The Internet after Aereo:
How to Save Innovation from the
Public Performance Right

ABSTRACT

The Supreme Court’s decision in American Broadcasting
Companies, Inc. v. Aereo, Inc. overturned the Second Circuit’s rule that
separate copies create separate performances without clarifying the
scope of a performance. The decision creates significant ambiguity
surrounding the public performance right and potentially massive
liability for cloud-computing companies. Since cloud computing allows
customers to run programs remotely from a company’s servers, two
independent customers watching different copies of the same movie
from the same cloud results in the cloud conducting a public
performance. This Note examines this problem, concludes that the
current public performance regime has become obsolete, and proposes a
new bright-line safe harbor for cloud-computing companies based on
the fair use doctrine, dubbed the “Fair Performance Doctrine.”

TABLE OF CONTENTS

I. THE PUBLIC PERFORMANCE RIGHT WALKS OFF STAGE....... 818
II. THE LEGACY OF THE SECOND CIRCUIT’S CABLEVISION
     DECISION................................................................. 825
III. THE THREAT TO CLOUD COMPUTING................................. 826
IV. THE NEVER ENDING STORY: DECIDING WHERE ONE
     PERFORMANCE ENDS AND ANOTHER BEGINS ...................... 830
     A. Do Separate Copies Create Separate Performances? ...... 831
     B. Can Ownership Distinguish the Performances? ........... 833
     C. Distinguishing Performances Based on Volition .......... 834
V. CLOSING THE CURTAINS ON THE PUBLIC PERFORMANCE
     REGIME........................................................................ 836
VI. RECASTING THE FAIR USE DOCTRINE: THE FAIR
     PERFORMANCE DOCTRINE ............................................. 838
     A. Initial Access or Creation ............................................ 840
     B. Alternative Primary Purpose ........................................ 841
     C. Resemble a Series of Private Performances................. 842
In the 1920s, the La Salle Hotel offered its guests a new and innovative form of entertainment: radio.¹ Since radio sets were still an expensive luxury, placing separate transmitters in each guest room was unrealistic.² Instead, the hotel received the signal through a single “master radio” that was wired to each of its two hundred guest rooms.³ The guests could then listen to the single radio station at their leisure.⁴ Unfortunately, the author of the song “Just Imagine” could not envision the new technology’s potential.⁵ He argued that the hotel was performing his song publicly and thereby violating his rights.⁶ In Buck v. Jewell-La Salle Realty Co., the Supreme Court agreed and found the radio system to be conducting a public performance.⁷ Since that time, American jurisprudence has struggled to balance the copyright holder’s exclusive rights with technology’s potential to optimize the user’s experience.

More recently, the Internet start-up company Aereo tried to revolutionize the way that users experience broadcast television.⁸ Instead of receiving the broadcast from a television antenna, Aereo users could watch broadcast television anywhere with Internet access, including through their laptops and cellphones.⁹ Since the broadcasts were already free, Aereo argued that it was merely leasing a television antenna to its subscribers, who happened to stream the signal to themselves over the Internet.¹⁰ Under Aereo’s theory, the company was only providing its users with the equipment to conduct a private performance, not performing anything and certainly not performing anything publicly.¹¹ The broadcast companies, recognizing a threat to

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¹ See Buck v. Jewell-La Salle Realty Co., 283 U.S. 191, 195 (1931). Radio broadcasting was virtually unknown at the time that Congress passed the Copyright Act of 1909. See id. at 196.
² See id. at 195.
³ See id.; Buck v. Jewell-La Salle Realty Co., 51 F.2d 726, 727 (8th Cir. 1931).
⁴ See Jewell-La Salle Realty, 283 U.S. at 195.
⁵ See Buck v. Duncan, 32 F.2d 366, 366 (W.D. Mo. 1929), aff’d in part, rev’d in part sub nom. Jewell-La Salle Realty, 51 F.2d 726.
⁶ See Jewell-La Salle Realty, 283 U.S. at 195. The public performance right is one of six exclusive rights that are bestowed on every copyright holder, along with the rights to reproduce and distribute their work and to create derivative works. For images, there is also the right to publicly display the work. For sound recordings, there is the right to perform the work by means of a digital audio transmission. See 17 U.S.C. § 106 (2012).
⁷ See Jewell-La Salle Realty, 283 U.S. at 202.
⁹ See id.
¹⁰ See id. at 2504.
¹¹ See id.
their valuable retransmission fees, naturally disagreed. They called the service a public performance of their work and filed suit. On narrow grounds, the Supreme Court agreed with the broadcast companies that Aereo was conducting a public performance and effectively shut down the business model.

While Aereo may only be a minor footnote in the history of the Internet revolution, the decision in American Broadcasting Companies, Inc. v. Aereo, Inc. leaves very important questions unanswered, which could impede the development of cloud-based computing. Cloud computing allows users to store data in a remote database, known as the cloud, that can be accessed by any computer with Internet access. While this technology may seem different from Aereo’s service, they are difficult to distinguish under the standard public performance analysis. If users independently upload a movie to the same company’s cloud and watch the movie from the cloud, then the company could be liable for infringing the public performance right. This degree of legal liability threatens to stymie a potentially new and important innovation.

This Note seeks to avert this problem by creating an explicit safe harbor from public performance infringement for cloud-based computing through the fair use doctrine while largely leaving the public performance right intact. Part I provides background on the development of the public performance right and its current state. Part II examines the continuing viability of the US Court of Appeals for the Second Circuit’s decision in Cartoon Network LP v. SC Holdings, Inc. (Cablevision), in light of the Supreme Court’s Aereo decision. Part III explains the importance of cloud computing and the threat posed by the public performance right. Part IV searches for

12. See id. at 2503–04. The main broadcast companies are NBC, FOX, and CBS. Broadcast companies receive a significant portion of their revenue by licensing the broadcasts to cable companies, who in return pay the broadcast companies retransmission fees. If Aereo’s business model had been upheld, cable companies could have used a similar device to freely retransmit the broadcast signals. See id. at 2509.

13. See id. at 2503–04.

14. See id. at 2510.

15. See Michael Armbrust et al., A View of Cloud Computing, 53 COMM. ACM 50, 50 (2010) (“Cloud computing refers to both the applications delivered as services over the Internet and the hardware and systems software in the data centers that provide those services.”).

16. See infra Part III.

17. As will be explained in more detail later, it would not matter that the users watch the movie at different times or in different places. As a result of the Aereo decision, it also would not matter that they used separate copies. All that appears to matter is the users watched the performance of the same copyrighted material from the same entity, in this case, the cloud company. See infra Part I.

18. Cartoon Network LP v. CSC Holdings, Inc. (Cablevision), 536 F.3d 121 (2d Cir. 2008).
factors that can distinguish performances in spite of rapid technological advancement. Finding none, Part V demonstrates that the current public performance framework is broken and calls for fundamental change. To protect cloud computing until such changes occur, Part VI outlines a new safe harbor, the “Fair Performance Doctrine,” based on the fair use doctrine that will allow cloud-computing companies to grow without fear of legal liability. While drawing on current fair use jurisprudence, the new safe harbor offers bright-line rules that will minimize uncertainty. As this Note argues, the potential benefits of cloud computing far outweigh the benefits of creative works. Part VII concludes with some final reflections on the evolving role of the public performance in modern America.

I. THE PUBLIC PERFORMANCE RIGHT WALKS OFF STAGE

Forty years after the Supreme Court decided Jewell-La Salle Realty, copyright owners found new trouble in an emerging technology they believed would threaten their public performance right: cable television. With broadcast, television signals would be sent from towers in major cities, but mountains and forests would block the signals from reaching rural communities, leaving their residents without television. To solve this problem, companies began retransmitting the signals through cables laid to rural residents. Broadcasters viewed these retransmissions as a threat to their business, even though the cable customers were never broadcast customers, and alleged that the new cable companies were violating their exclusive right to publicly perform their works.

When the issue came up in Fortnightly Corp. v. United Artists Television, Inc. and Teleprompter Corp. v. Columbia Broadcasting System, Inc., the Supreme Court analogized the cable company to a broadcast viewer to uphold their services. In recognizing that the public performance right needed to adapt to new technologies, the Court analogized the cable companies to broadcasters and viewers in order to resolve the case. In performing the work, the broadcaster selects the programming, sells the accompanying advertising, and

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21. See id.
22. See id. at 393.
24. See id. at 400–02, 415; Fortnightly Corp., 392 U.S. at 400–02.
broadcasts both to the public. On the non-performing side of the analogy, viewers use televisions and antennas to receive the signal and convert it into video and audio. To the Court, the cable companies acted almost like agents of the viewers by capturing the signal and transmitting it to their televisions. The cable companies did not select or edit the programming as a broadcaster and performer would. To illustrate its point, the Court noted that if a group of viewers worked together to connect their televisions to a distant antenna, they would not be conducting a public performance. The fact that a private company erected the antenna instead of a group of viewers was not enough to result in infringement.

Congress, however, quickly disagreed with the Court’s conclusion and rewrote the Copyright Act. By passing the Copyright Act of 1976, Congress abrogated the Supreme Court’s decisions in *Fortnightly* and *Teleprompter* and added the Transmit Clause to the public performance right. The new Transmit Clause provided only a superficial and vague definition of a public performance by transmission. Instead, the Clause specified factors that cannot stop multiple transmissions of a performance from being considered a single public performance. A public performance includes a collection of separate and otherwise private performances that occur at different times and in different places. According to the Transmit Clause, a public performance can also occur through any device or

26. See *Teleprompter Corp.*, 415 U.S. at 404.
27. *Fortnightly Corp.*, 392 U.S. at 391.
28. See id. at 399–400.
29. See id. at 400.
30. See id.
31. See id.
34. The Transmit Clause provides that:
   To perform a work “publicly” means . . . to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) [the original public performance right,] or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.
36. See § 101.
process and can even occur when there is no evidence that anyone received the performance.\textsuperscript{37} This definition leaves little doubt that Congress wanted to prevent technological advancements from sidestepping the public performance right.\textsuperscript{38} However, this new definition leaves open a large question of which factor—and there must be one—explains when one performance ends and another begins. Courts have been struggling with this question, largely unsuccessfully, ever since.

The advent of cloud computing again led to numerous clashes between innovation and the public performance right. Cloud computing allows a user to run a computer program over the Internet from a remote computer server, known as the cloud, effectively replacing the user’s computer hard drive.\textsuperscript{39} The user can access all of his files and programs anywhere in the world, so long as he has Internet access.\textsuperscript{40} As the cable company Cablevision found out, however, when a company replaces a typical household hard drive that plays copyrighted material, such as a Digital Video Recorder (DVR),\textsuperscript{41} with cloud-based services, the result may look very similar to a public performance.\textsuperscript{42}

In 2006, Cablevision began offering its customers a service called a “Remote Storage” Digital Video Recorder system (RS-DVR), in conjunction with their normal cable service.\textsuperscript{43} The RS-DVR recorded and stored programming exactly like a normal DVR, but stored the recorded program at the cable company’s facilities instead of inside the user’s home.\textsuperscript{44} Users accessed their recorded programs the same way they selected a cable channel to watch, with their remote control.\textsuperscript{45} Copyright owners quickly recognized the similarity to a public performance.\textsuperscript{46} Since the Transmit Clause prohibits distinguishing performances based on time,\textsuperscript{47} the same entity, Cablevision, was transmitting the same underlying work to multiple unrelated individuals, resulting in a public performance.\textsuperscript{48}


\textsuperscript{38} See H.R. REP. NO. 94-1476, at 64–65.

\textsuperscript{39} See Armbrust et al., \textit{supra} note 15, at 50–51.

\textsuperscript{40} See id.

\textsuperscript{41} DVRs are devices that record television programming on a hard drive at the request of the user, to be viewed later at their convenience. See \textit{Cablevision}, 536 F.3d at 123.

\textsuperscript{42} See \textit{id.} at 135.

\textsuperscript{43} \textit{Id.} at 124.

\textsuperscript{44} See \textit{id.}

\textsuperscript{45} See \textit{id.}

\textsuperscript{46} See \textit{id.}


\textsuperscript{48} \textit{Cablevision}, 536 F.3d at 124–25.
When the Second Circuit took up the case in *Cablevision*, they disagreed.\(^{49}\) Even though the transmissions had the same transmitter and underlying work, they each had one important difference.\(^{50}\) The transmissions were each based off separate and unique copies of the work.\(^{51}\) Since the RS-DVR recorded the television program from a user's cable service, the user received a copy of the program that was unique to his account, just as the user would with a real DVR.\(^{52}\) The Second Circuit held that transmissions created from separate copies constituted separate performances.\(^{53}\) Thus, *Cablevision* was transmitting a large number of private performances and not violating the copyright owners’ public performance right.\(^{54}\)

Of course, the Transmit Clause does not explicitly distinguish performances based on the use of different copies.\(^{55}\) But the distinction appeared to fit nicely. Copyright law, as its name suggests, has always revolved around the idea of a copy. The author has the right to control the creation of copies of his work, but no right to control the use or resale of a copy once sold.\(^{56}\) At first glance, this distinction appears to make the public performance right fit nicely with the author’s other exclusive rights. The transmitter could copy the work and then transmit the separate copies to separate individuals.\(^{57}\) The use of separate copies would keep each transmission private.\(^{58}\) But the transmitter would still be liable for violating the owner’s reproduction rights.\(^{59}\) While focusing on the copy appears to create a clean distinction, closer inspection reveals significant problems.\(^{60}\)


\(^{50}\) See *Cablevision*, 536 F.3d at 139.

\(^{51}\) See *id.*

\(^{52}\) See *id.*

\(^{53}\) See *id.*

\(^{54}\) See *id.*

\(^{55}\) See 17 U.S.C. § 101 (2012). In fact, the Transmit Clause does not explicitly provide any factor for distinguishing performances. See *id.* However, there must be some factor, or otherwise the occurrence of a public performance would depend on whether other people played the same underlying work. Cf. *Cablevision*, 536 F.3d at 138–39. This would happen with any work commercially sold, thus effectively eliminating any private performance and giving the copyright owner legal control over all performances of his work.

\(^{56}\) The author has the exclusive right to reproduce and distribute his work. See 17 U.S.C. § 106 (2012). However, once an author creates a copy and sells it, the new owner may resell it without interference from the author. See 17 U.S.C. § 109(a) (2012).

\(^{57}\) See *Cablevision*, 536 F.3d at 137–38.

\(^{58}\) See *id.*

\(^{59}\) See *id.*

\(^{60}\) See infra Part IV.
With this ruling in mind, a small Internet start-up called Aereo set off on a doomed venture to revolutionize the broadcast television industry. If the company used a separate antenna for each user, it could capture a broadcast signal as freely as anyone with an antenna and television did. It could then transmit that signal over the Internet to its subscribers, anywhere in the world, for a small monthly fee. Since each transmission used a separate and unique copy, each transmission would be a separate private performance, at least under the Second Circuit’s jurisprudence. As a result, the retransmission violated none of the copyright holder’s rights. Needless to say, broadcast companies did not like this new business plan. If cable companies followed suit, they could retransmit the broadcast television without paying hundreds of millions in retransmission fees. If courts upheld the plan, broadcast companies threatened to turn off their free public signal and move to cable, where their content could not be picked up freely. The small Internet company quickly created a high-stakes standoff.

Litigation began in the Second Circuit. As expected, the court followed its earlier ruling in Cablevision and upheld Aereo’s service as a collection of private performances. Since each transmission came


62. See Gustin, supra note 61.

63. See id.

64. Cf. Cablevision, 536 F.3d at 139.

65. Cf. id. at 139–40.

66. Cf. id.


68. One of the broadcast stations, FOX, has said it would have taken its channel off the public airwaves if the Supreme Court upheld the Second Circuit’s Aereo holding. See id. DirecTV, Time Warner Cable, and Charter Communications considered following Aereo’s lead or buying the company if the technology remained legal as a means to avoid paying the retransmission fees. See Andy Fixmer et al., DirecTV, Time Warner Cable Are Said to Weigh Aereo-Type Services, BLOOMBERG (Oct. 25, 2013, 11:00 PM), http://www.bloomberg.com/news/2013-10-25/directv-time-warner-cable-said-to-consider-aereo-type-services.html.


70. See id. at 689. The court also elaborated its copy-based test for a public performance, relying on the four guideposts created in Cablevision. First, if the audience is public, then the performance is public. Second, “private transmissions . . . should not be aggregated,” and therefore the broader audience of the underlying work or original performance
from a different antenna, each transmission derived from distinct copies, created legally, and could not be aggregated into a public performance.\textsuperscript{71} Therefore, Aereo’s service did not violate the broadcaster’s public performance right, and the company did not need to pay retransmission fees to the broadcasters.\textsuperscript{72}

Unfortunately for Aereo, district courts in the Ninth, Tenth, and D.C. Circuits disagreed with the Second Circuit’s approach and found the company in violation of the broadcaster’s public performance rights.\textsuperscript{73} These courts noted that neither the text of the Transmit Clause nor the corresponding legislative history required that transmissions from separate copies be considered separate performances.\textsuperscript{74} After looking at the plain meaning of the Transmit Clause, they found no need to look further.\textsuperscript{75} The Clause emphasizes a broad definition of “device” by referring to any device or process that exists now or is later developed.\textsuperscript{76} Such a definition encompasses the one-to-one antennas.\textsuperscript{77} Indeed, it is hard to imagine a more public action than making a performance available to anyone in the world with Internet access.\textsuperscript{78} Such a result appears to follow from our fundamental understanding of the public and private divide, as much as from the text and interpretation of the statute.\textsuperscript{79}

The Supreme Court agreed with the plain text approach and overruled the Second Circuit.\textsuperscript{80} To interpret the Transmit Clause, the Court emphasized that it is necessary to return to Congress’s intentions when drafting it.\textsuperscript{81} According to the Court, Congress wrote the Clause to overturn the Court’s decisions in Fortnightly and
Teleprompter. While these cases sought to create a distinction between the broadcaster as performer and the viewer as receiver, the new Transmit Clause made it clear that both the broadcaster and the viewer perform the work. Both show the program’s images and make the accompanying sounds audible. Thus, any entity that acts like the cable companies in *Fortnightly* and *Teleprompter* perform even if they are merely retransmitting another entity’s performance.

Turning to the question of whether Aereo performs the work “publicly,” the Court again analogized to cable companies and one by one dismissed the distinctions created by Aereo’s unique transmitting system. Users receive a personal copy created from a unique antenna. But this occurs “behind-the-scenes” and does not affect the “viewing experience.” Since the statute specifies that a public performance can occur by “any device or process,” such behind the scenes processes cannot prevent a public performance from occurring. Similarly, the use of several transmissions, instead of a single transmission, does not prevent a performance from becoming public. To emphasize the similarities, the Court notes that Aereo even has the same “commercial objective[s]” as cable companies. As a result, Aereo performs the work publicly in the same way that cable companies would if they retransmitted the program without paying for it.

Like the statute they were trying to interpret, the Court did very little to define the scope of a performance or what makes one public. Instead, it explained what would not prevent a performance from becoming public and left the critical questions for another day.
It specifically reserved the question of whether services like RS-DVRs and cloud computing violate the public performance right.95

II. THE LEGACY OF THE SECOND CIRCUIT’S CABLEVISION DECISION

The major question left unresolved by Aereo is the state of the Second Circuit’s decision in Cablevision—whether services like a RS-DVR violate the public performance right.96 On one hand, the Supreme Court did not explicitly overturn the Second Circuit’s decision in Cablevision.97 On the other hand, the holding in Cablevision turns on the use of separate copies for separate performances.98 Since Cablevision used separate unique copies for each user’s RS-DVR, the transmissions from those copies did not aggregate into a public performance.99 However, this appears to be exactly the sort of “behind-the-scenes” technological differences that the Aereo Court said could not prevent a performance from becoming public.100 Moreover, the Court specifically noted that the use of distinct copies could not prevent the aggregation of transmission for the public performance analysis.101 As a result, it appears that the broad holding of Cablevision, using copies to distinguish transmissions and therefore performances based on the use of distinct copies, is no longer good precedent.102

At the same time, however, the narrow holding of Cablevision that would allow the use of RS-DVRs may still be good law based on other justifications.103 Similarly, the Supreme Court’s language suggests some sympathy for cloud-computing companies.104 It specifically reserved the question of whether these services conduct public performances and also suggested that these services may gain fair use protection.105 Regardless of the specific legal theory used, the

95. See id. at 2511.
96. Cf. id.
97. Cf. id.
98. See Cartoon Network LP v. CSC Holdings, Inc. (Cablevision), 536 F.3d 121, 138 (2d Cir. 2008).
99. See id.
100. See Aereo, 134 S. Ct. at 2508.
101. See id. at 2509.
102. See Cablevision, 536 F.3d at 138; cf. Aereo, 134 S. Ct. at 2501.
103. Cf. Aereo, 536 F.3d at 2511. The Court did not elaborate on what these other grounds might be but explicitly refused to address how the new precedent would apply to RS-DVRs and cloud computing. See id.
104. Cf. id.
105. Cf. id. Somewhat less sympathetically, they also appear to be punting the issue to Congress. The Court suggests that “to the extent commercial actors or other interested entities may be concerned with the relationship between the development and use of such technologies and the Copyright Act, they are of course free to seek action from Congress.” Id.
decision will probably turn on how closely these companies resemble cable companies and the extent to which their services undermine the author’s ability to profit from their works.\textsuperscript{106} Cablevision and other companies that rely on cloud computing and remote storage systems will have to tread carefully until this important area of law is given a more direct treatment by the Supreme Court.\textsuperscript{107}

III. THE THREAT TO CLOUD COMPUTING

Cloud computing is quickly gaining recognition as the next major frontier in the Internet revolution.\textsuperscript{108} Cloud computing allows customers, usually other businesses, to purchase computing storage and processing as a service, like a utility, instead of purchasing a hard drive as a major capital investment.\textsuperscript{109} The cloud-computing servers are stored at a remote location and can be accessed from anywhere over the Internet.\textsuperscript{110} If a company wants to start a website, they can rent the computing power for the website instead of purchasing physical computer servers.\textsuperscript{111} Thus, a large, fixed start-up cost has become a variable cost charged only if customers arrive.\textsuperscript{112} The global cloud services market was estimated to be $9.6 billion in 2013 and is expected to grow 24.8 percent annually over the next five years.\textsuperscript{113} By 2019, more than two-thirds of data center traffic will occur in the cloud.\textsuperscript{114} McKinsey & Co., a management consulting firm, predicts that the total economic impact of cloud computing will range from $1.7 trillion to $6.2 trillion in 2025.\textsuperscript{115} While the economic size of cloud computing is impressive, an examination of its potential will reveal a much more powerful contribution to the technology industry and every industry that relies on technology.

\footnotesize{\textsuperscript{106} Cf. id. at 2501–02.} \textsuperscript{107} Cf. id. at 2511. \textsuperscript{108} See Armbrust et al., supra note 15, at 50. \textsuperscript{109} See id. at 50–51. The computer storage and processing power is stored at the cloud-computing company’s computer servers, which the customer will access over the Internet. Normally, this computer power is rented on an hourly basis. See id. at 52. \textsuperscript{110} See id. at 50–51. \textsuperscript{111} See id. \textsuperscript{112} See id. \textsuperscript{113} See Gard Little et al., Int’l Data Corp., Excerpt: IDC MarketScape: Worldwide Cloud Professional Services 2013 Vendor Analysis 3 (2013), available at http://planetic.es/sites/default/planeticfiles/content-files/private/IDC%20MarketScape.pdf. \textsuperscript{114} See James Manyika et al., McKinsey Global Inst., Disruptive Technology: Advances that Will Transform Life, Business, and the Global Economy 63 (2013), available at http://www.mckinsey.com/insights/business_technology/disruptive_technologies. \textsuperscript{115} See id. at 61.
The biggest advantage of cloud computing is not its ability to generate revenue and profits. Rather, its biggest benefit is turning a fixed cost into a variable cost for its customers, which are normally web-based businesses.\textsuperscript{116} In starting a major web-based business, such as eBay or Facebook, the company normally needs a large number of high-powered computer servers that can host the activity of customers using their website.\textsuperscript{117} These servers are similar to the company’s factory.\textsuperscript{118} They are expensive and go directly into the start-up costs of a company—the costs that need to be paid before a single customer arrives.\textsuperscript{119} Cloud computing, however, replaces these servers and thus turns a fixed start-up cost into a variable cost, which is charged only if and when customers start using the website.\textsuperscript{120}

This shift from fixed cost to variable cost will facilitate the creation of new revolutionary companies. Cloud computing eliminates the need to buy massive computer servers and thus reduces the initial costs of starting a new business or entering a new market.\textsuperscript{121} Therefore, it reduces the losses of a failed business and consequently the venture’s risk.\textsuperscript{122} Since you can never fully know if a business will succeed until customers start buying its products, this risk reduction will allow the start-up companies to enter new markets and create dramatic change through direct experimentation with different business models.\textsuperscript{123} Further, cloud computing is cheaper than traditional servers.\textsuperscript{124} Cloud computing benefits from economies of scale and can thereby sell processing power for a lower cost.\textsuperscript{125} Renting server space from a cloud costs only one third as much as buying and maintaining equipment for the same power.\textsuperscript{126} It also allows companies to allocate those costs to more efficiently match customer demand.\textsuperscript{127} If a company operated off its own server, it would need enough computing power to host the maximum number of

\textsuperscript{116} See Armbrust et al., supra note 15, at 51.
\textsuperscript{117} Cf. id.
\textsuperscript{118} Cf. id.
\textsuperscript{119} See id.
\textsuperscript{120} See id. at 53. Cloud computing is considered to be a “pay as you go” service. The more technical business terminology for changing a fixed cost into a variable cost is to change a capital expense into an operating expense. See id.
\textsuperscript{121} See id. at 51.
\textsuperscript{122} Cf. id.
\textsuperscript{123} See id.
\textsuperscript{124} See id. at 52.
\textsuperscript{125} See id.
\textsuperscript{126} See Manyika et al., supra note 114, at 63.
\textsuperscript{127} See Armbrust et al., supra note 15, at 53. Adjusting the computer power rented from a cloud can be changed in minutes rather than weeks and thus allows for greater flexibility and for businesses to match costs with revenues. See id.
customers that it expects at any given point in time. Since the maximum traffic on a website tends to be two to ten times the average traffic, most of the server power will go unused most of the time. Thus, companies with their own servers only use 5–20 percent of their servers’ power on average. In a cloud-computing world, however, this problem does not exist. Companies only purchase the power that they need and can simply purchase more computing power when they need it. Thus, cloud computing can replace the upfront costs of buying servers with a service that is cheaper and utilized only as needed.

Finally, and most importantly, cloud computing allows companies to quickly scale up their operations at a rate that was previously unimaginable. Since cloud-computing power is purchased as a service, companies can buy more power as their website traffic requires it. For example, Animoto is a company that allows users to create web-based presentations from uploaded images and videos. In early 2008, it served just 5,000 people a day. But in May 2008, it went viral. The site’s user traffic doubled every twelve hours for three straight days, totaling nearly 750,000 new users. Since they were already based in the cloud, they accommodated the surge nearly seamlessly, expanding from 50 servers to 3,500 servers in the three-day period. And they did it at a cost of just ten cents per server, per hour. Anywhere other than the

128. See id. If the business fails to provide for the peak traffic, users will experience slow response times and likely move to a competitor. For example, it is believed that Friendster lost popularity to Facebook and MySpace because of its slow response times, which lasted up to forty seconds. In a world of instant gratification, such a delay is deadly. See id.
129. See id.
130. See id.
131. See id.
132. See id. To illustrate this concept, imagine an e-commerce website that—like most retail businesses—sees its most sales and thus most Internet traffic leading up to Christmas. If it uses its own servers, it will have to purchase enough servers to accommodate this high demand. In this scenario then, the server power designed to accommodate the Christmas rush will go unused for the rest of the year. Cloud computing, by contrast, eliminates this waste by allowing companies to purchase servers only when they need it. See id.
133. See id.
134. See id.
135. See id.
137. See id.
138. See id.
139. See Armbrust et al., supra note 15, at 53; Fitzgerald, supra note 136.
140. See Fitzgerald, supra note 136.
141. See id.
cloud, this would be an astonishing feat.\textsuperscript{142} The implications of cloud computing is an unprecedented level of flexibility for businesses to enter new markets and meet customer demand.

Unfortunately for the cloud-computing industry, the fate of this revolution hangs on the opinion of nine Supreme Court justices, who still have trouble using email.\textsuperscript{143} And right now, the ambiguity in the public performance rights regime threatens to create major legal liability for cloud-computing companies.\textsuperscript{144} While a public performance may seem different from a cloud-computing company at first, under the legislative definition, they are very difficult to distinguish.\textsuperscript{145} The standard public performance analysis prohibits distinguishing performances based on time or place.\textsuperscript{146} Consequently, when two customers upload different copies of the same movie to the cloud and then watch it independently, the cloud-computing company is legally conducting just one performance.\textsuperscript{147} Thus, the two customers have unwittingly made the company conduct a public performance.\textsuperscript{148} To use Animoto as an example, it is nearly certain that two users will upload the same copyrighted movie clips for their presentation and then play them off Amazon’s cloud.\textsuperscript{149} Since courts cannot distinguish the two performances based on time, location, or copy, courts will aggregate the performances into a public performance, creating significant liability for Amazon.\textsuperscript{150}Presumably, some factor must prevent these two performances from constituting a single public performance.\textsuperscript{151} But no likely candidate exists currently and cloud-computing companies will continue to operate under the threat of major legal liability until this issue is resolved.\textsuperscript{152}

\begin{itemize}
\item 142. \textit{See id.}
\item 145. \textit{Cf. \textit{id.} Like Aereo, cloud-computing services perform copyrighted works for multiple users, and these performances can only be distinguished because they derive from different copies. \textit{Cf. id.}}
\item 147. \textit{Cf. \textit{id.}}
\item 148. \textit{Cf. \textit{id.}}
\item 150. \textit{Cf. Wittow & Buller, supra note 149, at 7; Fitzgerald, supra note 136.}
\item 151. \textit{See infra Part V.}
\item 152. \textit{See infra Part V. The two factors that currently limit the aggregation of different performances would be ineffective here because the same transmitter is transmitting the same underlying performance. See infra Part V.}
\end{itemize}
The problem is not just a theoretical one. The Cablevision decision led to substantial increases in investment for the cloud-computing industry, since the industry no longer had to worry about copyright liability stemming from copyrighted content that users placed on their servers.153 A study on the effects of copyright policy on venture capital investments found that the Cartoon Network decision resulted in increased investment by venture capital firms in cloud computing along the lines of $728 million to $1.3 billion over two-and-a-half years.154 While no one has yet studied the issue, it is likely that the Supreme Court’s decision has reversed this tide of investment and its resulting benefits.155 Until the legal issue is cleared up, it will slow down the cloud-computing revolution.

IV. THE NEVER ENDING STORY: DECIDING WHERE ONE PERFORMANCE ENDS AND ANOTHER BEGINS

The broader question that the Aereo decision implicates is what exactly distinguishes two performances.156 In a public performance case, courts tend to use an aggregation analysis where they look to see if a performance occurred, which transmissions are aggregated into that performance, and finally whether the audience of the performance is public.157 The difficulty comes in the second step of the analysis in deciding which factors guide the aggregation of transmissions.

Right now, there appear to be only two agreed-upon factors that can prevent two performances from being aggregated. First, two transmissions of two different works will not be aggregated.158 Second, transmissions by distinct entities will be considered separate


154. See id. at 1. To reach this result, they compare the increases in cloud-computing investment between the United States, where the decision would have a major impact, to other countries, where it should have no impact. See id. at 7.

155. See Ali Sternberg, 8 Passages from the Supreme Court’s Aereo Decision that May Have Negative Implications for the Cloud, DISRUPTIVE COMPETITION PROJECT (June 25, 2014), http://www.project-disco.org/intellectual-property/062514-8-passages-supreme-courts-aereo-decision-may-negative-implications-cloud/.


157. Cf. id. at 2504 (looking first at whether Aereo performs, second whether or not each transmission should be aggregated, and the third element following implicitly).

158. Cf. 17 U.S.C. § 101 (2012) (“To ‘perform’ a work means to . . . show its images in any sequence or to make the sounds accompanying it audible.”).
performances. The statute defines public transmission in largely negative language, describing what cannot prevent transmissions from being aggregated. We know that time and place cannot prevent two transmissions from being aggregated. Based on the Supreme Court's Aereo decision, we also know that distinct copies and separate communications cannot prevent aggregation. While the guidance ends here, it appears obvious that some additional factor must distinguish performances. Otherwise, every transmission of a given work by a given broadcaster would be considered a single performance. The remainder of this Part examines some of the likely candidates.

A. Do Separate Copies Create Separate Performances?

For a while, using the copy to distinguish performances seemed like a good solution. In Cartoon Network and Aereo, the Second Circuit proposed to limit aggregation when the performances used separate copies of the work. Distinguishing performances based on the copy used has several advantages and appears to create a series of rights that lock together, ensuring that the author will receive compensation for their efforts. From an interpretative standpoint, focusing on the copy limits the audience without violating the express non-limits of the statutory definition. Second, the author will be compensated in each scenario, either for the public performance or for his reproduction right in the case of a private performance based off a distinct copy. However, further analysis shows that distinguishing performances based on copies creates more problems than it has solved.

159. See Cartoon Network LP v. CSC Holdings, Inc. (Cablevision), 536 F.3d 121, 138 (2d Cir. 2008). However, to make things confusing, it appears that more than one entity can perform the same transmission, but for public analysis, these performances would be considered distinct. Cf. Aereo, 134 S. Ct. at 2500 (“Thus, both the broadcaster and the viewer ‘perform,’ because they both show a television program’s images and make audible the program’s sounds.”) (emphasis added).


161. See id. (“[T]o transmit or otherwise communicate a performance ... whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.”).

162. See Aereo, 134 S. Ct. at 2502.


164. See Cablevision, 536 F.3d at 137–38.

165. See id.

166. See Jacob Marshall, Note, Trading Rabbit Ears for Wi-Fi: Aereo, the Public Performance Right, and How Broadcasters Want to Control the Business of Internet TV, 16 VAND. J. ENT. & TECH. L. 909, 942 (2014).
The Second Circuit based its decision on the assumption that a transmission of a work cannot occur without a copy of that work.\textsuperscript{167} Thus, separate copies would lead to separate private performances where the author has already been duly compensated by the purchased copy.\textsuperscript{168} However, this is not necessarily the case. A person can perform a work without ever having attained a copy of that work. For example, an individual in a public place could begin singing “Happy Birthday to You,” a notoriously copyrighted work that almost everyone knows by heart.\textsuperscript{169} Even transmitting a performance does not necessarily require a copy of the work. Again, the individual could sing the song live on a radio station without ever using a copy of the work.\textsuperscript{170}

To illustrate the point, the facts of \textit{Aereo} demonstrate that even a digitally recorded television program does not need a copy to conduct a performance.\textsuperscript{171} \textit{Aereo} used a unique copy of the programming for each viewer, but only because it recorded six or seven seconds of the programming before sending it to the viewer.\textsuperscript{172} It would be easy for a company like \textit{Aereo} to not create any copies at all and simply pass the broadcast signal on to the viewers.\textsuperscript{173} This is because a copy is created only when the work is fixed.\textsuperscript{174} To be fixed, the work must be embodied in the buffer for more than a “transitory duration.”\textsuperscript{175} As the Second Circuit found, this duration requirement is not met where the work stayed in the buffer for less than 1.2 seconds.\textsuperscript{176} If \textit{Aereo}...
kept a similarly short part of the program in their buffer, then presumably they could retransmit the program without creating any copies.\footnote{511, 518 (9th Cir. 1993) (finding that running a program on a computer’s random access memory (RAM) was sufficiently fixed).} In that case, Aereo would not even need to use separate antennas to avoid infringing the public performance right under the Second Circuit’s copy-based jurisprudence.\footnote{Cf. Cablevision, 536 F.3d at 130.} Thus, focusing on the copy creates a gap between the author’s reproduction rights and the public performance right that can be exploited by performers to sell performances without compensating the author. As a result, delineating performances based on copies is a poor solution to the current ambiguity in the public performance regime.

### B. Can Ownership Distinguish the Performances?

In Aereo, the Court suggested in dicta that separate ownership of the underlying work creates separate performances.\footnote{Cf. Am. Broad. Cos. v. Aereo, Inc., 134 S. Ct. 2498, 2510 (2014). It is difficult to understand what argument the Court is trying to preempt. If a person viewed a performance of their own work, presumably they would be granting at least an implicit permission for the performance, regardless of whether it is public or private. \textit{Cf. id.}} As an initial matter, this distinction would provide little help. Only the copyright holder owns the underlying work.\footnote{Cf. \textit{WNET, Thirteen v. Aereo}, 712 F.3d at 689–90. This point is assuming that the transmissions could not be aggregated at all because they each come from the original performance and therefore there is no copy. Conceivably, the court could interpret the transmissions as all coming from the broadcaster’s original copy and thereby aggregate the performances.} Members of the public own only a copy of the work or a limited license to perform the work publicly. Thus, the distinction does not go far in explaining where one performance ends and another begins.

To consider a more interesting variation of this distinction: courts might try to distinguish the performances based on ownership of the copy. Under this distinction, Aereo performed their works publicly because they owned each of the separate copies. By contrast, a cloud-computing company would not be conducting a public performance because it does not own the copies, which are owned by the respective users.\footnote{See 1 \textit{MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.01[A] (rev. ed.). Under any interpretation of the public performance right, the owner would presumably not sue himself for creating a public performance.} While this distinction has some promise, it is still open to abuse by performers. Aereo has consistently argued that

they are merely “renting” their antennas to their customers.\textsuperscript{182} Consistent with this theory, Aereo could argue that their respective customers own the newly created copies.\textsuperscript{183} As a result, focusing on the owner of the copy may also fail where the copy-based distinction failed.\textsuperscript{184}

C. Distinguishing Performances Based on Volition

While dissenting in \textit{Aereo}, Justice Scalia suggested that performances should be distinguished based on who provided the volition to start the performance.\textsuperscript{185} With Aereo’s service, the consumer provides the volition and controls what content to stream, regardless of whether it is copyrighted.\textsuperscript{186} Aereo only provides the equipment.\textsuperscript{187} Since consumers are independently streaming broadcasts through separate equipment, no public performance should result and certainly not one conducted by Aereo.\textsuperscript{188} Using this argument, Aereo makes itself look like an Internet-based Radio Shack that is just selling the online version of a common household antenna.\textsuperscript{189} Since the user provided the necessary volition by clicking “record,” the user rather than Aereo conducted the performance, leaving Aereo free from liability.\textsuperscript{190} While the majority rejected this argument, it still provides an interesting alternative for limiting performances.\textsuperscript{191}

\begin{itemize}
\item \textsuperscript{182} \textit{See Aereo}, 134 S. Ct. at 2504.
\item \textsuperscript{183} \textit{Cf. id.} While the Court rejected the “renting” argument for the purposes of a transmission, the result might be different for those who own the underlying copy. For example, Aereo might make such ownership right clear in their “terms of use” or adjust their systems to save the copy directly to the customers’ hard drives. It is not contradictory for a business to perform or transmit a copy owned by another entity. \textit{Cf. id.} at 2508.
\item \textsuperscript{184} \textit{ Cf. supra Part IV.A.}
\item \textsuperscript{185} \textit{See Aereo}, 134 S. Ct. at 2512–13 (Scalia, J., dissenting). Somewhat oddly, Scalia dubs this test the “traditional volitional-conduct test.” \textit{Id.} at 2517. However, Scalia is actually the first person to apply a volitional test in the context of the public performance. \textit{Cf. id.} at 2513–14 (listing cases where the court refused to find the defendant liable for their customers’ copying because they did not provide the necessary volition). Instead, he appears to have adapted it from \textit{Cablevision}’s use of the test to show that Cablevision did not create a copy since it did not provide the necessary volition. \textit{Cf. Cartoon Network LP v. CSC Holdings, Inc. (Cablevision),} 536 F.3d 121, 131 (2d Cir. 2008).
\item \textsuperscript{186} \textit{See Brief for Respondent at 17–18, Aereo,} 134 S. Ct. 2498 (No. 13-461), 2014 WL 1245459.
\item \textsuperscript{187} \textit{See id.}
\item \textsuperscript{188} \textit{See id.}
\item \textsuperscript{189} \textit{See id.}
\item \textsuperscript{190} \textit{See Aereo,} 134 S. Ct. at 2512–13 (Scalia, J., dissenting).
\item \textsuperscript{191} \textit{Cf. id.}
\end{itemize}
In *Cablevision*, the court implicitly followed a similar volition-based theory of culpability. In deciding who authored the infringing copy, they viewed the RS-DVR system as analogous to a household VCR. The person who operates the VCR is responsible for creating the copy, not the party that created or sold the VCR. In a similar manner, the television companies could not hold Cablevision responsible as a direct infringer for the copies created by its consumers using its system. The consumer, not Cablevision, provided the necessary volition to create the copy. It seems clear that the same volition that created the copy also caused the performance to occur. Thus, it would be an odd and contradictory result for the court to then find that the consumer caused Cablevision to conduct a public performance. Moreover, analogizing the RS-DVR to a VCR appears to buttress this result. Based on the famous principle that similar cases should be treated similarly, the distinction between housing the copy at the user’s home or at the service provider’s facilities does not feel sufficiently distinct to warrant legal liability.

The problem with this volition-based approach is that it ignores the fair use nature of the original product. It is legal to sell VCRs, despite their tendency to record copyrighted material, because “time-shifting” programs constitute a fair use. However, a fair use defense becomes difficult to justify when the means become more efficient and a single actor is performing the service on a mass scale.

193. See id. at 131.
194. See id.
195. See id. at 132. The court did not deal with the issue of secondary liability for Cablevision because the plaintiffs expressly disavowed it. See id. at 130–31.
196. See id. at 132.
197. Cf. id. at 134.
198. Cf. id. at 139. The court specifically notes that finding that the consumer created the copy does not necessarily lead to the conclusion that the consumer performed the work. The court skips the question of whether Cablevision or the consumer was responsible for conducting the transmission and therefore the performance, finding it unnecessary to answer since the performance was not public. See id. at 134.
200. Cf. id. at 9–12 (deriving the principle that like cases should be treated alike).
202. See id. The Court applied the standard four factor test to determine that “time-shifting” fell within fair use. First, private use is a noncommercial activity, supporting fair use. The second factor, the nature of the fair use, works against fair use but the Court fails to explain why. Third, the entire program is reproduced, undermining fair use. Fourth, there was no demonstrable damage to the market for the work. See id. at 448–51.
In *Sony Corp. of America v. Universal City Studios, Inc.*, two of the four factors supporting fair use included the facts that the activity was a nonprofit, noncommercial private use and did not produce any demonstrable damage to the market for the copyrighted work.\footnote{\textit{Id.} at 449–51.} Under the facts of *Cablevision*, however, these factors would have pointed in the opposite direction.\footnote{Under the issue of copyright infringement, the court never reaches the question of fair use because they decide that Cablevision did not author the copies and because the plaintiffs decided against arguing for contributory liability. \textit{Id.} at 139. However, the sense of justice embodied in the fair use doctrine still appears to be driving the results in this case and the other cases discussed in this Part.} Cablevision was acting in a commercial and for-profit capacity in selling the RS-DVR services.\footnote{\textit{Id.} at 124.} Moreover, these systems have an increasing potential to hurt the market for copyrighted works as they become more capable of holding larger numbers of shows and effortless, since users may be able to build libraries based on recorded television that replace their need to buy copies.\footnote{\textit{Id.}} As a result, the viewer’s volition theory of liability relies on the assumption of fair use for a VCR-type system that becomes untenable when moved to a mass scale.

\section*{V. Closing the Curtains on the Public Performance Regime}

The difficulty with identifying a factor that can distinguish where one performance ends and another begins results from a more fundamental breakdown in the copyright framework. The current copyright framework traces its roots to a time when copies meant books and performances meant theater.\footnote{\textit{Stadler, supra note 33, at 700.}} In today’s digital age, new modes of communicating creative ideas have evolved; the performance and the copy no longer have a meaningful distinction.

The paradigmatic public performance is an actor reciting the script of a play in front of a live audience.\footnote{\textit{Id.} at 718.} Without the public performance right, the actor could potentially purchase a single print copy of the play and perform it for dozens of paying audience members, night after night.\footnote{\textit{Id.}} Those audience members, having already experienced the play, are then much less likely to buy a print copy of the play to perform it themselves.\footnote{\textit{Id.} at 123.}
copy of the script.\textsuperscript{210} In a world without a public performance right, this profit opportunity allows the performer to appropriate the benefits of the work without compensating the author. A property right is necessary to fill this loophole.\textsuperscript{211}

The search for a solution to this appropriation problem has resulted in our modern copyright regime. The \textit{sine qua non} of a copy is its permanence.\textsuperscript{212} By purchasing a copy, the consumer gains the ability to experience the work whenever, wherever, and for as many times as they wish.\textsuperscript{213} In contrast, the \textit{sine qua non} of a performance is the one-time experience.\textsuperscript{214} When you sell someone a ticket to a performance, you are selling the experience of the copyrighted work with no additional rights after the performance ends.\textsuperscript{215} Each audience member experiences the work once, without interruption, and then it is gone.\textsuperscript{216} In the pre-Internet world, the distinction between a copy and a public performance was rooted in the physical nature of the act.\textsuperscript{217} Creating a physical object containing the work is a copy.\textsuperscript{218} By contrast, creating a sound or transmission—technically understood as a series of waveform audio or electromagnetic distributions—is a performance.\textsuperscript{219} Thus, the distinction between the author’s rights grew off of a clear physical distinction.

Unfortunately, those clear physical distinctions have evaporated. The line between a performance and a copy—between a permanent object and a temporary signal—can no longer be meaningfully deciphered. Any sort of Internet-delivered performance necessarily requires a reproduction in the computer’s random access memory (RAM).\textsuperscript{220} A reproduction and distribution over the Internet differs from a public performance only by the lack of a contemporaneous audio and visual rendering of the work.\textsuperscript{221} However,

\begin{enumerate}
\item \textsuperscript{210} See id.
\item \textsuperscript{211} But see id. at 700–01 (arguing that the public performance right today gives copyright holders the ability to charge for their work in each step of the process through which the work reaches its audience).
\item \textsuperscript{213} See id.
\item \textsuperscript{214} See id.
\item \textsuperscript{215} See id.
\item \textsuperscript{216} See id.
\item \textsuperscript{217} See id. at 580.
\item \textsuperscript{218} See id.
\item \textsuperscript{219} See id.
\item \textsuperscript{220} See id. at 578.
\item \textsuperscript{221} See id.; see also United States v. Am. Soc’y of Composers, Authors & Publishers, 627 F.3d at 64, 73 (2d Cir. 2010) (holding that a downloaded song is not music because there is no contemporaneous perception by the listener).
\end{enumerate}
the same digital string of ones and zeroes leads to either a copy or a performance based only on the software used to decipher them.\textsuperscript{222} With a small change in the software, the performance stays on the viewer’s computer as a copy, or a copy is simultaneously observed and deleted like a performance.\textsuperscript{223}

Transmitters have tried to maintain the traditional copyright distinctions in their software.\textsuperscript{224} From a practical perspective however, the transmitter constructs and controls the software located on the viewer’s computer.\textsuperscript{225} Indeed, the transmission is often encrypted in a fashion that can only be decoded by the transmitter’s software.\textsuperscript{226} At the same time, the distinction is an artificial one and will continue to break down until it is replaced.

VI. RECASTING THE FAIR USE DOCTRINE: THE FAIR PERFORMANCE DOCTRINE

The doctrine of fair use allows “courts to avoid the rigid application” of copyright law when doing so would “stifle the very creativity which that law is designed to foster.”\textsuperscript{227} While creativity is the main focus, the broader public interest is also important and can tip the scale.\textsuperscript{228} Traditional fair use analysis relies on four factors: the purpose and character of the use, the nature of the copyrighted work, the amount and substantiality of the portion used, and the effect on the market for the copyrighted work.\textsuperscript{229} Based on these four factors,

\begin{itemize}
  \item \textsuperscript{222} See Knobler, \textit{supra} note 212, at 579–80.
  \item \textsuperscript{223} See \textit{id.}
  \item \textsuperscript{224} See \textit{id.} at 580.
  \item \textsuperscript{225} See \textit{id.}
  \item \textsuperscript{226} See \textit{id.}
  \item \textsuperscript{228} See 4 \textit{Nimmer on Copyright}, \textit{supra} note 180, § 13.05[B][5].
  \item \textsuperscript{229} The fair use defense codified in Section 107 reads:
    Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—
    (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
    (2) the nature of the copyrighted work;
    (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
    (4) the effect of the use upon the potential market for or value of the copyrighted work.
    The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.
\end{itemize}
this Note proposes a four-element safe harbor designed to protect cloud-computing services from public performance liability. The defending company must demonstrate that: (1) the service did not initially create or provide access to the copy used; (2) the service must have a primary purpose separate from performing audio visual works, such as data storage; (3) the performances must be essentially private by resembling a series of private performances; and (4) the infringement must be limited to performing the work, rather than copying or publishing the work.

If a company is found in violation of the public performance but meets all four elements, the company can assert the “Fair Performance Doctrine” as an affirmative defense. Since each element is derived from one of the fair use’s factors, as will be demonstrated, the company has effectively fallen within the fair use defense. If the company fails one of the elements, then courts should proceed under the standard fair use doctrine.

To emphasize the point, it is crucial that courts create an explicit safe harbor because the fair use doctrine is notoriously ambiguous and businesses need certainty to thrive. The fair use doctrine’s factors are defined in general terms that tend to defy a bright-line definition. They have no relative weight and none of them are either necessary or sufficient. As a result, judges can apply the test arbitrarily based on their own sentiments. This level of ambiguity allows a copyright owner, such as a major broadcast corporation, to credibly threaten to sue a cloud-computing company for copyright infringement and tie the company up in years of expensive litigation. This kind of threat will be sufficient to deter companies from entering the cloud-computing industry. Moreover, there are substantial benefits to a rule that creates certainty, which the current


230. If the defendant meets all four factors of the fair use test, then “victory on the fair use playing field is assured.” Arica Inst., Inc. v. Palmer, 970 F.2d 1067, 1078 (2d Cir. 1992).

231. See Monge v. Maya Magazines, Inc., 688 F.3d 1164, 1171 (9th Cir. 2012).


233. See Monge, 688 F.3d at 1171.


235. Cf. id. at 277.
fair use doctrine lacks.\textsuperscript{236} Certainty allows businesses to predict the outcome of a legal dispute.\textsuperscript{237} It helps to resolve disputes quickly, since parties will settle rather than attempt litigation.\textsuperscript{238} So, an explicit safe harbor is necessary for the fair use doctrine to achieve its purpose.

\textbf{A. Initial Access or Creation}

The first element requires that the service did not create or provide access to the copy used for the performance. It would be permissible for a customer to upload their own copy, but not for the service to provide access to a cable or broadcast stream.\textsuperscript{239} This factor derives directly from the fourth factor of the fair use doctrine, the effect on the market for the copyrighted work.\textsuperscript{240} For the fair use doctrine, this is the single most important factor.\textsuperscript{241} This is because the fundamental goal of copyright law is to encourage authors to create by allowing them to pick the fruits of their labor.\textsuperscript{242} If the use has no impact on the work’s market or value, then it does not need to be prohibited to protect the author’s incentive.\textsuperscript{243} The goal is to determine whether the use appropriates the market for the original work.\textsuperscript{244}

If the service does not provide access to the copy, then the user must have acquired the copy, hopefully by purchasing a legal copy. Even if the customer acquired the copy without paying, the infringement is his or her own and does not create liability for the service.\textsuperscript{245} As a result, the service does not affect the market for the work. If anything, these services should expand the ability of the user

\textsuperscript{236} See Paul E. Loving, The Justice of Certainty, 73 OR. L. REV. 743, 746 (1994). Certainty in the context of legal rules can be defined as “the ability to predict the legal consequences of one’s conduct.” Id. at 748.

\textsuperscript{237} See id. at 746.

\textsuperscript{238} See id. Certainty also allows the law to resolve similar cases in a similar manner. See id.

\textsuperscript{239} Cf. supra Part IV.C.


\textsuperscript{242} See A.V. ex rel. Vanderhye v. iParadigms, LLC, 562 F.3d 630, 642 (4th Cir. 2009) (quoting Pierre N. Leval, Commentary, Toward a Fair Use Standard, 103 HARV. L. REV. 1105, 1124 (1990)).


\textsuperscript{244} See NXIVM Corp. v. Ross Inst., 364 F.3d 471, 482 (2d Cir. 2004).

\textsuperscript{245} The service may still be a contributory infringer if the customer is illegally copying works; but that is a separate question and is beyond the scope of this Note.
to enjoy the work, increase the incentive for the user to purchase a copy, and thereby further the goals of copyright law.\textsuperscript{246}

\textbf{B. Alternative Primary Purpose}

The second element requires that the service have a primary purpose other than performing the copyrighted work. By and large, the remote storage of data will suffice, while other purposes may suffice as well. This element derives from the first fair use factor, the purpose and character of the use.\textsuperscript{247} A use that has a commercial focus tends to weigh against a finding of fair use.\textsuperscript{248} However, applying the factor requires understanding whether the user stands to profit from the exploitation of copyrighted work without paying for it.\textsuperscript{249} Most secondary users will seek some commercial gain from their use, and so it is important not to overly emphasize the commercial motivation without respect to how that motivation relates to the copyrighted work.\textsuperscript{250}

In addition, courts have emphasized that a transformative use can compensate for the commercial nature of the use.\textsuperscript{251} A transformative use is one that uses the work “in a different manner or for a different purpose from the original.”\textsuperscript{252} Thus, the user does not need to literally transform the work.\textsuperscript{253} The work can remain unchanged so long as it is being used for a different purpose than originally intended.\textsuperscript{254} For example, in \textit{Perfect 10, Inc. v. Amazon.com, Inc.}, Google’s use was considered “highly transformative” when it used images to create thumbnails, even though it reproduced the photos without altering them.\textsuperscript{256} The court noted that it provided a new context for the work and thus essentially transformed the work into a new creation.\textsuperscript{257}

\begin{itemize}
\item \textsuperscript{246} As a matter of standard economic theory, the more value that the customer derives from a product, the more that they are willing to pay for that product. If the customer buys a DVD and can only play it on their television, then the customer will necessarily pay at least the same amount for a DVD that they play through their television, their laptop, and their cell phone, as a result of a cloud-computing service.
\item \textsuperscript{247} 17 U.S.C. § 107 (2012).
\item \textsuperscript{249} See id.
\item \textsuperscript{250} See Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 921 (2d Cir. 1994).
\item \textsuperscript{252} A.V. ex rel. Vanderhye v. iParadigms, LLC, 562 F.3d 630, 638 (4th Cir. 2009) (quoting Leval, supra note 242, at 1111).
\item \textsuperscript{253} See id.
\item \textsuperscript{254} See id.
\item \textsuperscript{255} 508 F.3d 1146, 1146 (9th Cir. 2007).
\item \textsuperscript{256} See id. at 1164–65.
\item \textsuperscript{257} See id. at 1165.
\end{itemize}
In a similar manner, the service will have a transformative use so long as the performance is incidental to the main service it provides to its customers. Thus, the service transforms the public performance of the work by adding private storage of the user’s personal copy. The storage function acts as a new context for the public performance. Even though the service is creating a public performance of the work, it is doing so to provide private storage of the user’s private copy of the work. The sheer idiosyncrasy of using a public performance to provide private storage and the difference between these two concepts—public performance and private storage—demonstrates vividly how transformative this use is.

Importantly however, the service must demonstrate that the performance is not the primary purpose of the work. An add-on service used solely to disguise the public performance will not suffice.

C. Resemble a Series of Private Performances

The third element requires the services’ public performances to each resemble a series of private performances. This occurs, as with cable and broadcast performances, where the users each experience the performance in their homes or on a personal electronic device. While this sort of performance would be considered public for the sake of Section 106, the fair use doctrine, through the Fair Performance Doctrine, one can still take this important distinction into account.258 There is something fundamentally different between broadcasting a performance into people’s homes and playing a performance at a movie theater.259 In the earlier example, each space is a private space, while in the later example, the space is public.

This element follows from the second fair use factor, the nature of the copyrighted work.260 A work is entitled greater protection as it comes closer to the copyright’s core purpose of creative expression.261 On its face, it would appear that movies and television shows would have the kind of creative nature that requires the greatest level of protection.262 However, the nature of the use must also be taken into

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258. Cf. 17 U.S.C. § 107 (2012). Fair use is an equitable doctrine that can account for distinctions that cannot be easily distilled into rules or standards. See, e.g., Weissman v. Freeman, 868 F.2d 1313, 1324 (2d Cir. 1989).

259. When an individual watches a movie from a cloud computer, they are essentially playing a personal copy for themselves. When an individual watches a movie at a movie theater, they are of course viewing a public performance. However, this distinction is difficult to pin down from a technical or physical perspective. See supra Part IV.

260. See § 107.


262. See Stewart v. Abend, 495 U.S. 207, 237 (1990) (noting that fair use is less likely to be found when the copyrighted work is a creative product).
account. In A.V. ex rel. Vanderhye v. iParadigms, LLC, the court concluded that this factor did not undermine the fair use defense even though the works were admittedly creative. The infringer, iParadigms, had created a database of student papers to prevent future students from getting away with plagiarism. Even though the students’ essays were creative in nature, iParadigms’s use was unrelated to that creative core. In a similar manner, if each performance resembles a series of private performances, then the use is farther away from the “creative core” of the private performance. At the very least, the factor should be considered neutral and not support a finding of infringement.

D. Infringement Limited to Performing

The final element requires that the Fair Performance Doctrine can only apply to performances. If the service acts to copy the work or to publish or distribute the work for the wider public, then it cannot receive the benefit of the fair performance.

The fourth element follows from the third factor of the fair use defense, the amount and substantiality of the portion used. Generally, as the amount of the copyrighted material increases, the likelihood that the use will constitute fair use decreases. The extent of permissible copying generally varies with the purpose and character of the use. In iParadigms, the court found that this factor did not favor either party, even though the infringer used substantially all of the students’ works. The use of the students’ work was limited in purpose and scope to comparing it to other students’ works. Thus, it is important in this factor to take into account the purpose of the work. Similarly, in Perfect 10, the court found that Google’s substantial reproduction of the defendant’s photos was reasonable in

263. See A.V. ex rel. Vanderhye v. iParadigms, LLC, 562 F.3d 630, 640 (4th Cir. 2009).
264. See id. at 640–42.
265. See id.
266. See id. at 641.
267. See id. at 641.
268. See id. at 640–42.
269. See Bond v. Blum, 317 F.3d 385, 396 (4th Cir. 2003).
271. See A.V. ex rel. Vanderhye, 562 F.3d at 642.
272. See id.
273. See id.
relation to its purpose, to allow the search engine’s users to decide whether to pursue additional information.274 As a result, the court found that the factor did not favor either party.275

In a similar manner, it is likely that customers will perform a substantial amount of the work. However this use is reasonable in relation to the use, which is to create a performance. More importantly, the public performance right is just one of the copyright holder’s six exclusive rights.276 As a result, even though the service publicly performs substantially all of the work, it does not appropriate a substantial amount of the copyright holder’s rights in their work.

VII. CONCLUSION: THE SHOW MUST GO ON

Through the course of history, copyright policy has evolved only when threatened by new and evolving technology.277 The original invention of the printing press, the first form of copying equipment, gave rise to the need for copyright protection.278 The radio and cable television similarly changed how Americans enjoyed creative content and forced the copyright regime to adapt, but at the cost of awkwardly projecting archaic distinctions onto new mediums. As America enters the digital age, copyright law will again need to adjust the rights and protections provided to authors. However, the digital world has obliterated the distinction between a copy and a performance, and the copyright regime must be reimagined from the ground up. In the meantime, the cloud-computing industry will suffer the threat of legal liability, potentially crippling a great force for innovation. To avoid this problem, courts should construct a Fair Performance Doctrine, based on the fair use doctrine but with bright-line rules to create the certainty necessary for businesses to thrive.

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274. See Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1167 (9th Cir. 2007).
275. See id. at 1167–68.
276. See 17 U.S.C. § 106 (listing the copyright author’s six exclusive rights of reproduction, derivative works, distribution, displaying, and performing a song or movie publicly).
278. See id.
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