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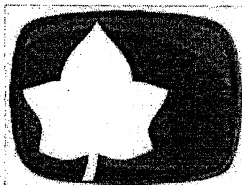
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Why Are the Big Studios Afraid of Little Ivi?

Does the Copyright Act support online re-transmission of broadcast material? Much is riding on the answer.

By Troy Dreier
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Ivi streams broadcast television programming to computers for only \$4.99 per month. NBC, CBS, Fox, and Disney have a problem with that.

While Ivi, Inc., has only launched a week ago, the Seattle, Washington, startup has gotten quite a bit of attention. That's not surprising when its business model is taking over-the-air television content and streaming it for a fee.

At the moment, Ivi (pronounced "ivy") offers broadcast channels from Seattle and New York City, which can be viewed on any Internet-connected Windows, Mac, or Linux computer. The company plans to add additional markets every 45 days, says founder and CEO Todd Weaver, including Los Angeles, Chicago, and San Francisco.

After that, Ivi plans to offer an a la carte premium channel selection. Weaver won't name names, but says the company is in talks with channel creators. Once it has a stable of premium channels, the company will offer theme-based packages of channels.

Viewers will also be able to view a range of independent channels. Ivi offers a few now, including public access, sports, and music channels, and plans to add more. The company is in talks to add pay-per-view sports channels, as well, Weaver says.

Growing Like Wild
Besides growing its channel list, Ivi has other plans that should help it spread like, well, ivy. First the company is looking to the mobile space. It's already submitted an iPad app, and even a revision to that app. Weaver expects the app to be approved and available in the iTunes Store by mid-October.

After that, the company will offer iPhone and Android apps.

Once the mobile bases are covered, Ivi will look to set-top boxes, reaching out to makers such as Roku.

Ivi's features will grow, as well. Currently, subscribers can pay an extra \$99 per month for Ivi Pro, which offers simple pause, fast forward, and rewind options. Look for that to grow into more fully-featured DVR controls with program scheduling.

If this all seems like fast growth, consider that Ivi was incorporated back in 2007, and only just launched its first consumer offering. It's been using that time to build out its encryption, says Weaver. Rather than a traditional digital rights management system, which prevents sharing, Ivi has built a downloadable player that allows the subscription to travel with the subscriber.

Legal Battles Ahead

The cease-and-desist letters began almost immediately after Ivi launched. Fisher Communications and NBC Universal were first, says Weaver, followed by representatives for ABC, Fox, the CW, and several more. All alleged that what Ivi is doing constitutes copyright infringement.

The company's defense, says Weaver, is that Ivi is a cable system transmitting under U.S. copyright laws, and that the Copyright Act authorizes this type of secondary transmission. While the law may not have caught up with online streaming yet, he says that cable operators and satellite broadcasters all had to fight the same fight in their early days.

When the first letters came in, Ivi sent replies explaining what it was doing. After it heard from more companies, it filed a letter of non-infringement in Seattle court.

Despite going up against some pretty deep pockets, Weaver is optimistic that the law is on Ivi's side.

"It's very much a David and Goliath competition. We're a small company fighting for the distribution rights of consumers," Weaver says.

While it's the networks that are going after Ivi, Weaver says the cable and satellite companies have most to lose.

"They're going to be the most mad, there's no doubt. At the end of the day, we'll be eating their lunch," Weaver says. "Should they be worried that their subscriber base is going to be dropping? Yes, I'd say so."

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