEF JUSTICE ROBERTS: We'll hear argument 4 next in Case 13-461, American Broadcasting Companies v. 5 Aereo. 6 Mr. Clement. 7 ORAL ARGUMENT OF PAUL D. CLEMENT ON BEHALF OF THE PETITIONERS 8 9 MR. CLEMENT: Mr. Chief Justice, and may it 10 please the Court: 11 Aereo's business model is to enable 12 thousands of paying strangers to watch live TV online. 13 Aereo's legal argument is that it can make all of that 14 happen without publicly performing. But Congress passed a statute that squarely forecloses that rather 15 16 counterintuitive submission. Because although the Internet and the thousands of mini antennas are new, the 17 18 basic service that Aereo is providing is not materially different from the service provided by the cable company 19 20 before this Court in 1969. 21 JUSTICE SOTOMAYOR: Why aren't they cable 22 companies? MR. CLEMENT: They're not --23 24 JUSTICE SOTOMAYOR: I'm looking at the -everybody's been arguing this case as if for sure 25

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1 they're not. But I look at the definition of a cable
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- 2 company, and it seems to fit. A facility located in any
- 3 State. They've got a -- whatever they have -- a
- 4 warehouse or a building in Brooklyn, the -- that
- 5 receives signal transmissions or programs broadcast by
- 6 television broadcast stations. They're taking the
- 7 signals off of the --
- 8 MR. CLEMENT: They're taking the signals,
- 9 right.
- 10 JUSTICE SOTOMAYOR: I'm sorry, they are.
- 11 Makes secondary transmissions by wires, cables, or other
- 12 communication channels. It seems to me that a little
- 13 antenna with a dime fits that definition. To
- 14 subscribing members of the public who pay for such
- 15 service. I mean, I read it and I say, why aren't they a
- 16 cable company?
- 17 MR. CLEMENT: Well, Justice Sotomayor, a
- 18 couple of things. First of all, I mean, I think if
- 19 you're -- if you're already at that point, you've
- 20 probably understood that just like a cable company,
- 21 they're public -- they're publicly performing and maybe
- they qualify as a cable company and maybe they could
- 23 qualify for the compulsory license that's available
- 24 to cable companies under Section 111 of the statute.
- 25 JUSTICE SOTOMAYOR: But this gets it

- 1 mixed up. Do we have to go to all of those other
- 2 questions if we find that they're a cable company? We
- 3 say they're a capable company, they get the compulsory
- 4 license.
- 5 MR. CLEMENT: Well, no. There's lots of
- 6 conditions on the compulsory license. And I think the
- 7 first place -- the reason that we haven't been debating
- 8 about whether they're a cable company is because they
- 9 don't want to be a cable company. They have a footnote
- 10 in the red brief that makes it clear. They are not a
- 11 cable company in their view. They don't want to be a
- 12 cable company. And I think that's because coming with a
- 13 cable company, it might potentially get you into the
- 14 compulsory license, but it brings with it a lot of
- obligations to come with being a cable company --
- 16 JUSTICE BREYER: Yes. But that's why they
- 17 don't want it.
- 18 MR. CLEMENT: Exactly.
- 19 JUSTICE BREYER: That isn't the question.
- MR. CLEMENT: Well, here's the other thing
- 21 is I think --
- 22 JUSTICE SOTOMAYOR: The question is are
- 23 they?
- MR. CLEMENT: I don't think they are.
- 25 That's really ultimately a question under the Federal

- 1 Communications Act. But here's why, if I could -- I
- 2 think -- and Mr. Frederick will certainly speak to this if --
- 3 if you want him to. But I think the reason they don't
- 4 want to be a cable company is because I think their
- 5 basic business model would not allow them to qualify
- 6 with compulsory license anyways.
- 7 JUSTICE BREYER: But I'd still like to know
- 8 the answer to the question, in your opinion. And, of
- 9 course, if you want a reason, I'll give you my reason.
- 10 If we take the public performance, maybe we run
- into what Professor Nimmer saw as a problem. Why isn't
- 12 what used to be called a phonograph record store that
- 13 sells phonograph records to 10,000 customers giving a public
- 14 performance? It seems to fall within that definition.
- 15 But if it is, there's no -- no first sale doctrine and
- 16 it's a big problem. So we could avoid that problem.
- Now, that's why I'm very interested in the
- 18 answer, not just what they want.
- 19 MR. CLEMENT: Well, I don't think they are
- 20 ultimately a cable company, and we could debate that
- 21 question, but it's not the question before you. So
- 22 maybe I could give you some comfort about why you don't
- 23 need to decide that question.
- JUSTICE BREYER: Well, perhaps we should
- 25 remand it, because my reason for wanting to decide it is

- 1 what I said. And what you've read in their briefs is
- 2 they, in their supporting amici, have thrown up a series
- 3 of serious problems not involving them, like the cloud,
- 4 which the government tells us to ignore, and many
- 5 others, which make me nervous about taking your
- 6 preferred route. So that's why I was interested in this
- 7 question.
- 8 MR. CLEMENT: But, Justice Breyer, I think
- 9 it's very important to -- to understand that even if
- 10 they're a cable company, it doesn't make all these
- 11 problems go away. Because they would be a cable company
- 12 that by very virtue of what they want to point to, which
- 13 is their user specific copies, I don't think they would
- 14 qualify for the compulsory license.
- I also think the better way to avoid your
- 16 concerns is to maybe take them on directly. The reason
- 17 that the record company is not involved in a public
- 18 performance is it's not involved in any performance at
- 19 all, but that's different, of course, from an online
- 20 music store, which not only provides a download of
- 21 something, but actually performs it and streams it and
- 22 allows it live. And that is a basic distinction that's
- 23 not only recognized by the Second Circuit in the ASCAP
- 24 case, but it's also recognized in the real world by the
- 25 way these -- these different services are structured.

- 1 If you provide downloads of music, you get a
- 2 distribution license or a reproduction license. If you
- 3 provide streaming of music where you also have a
- 4 contemporaneous live performance, then you also get a
- 5 public performance license.
- 6 JUSTICE SOTOMAYOR: Is your definition -- I
- 7 mean, Justice Breyer has already asked you -- said he's
- 8 troubled about the phonograph store, and -- and the
- 9 Dropbox and the iCloud. I'm also worried about how to
- 10 define or -- public performance or the performance of a
- 11 work publicly, which I guess is the better way to do it,
- 12 according to you. How do I define that so that someone
- 13 who sells coaxial cable to a resident of a building is
- 14 not swept up as a participant in this? Or someone
- 15 who -- the sort of passive storage advisors that -- this
- 16 is really hard for me.
- 17 MR. CLEMENT: Okay. But let me --
- 18 JUSTICE SOTOMAYOR: How do I -- what do I do
- 19 to avoid -- what do we do, not me, but what does the
- 20 Court do to avoid a definition or an acceptance of a
- 21 definition that might make those people liable?
- 22 MR. CLEMENT: Okay. Well, let me try to
- 23 take -- those are actually two different examples, and I
- think the answer to both of them is somewhat different.
- 25 I think the provider of coaxial cable is -- if it's just

- 1 a simple sale of the cable -- is not performing at all.
- 2 And so I think if you're somebody and all you do is take
- 3 a piece of hardware and you sell it once and for all to
- 4 a user, then the user may be performing with the
- 5 equipment, but you're out of the picture. And that's
- 6 different from an ongoing service, like a cable company
- 7 or like Aereo, who still owns all these facilities and
- 8 they're providing, through wire transmissions, these
- 9 performances on an ongoing basis.
- 10 JUSTICE SOTOMAYOR: What if you get it
- 11 through Dropbox?
- 12 JUSTICE KAGAN: Well, that's something else
- 13 before you get to Justice Sotomayor's second half of the
- 14 question, but something more along the lines of
- 15 providing hardware. Suppose a company just gave the
- 16 antenna and a hard drive, that's what they sold to the
- 17 user, and the user was able to use the antenna and the
- 18 hard drive in her own house or apartment in order to get
- 19 all these broadcast programs. What would the -- would
- 20 that be a performance?
- 21 MR. CLEMENT: I think the end user would be
- 22 doing a performance, but it would be a purely private
- 23 performance, and I don't think the person that sold them
- 24 the hardware or really anybody else, if I understand
- 25 your hypo, would be involved in a performance. And the

- 1 answer to these hypos -- I mean, this isn't something
- 2 that I'm making up on the fly. I mean, it's right there
- 3 in the text of the statute.
- 4 JUSTICE KAGAN: But then it really does
- 5 depend on, like, where the -- where the hardware is. In
- 6 other words, if -- if Aereo has the hardware in its
- 7 warehouse as opposed to Aereo selling the hardware to
- 8 the particular end user, that is going to make all the
- 9 difference in the world as to whether we have a public
- 10 performance or not a public performance.
- 11 MR. CLEMENT: Well -- and, again, I think
- 12 that goes to what I was about to say, which is let's
- 13 just not because, you know, we like one better than the
- 14 other. It's because of the text of the statute Congress
- 15 wrote. One of the ways that you can public perform. I
- 16 mean, they start with the classic public performance.
- 17 Right? A singer in a concert hall. They've sold tickets.
- 18 But then they say, wait, it's also a public performance
- 19 if you take the singer's performance and you transmit
- 20 it, and they're thinking over the airways and all sorts
- 21 of other ways, if you transmit it to the public. And
- 22 the definition of transmission, then, is to communicate
- 23 it from one place to another.
- 24 So there is a geographical aspect, if you
- 25 will, built right into the statute so that if you sell

- 1 somebody hardware and all they're doing is transmitting
- 2 it to themselves at their home, there's not going to be
- 3 a transmission that's chargeable to the person who sold
- 4 you the hardware. But if you provide an ongoing service
- 5 from a remote --
- 6 JUSTICE KAGAN: So you think that in my
- 7 hypo, there's a performance, but it's a private
- 8 performance and then you move the hardware and it
- 9 becomes a public performance. Is that it?
- 10 MR. CLEMENT: It -- it becomes a public
- 11 performance on behalf of the sender, but it still would
- 12 be a private performance on behalf of the receiver. And
- 13 that's one thing that's really important to get in mind,
- 14 is that in this statute as to the public performance
- 15 right, there's nothing particularly anomalous about a
- 16 single transmission that from the sender's perspective
- is a public performance, but from the recipient's
- 18 perspective only allows for a private performance.
- 19 If you think about the classic cable
- 20 context, which is what Congress was trying to address in
- 21 1976 with the Transmit Clause, you have the cable
- 22 company and they're taking a performance off of the
- 23 airways and they're transmitting it to all the
- 24 end-users.
- Now, the cable company is clearly performing

- 1 to the public, but that same transmission is allowing
- 2 each end-user to turn on their television set and to
- 3 make a performance proper, which is a private
- 4 performance.
- 5 JUSTICE SOTOMAYOR: So Roku is -- Roku is
- 6 paying a license for no reason.
- 7 MR. CLEMENT: I'm sorry?
- 8 JUSTICE SOTOMAYOR: Roku is paying a license
- 9 for no reason? They sold me a piece of equipment.
- 10 MR. CLEMENT: I don't know all the details
- of that particular piece of equipment. I'm not sure
- 12 whether they're -- they're paying a license or not. But
- 13 if there was really a transfer and there's nobody else
- 14 providing a transmission, I don't think that just
- 15 operating the hardware in the privacy of your own home
- 16 is going to result in anything but a private
- 17 performance.
- 18 JUSTICE SOTOMAYOR: Go to the iDrop and the
- 19 cloud.
- 20 MR. CLEMENT: Sure. Now, there's, I think,
- 21 it's a slightly different situation. Here, I think the
- 22 ultimate statutory text that allows you to differentiate
- 23 a cloud locker storage from something like what Aereo
- 24 does is a language to the public. And I do think that
- 25 in all sorts of places, including the real world,

- 1 there's a fundamental difference between a service that
- 2 allows -- that provides new content to all sorts of
- 3 end-users, essentially any paying stranger, and a
- 4 service that provides a locker, a storage service. And
- 5 I think if you want a real world analogy off of the
- 6 Internet, I think it's the basic decision -- the
- 7 difference between a car dealer and a valet parking
- 8 service. I mean, if you looked at it from 30,000 feet,
- 9 you might think, hey, both of these things provide cars
- 10 to the public. But if you looked at it more closely,
- 11 you'd understand, well, if I show up at the car
- 12 dealership without a car, I'm going to be able to get a
- 13 car. If I show up at the valet parking service and I
- 14 don't own a car, it's not going to end well for me. And
- 15 so --
- 16 JUSTICE ALITO: What is the difference --
- 17 (Laughter.)
- 18 JUSTICE ALITO: I didn't mean to interrupt
- 19 your --
- 20 MR. CLEMENT: Well, I was just going to --
- 21 so I think there is a very real way in which you would
- 22 say, you know, at the end of the day, the car dealer's
- 23 providing cars to the public, the valet parking service
- 24 is not. It's providing a parking service.
- 25 CHIEF JUSTICE ROBERTS: Why isn't -- and I

- 1 don't want to stretch you too far -- why isn't it like a
- 2 public garage in your own garage? I mean, you know, if
- 3 you -- you can park your car in your own garage or you
- 4 can park it in a public garage. You can go to Radio
- 5 Shack and buy an antenna and a DVR or you can rent those
- 6 facilities somewhere else from Aereo. They've --
- 7 they've got an antenna. They'll let you use it when you
- 8 need it and they can, you know, record the stuff as well
- 9 and let you pick it up when you need it.
- 10 MR. CLEMENT: Mr. Chief Justice, that's not
- 11 an implausible way to look at this. That's exactly the
- 12 way that this Court looked at it in Fortnightly
- 13 decision. But Congress in 1976 decided it was going to
- 14 look at it differently, and it said that if you are
- 15 providing a service, even if you are providing a service
- 16 that one could reconceptualize as just renting out
- 17 antennas that somebody could put on their own house, the
- 18 person that provides that service on an ongoing basis
- 19 and in the process exploits the copyrighted works of
- 20 others is engaged in a public performance. That is
- 21 clearly what they were trying to do in the 1976 Act by
- 22 adding the Transmit Clause.
- 23 JUSTICE ALITO: Well, the Second Circuit
- 24 analogized this to its CableVision decision. So maybe
- 25 you could explain to me what is the difference, in your

- 1 view, between what Aereo does and a remote storage DVR
- 2 system. Is the difference -- does the difference have
- 3 to do with the way in which the cable company that has
- 4 the remote storage DVR system versus Aereo acquires the
- 5 program in the first place? Does it have to do with the
- 6 number of people who view this program that's been
- 7 recorded? What is the difference?
- 8 MR. CLEMENT: I think the potential
- 9 difference, and it's both the CloudLocker storage and
- 10 this example, I don't think this Court has to decide it
- 11 today. I think it can just be confident they are
- 12 different. Here is the --
- 13 JUSTICE ALITO: Well, I don't find that very
- 14 satisfying because I really -- I need to know how far
- 15 the rationale that you want us to accept will go, and I
- 16 need to understand, I think, what effect it will have on
- 17 these other technologies.
- 18 JUSTICE KENNEDY: I had the same question.
- 19 Just assume that CableVision is our precedent. I know
- 20 that it isn't, but let's just assume that it is. How
- 21 would you distinguish the CableVision from your case and
- 22 how is it applicable here? Assume that it's binding
- 23 precedent. Just that's a hypothetical.
- 24 MR. CLEMENT: Okay. But, Justice Kennedy, I
- 25 would like to answer both your questions by assuming

- 1 that the result in CableVision is right, but I don't
- 2 have to necessarily buy the reasoning, because I think
- 3 the reasoning of CableVision is profoundly wrong, so let
- 4 me circle back to that.
- 5 But the reason there's a fundamental
- 6 difference between the RS DVR at issue in CableVision
- 7 and what Aereo provides is, as Justice Alito alluded to,
- 8 the fact that there's a license in the CableVision
- 9 context to get the initial performance to the public.
- 10 And so then I think appropriately the focus in the
- 11 CableVision context becomes just the playback feature
- 12 and just the time-shifting that's enabled by that. And
- in that context, if you focus only on that, then the RS
- 14 DVR looks a lot like a locker service where you have to
- 15 come in with the content before you can get content out
- 16 and you only get back the same content.
- And here is what really I think Aereo is
- 18 like. Aereo is like if CableVision, having won in the
- 19 Second Circuit, decides: Whew, we won, so guess what?
- 20 Going forward, we're going to dispense with all these
- 21 licenses, and we are just going to try to tell people we
- 22 are just an RS DVR, that's all we are, and never mind
- 23 that we don't have any licensed ability to get the
- 24 broadcast in the first instance, and we're going to
- 25 provide it to individual users, and it's all going to be

- 1 because they push buttons and not because we push
- 2 buttons. If that were the hypothetical, I don't know
- 3 how that wouldn't be the clearest violation of the 1976
- 4 Act.
- 5 JUSTICE BREYER: Alright, assume that it isn't our problem.
- 6 I'm hearing everybody having the same problem, and I
- 7 will be absolutely prepared, at least for argument's
- 8 sake, to assume with you that if there were ever
- 9 anything that should be held to fall within the public
- 10 performance, this should be. All right? I will assume
- 11 that. I'm not saying it is.
- But then the problem is in the words that do
- 13 that, because we have to write words, are we somehow
- 14 catching other things that really will change life and
- 15 shouldn't, such as the cloud? And you said, well, as
- 16 the government says, don't worry, because that isn't a
- 17 public performance. And then I read the definition and
- 18 I don't see how to get out of it.
- 19 MR. CLEMENT: Here is the way to get out of
- 20 it, Justice Breyer. Ultimately the words you're going
- 21 to have to interpret are "to the public." Now I think --
- 22 JUSTICE BREYER: To the public? You see,
- 23 separate, at the same time, or at different times?
- 24 Separate or together? So a thousand people store in the
- 25 cloud the same thing, as can easily happen, and call it

- 1 back at varying times of the day.
- 2 MR. CLEMENT: And if all they can do is, just
- 3 like the valet car parking service, is get back what
- 4 they put up there, I think you could easily say that
- 5 that is not to the public. And that is not just me
- 6 coming up with a clever distinction. That's the
- 7 distinction that's really been drawn in the real world,
- 8 because not all cloud computing is created equal, and
- 9 there are some cloud computing services that use cloud
- 10 computing technology to get new content to people that
- 11 don't have it, and they get licenses. And there is
- 12 other cloud computing that just has locker services and
- 13 they don't think they need a license, and so I'm not
- 14 saying that you have to bless what the market has done,
- 15 but I think it's a profound indication --
- 16 JUSTICE KAGAN: But what if, Mr. Clement,
- 17 it's not so simple as a company that just allows you
- 18 yourself to put something up there? What if -- how
- 19 about there are lots of companies where many, many
- 20 thousands or millions of people put things up there, and
- 21 then they share them, and the company in some ways
- 22 aggregates and sorts all that content. Does that count?
- 23 MR. CLEMENT: That, Justice Kagan, is
- 24 precisely why I'm asking you not to decide the cloud
- 25 computing question once and for all today, because not

- 1 all cloud computing is created equal. The details of it
- 2 might matter. If I can just take my valet parking service
- 3 one more time. If the valet parking service starts
- 4 renting them out and sort of has a little Zipcar service
- 5 on the side and says, hey, while we have your car, if
- 6 somebody else needs a car, we're going to rent it out to
- 7 them, I think that's different from the pure valet
- 8 parking service.
- 9 If I could reserve the rest of my time for
- 10 rebuttal. Thank you.
- 11 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- 12 Mr. Stewart.
- 13 ORAL ARGUMENT OF MALCOLM L. STEWART
- ON BEHALF OF THE UNITED STATES, AS
- 15 AMICUS CURIAE, SUPPORTING PETITIONERS
- 16 MR. STEWART: Mr. Chief Justice, and may it
- 17 please the Court:
- I would like to begin by reinforcing two of
- 19 the points that Mr. Clement made. The first is that
- 20 what Aereo is doing is really the functional equivalent
- 21 of what Congress in the 1976 Act wanted to define as a
- 22 public performance. As the Chief Justice said, one
- 23 potential way of looking at this is that Aereo and
- 24 companies like it are not providing services, they are
- 25 simply providing equipment that does, in a more

- 1 sophisticated way, what the viewer himself can do. It's
- 2 a plausible way of looking at the world. That's what
- 3 the Court in Fortnightly and Teleprompter said, but
- 4 Congress acted to override that and to make clear that
- 5 cable services, services that used one big antenna to
- 6 pull broadcast signals out of the sky and reroute it to
- 7 their subscribers, those people were engaged in public
- 8 performances and they ought to be paying royalties.
- 9 The second thing that I would like to
- 10 reinforce in Mr. Clement's presentation is that there is
- 11 no reason that a decision in this case should imperil
- 12 cloud locker services generally, but, as Mr. Clement was
- 13 pointing out, that the term "cloud computing" --
- 14 JUSTICE SOTOMAYOR: How about Simple.TV or
- 15 NimbleTV, which is not quite a hybrid?
- 16 MR. STEWART: I quess I'm not familiar
- 17 enough with the precise details of the operation, but
- 18 just let me say in general terms there are obviously
- 19 services that provide television programming over the
- 20 Internet. Some of them are licensed because they
- 21 recognize that they are publicly performing. If a
- 22 particular company, for instance, recorded television
- 23 programs and offered to stream them to anyone who paid
- 24 the fee or offered to stream them for free and made its
- 25 money off advertising, that would be a public

- 1 performance because those companies would be providing
- 2 content to people who didn't have it.
- 3 I think the basic distinction, the one that
- 4 at least defines the extremes, is the distinction
- 5 between the company, whether it be Internet-based or a
- 6 cable transmitter, that provides content in the first
- 7 instance and the company that provides consumers with
- 8 access to content that they already have. If you have a
- 9 cloud locker service, somebody has bought a digital copy
- 10 of a song or a movie from some other source, stores it
- in a locker and asks that it be streamed back, the cloud
- 12 locker and storage service is not providing the content.
- 13 It's providing a mechanism for watching it.
- 14 JUSTICE KAGAN: Can I ask my same question
- 15 to you that I asked to Mr. Clement? How about if
- 16 there's a company that allows sharing and that
- 17 aggregates all the content that different individual
- 18 users put up and that in some sense sort of sorts and
- 19 classifies the content in different ways? How about
- 20 that?
- 21 MR. STEWART: I think you would have to --
- 22 you would have to know both the details of the service
- 23 and you would have to be making a harder call there
- 24 about how to draw the line, because I don't pretend that
- 25 there is a bright line between providing a service and

- 1 providing access to equipment. If you look, for
- 2 instance, at the extremes of a person putting a rooftop
- 3 antenna at his own home, everybody agrees that the
- 4 rooftop antenna manufacturer is not performing at all
- 5 and the individual is engaged in a solely private
- 6 performance.
- 7 The other extreme is the cable company, one
- 8 big antenna, makes transmissions to a lot of people;
- 9 Congress clearly intended to define that as a private
- 10 performance. Somewhere in the -- you could come up with
- 11 lots of hypotheticals that look more or less like one of
- 12 the other extremes, they are somewhere in the middle.
- 13 It's an authentically hard call as to where to draw the
- 14 line. So I don't have a good answer for you.
- 15 JUSTICE BREYER: How do we get out of
- 16 the Nimmer example? I mean, how do we get out -- what words do
- 17 I write to get out of this, throwing into this clause a
- 18 music store that distributes via Federal Express, a
- 19 device, or the U.S. Postal Service or even someone over
- 20 the counter, distributes to 10,000 people a copy of a
- 21 record which they then will take and play it? They
- 22 have, to the same degree, transmitted something that
- 23 will electronically make a performance of the music. So
- 24 are they when they sell the record violating the display
- 25 clause?

- 1 MR. STEWART: No, they're not --
- 2 JUSTICE BREYER: Because? Because?
- 3 MR. STEWART: Because the definition of "to
- 4 transmit" goes on: "To transmit a performance or
- 5 display is to communicate it by any device or process
- 6 whereby images or sounds are received beyond the place
- 7 from which they are sent."
- 8 JUSTICE BREYER: Of course they are. The
- 9 sounds are received beyond the place. It requires the
- 10 person to take the record, put it on a machine, and then
- 11 play it.
- MR. STEWART: Well, there is a separate
- 13 exclusive right in the Copyright Act.
- 14 JUSTICE BREYER: Of course there is. And
- 15 that separate exclusive right has such things as first
- 16 sale doctrine attached. But if they also flow here,
- 17 if they -- if this covers them, which is why Nimmer wrote
- 18 the paragraph that was quoted, if this covers it, there
- 19 is no first sale doctrine, and that has a lot of
- 20 consequences. I think so. Anyway, if you don't know
- 21 and you haven't got something right there and you
- 22 haven't thought about it, you're not going to think
- 23 about it in two minutes, nor will I.
- MR. STEWART: No. No. I have thought about
- 25 it. And I think the answer is that the word "transmit"

- 1 is being used in a particular sense. You are correct
- 2 that there are some contexts in which we would say that
- 3 a person who sends CDs or vital albums over the mails is
- 4 transmitting those. That's not the sense in which the
- 5 term "transmit" is used here. It's talking about
- 6 transmitting in a way that causes the sights and sounds
- 7 to be received, transmission through radio waves,
- 8 through cable, et cetera. And if there were any doubt
- 9 about the word "transmit," remember that it's part of
- 10 the definition of the word "perform." And ambiguities
- 11 in the definition should be construed in light of the
- 12 defined term. And nobody would say, in ordinary
- 13 parlance, that a person who transferred a copy of a
- 14 record was performing it.
- 15 JUSTICE GINSBURG: Mr. Stewart, before you
- 16 finish, Mr. Clement in his brief made the point that we
- 17 would -- if we took the position that Petitioner urges,
- 18 there would be an incompatibility with our international
- 19 obligations; that is, Aereo's view of the public
- 20 performance right is incompatible with our obligations
- 21 under the Berne Convention and under -- what is it,
- 22 WYCO? On pages 44 to 45 of his brief, he says that
- 23 "Aereo's view of what the public performance right is
- 24 runs straight up against our international obligations,"
- 25 and he cites a case from the European Court of Justice

- 1 and I think another case.
- 2 MR. STEWART: We haven't made that argument.
- 3 We -- we believe that existing U.S. copyright law
- 4 properly construed is fully sufficient to comply with
- 5 our international obligations. But that -- that doesn't
- 6 mean that we think that whenever a court misconstrues
- 7 the statute, we will automatically be thrown into
- 8 breach. It's certainly possible. But if this case were
- 9 decided in Aereo's favor that some of our international
- 10 trading partners might object, but -- but I'm not going
- 11 to take the position that we would concede those
- 12 objections had merit, so we're not making that argument.
- 13 The other thing I would make -- say to -- to
- 14 reinforce the point that Mr. Clement was making about
- 15 the phrase "to the public," using his example of the
- 16 valet parking, using a comparable example of a coat
- 17 checkroom, there are situations all the time in which
- 18 people place property momentarily at the disposal --
- 19 disposal of another and then retrieve it later. And
- 20 it's distributed to them at that later date, not in
- 21 their capacities as members of the public, but as the
- 22 true owners of the property. And I think some kind of
- 23 distinction along those lines is essential in much more
- 24 mundane applications of the Copyright Act. For example,
- 25 if I invite 10 friends over to watch the Super Bowl,

- 1 that's a private performance. It's not a public
- 2 performance. That's -- that's not because my friends
- 3 are not members of the public. They are. And in some
- 4 other capacities, it would be important to regard them
- 5 as such.
- If the theater down the street had a
- 7 screening of Casablanca and it happened that those 10
- 8 people were the only 10 people who attended, it would be
- 9 a public performance, because they would be in there in
- 10 their capacities as members of the public. So I think
- 11 for -- in a wide range of situations dealing with public
- 12 performance, distribution to the public, it's essential
- 13 to ask not only are these individuals members of the
- 14 public in some sense, but are they acting in their
- 15 capacities as such. And if you have the pure cloud
- 16 locker service, the service that doesn't provide
- 17 content, it simply stores content and then plays it back
- 18 at the user's request, that -- that service would be
- 19 providing content to its true owner.
- 20 JUSTICE KENNEDY: How do you want us to deal
- 21 with CableVision -- the CableVision case in the Second
- 22 Circuit? Again assume it's a binding precedent. Just
- 23 assume that.
- MR. STEWART: My answer would be the same as
- 25 Mr. Clement's, that the reasoning of CableVision, if you

- 1 really adhere to the idea that the only trans -- the
- 2 only performance that counts is the individual
- 3 transmission, and ask does that go to more than one
- 4 person, then it's hard to see how you could rule in
- 5 favor of our position here. But as far as the bottom
- 6 line outcome of CableVision is concerned, you could
- 7 accept the government's position and still say
- 8 CableVision was decided the correct way because --
- 9 precisely because CableVision had a license to perform
- in real time, to broadcast the program to its
- 11 subscribers. The only thing that was at issue was the
- 12 supplemental RSDVR service. And the court in
- 13 CableVision appropriately, we think, held that the
- 14 recording of those programs by the subscribers who were
- 15 already entitled to view them in real time was fair use
- 16 under Sony and the playback can reasonably be
- 17 characterized as a private performance of their own
- 18 content. Thank you.
- 19 CHIEF JUSTICE ROBERTS: Thank you,
- 20 Mr. Stewart.
- 21 Mr. Frederick.
- 22 ORAL ARGUMENT BY MR. DAVID C. FREDERICK
- ON BEHALF OF THE RESPONDENT
- MR. FREDERICK: Thank you, Mr. Chief
- 25 Justice, and may it please the Court:

- I want to address the cable question, but
- 2 before I do that, can I just say the three points I
- 3 wanted to make are the text is very clear for Aereo, the
- 4 interpretations of the text that they offer absolutely
- 5 threaten cloud computing, and third, this case is really
- 6 a reproduction right case masquerading as a public
- 7 performance case.
- Now, we are not a cable service. The reason
- 9 we're not a cable service is because cable takes all
- 10 signals and pushes them down. There's a head in. It's
- 11 defined by statute. There's a very particularized
- 12 regulatory structure that deals with taking a lot of
- 13 content and pushing it down to consumers. Aereo is an
- 14 equipment provider. Nothing happens on Aereo's
- 15 equipment until a user initiates the system. The user
- 16 initiates the system by logging on and pressing this is
- 17 the program that I want to watch. That then tunes the
- 18 antenna, activates the recording that will be made, and
- 19 then the user is then able to play back that recording.
- 20 JUSTICE SOTOMAYOR: I always thought, and
- 21 I'm -- try to be careful about it, but not often enough,
- 22 probably breach it like every other member of the
- 23 public, that if I take a phonograph of a record and
- 24 duplicate it a million times the way you're doing it,
- 25 and I then go out and sell each of those copies to the

- 1 public, then I am violating the Act. So why is it that
- 2 you are not?
- 3 MR. FREDERICK: Well --
- 4 JUSTICE SOTOMAYOR: It's not logical to
- 5 me --
- 6 MR. FREDERICK: Sure.
- 7 JUSTICE SOTOMAYOR: -- that you can make
- 8 these millions of copies and give -- sell -- essentially
- 9 sell them to the public, because you're telling the
- 10 public when they want to buy it, they can call it up and
- 11 hear it. So why aren't you trans --
- MR. FREDERICK: Well, your hypothetical,
- 13 Justice Sotomayor, implicates the reproduction right.
- 14 That is the exclusive right of the copyright holder to
- 15 restrict the number of copies that is made. That is not
- 16 a public performance right question.
- 17 They abandoned their challenge in the
- 18 preliminary injunction proceeding to the reproduction
- 19 right issue because it runs right into the Sony
- 20 decision. In Sony, this Court held that consumers have
- 21 a fair use right to take local over-the-air broadcasts
- 22 and make a copy of it. All Aereo is doing is providing
- 23 antennas and DVRs that enable consumers to do exactly
- 24 what this Court in Sony recognized they can do when
- 25 they're in home and they're moving the equipment, the

- 1 antennas and the DVRs --
- 2 JUSTICE GINSBURG: Mr. Frederick --
- 3 MR. FREDERICK: -- to the Internet.
- 4 JUSTICE GINSBURG: -- was Judge Chin right
- 5 when he said that there was no technically sound reason to
- 6 use these multiple antennas? That the only reason for
- 7 that was to avoid the reach of the Copyright Act. Was
- 8 there a technical reason, instead of having a one big
- 9 antenna, to have all of these what, dime-size antennas?
- 10 MR. FREDERICK: Let me -- this is a very
- 11 complex question, Justice Ginsburg, and let me answer it
- 12 at multiple levels. There are technical reasons why the
- 13 individual antennas provide the same utility at lower
- 14 costs and functionality than one big antenna. But there
- 15 are very practical concerns, too.
- 16 As a startup business, Aereo is attempting
- 17 to entice consumers to replicate on the cloud what they
- 18 can do at home at lower cap costs and more efficiency.
- 19 As a practical matter, and Judge Chin had no basis in
- 20 which to make this statement at all in his dissent
- 21 because these are facts not on the record and efficiency
- 22 is not a consideration under the Copyright Act, you
- 23 can't do multiple channels over the Internet anyway.
- 24 You can only do a single video stream at a time. So
- 25 whether you have one big antenna or whether you have

- 1 lots of little antennas, you still have to compress the
- 2 signal and only one can go over the Internet at a time.
- 3 However, Justice Ginsburg, as a startup
- 4 business, there is a very real consideration for why
- 5 multiple antennas make sense. If you're in New York
- 6 City, you want to put an antenna on top of the building,
- 7 you've got to get a building permit. If you want to
- 8 construct it, you've got to get a construction permit.
- 9 If you want to put it up there with a crane, you have to
- 10 get a subway permit before you can do all of the things
- 11 to put a big antenna on a building in New York City to
- 12 get broadcast signals.
- 13 CHIEF JUSTICE ROBERTS: But is there any
- 14 reason you need 10,000 of them? Can't you put just --
- if your model is correct, can't you just put your
- 16 antenna up and then do it? I mean, there's no
- 17 technological reason for you to have 10,000 dime-sized
- 18 antenna, other than to get around the copyright laws.
- 19 MR. FREDERICK: Well, the point of the
- 20 copyright laws, though, Your Honor, shouldn't turn on
- 21 the number of antennas. It turns on whether the person
- 22 who is receiving the signal that comes through the
- 23 Internet is privately performing by initiating the
- 24 action of that antenna getting a data stream, having
- 25 that signal compressed so that it can be streamed over

- 1 the Internet through a user-specific, user-initiated
- 2 copy.
- 3 JUSTICE SCALIA: That may well be, but it
- 4 doesn't contradict the Chief Justice's question. I
- 5 mean, you're just saying that by doing it this way you
- 6 don't violate the copyright laws. But his question is,
- 7 is there any reason you did it other than not to violate
- 8 the copyright laws?
- 9 MR. FREDERICK: We understood -- yes, there
- 10 is a reason, Justice Scalia. We wanted to tell
- 11 consumers, you can replicate the experience at very
- 12 small cost. You know you have a right to put an antenna
- on your roof and put a DVR in your living room. We can
- 14 provide exactly the same antenna and DVR for a fraction
- of cost by putting it over the cloud.
- 16 CHIEF JUSTICE ROBERTS: Yeah, but it's
- 17 not -- it's not. You give them space that's available
- 18 when they call in. They don't have -- this is my little
- 19 dime thing, and this is my copy that's going to be here.
- 20 They're there, and when they want something, you provide
- 21 the service of giving them that. They don't have a
- 22 dedicated antenna in Brooklyn.
- 23 MR. FREDERICK: Well, some of the consumers
- 24 do. The record is clear that some are statically
- 25 assigned to particular users. But Mr. Chief Justice,

- 1 that doesn't answer the question, the statutory
- 2 interpretation question, which is, as in CableVision, as
- 3 Justice Kennedy noted, there is a user-specific,
- 4 user-initiated copy that when viewed by the user is a
- 5 private performance.
- 6 That operation of the system works exactly
- 7 the same way. And the fact that CableVision is able to
- 8 compress its signals to make them Internet-accessible
- 9 through a single antenna and Aereo chooses to do it
- 10 through multiple antennas to avoid all the hassles that
- 11 go with having a big antenna should not matter for the
- 12 copyright laws.
- We're still talking about renting equipment,
- 14 that consumers have a right to get over-the-air signals
- 15 that are free to the public, using public spectrum that
- 16 the -- that the government has allocated so that
- 17 broadcasters --
- 18 JUSTICE KENNEDY: Suppose -- suppose Aereo
- 19 offered a service so that the viewer at home could press
- 20 three different buttons, but it takes only 45 seconds,
- 21 and he could get the broadcast without advertising? And
- 22 Aereo would have some way to screen out the advertising
- 23 so you could watch the entire baseball game or football
- 24 game without the ad -- without the ads.
- 25 MR. FREDERICK: That would probably violate

- 1 the reproduction right, Justice Kennedy. It would not
- 2 violate the public performance rights.
- 3 JUSTICE KENNEDY: Would Aereo be a performer
- 4 then?
- 5 MR. FREDERICK: Aereo would not be a
- 6 performer. The question would be -- and this does go
- 7 into the technical details. And here, the position
- 8 between the parties is quite stark. They say the facts
- 9 don't matter. We have a well-developed factual record.
- 10 There, Justice Kennedy, the fact that would matter in
- 11 your hypothetical would be whether or not the initiation
- of the advertiser-free had been somehow done by the
- 13 consumer or whether it had been done by the cloud
- 14 provider.
- 15 JUSTICE KENNEDY: No, the consumer makes the
- 16 choice. You can have it with the ads or without the
- 17 ads. Push button one or button two.
- 18 MR. FREDERICK: Right. I understand --
- 19 JUSTICE KENNEDY: I don't understand why he
- 20 is the performer in one case and not in the other case.
- 21 MR. FREDERICK: Because the -- the action of
- 22 who is a performer turns under the statute on who is
- 23 making -- who is acting to make the sequence of sounds
- 24 and images perceivable. Where you're talking about
- 25 taking out advertising, what you're doing is you're

- 1 altering the copy, and you are abridging, infringing,
- 2 the reproduction right. That is not something that you
- 3 can do in the Aereo technology. I have no brief to
- 4 defend that. That would be a very difficult
- 5 reproduction right question. But it doesn't matter in
- 6 terms of who is exercising a private performance,
- 7 because that is being done in the home with a
- 8 user-initiated, user-specific copy.
- 9 JUSTICE SCALIA: Mr. Frederick, your -- your
- 10 client is -- is just using this for local signals --
- 11 MR. FREDERICK: Yes.
- 12 JUSTICE SCALIA: -- right now. But if we
- 13 approve that, is there any reason it couldn't be used
- 14 for distant signals as well?
- 15 MR. FREDERICK: Possibly.
- 16 JUSTICE SCALIA: Possibly what? There is
- 17 possibly a reason, or it could possibly be used?
- 18 MR. FREDERICK: It can't be used for
- 19 distance, but it implicates --
- 20 JUSTICE SCALIA: What would the difference
- 21 be. I mean, you could take HBO, right? You could --
- 22 you could carry that without -- without performing.
- 23 MR. FREDERICK: No, because HBO is not done
- over the airwaves. It's done through a private service.
- 25 But Justice Scalia, let me answer your

- 1 distant signal hypothetical this way. That would
- 2 implicate again the reproduction right. It does not
- 3 implicate the private performance and public performance
- 4 distinction, because, even if you were to take distant
- 5 signals and make them available in the home, it's still
- 6 through a user-initiated, user-specific copy of distant
- 7 programming.
- 8 The question then becomes, is there a fair
- 9 use right to be able to do that. What Sony said,
- 10 because Sony was dealing with local over-the-air
- 11 broadcasts and making a copy of local over-the-air
- 12 broadcasts, it said that consumers have a fair use right
- 13 to make a copy of that.
- 14 Sony did not address the distant signal, and
- 15 the question then would become in balancing the various fair use
- 16 factors whether it was appropriate for a consumer to be
- 17 able to get access to that programming without being
- 18 able to otherwise implicate the free public spectrum.
- Now, the way Congress has addressed that,
- 20 Congress has addressed that by saying that when there
- 21 are distance signals that then get pushed through a
- 22 cable system, there is a copyright royalty that gets
- 23 paid.
- 24 But I want to make absolutely clear.
- 25 Satellite, cable, do not pay copyright royalties for

- 1 local over-the-air broadcasts. Why? Because the local
- 2 over-the-air broadcast channels wanted it that way.
- 3 They didn't want to be in a situation of having to
- 4 figure out how to divvy up all the copyright royalties
- 5 to the various holders. So when they talk about how
- 6 Congress supposedly overruled Fortnightly, what they
- 7 ignore is that in Section 11(d) and in Section 122(c) of
- 8 the Copyright Act, Congress said the retransmission of
- 9 local over-the-air broadcasts through satellite and
- 10 cable shall be exempt from the copyright regime.
- 11 And so when they talk about the
- 12 retransmission issue, they're really trying to conflate
- 13 a totally different regulatory system --
- 14 JUSTICE GINSBURG: Mr. Frederick, would you
- 15 clarify? If every other transmitter does pay a royalty
- 16 -- maybe it's under compulsory license -- and you are
- 17 the only player so far that doesn't pay any royalties at
- 18 any stage --
- 19 MR. FREDERICK: Well, Justice Ginsburg, the
- 20 person who sells an antenna to me at the local Radio
- 21 Shack doesn't pay copyright royalties either. And a --
- 22 and a company that provides a rental service for me to
- 23 put an antenna in my home and install it, they don't pay
- 24 copyright royalties either.
- 25 And the question that it really boils down

- 1 in this case is how significant should it be how long
- 2 the cord is between the antenna and the DVR being --
- 3 JUSTICE BREYER: The answer is very
- 4 significant. And the reason it's very significant is
- 5 because what the local antenna person doesn't do but you
- 6 apparently could do, even if you don't, is with the same
- 7 kind of device pick up every television signal in the
- 8 world and send it, almost, and send it into a person's
- 9 computer. And that sounds so much like what a CATV
- 10 system does or what a satellite system does that it
- 11 looks as if somehow you are escaping a constraint that's
- 12 imposed upon them. That's what disturbs everyone.
- 13 And then what disturbs me on the other side
- 14 is I don't understand what the decision for you or
- 15 against you when I write it is going to do to all kinds
- 16 of other technologies. I've read the briefs fairly
- 17 carefully, and I'm still uncertain that I understand it
- 18 well enough. That isn't your problem, but it might turn
- 19 out to be.
- 20 (Laughter.)
- 21 MR. FREDERICK: Well, let me address -- I
- 22 think I -- let me try to make it their problem.
- 23 (Laughter.)
- MR. FREDERICK: I think I've addressed the
- 25 distant signal, and I think you can reserve that case to

- 1 say that might raise a different issue, but on the facts
- 2 here would not entitle the company to an injunction
- 3 enjoining Aereo from providing the service.
- 4 Now, with respect to the second aspect of
- 5 this, the reason why their interpretation of the
- 6 Transmit Clause causes so much problem, so many problems
- 7 for the cloud computing industry, is that -- is twofold.
- 8 Number one, they are conflating performance with work in
- 9 the Transmit Clause. What they are saying is that, so
- 10 long as the work is always perceived in some fashion
- 11 through a performance that is privately done through the
- 12 playback of a recording, that that -- because the
- 13 initial work was disseminated to the public, that
- 14 implicates the public performance right.
- What that does is it means that every time
- 16 somebody stores something in the cloud, whether it's a
- 17 song, a video image or -- or the like, if it happens to
- 18 be something that somebody else has stored in the cloud,
- 19 the act of one person initiating it and perceiving it is
- 20 going to implicate the public performance right. And
- 21 that's why the cloud computing industry is freaked out
- 22 about this case because they've invested tens of
- 23 billions of dollars on the notion that an user-specific,
- 24 user-initiated copy when perceived by that person is a
- 25 private performance and not a public performance.

- 1 The second thing that they do that's wrong
- 2 with the statute is they aggregate performances.
- 3 Instead of where the statute says "transmit a
- 4 performance," they say "transmit performances." Because
- 5 they acknowledge that the way the technology works for
- 6 Aereo is that it is an individual, user-specific,
- 7 user-initiated copy. But they say no matter if you add
- 8 enough of them together, you can aggregate that to
- 9 become a public performance.
- 10 CHIEF JUSTICE ROBERTS: Just to make sure
- 11 I've got -- there's no reason it's a user-specific copy,
- 12 is it? They're making 10,000 copies. It'd be much
- 13 easier for you if you'd just have to make one copy and
- 14 everybody could get a copy.
- 15 MR. FREDERICK: Well, that's where the issue
- 16 about replicating what happens in the home matters,
- 17 Mr. Chief Justice, because if I'm in my home and I start
- 18 the program two minutes in, using Aereo's technology, I
- 19 missed the first two minutes, I never get to watch it.
- 20 It happens to be when I push the button to initiate the
- 21 copy, just like if I'm at home watching on a DVR, the
- 22 same principle. And so that copy will always be
- 23 different because I have control over it versus --
- 24 CHIEF JUSTICE ROBERTS: Surely, you can make
- 25 a program where you have just one copy and starting it

- 1 at different times. You don't need every viewer to have
- 2 his own copy.
- 3 MR. FREDERICK: But that is -- that is the
- 4 key distinction between video on demand and the service
- 5 that Aereo provides, the kinds of equipment and
- 6 technology that Aereo provides. We don't have a brief
- 7 to defend the master copy because in the master copy
- 8 situation, that is indisputably public because there is
- 9 no right to exclude anyone else. With Aereo's
- 10 technology, if I'm making a copy using Aereo's system,
- 11 no one else can look at it. Even if you happen to have
- 12 watched the same program, you can't watch my copy, I
- 13 can't download it --
- 14 CHIEF JUSTICE ROBERTS: That's just saying
- 15 your copy is different from my copy.
- 16 MR. FREDERICK: Correct.
- 17 CHIEF JUSTICE ROBERTS: But that's the
- 18 reason we call them copies, because they're the same.
- 19 (Laughter.)
- 20 CHIEF JUSTICE ROBERTS: All I'm trying to
- 21 get at, and I'm not saying it's outcome determinative or
- 22 necessarily bad, I'm just saying your technological
- 23 model is based solely on circumventing legal
- 24 prohibitions that you don't want to comply with, which
- 25 is fine. I mean, that's -- you know, lawyers do that.

- 1 But I'm just wondering why --
- 2 (Laughter.)
- 3 CHIEF JUSTICE ROBERTS: -- whether you can
- 4 give me any technological reason, apart from compliance
- 5 with a particular legal regime, for your technological
- 6 mind.
- 7 MR. FREDERICK: It is much simpler if you're
- 8 a start-up to add components, to add modules when you're
- 9 starting up, ramping up. And what we're talking about
- 10 in any cloud computing industry is you're starting with
- one group of servers and then you add them, almost like
- 12 Lego pieces, as you are adding the number of people that
- 13 you're using. That is a technological reason why the
- 14 cloud works the way it does, Mr. Chief Justice.
- So with Aereo's antennas and its DVRs, we
- 16 can, with about the length of the size of this counsel
- 17 table here, service tens of thousands of people in the
- 18 New York area. We can provide the antennas and we can
- 19 provide the DVRs and it's a very compact, small space.
- 20 And then if we expand and we're able to continue to be
- 21 in business and we get more subscribers in Brooklyn, we
- 22 might add another row that would be the size of -- of
- 23 the counsel tables behind me.
- 24 That aspect of the technology goes to the
- 25 modules that are used for cloud computing where you

- 1 basically can add additional servers, add additional
- 2 hard disk space and then when new consumers activate --
- 3 and let me just be clear about this, when they sign up,
- 4 their system is completely empty. There's no content
- 5 being provided. There's equipment that's being
- 6 provided. So when they activate the system and they
- 7 say, I want to watch the news at 6 o'clock, they then
- 8 start the process that then fills their individually
- 9 assigned storage with the 6 o'clock news. But until
- 10 that happens, there's no content being provided. So the
- 11 notion that they have in their reply brief over and over
- 12 that we're somehow a content provider would mean that
- 13 everybody who provides an antenna or a DVR is somehow a
- 14 content provider. And if that's true, then the
- 15 implications for the equipment industry are obviously
- 16 quite massive and you can understand why that would
- 17 frighten the cloud computing industry because that turns
- 18 them into public performers whenever they are handling
- 19 content. Now, the government says --
- 20 JUSTICE GINSBURG: They give the subscriber
- 21 a menu, and it says you can get any of these things.
- 22 It's not as though the -- the subscriber initiates it.
- 23 You have these choices and they're providing you these
- 24 choices and those choices are content.
- 25 MR. FREDERICK: It's no different,

- 1 Justice Ginsburg, than if I'm at home and I have an
- 2 antenna or rabbit ears on my TV and I know what channels
- 3 I can get.
- 4 JUSTICE KAGAN: But, Mr. Frederick, it's
- 5 also -- it's also no different from -- from a user's
- 6 perspective, it's exactly the same as if I'm watching
- 7 cable. Right? You just have a different content
- 8 selection, but it looks the same to you. Somebody else
- 9 is providing you with a menu, and then you pick off that
- 10 menu.
- 11 MR. FREDERICK: Right. But the menu,
- 12 Justice Kagan and Justice Ginsburg, is simply what is
- 13 technologically available. There are broadcast signals
- that are available in a local area, and they are limited
- 15 because that's what the broadcasters make available.
- 16 And simply providing a user guide that says you can tune
- 17 to this channel or you can tune to that channel, if you
- 18 want to pick up one program or another, can't be the
- 19 difference between a content provider and merely --
- 20 merely facilitating the use of your equipment.
- 21 JUSTICE BREYER: Would you -- would you
- 22 explain in a sentence or two, which will sound as if I'm
- 23 favoring with you, but I want them to have a chance to
- 24 reply, the thing that frightened me somewhat in your
- 25 brief was, I think, of the cloud storing everybody's

- 1 music. Vast amounts of music. And now they then send
- 2 it down, perhaps to a million people at a time, who
- 3 want to all hear the same song.
- 4 Now, what you said was, if I understood it,
- 5 but explain it if it is, that there is a provision of
- 6 the copyright law that says when that happens, it's
- 7 subject to a compulsory license. And if it's subject to
- 8 a compulsory license, then, of course, people can get it
- 9 and it's paid for by somebody. But if we decide with
- 10 them, there'd be a different provision that would come
- 11 into play, namely, the performance, and it wouldn't be
- 12 subject to the compulsory license. There's no point
- 13 telling me I'm right if I'm wrong. What I want to know
- is am I -- have I got your argument correctly? And if
- 15 not, what is it?
- 16 MR. FREDERICK: I think that your argument,
- 17 Justice Breyer --
- 18 JUSTICE BREYER: It's not my argument. It's
- 19 a parody perhaps, or an incorrect version of your argument.
- 20 MR. FREDERICK: Let me -- okay. Let me try
- 21 to correct this. There is no compulsory license with
- 22 respect to music or video. There are different
- 23 compulsory licenses with respect to satellite and cable
- 24 that capture all signals and push them down to everyone.
- 25 JUSTICE BREYER: All right. So that would

- 1 be the same then, it isn't going to be a problem.
- 2 MR. FREDERICK: No. Where it's going to be
- 3 a problem with the cloud is if you say -- if I'm
- 4 watching a particular program and you're watching a
- 5 particular program and Justice Sotomayor is watching the
- 6 same program, we are engaging -- and the company that
- 7 has allowed us to make a copy of that is engaging in
- 8 public performance. Where you have to deal with
- 9 infringement is the concept of -- of volition and the
- 10 idea of who is doing the act. If I'm simply making
- 11 equipment available, then --
- 12 JUSTICE BREYER: But it should work out in a
- 13 parallel way. That is, when I look at the program, I am
- 14 making a copy of the program and, therefore, I'm
- 15 violating the nonexclusive right -- the exclusive right
- 16 to copy. Now, if that's fair use and therefore, I can
- 17 do it, it should also be fair use if exactly the same
- 18 thing happens but it comes from a cloud.
- 19 MR. FREDERICK: But let me -- let me -- let
- 20 me further answer your question about music, because I
- 21 omitted a key distinction, which is that for local radio
- 22 broadcasts, there is a music distribution license. It's
- 23 under Section 115 of the Copyright Act.
- 24 JUSTICE BREYER: 115(c)(3).
- 25 MR. FREDERICK: Right. But that's the

- 1 whole -- that is exactly the same way satellite and
- 2 cable work, as well. So that if you're broadcasting in
- 3 the local area, it is for free. It is like a
- 4 copyright-free zone. And the reason for that in the
- 5 music world is because they want local radio
- 6 broadcasters to play songs because that drives sales of
- 7 the records. That's a totally different business model,
- 8 of course, than in the television world.
- 9 But the reason why this matters for your
- 10 perspective is that what the court -- the Second Circuit
- 11 in CableVision did was it said user-specific,
- 12 user-initiated copies are private performances. They
- 13 are not public performances. And the only way --
- JUSTICE SOTOMAYOR: But now you're saying
- 15 that AT&T system, Netflix, Hulu, all of those systems
- 16 get their content and they don't push it down to you.
- 17 They do exactly what you do. They let you choose what
- 18 you want to see.
- 19 MR. FREDERICK: Yeah. The difference is
- 20 that they do not exclude anyone. And the difference --
- 21 the public-private distinction from property law
- 22 is whether or not there's a right to exclude. If I have
- 23 private property, I exclude others. If I have public
- 24 property, I'm not excluding others. Netflix, Hulu,
- 25 those other services, they're not excluding anyone. As

- 1 a user of those services, I have no right to exclude
- 2 anyone else. And so they are making their product,
- 3 their content available to all without exclusion other
- 4 than the subscription that you pay. What we're doing is
- 5 providing the equipment that enables people to access
- 6 it.
- 7 JUSTICE GINSBURG: But you are seeking
- 8 subscribers, legions of subscribers. So I don't
- 9 understand that. You say they have to -- are you
- 10 selective, in that some people who want to use your
- 11 service are going to be turned down? You're not. You
- 12 will take anybody who can pay, right.
- MR. FREDERICK: Sure. And if we went around
- 14 to a 1,000 or 10,000 homes in Brooklyn and we put up
- 15 antennas, installed their DVRs for them, and we sent
- 16 them a monthly bill every month to pay us because we had
- 17 performed that service and provided that equipment, it
- 18 would be the exact same position, Justice Ginsburg. And
- 19 that can't be a copyright violation.
- Now, the only distinction the government has
- 21 offered for why CableVision decision in the Second
- 22 Circuit, and this goes to your question,
- 23 Justice Kennedy, somehow should be different here, is in
- 24 the supposed lawfulness of the first instance in which
- 25 that content is received. That distinction can't work

- 1 and would imperil the cloud. Here is why. When a
- 2 person is accessing local over-the-air broadcast
- 3 television, it is doing so because that is free public
- 4 spectrum. And Sony says we have a fair use right in
- 5 order to make a copy of that free use. The government
- 6 in the Fortnightly case argued that there is an
- 7 implied-in-law license when a person accesses local
- 8 over-the-air telecasts in that way. So it can't be the
- 9 distinction between our situation and CableVision that
- 10 there is somehow some difference. Because if I'm
- 11 watching local over-the-air broadcast TV in my home, I
- don't have to pay a royalty for it. And that's exactly
- 13 the analogy that would be appropriate there.
- Now, how would that affect the cloud? Well,
- 15 if you turn every type of performance that an individual
- 16 makes from some content that gets downloaded or
- 17 transferred from the cloud, the cloud provider can't
- 18 tell what is legal or what is not legal. Some stuff
- 19 could be up there pirated. Some stuff could be up there
- 20 perfectly licensed. And what the position of the other
- 21 side in this case is, those people are liable for direct
- 22 infringement of the public performance right. And
- 23 that's why the cloud industry is very concerned that if
- 24 you have too expansive an interpretation of what is the
- 25 public performance right, you are consigning them to

- 1 potentially ruinous liability.
- 2 JUSTICE KAGAN: Mr. Frederick, why isn't it
- 3 sufficient to create a line such as the one Mr. Clement
- 4 said, which said, you know, do you on the one hand
- 5 supply or provide the content, that puts you in one box;
- 6 on the other hand, if you are not supplying or providing
- 7 the content, if the user is supplying and providing the
- 8 content, and you are just providing the space, a kind of
- 9 platform for them to do that and for them potentially to
- 10 share the content, that puts you in another box?
- 11 MR. FREDERICK: Well, Justice Kagan, I note
- 12 that my friend did not reference the words of the
- 13 Transmit Clause at all when he offered that distinction.
- 14 And that's actually quite important, because in order to
- 15 get there, you have to make up words to put them in the
- 16 Transmit Clause. But even if you were to think that
- 17 that was good for a policy reason, you would still have
- 18 to explain why the hundreds of thousands of people that
- 19 are subscribers to Aereo's service don't have exactly
- 20 the same fair use right to get over-the-air broadcast
- 21 content that all of those people who are not Aereo
- 22 subscribers but they happen to have a home antenna and a
- 23 DVR. Those people have every bit as right to get that
- 24 access. And the fact that they are doing it doesn't
- 25 make their antenna or their antenna provider a content

- 1 provider. As I said --
- 2 JUSTICE GINSBURG: Alright so why do people pay for the
- 3 Aereo service if they can do the same thing all by
- 4 themselves?
- 5 MR. FREDERICK: Because if you don't have to
- 6 buy a TV, a DVR and an antenna and a sling box, which
- 7 might cost you thousands of dollars, you might pay \$100
- 8 to rent it, or if you want to just look at programming
- 9 selectively, you pay \$8 a month, it's a rental service,
- 10 Justice Ginsburg. That can't change the copyright
- 11 analysis. And just because you rent equipment does not
- 12 transform the person that is providing that equipment
- 13 into a public performer, particularly when you are the
- 14 one who initiates every set of signals that activates
- 15 the programming and the content.
- If there are no further questions, we'll
- 17 submit.
- 18 CHIEF JUSTICE ROBERTS: Thank you, Counsel.
- Mr. Clement, you have three minutes
- 20 remaining.
- 21 REBUTTAL ARGUMENT BY PAUL D. CLEMENT
- ON BEHALF OF PETITIONERS
- 23 MR. CLEMENT: Thank you, Mr. Chief Justice.
- Just a few points in rebuttal:
- 25 First, I just have to correct a fundamental

- 1 difference. Mr. Frederick says, as he did in his red
- 2 brief, that if you only -- if you are a cable company
- 3 and you only retransmit locally, you don't have to pay a
- 4 royalty. That is just wrong, as we point out in the
- 5 reply brief. There is a minimum royalty that every
- 6 cable company pays whether or not they transmit distance
- 7 signals. So that is just wrong.
- 8 Second, this is not a case, as Mr. Frederick
- 9 would like to say, where the user pushes a button, and
- 10 then after that point, Aereo is just a hapless
- 11 bystander. And if you want insight into what actually
- 12 happens behind the scenes, to use the phrase the
- 13 District Court used, look at pages 64A to 67A of the
- 14 petition appendix. Because Judge Nathan explains all of
- 15 the things that Aereo does after the consumer presses
- 16 the button and before it comes back to them on their
- 17 home screen. They are not just a passive bystander.
- 18 Also, this whole notion of what is
- 19 volitional. Maybe in the reproduction concept, in
- 20 context, just pushing a button and there is only one
- 21 person who reproduces, but the concept of what is the
- 22 requisite volitional conduct is answered by the Transmit
- 23 Clause. Congress specifically looked at this and said
- there are going to be lots of situations where the
- 25 sender, usually the cable company or Aereo, sends a

- 1 transmission to the user, and the sender of that
- 2 transmission, if it allows a contemporaneous
- 3 performance, unlike the record company, they are a
- 4 transmitter.
- 5 JUSTICE SOTOMAYOR: Mr. Waxman, tell me the
- 6 consequences of our decision today.
- 7 MR. CLEMENT: Your consequences --
- 8 JUSTICE SOTOMAYOR: Do you put them out of
- 9 business, or do they have to go and negotiate a license
- 10 with every copyright holder? The -- you are, in fact,
- 11 telling me they are not a cable company, they are not a
- 12 satellite company, so they can't go into those systems
- 13 of payment. What happens then?
- 14 MR. CLEMENT: The consequences really gets
- 15 back to the Chief Justice's question, which is, if they
- 16 actually provide something that is a net benefit
- 17 technologically, there's no reason people won't license
- 18 them content. But on the other hand, if all they have
- 19 is a gimmick, then they probably will go out of business
- 20 and nobody should cry a tear over that.
- 21 JUSTICE BREYER: Once you take them out of
- 22 the compulsory licensing system, they're going to have
- 23 to find copyright owners, who owns James Agee's
- 24 pictures? Who owns something that was written by --
- 25 like a French silent film in 1915? I mean, the problem

- 1 is that they might want to have perfectly good things
- 2 that people want to watch and they can't find out how to
- 3 get permission. That is a problem that worries me and
- 4 it worries me again once you kick them out of the other
- 5 systems.
- 6 MR. CLEMENT: It's not a problem that should
- 7 worry you because, first of all, if they need a
- 8 compulsory license, maybe Congress can revisit it as it
- 9 has in technologically specific ways for cable and
- 10 satellite, but there is other ways to get content. They
- 11 can approach HBO --
- 12 JUSTICE SOTOMAYOR: But the Second
- 13 Circuit --
- 14 JUSTICE SCALIA: Do you have some other
- 15 rebuttal points?
- 16 MR. CLEMENT: I did, Your Honor, and one of
- 17 them really gets to this HBO point, which is they want
- 18 to say that this whole case is about reproduction and
- 19 there's no public performance going on at all. And to
- 20 understand how crazy that is, with all due respect, if
- 21 they approach HBO and say, we would like to carry your
- 22 content and provide it as a premium service, they would
- 23 be telling HBO, by the way, we don't need a public
- 24 performance license. All we need is a reproduction
- 25 license because we don't involve ourselves in any public

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performance at all, and that's why at the end of the day
 1
 2
    their argument simply blinks reality. They provide
 3
    thousands of paying strangers with public performances
 4
    over the TV, but they don't publicly perform at all.
 5
     It's like magic.
 6
          Thank you, Your Honors.
 7
          CHIEF JUSTICE ROBERTS: Thank you, counsel.
    Counsel.
 8
 9
          The case is submitted.
10
          (Whereupon, at 12:25 p.m., the case in the
11
     above-entitled matter was submitted.)
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