Federal - Intellectual Property Advisory: Court Holds that Performance Licenses Are Not Required for Ringtones

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How many different copyright rights does a ringtone implicate? On October 14, 2009, the Southern District of New York, sitting as a rate court under an antitrust consent decree, held that public performance licenses for musical compositions are not required for ringtones. *In re Application of Cellco Partnership d/b/a* Verizon Wireless, 09-7074 (S.D.N.Y. Oct. 14, 2009). This summary judgment ruling is a favorable decision for copyright users, including those such as the applicant in this case, Cellco Partnership d/b/a Verizon Wireless (Verizon), who already pay a mechanical license fee for the ringtones they provide to their customers. The American Society of Composers, Authors, and Publishers (ASCAP) made two principal arguments in support of its position that Verizon must pay public performance licensing fees for ringtones:

1. Verizon engages in "public performances" of musical works when it downloads ringtones to customers
2. Verizon is directly and secondarily liable for public performances of musical works when customers play ringtones on their telephones in connection with their receipt of phone calls.

The court rejected both arguments, as discussed more fully below.

Transmission of Ringtones Is Not a Public Performance

ASCAP first argued that the transmission of ringtones to customers' cell phones is a public performance of a musical work under 17 U.S.C. § 106(4), and thus requires a public performance license. (Copyright users already pay mechanical license fees for this transmission.) The Court's decision turned on the definition of public performance. Under 17 U.S.C. § 101, in relevant part (the "Transmission Clause"), the term "publicly" means "to transmit or otherwise communicate a performance…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 different times." The analysis of whether transmission of a ringtone to a cell phone qualifies as a transmission of the work to the public focuses on "the transmission itself and its potential recipients, and not on the potential audience of the underlying work or ringtone." Where (a) a transmission of a performance of a musical work goes directly to the public, or (b) where the transmission is one step in the eventual delivery of the performance to the public, the Transmission Clause governs, and the transmission requires a public performance license. The Court held that because only one subscriber is capable of receiving the transmission, the transmission is not made to the public, and thus does not fall under the Transmission Clause.

Based on the theory that courts can look downstream and consider whether the transmission is a link in a chain of transmissions that end with a public performance, ASCAP also argued that downloading the ringtone is the first link in a chain of transmission to the public. But the Court held that, even in that light, there is no qualifying public performance requiring a performance license fee. In making this decision, the Court cited two decisions. First, it referenced the Second Circuit's recent decision in *Cartoon Network LP v. CSC Holdings, Inc.,* 536 F.3d 121 (2d Cir. 2008) in which the Second Circuit, in analyzing the Transmission Clause, stated that a transmission to a remote storage digital video recorder could only constitute a transmission to the public where it is but one link in a chain whose final link is "undisputedly a public performance." The Court also cited *US v. ASCAP,* 485 F. Supp. 2d 438 (S.D.N.Y. 2007), in which the court determined that "in order for a song to be performed, it must be transmitted in a manner designed for contemporaneous perception," and that the downloading of music is a data transmission, not a musical broadcast or performance. The *Cartoon Network* decision focused on the term "the public," and the latter decision focused on the term "performance," but both cases led to the same conclusion when applied in the case at hand: "the downloading of a ringtone is not a public performance encompassed by the Transmission Clause."

Playing Ringtones Is Not a Public Performance

ASCAP also argued that when cell phones play a ringtone to signal an incoming call, there is a public performance. It alleged that Verizon was either directly or secondarily liable for copyright infringement for those public performances. The Court held that, even when the ringtone plays in public, the user is exempt from copyright liability. Accordingly, Verizon cannot be liable directly or secondarily.

Verizon Customers. The Copyright Act contains exemptions for certain performances, including (a) those that occur within the "normal circle of a family and its social acquaintances" (17 U.S.C. § 101, definition of "publicly"), and (b) performances "of a nondramatic literary or musical work otherwise than in a transmission to the public, without any purpose of direct or indirect commercial advantage and without payment of any fee or other compensation for the performance to any of its performers, promoters, or organizers" absent a direct or indirect charge. 17 U.S.C. § 110(4). The Court held that "[t]he playing of ringtones fits comfortably within these statutory exemptions. When a ringtone plays only in the presence of the 'normal circle of a family and its social acquaintances' this performance would not count as a public performance…[And when] Verizon customers have activated their ringtones, the telephone rings in the presence of a broader audience, and it rings at a level to be heard by the others…Verizon customers are not playing the ringtones for any 'commercial advantage'…" Because ringtone users are not infringing on ASCAP's rights, Verizon could not be secondarily liable.

Verizon. The Court also rejected the argument that Verizon engages in a public performance of copyrighted musical works when its ringtones play in public on its customers' phones. ASCAP argued that Verizon controls the process through which the ringtone ends up being played: "Verizon supplies the ringtones; it encourages customers to purchase ringtones for public playback; it transmits the ringtones to the subscribers' telephones; it places a code on the ringtones that prevents customers from forwarding them; it provides and supports a cellular network; it 'commands, enables and controls' the playing of ringtones 'by triggering the tones

when the calls are received'; and it is able to terminate a customer's cellular telephone service at any time." The Court did not agree. Instead, it held that Verizon's only role in the actual playing of the ringtone is sending a signal to alert the customer of an incoming call, but that signal is the same regardless of whether the customer has a ringtone or not. "And, of course, it is someone else entirely—the caller—who has initiated this entire process." Other elements of Verizon's supposed control over playing the ringtone, such as operating a cellular network, are too attenuated from the "performance" to place liability on Verizon.

For assistance in this area, please contact one of the attorneys listed below or any member of your Mintz Levin client service team.

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