WSGR ALERT

OCTOBER 2010

SECOND CIRCUIT RULES THAT PUBLIC PERFORMANCE RIGHTS DON'T APPLY TO CERTAIN DIGITAL DOWNLOADS

Overview

The Second Circuit, on September 28, 2010, held in *United States v. ASCAP*, in the Matter of Applications of RealNetworks, Inc., Yahoo! Inc.,[1] that there is not a public performance of a musical work embodied in a downloaded sound or video file, unless the downloaded file is simultaneously perceptible to the recipient during the transmission of the download. This means that if the recipient of the downloaded file is not able to watch or listen to the digital file while it is being downloaded, then no public performance licenses (e.g., licenses from the performing rights societies ASCAP, BMI, and SESAC) are required for providing such downloads. The ruling covers both sound recordings and audiovisual works, and is significant to companies engaged in the distribution of rich media incorporating musical works.

Facts

RealNetworks and Yahoo! each sought blanket licenses from the American Society of Authors, Composers and Publishers (ASCAP) for the public performance of musical works on their Internet Web sites.[2] A blanket license permits a licensee to "perform all of the works in the repertory [of the licensor] for a single stated fee that does not vary depending on how much music from the repertory the licensee actually uses."[3] Pursuant to a consent decree entered into between ASCAP and the United States Department of Justice, in the absence of a negotiated license agreement between ASCAP and a requesting licensee, either ASCAP or the requesting licensee can seek to have a rate established by a judge sitting in the United States District Court for the Southern District of New York (the so-called "ASCAP rate court").[4]

During the course of the proceeding to establish royalty rates for public performances of musical works by RealNetworks and Yahoo!, ASCAP and the companies disagreed over whether a digital download of a file embodying a musical work was also a public performance of the musical work.[5] ASCAP argued that downloads implicate a copyright owner's exclusive rights of public performance *and* reproduction and distribution, while the companies argued that downloads implicate only the copyright owner's exclusive rights of reproduction and distribution.[6] The ASCAP rate court held that the digital downloads at issue in this case—ones that were not simultaneously perceptible—were not public performances. The Second Circuit affirmed.

Second Circuit Decision

In analyzing whether a download was a public performance, the Second Circuit looked at the definitions in Section 101 of the Copyright Act. The court considered whether a download also resulted in a performance of the musical work embodied in the downloaded file. The court noted that the definition of "perform" means to "recite, render, play, dance, or act [the work], either directly or by means of any device or process."[7] The Court dismissed a download as being neither a "dance" nor an "act." It then considered whether a download fell within the meaning of "recite," "render," or "play."

Following traditional notions of statutory construction, the Second Circuit looked to the plain language of the statute and interpreted the words "recite," "render," and "play" as taking their "ordinary, contemporary, common meaning."[8] For each of these words, the court

---

[1] *U.S. v. American Society of Composers, Authors and Publishers*, in the Matter of Applications of RealNetworks, Inc., Yahoo! Inc., Docket Nos. 09-0539-cv (L), 09-0542-cv (con), 09-0666-cv (xap), 09-0692-cv (xap), 09-1572-cv (xap) (2d Cir. 2010).

[2] *Id.* at 6.

[3] *Id.*

[4] *Id.* at 9, n.4.

[5] *Id.* at 12.

[6] The court described a "download" as a "transmission of an electronic file containing a digital copy of a musical work that is sent from an on-line server to a local hard drive." *Id.* at 8.

[7] *Id.* at 13 (quoting 17 U.S.C. § 101).

[8] *Id.* (internal citations omitted).

Continued on page 2...

Continued from page 1...

concluded that they all involved "actions that can be perceived contemporaneously."[9] In addition, the court concluded that a musical work, when embodied in a sound recording or audiovisual work, was not recited, rendered, or played when simply transmitted to a potential listener as a download.[10]

The court stated that the final clause in the Section 101 definition of "to perform" a work supported the conclusion that a performance required simultaneous perceptibility. Section 101 defines a performance "in the case of a motion picture or other audiovisual work, [as] to show [the work's] images in any sequence or to make the sounds accompanying it audible."[11] The court said "[t]he fact that the statute defines performance in the audio-visual context as 'showing' the work or making it 'audible' reinforces the conclusion that 'to perform' a musical work entails contemporaneous perceptibility."[12]

Applying the statutory language to the facts presented by RealNetworks' and Yahoo!'s download services, the Second Circuit held that:

> [T]he downloaded songs are not performed in any perceptible manner during the transfers; the user must take some further action to play the songs after they are downloaded. Because the electronic download itself involves no recitation, rendering, or playing of the musical work encoded in the digital transmission, we hold that such a download is not a performance of that work, as defined by § 101.[13]

The Second Circuit distinguished the instant case from the court's ruling in *NFL* v. *PrimeTime 24 Joint Venture*,[14] in which the court held that the non-perceptible transmission of a television program from a ground station to a satellite (the "uplink") infringed the National Football League's exclusive public performance rights in the NFL telecasts that were uplinked to a satellite and downloaded to television subscribers in Canada and the United States. ASCAP argued that the Second Circuit's prior ruling that the non-perceptible uplink of NFL telecasts to a satellite infringed the copyright owner's exclusive right of public performance warranted a similar finding in this case, and that the non-perceptible downloads by RealNetworks and Yahoo! involved public performances of the musical works embodied in the downloaded sound recordings and audiovisual works.

The Second Circuit rejected this argument, finding that the uplink that was found to be infringing in *PrimeTime 24* was an integral part of a larger process that resulted in an infringing public performance (i.e., the simultaneous viewing of the NFL programming by subscribers in Canada).[15] Even though a step in the transmission process was imperceptible, the court noted that the end result of the transmission was a public performance (i.e., live viewing of the NFL telecasts). In the case of RealNetworks and Yahoo!, the downloads did not necessarily implicate the exclusive right of public performance, as the user could control when or if they listened to or viewed the downloaded files.

Implications

Importantly, the Second Circuit did not hold in the instant case that the download of a file embodying a musical work could never implicate the musical work copyright owner's exclusive right of public performance.[16] Rather, the court held that on the facts presented in this case—where RealNetworks and Yahoo! did not make downloaded files simultaneously perceptible to the user during the download transmission—there was not a public performance. As such, this limitation reflects that the generic term "download" embodies many different potential technical processes and user experiences. For example, permanent downloads and conditional or tethered downloads are terms that commonly denote a user experience of having a stored sound file that is downloaded for later consumption.[17] On the other hand, a music "stream" generally denotes a user experience of contemporaneous listening, where there may be technical buffering of pieces of the sound file that come to reside on the user's computer as a mere incident to the stream but are not retained or retrievable. As a result, this footnote leaves open the very real possibility—and indeed, the likelihood—that the exclusive right of public performance may be implicated if a user can listen to or view a file while the file is being downloaded to the user's computer.

Companies involved in the digital distribution of rich media incorporating musical works should take the Second Circuit's decision into account when deciding whether users should be able to view or listen to an audiovisual work or sound recording while it is being

---

[9] *Id.* at 14.

[10] *Id.* at 15.

[11] *Id.* (quoting 17 U.S.C. § 101).

[12] *Id.*

[13] *Id.* at 16.

[14] 211 F.3d 10 (2d Cir. 2000).

[15] *U.S. v ASCAP*, at 20.

[16] *Id.* at 18, n.9.

[17] *Id.* at 34, n.17.

Continued on page 3...

Second Circuit Rules That Public Performance Rights . . .

Continued from page 2...

downloaded. If a musical work is simultaneously perceptible to a user during a download, then a service provider may need to obtain licenses from ASCAP, BMI, and SESAC for the public performance of musical works embodied in downloaded files unless the right of public performance already has been licensed directly from the copyright owner of the musical work on a buy-out or other basis. As technology and user experiences continue to evolve in the digital world, the use of musical works in rich media will remain an important matter for legal consideration.

Wilson Sonsini Goodrich & Rosati's media practice is uniquely positioned to assist clients in this highly complex and evolving area of the law. Our seasoned team regularly advises clients on issues relating to the public performance, public display, reproduction, distribution, and creation of derivative works of copyrighted musical works, sound recordings, and audiovisual works in all media and formats. For more information about this or other media law issues, please contact Gary Greenstein, Cathy Kirkman, Suzanne Bell, or another member of the Wilson Sonsini Goodrich & Rosati media practice.

WSGR

Wilson Sonsini Goodrich & Rosati
PROFESSIONAL CORPORATION

This WSGR Alert was sent to our clients and interested parties via email on October 4, 2010. To receive future WSGR Alerts and newsletters via email, please contact Marketing at wsgr_resource@wsgr.com and ask to be added to our mailing list.

650 Page Mill Road
Palo Alto, CA 94304-1050
Tel: (650) 493-9300 Fax: (650) 493-6811
email: wsgr_resource@wsgr.com

www.wsgr.com