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New Service Will Stream Local TV Stations in New York

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Barry Diller, who created the Fox television network almost 30 years ago, now wants to free it and other networks from the chains of what he calls the “closed cable-broadcast-satellite circle.”

On Tuesday, at the Manhattan headquarters of his company, IAC/InterActiveCorp, he introduced Aereo, an Internet television service that he said “pries over-the-air broadcast television out of that closed system.” Aereo is one of the most ambitious attempts to date to distribute television over the Internet, potentially posing a new threat to the cable and satellite distributors that control a vast majority of TV viewing in the United States.

IAC led a \$20.5 million round of financing for Aereo, and Mr. Diller is joining the start-up’s board.

Aereo takes advantage of the rapid rise in broadband Internet access to stream broadcast television. When it becomes available in New York City in mid-March, the service will stream all of the programming of the major networks (ABC, CBS, Fox, NBC) to phones, tablets and Internet-connected TVs.

It will cost \$12 a month and will include an online digital video recorder. It lacks a complete roster of cable channels, but for people who don’t watch channels like ESPN or HBO, Aereo could be an appealing alternative to a cable subscription, especially in combination with an on-demand service like Netflix or Hulu.

For casual viewers, “if you have this and you have Netflix, you absolutely have the ability to not have a standard cable subscription,” said Chet Kanojia, the founder and chief executive of Aereo.

Whether it succeeds or not, Aereo — and the technology world’s interest in it — is a testament to the intense pressure on traditional TV companies to innovate or risk being left behind.

Station owners and cable distributors have talked at length about how to let viewers watch on smartphones, for instance, but have struggled to adopt it. With Aereo, viewers can start watching a broadcast baseball game at home, continue watching on a smartphone, and pause or rewind the game.

Most other online television start-ups have concentrated on putting Internet information onto new screens — big TVs, tablets, smartphones — but not on pulling television shows onto the Internet. “Anyone will tell you, whether it’s Amazon or Hulu or Apple, that they can’t get enough programming that people want to see to — so to speak, ‘break the chain’ — because all of the programming is controlled within the circle,” Mr. Diller said.

Aereo starts to change that, he said, by capturing broadcast signals and streaming them to subscribers.

In Brooklyn, the company has arrayed thousands of tiny antennas — each the size of a thumbprint — so that each subscriber has an assigned antenna. That way, the company says, it complies with laws involving the exhibition of copyrighted material.

“Technically we’re actually providing a use license for the antenna and the cloud DVR,” Mr. Kanojia said.

Nonetheless, the company is bracing for possible legal challenges from TV stations. “We understand that when you try to take something meaningful on, you have to be prepared for challenges,” Mr. Kanojia said.

The major stations in New York declined to comment.

Last year, a service called Ivi TV tried to redistribute broadcast television signals on the Internet, but it was stopped by a federal judge in New York after broadcasters and content providers sued, saying the company was effectively stealing their signals and work. The service is appealing that ruling. Aereo says that by setting up antenna arrays, it is wholly different.

At a news conference on Tuesday, Mr. Kanojia said that New York was “a starting point” for the service and suggested that it would expand “a step at a time, a market at a time.”

He and others involved in the venture acknowledged that the service wouldn’t satisfy heavy television viewers. But they said they hoped that it would attract a segment of the population that just wants access to big, live events and local news — and wants to be able to do so on phones and tablets.

Some people, Mr. Kanojia said, may want to keep their cable subscription but sign up for Aereo for the ability to watch in various locations, like watching a live program on a phone. Cablevision and Time Warner Cable, the main cable companies that serve New York, have made some progress in allowing such portability, but have had some trouble overcoming licensing restrictions. The companies declined to comment on Aereo on Tuesday.

Asked how Aereo could change broadcast television, which is gradually ceding viewers to cable TV, Mr. Diller said, “I think if anything, it will add viewers to broadcasting.”

That was a point also made by the venture capitalist Fred Wilson, whose Union Square Ventures has invested in an online TV start-up, but not in Aereo.

These new services and companies are compelling the television industry to evolve, he said. “But creators and owners of content have nothing to fear from this innovation,” he said via e-mail. “It will be like all other tech innovations before. It will lead to greater profits for them.”