

High court won't block remote storage DVR system

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(AP) -- Cable TV operators won a key legal battle against Hollywood studios and television networks on Monday as the Supreme Court declined to block a new digital video recording system that could make it even easier for viewers to bypass commercials.

The justices declined to hear arguments on whether Cablevision Systems Corp.'s remote-storage DVR system would violate copyright laws. The end to the closely watched case allows the Bethpage, N.Y.-based company to proceed with plans to start deploying the technology this summer.

With remote storage, TV shows are kept on the cable operator's servers instead of a machine inside the customer's home, as systems offered by TiVo Inc. and cable operators currently do.

The distinction is important because a remote system essentially transforms every digital set-top box in the home into a DVR, allowing customers to sign up instantly, without the need to pick up a DVR from the nearest cable office or wait for a technician to visit.

Movie studios, TV networks and cable TV channels had argued that the service is more akin to video-on-demand, for which they negotiate licensing fees with cable providers.

They claimed a remote-storage DVR service amounts to an unauthorized rebroadcast of their programs. Cablevision argued its service was

permissible because the control of the recording and playback was in the hands of the consumer.

Industry experts say the new technology could put digital recording service in nearly half of all American homes, about twice the current number.

"This is a tremendous victory," said Tom Rutledge, Cablevision's chief operating officer, in a statement. "At the same time, we are mindful of the potential implications for ad skipping and the concerns this has raised in the programming community."

Rutledge said the technology could benefit programmers and advertisers, besides consumers. The cable operator has launched targeted, interactive advertising in half a million households and plans to double that number by year's end in the New York metro area that it serves. TiVo's DVR users already see ads when they pause or fast-forward shows.

Less clear is whether there will be savings down the road for consumers. Remote-storage DVR saves cable operators money because they don't have to invest and deploy digital set-top boxes with hard drives anymore, nor would they have broken machines inside homes to fix. Sanford Bernstein analyst Craig Moffett had estimated that DVRs account for as much as 10 percent to 15 percent of major cable's capital spending.

But whether those savings will trickle down to the consumer depends on the level of competition, expenditures by cable to deploy the new system and other factors. Cable operators also have to contend with bandwidth capacity, as shows will be transmitted to each DVR viewer from their central servers, instead of individual DVRs already in the home.

Still, it's a win for cable even though most consumers won't see much of a change for years, in part because there are millions of in-home DVRs

already in use.

"It's clearly an important chapter in the history of digital television," said Standard & Poor's analyst Tuna Amobi. But the new system will take "a few years to materialize. Right now the focus is on trying to get up to speed and get this technology beyond the test phase."

Perhaps in the next decade, remote-storage DVR would make set-top boxes obsolete, he said.

At least, cable operators won't be hampered by the limits of a DVR hard drive. They can choose to offer more storage capacity to consumers whenever they wish, as they respond to competition or try to retain subscribers.

Amobi said satellite TV operators are the losers in the high court's decision because their systems don't let them offer remote-storage DVR. Their subscribers still have to get DVRs with hard drives and satellite TV companies have to continue to invest in these boxes.

In siding with Cablevision, the 2nd U.S. Circuit Court of Appeals overturned a lower court ruling that Cablevision, rather than its customers, would be making copies of programs, thereby violating copyright laws.

The Screen Actors Guild, songwriters, music companies, Major League Baseball, the National Football League and the NCAA all sided with the networks and studios in asking for high court review, while the Obama administration urged the court not to hear the case.

The case is Cable News Network v. CSC Holdings Inc., 08-448.

Shares of Cablevision were up 58 cents, or 3.1 percent, to \$19.44 in

afternoon trading.

Associated Press writer Jesse J. Holland in Washington contributed to this story.

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