

Breaking Out: Getting Into Net TV Via Cable

Small Operators Targeted As Bases For Wide Reach

BY KAREN BROWN

Cable operators face an increasing array of wireless and wireline competitors offering TV services, but now they may face a new challenge — ironically, from within their own ranks.

In at least two recent cases, companies vying for a stake in the broadband-TV market have made moves to buy up small cable operators. Using those cable companies' carriage deals as a stepping stone, they are trying to put together Internet-delivered TV services that reach well beyond the footprint of their own systems — and compete with other cable operators across the country.

In May, Titan Global Entertainment Inc. announced plans to acquire a small cable operator in Orme, Tenn. The Los Angeles-based company plans to use that system to launch a new service sending live TV to handheld players, it said.

Separately, eWAN 1 Inc., a Santa Ana, Calif., startup, bought a 36-channel cable-system operator in the Mojave Desert, to use as a base for a new Internet Protocol TV service.

BUZZSAW AWAITS

But what threat they pose to cable operators is still in question. These would-be Internet TV operators may face a buzzsaw of legal issues in moving content out-of-market, beyond existing geographic boundaries.

Titan's plan to acquire Trinity Communications LLC will give it 240 channel-retransmission contracts, with programmers including "CSNBC" (sic) and Fox Networks, the company said last month.

"With its own cable company, Titan can provide live streaming television via its revolutionary handheld video/music player — the Titan Omni," according to the press release.

Titan executives were unavailable to provide any more details about the company's plan.

Then there's eWAN, which early this year closed on its purchase of ClearWave Communications Inc., in Johannes-

burg, Calif. ClearWave offers 36 channels to about 500 subscribers in an area covering the Tehachapi Mountains and Mojave Desert.

eWAN's plan is to use ClearWave's existing programming relationships as an entry point to negotiate deals for a separate IPTV service, targeted for launch nationwide later this summer.

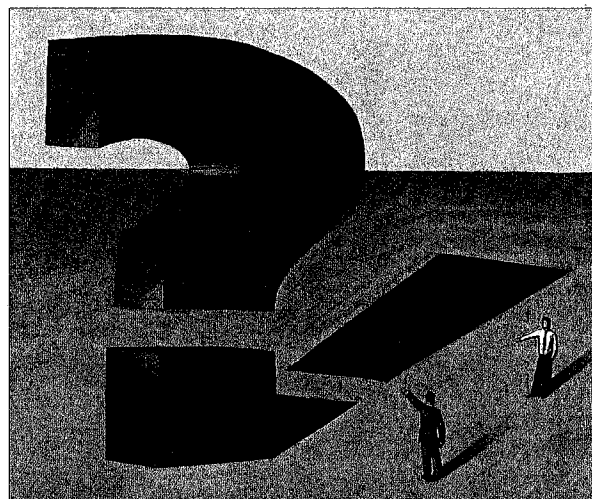
ClearWave "already had the contracts in place with many of the major channels, and we took the position that it would be easier to negotiate with them going forward for the IPTV solution if we already had something in place," said eWAN President Bruce Palmer.

eWAN's IPTV service would be marketed well beyond the Mojave Desert, offering ClearWave's lineup of 36 channels to broadband Internet customers nationwide for about \$29.95 per month, with an option to add available local programming channels for an as-yet specified la carte price.

To deliver that service, eWAN has created a device no bigger than a flash drive that it calls SecureKey. The "key," which can be plugged into a computer's universal serial bus (USB) port, unlocks the encrypted eWAN TV streams coming in over the Internet.

"There is no opportunity for the signals to be pirated," Palmer said. "Without the SecureKey, you can't access the content."

Customers will then use an eWAND remote control — which looks like a TV remote — to change the channels on their computer screen. eWAN also plans to bring its service to customers' TV screens via a



First Cable, Then Internet TV

Companies, in at least two cases, have purchased cable operators as a means of getting into TV services delivered over the Web.

eWAN 1 Inc.

Acquisition: ClearWave Communications, a 500-subscriber system based in Johannesburg, Calif.

Strategy: Use the 36-channel TV service as a stepping stone to negotiate an IPTV service that will launch nationwide some time later this summer.

Titan Global Entertainment Inc.

Acquisition: Letter of intent to buy Trinity Communications in Orme, Tenn.

Strategy: Use Trinity's 270 programming agreements as the base for an IPTV service displayed on Titan's Omni portable device.

full-fledged IP digital set-top box set to roll out late this year.

Offering the ClearWave TV lineup, plus local channels, throughout the nation does mean eWAN has to negotiate deals with a raft of programmers, and Palmer acknowledged that will be a challenge.

"We know that it's a sticking point for [programmers]. Ba-

sically, it's our understanding that it's all a matter of security," he said, referring to separate contracts for the IPTV service. "Their content must be secured, and that is our No. 1 priority in everything that we are doing and everything that we've built."

Programmers are keeping a watchful eye on Internet-de-

livered TV services. In April, an Atlanta-based outfit called i2Telecom International Inc. announced i2TV, a subscription service that offers high-quality streaming video TV to the desktop.

At the time, it claimed to offer live TV channels, including Turner Broadcasting System Inc. properties Cable News Network, TBS and Turner Network Television, as well as Trinity Broadcasting Network and USA Network, plus a la carte channels from such programmers as ESPN and MTV Networks.

NO TURNER RIGHTS

But two days after announcing i2TV, i2Telecom issued a retraction, saying that it did not have the programming rights for any of the Turner channels.

i2Telecom has since pulled the i2TV press release from its site, and calls to the company went unanswered.

A Turner spokesperson said the network has examined what companies, including i2Telecom, eWAN and Titan, are proposing.

"We feel confident that these companies don't have the content rights that they claim, therefore, we have no reason to revisit our contracts," the spokesperson said.

Outfits such as eWAN and Titan may, in fact, find challenges in securing their programming lineups, according to Craig Delsack, a media and entertainment lawyer in New York City.

"The big operators, including Comcast and Time Warner [Cable], may very well have 'most favored nation' clauses with programmers, whereby Comcast and Time Warner would be entitled to IP distribution rights that such programmer may have granted to a smaller operator," Delsack pointed out. "All in all, these plans to extend distribution outside what is permitted under their contracts will likely face challenge."

Then there is the issue of streaming local channels to customers outside of the broadcast area.

"I'm surprised they are not getting slammed immediately," Delsack said. "[These operators] are arguably creating retransmission issues, including issues with other network affiliates, because now you are encroaching on other local affiliate market." ■

THE SECOND SCREEN

TIME WARNER EXPANDS WEB-TV TRIAL

Time Warner Cable is also experimenting with beaming live-TV channels to computer screens, but its strategy keeps the service close to home.

In the past few months, Time Warner has tested an Internet Protocol TV service with about 9,000 users in San Diego, and it is now preparing to expand that to a larger market trial, the company told *Multichannel News* last week.

The service offers 76 channels of TV to customers who have its Road Runner High-Speed Internet service and any of

Time Warner's cable TV packages.

Unlike other recent IPTV plays banking on cable channel lineups, Time Warner's Broadband TV service can only be received on a computer hooked into the service at home.

Still, that did make at least one programming network nervous.

Fox Cable Networks initially asked to have its channels removed from the service, but it has since relented. Its services are now part of the 76-channel lineup.

— Karen Brown