

ENTERTAINMENT LAW

## Performance Anxiety

By Dylan Ruga

If a tree falls in the woods but nobody is around to hear, does it make a sound? Similarly, if a ringtone plays on your cell phone with the volume off, has there been a public performance? According to the American Society of Composers, Authors and Publishers, or ASCAP, the answer is yes.

ASCAP currently is involved in a dispute with AT&T over whether a public performance occurs when ringtones are downloaded on cellular phones and other mobile devices. Composers are entitled to a royalty whenever one of their songs is performed publicly. These royalties typically are collected by performing rights societies such as ASCAP, Broadcast Music Inc. and the Society of European Stage Authors & Composers, and then distributed to the individual composers. Accordingly, if ASCAP is correct that a public performance occurs whenever a ringtone is downloaded, it stands to collect tens of millions of dollars or more from AT&T and other wireless service providers that sell ringtones.

ASCAP's argument is based in large part on a literal reading of the Copyright Act, which provides two definitions of "public performance." Under the first definition, a public performance occurs whenever a song is played to the general public (i.e., at a place where a substantial number of persons outside of a normal circle of family and friends is gathered). A live concert, where everybody hears the music at the same time and at the same place, is a typical example of a public performance under this definition.

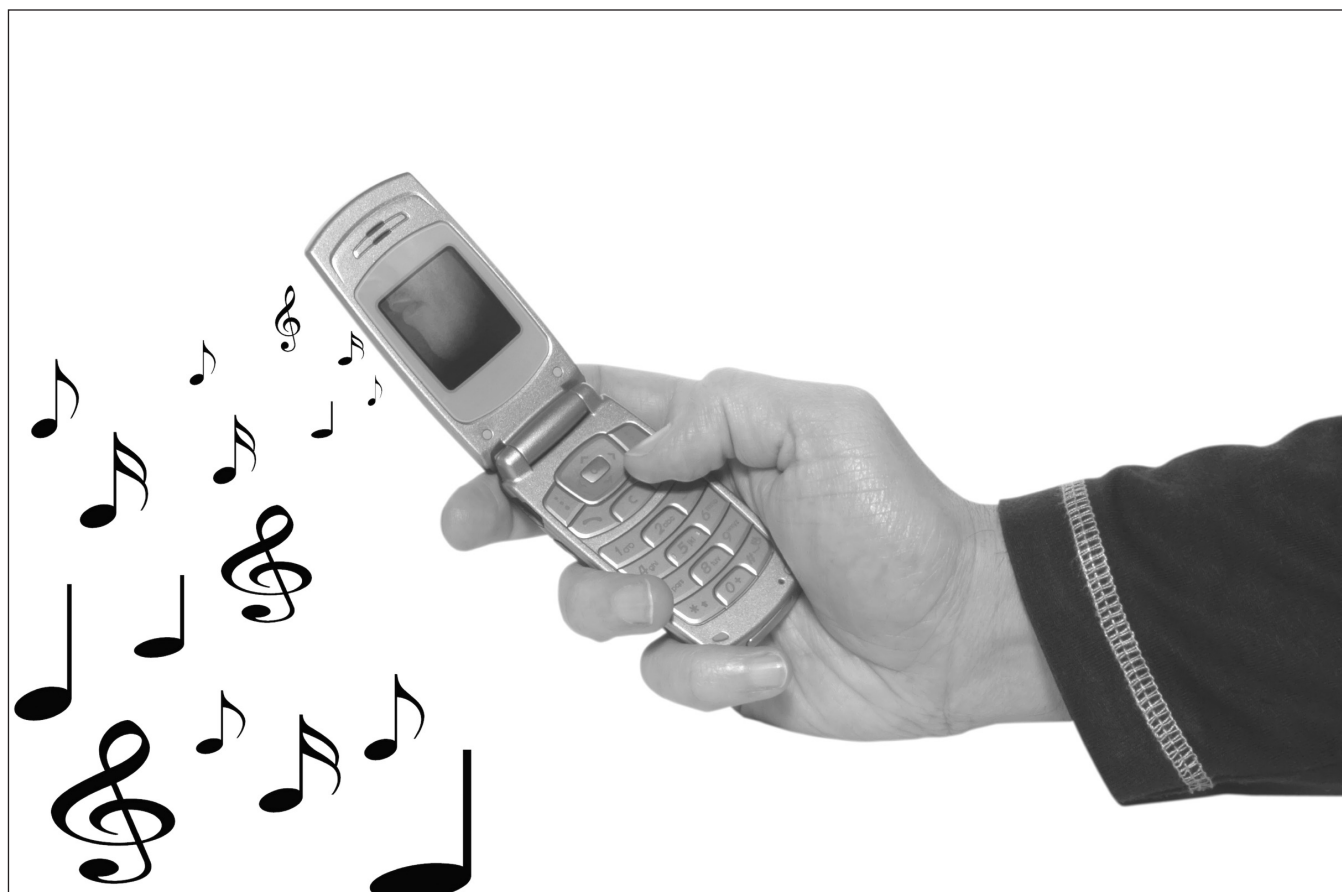
Under the second definition, a public performance occurs whenever a song is transmitted to the public, regardless of whether the people receiving the transmission receive it simultaneously and at the same place. Music played through the radio, where people hear the music at the same time but at different places, is a typical example of a public performance under the latter standard.

ASCAP's argument in its dispute against AT&T, which is based on the second definition of public performance, relies on legislative history from 1976, when the current version of the Copyright Act was debated in Congress. A House Report

was issued at that time that stated a public performance could occur under the second definition "even if there is no proof that any of the potential recipients was operating his receiving apparatus at the time of the transmission." According to ASCAP, the House Report supports its argument that a ringtone is a public performance, regardless of whether anyone hears it, because the ringtone is capable of being performed to the public.

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ASCAP's position, however, appears to be belied by a recent decision from the 2nd Circuit that analyzed the second definition of public performance. In *Cartoon Network LP LLLP v. CSC Holdings Inc.*, 536 F.3d 121 (2d. Cir. 2008), television and film content owners sued Cablevision for, among other things, violating their public performance right as a result of Cablevision's use of its new "Remote Storage Digital Video Recorder" system, or RS-DVR. In a nutshell, Cablevision's RS-DVR is a technology that allows individuals to record television programs and other content on Cablevision's remote servers and play the content back on demand, without the need for a set-top DVR like TiVo. The plaintiffs argued that Cablevision engaged in a public performance (under the second definition of that term) when it transmitted the recorded content



from its remote servers to its customers' televisions.

According to Cablevision, the RS-DVR does not result in a public performance because only one person — the individual who recorded the television program or other content — is capable of receiving it. The district court rejected this argument and concluded that the RS-DVR transmits content to the public because Cablevision transmits the same program to members of the public who may receive the performance at different times, depending on whether they view the program real time or at a later time as an RS-DVR playback. The district court thus focused on the potential audience of the underlying work, rather than on the potential audience of the particular transmission.

The 2nd Circuit in *Cartoon Network* reversed the district court and held that Cablevision's RS-DVR does not result in a public performance. Specifically, the appellate court explained that the potential audience for a particular "work" is irrelevant; the dispositive inquiry is as follows: Who is capable of receiving a particular "transmission" or "performance"? The 2nd Circuit thus concluded that "because the RS-DVR system, as designed, only makes transmissions to one subscriber using a copy made by that subscriber, we believe that the universe of people capable of receiving as RS-DVR transmission is the single subscriber whose self-made copy is used to create the

transmission." *Cartoon Network* stands for the proposition that whether a transmission of a work constitutes a public performance depends on the potential audience of a given transmission. Just last week, on June 29, the U.S. Supreme Court denied a petition to challenge this ruling. And because *Cartoon Network* is a 2nd Circuit decision, it is binding on the New York district court that is considering the ringtone dispute between ASCAP and AT&T.

Applying the *Cartoon Network* holding to the dispute between ASCAP and AT&T, it appears that the result depends on the potential audience capable of receiving the ringtones AT&T transmits to its subscribers. Assuming AT&T transmits a digital copy of a ringtone to an individual customer when that individual places an order then, as in *Cartoon Network*, the potential audience for that transmission is only one person. Accordingly, it follows that AT&T's transmission of ringtones to its subscribers should not be deemed a public performance for the same reason that Cablevision's transmission of television programs to its subscribers through RS-DVR technology is not. In both instances, the transmission can be received only by one person, not the general public.

At least two strong policy reasons support this conclusion. First, wireless carriers must license music from the artists before the music may be sold as ringtones. Accordingly, artists already receive compensation

for each ringtone sold.

Second, ringtones, which clearly are personal and intended only for the use of the individual purchaser, are not the type of mass transmissions of content the drafters of the Copyright Act considered when they created the two definitions of "public performance" found in Section 101 of the act. Based on the legislative history, the drafters were concerned with transmissions of radio and television signals that would be available to large numbers of people; transmissions of individualized content to specific individuals simply was not considered.

The current version of the Copyright Act was drafted over 30 years ago, and the drafters never could have predicted the new and emerging technologies that exist today. While it certainly is possible that ASCAP is correct and the transmission of ringtones should be considered a public performance, that issue is more appropriately addressed to the legislature than the judiciary. Unless and until that happens, however, ASCAP's argument appears to be belied by *Cartoon Network* and other precedent in the 2nd Circuit.

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## Courts Split Over Exception to Communications Decency Act

By David D. Johnson

The Communications Decency Act has traditionally been interpreted by the courts to provide "immunity" from a broad class of lawsuits for operators and users of interactive computer services for publishing information provided by a third party. There are, however, limitations to this protection. An exception to "immunity" under the act that is creating a widening conflict between the courts is the provision stating that it does not "limit or expand any law pertaining to intellectual property."

Federal courts are in general agreement that this provision means that the act does not protect an Internet operator from suits for violation of intellectual property rights. But a split has begun to open up as to whether this exception includes state, or only federal intellectual property rights.

When many people think of intellectual property rights, they think of copyrights and patents — intellectual property rights that are primarily governed by federal law. There are, however, many state laws that arguably involve intellectual property rights. These include laws regarding trade secrets, trademarks, rights of publicity, ownership of ideas, moral rights, rights in pre-Feb. 15, 1972 sound recordings, rights in "hot news," unfair competition and trade defamation.

The 9th Circuit has taken the position that the Section 230(e)(2) exception does not include such rights — meaning that the act would provide immunity from state laws governing these intellectual property rights. District courts in the 1st and 2nd Circuits have held that the Section 230(e)(2) exception does include state laws governing intellectual property — meaning that the act would not provide immunity to Internet operators for publishing third-party posts that violate these state laws. The 11th Circuit has also recognized the split, but declined to take a position.

This split matters, as illustrated by the opposite results reached in two cases dealing with right of

publicity claims. In the 9th Circuit, in *Carafano v. Metroplash*, 339 F.3d 1119 (9th Cir. 2003), an unknown person posted a profile of actress Christianne Carafano, who used the stage name Chase Masterson on the dating Web site Matchmaker.com.

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The profile identified Masterson as "Chase529," stated that she was "looking for a one-night stand," preferred "hard and dominant" men with "a strong sexual appetite" and that she "liked sort of being controlled by a man, in and out of bed." The profile included pictures of Masterson and gave out her home address and phone number. Masterson soon began receiving sexually explicit messages on her voicemail. She also received a sexually explicit fax that threatened her son. Feeling unsafe, she and her son fled their home and hid out in hotels for several months.

Masterson asked Matchmaker.com to remove the

profile, which it did after a few days. She then sued Matchmaker.com's owner, Metroplash, for invasion of privacy, misappropriation of right of publicity and defamation. The district court dismissed all of Masterson's claims. The 9th Circuit affirmed, finding that all of her claims were barred by the Communications Decency Act.

A New Hampshire district court reached the opposite result. In *Doe v. Friendfinder Network Inc.*, 540 F.Supp.2d 288 (D. N.H. 2008), an unknown person created a profile with the screen name "petra03755" on the AdultFriendFinder.com Web site — a site that billed itself as "the World's largest SEX and SWINGER personal community." The profile identified "petra03755" as a recently separated 40-year-old woman in the Upper Valley region of New Hampshire who was seeking "Men or Women for Erotic Chat/E-mail/Phone Fantasies and Discreet Relationship." The profile included information on her sexual proclivities, birth date, height, build, hair and eye color, and a "Photoshopped" nude photograph.

The plaintiff learned about the profile from a friend who had been discussing it with other members of their common circle. Believing that the biographic information and photograph had identified her as "petra03755" to people in her community, the plaintiff asked the Web site operator to remove the profile. While the operator supposedly complied, the profile kept showing up with slight modifications on other Web sites operated by the defendants. The plaintiff then sued the Web site operator on multiple grounds, including "invasion of property/intellectual property rights" — i.e., misappropriation of the right of publicity. The district court accepted the plaintiff's characterization of this tort as an invasion of an intellectual property right. Strictly construing the text of the Communications Decency Act, it then held that because Section 230(e)(2) made no distinction between state and federal intellectual property rights, the plaintiff's claim for misappropriation of right of publicity claim were not barred

by the act.

This split on Section 230(e)(2) is largely driven by the courts' differing approaches to statutory interpretation. The 9th Circuit explained its approach in *Perfect 10 Inc. v. CCBill LLC*, 488 F.3d 1102 (9th Cir. 2007). In *Perfect 10*, the 9th Circuit found that the act prevented Perfect 10, an adult entertainment company, from suing a Web site hosting company whose users had posted images obtained from Perfect 10's magazine and Web site, on state intellectual property law claims, including trademark, false advertising and right of publicity. The 9th Circuit argued that while the scope of law regarding federal intellectual property is well-established, state intellectual property laws are not uniform.

Because material on a Web site may be viewed in more than one state, permitting state laws to "dictate the contours" of immunity under the act, would subject Internet operators to the vagaries of the laws of each state. The 9th Circuit viewed this as "contrary to Congress' expressed goal of insulating the development of the internet from the various state-law regimes." Accordingly, it held that the "intellectual property" in Section 230(e)(2) meant "federal intellectual property."

The district courts in the 1st and 2nd Circuits rejected this reasoning as poor statutory construction. In *Friendfinder*, the district court noted that there are no words in Section 230(e)(2) that suggest that it was intended to only cover federal intellectual property law. There is also nothing in the goal or "policy" section of the Communications Decency Act that suggests that Congress was particularly interested in shielding the Internet only from the vagaries of state law, as opposed to federal law. The court also found little evidence to support the 9th Circuit's contention that variances in state intellectual property laws posed an undue burden on Internet operators.

In March 2009, a district court in the 2nd Circuit similarly found



that an Internet operator was not entitled to "immunity" for state law claims for unfair competition and common-law copyright infringement. In *Atlantic Recording Corporation v. Project Playlist Inc.*, 603 F.Supp.2d 690 (S.D.N.Y. 2009), rejecting the 9th Circuit's position on statutory construction grounds, it noted that in four different points in the Communications Decency Act, Congress specified whether it intended a particular provision to apply only to local, federal or state law. So, when Congress omitted language limiting Section 230(e)(2) to federal intellectual property claims, it acted "intentionally and purposefully."

The 9th Circuit's position certainly would better advance the goal of providing a complete shield for Internet service providers from suits based on third-party posts. Under the Digital Millennium Copyright Act, an Internet service provider that jumps through the right hoops

can obtain immunity from suits for monetary damages brought under federal copyright law. So if the Communications Decency Act shielded the operator from state law intellectual property claims as well, the two statutes would serve as an interlocking barrier against most suits that could be brought against a service provider for publishing third-party posts.

As welcome as this result might be for Internet service providers, it is truly difficult to find support for it in the text of the act. Given the federal court trend in the past two years away from "Internet exceptionalism," it seems unlikely that the 9th Circuit's position on the scope of Section 230(e)(2) will ultimately prevail.

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