

INTELLECTUAL PROPERTY LAW

A SPECIAL REPORT

Copyright owners have the burden of policing

Ruling in 'Viacom v. YouTube' is the latest in a trend involving the 'storage' of videos under DMCA.

BY JAMES CHADWICK

It's the video millennium. Every modern mobile phone is a video camera and a video player. Video displays are everywhere, from taxicabs to endcaps. Webcams perch like pigeons on every major tourist destination in the world. So it's no surprise that video sharing has become an industry, and that legal controversy has followed. The Southern District of New York recently announced its much-anticipated decision in *Viacom International Inc. v. YouTube Inc.*, 2010 WL 2532404 (S.D.N.Y. June 23, 2010), granting summary judgment in favor of YouTube. The decision breaks no new ground, but it continues a trend: Under the Digital Millennium Copyright Act (DMCA), owners of copyrights to videos will have the burden of policing the Internet.

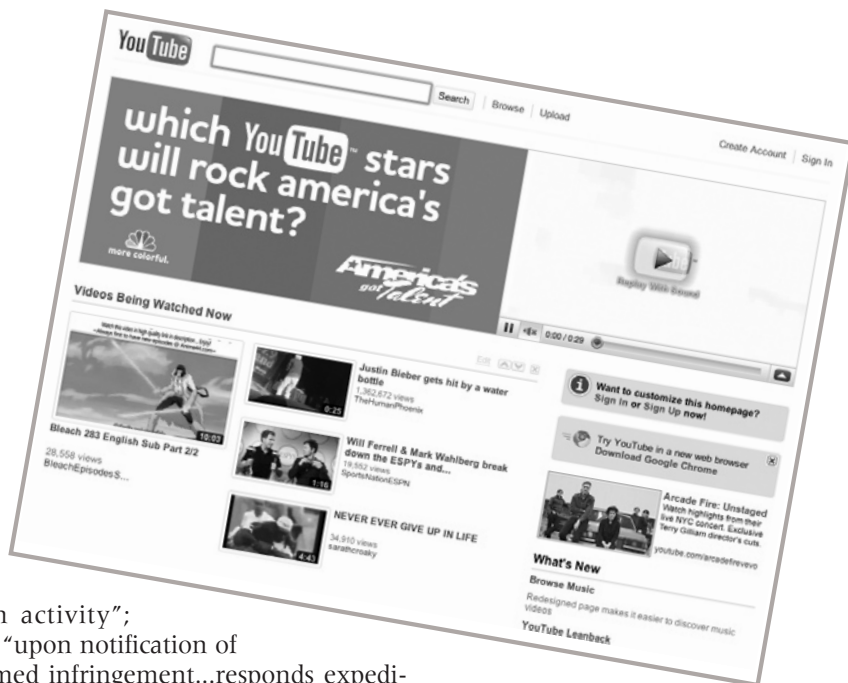
Although the litigation leading to the decision went on for years, the district court identified a single, determinative issue: Is a general awareness of infringing activity on an online site or service enough to raise a "red flag," and hence deprive a service provider of the protection of the DMCA safe harbor from liability for "infringement of copyright by reason of the storage at the direction of a user," or is knowl-

edge of specific infringements of individual items required?

Rewind for a moment. The DMCA, 17 U.S.C. 512, was enacted in 1998, based in part on concerns that potentially infringing conduct was virtually inevitable in the online transmission of information and that failure to provide some protection to online service providers would stifle the growth and innovation of the Internet. The DMCA does not directly modify the law with respect to secondary liability for copyright infringement (i.e., inducement of copyright infringement, contributory infringement or vicarious infringement), which is the primary concern of online service providers. Instead, it creates a series of "safe harbors." They apply only to online service providers, as defined by the DMCA, and these service providers must comply with certain preliminary requirements to qualify for protection. Each safe harbor applies to a specific category of conduct and may impose additional requirements to qualify for protection. If a safe harbor applies, the service provider may still be held liable for infringement, but the remedy is limited to certain forms of injunctive relief. 17 U.S.C. 512(a)-(d), (i)-(l).

Only one safe harbor was expressly addressed by the *Viacom* decision: the protection from liability for monetary damages for "infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider." 17 U.S.C. 512(c)(1). However, this safe harbor is central to the business models of many, if not most, online video-sharing services, as well as many other online service providers.

The description of the conduct covered by the § 512(c) safe harbor is broad. However, the protection is limited by a series of additional requirements that must be met in order to qualify for protection. It applies only if the service provider "does not have actual knowledge that the material or an activity using the material on the system or network is infringing"; "in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent...or, upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to the material"; "does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control



such activity"; and "upon notification of claimed infringement...responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity." 17 U.S.C. 512(c).

Cut to the chase: The *Viacom* decision quoted at length from the legislative history of the DMCA. From that history, it derived the premise that, as used in § 512(c), the terms "actual knowledge" that the material or an activity is infringing and "facts or circumstances" indicating infringing activity describe knowledge of specific and identifiable infringements of particular individual items. Mere knowledge of prevalence of such activity in general is not enough.

The district court also concluded that service providers do not have an obligation to monitor their sites or services for the purpose of identifying infringing activity. First, relying on the U.S. Court of Appeals for the 9th Circuit's decision in *Perfect 10 Inc. v. CCBill LLC*, 488 F.3d 1102, 1113 (9th Cir. 2007), the court held that "[t]he DMCA notification procedures place the burden of policing copyright infringement—identifying the potentially infringing material and adequately documenting infringement—squarely on the owners of the copyright." *Viacom*, 2010 WL 2532404, at *8. Second, it relied on the DMCA itself, which provides that "[n]othing in this section shall be construed to condition the applicability of [a safe harbor] on...a service provider monitoring its service or affirmatively seeking facts indicating infringing activity."

Based on these two premises, the district court found that YouTube is protected by the § 512(c) safe harbor. In essence, it held that, because the safe harbor requires knowledge of specific acts of infringement and because online service providers have no obligation to actively police their sites or services in a man-

ner that might result in their acquiring such knowledge, they will lose the protection of the safe harbor only if given direct notice of specific acts of infringement by a third party or if other circumstances make specific acts of infringement obvious to them.

There are other significant aspects to the district court's decision, but two in particular bear mention. First, *Viacom* argued that YouTube is not protected by the § 512(c) safe harbor because the protection is limited to "infringement of copyright by reason of the storage at the direction of a user," and that reproduction and display or performance of videos exceeds the scope of this protection. The district court disagreed. It held that the safe harbor protects the provision of services that permit access to materials placed on the service provider's systems, as well.

Second, the court rejected an argument that YouTube was liable for inducing infringement, the DMCA safe harbor notwithstanding. In doing so, the court stressed that "[i]t is not remotely the case that YouTube exists 'solely to provide the site and facilities for copyright infringement.'" 2010 WL 2532404, at *11. The court also noted that the DMCA provides a safe harbor to those who meet its requirements, even if they are otherwise liable for infringement. Thus, it held that, because YouTube qualified for protection under the § 512(c) safe harbor and complied with it by promptly removing allegedly infringing material when given notices, it could not be subjected to liability even if its conduct otherwise could have supported a claim of inducement. Thus, the question of whether video-sharing services would be subject to such liability if not protected by the DMCA safe harbor remains unresolved.

Right or wrong, the district court's decision continues a trend in cases involving video-sharing services. Two recent decisions in the Northern District of California reached similar conclusions, holding that services that permit uploading and sharing of videos are protected by the DMCA. *Io Group Inc. v. Veoh Networks Inc.*, 586 F. Supp. 2d 1132 (N.D. Calif. 2008), found that Veoh, a site similar to YouTube, was protected from liability for copyright damages by the DMCA. As in *Viacom*, the court held that the § 512(c) safe harbor is not limited to merely storing material, but protects services that provide access to material as well. It also imposed a high standard for defeating the safe harbor in the absence of take-down notices, holding that, in the absence of such notice, knowledge of infringing activity will be imputed only if a service provider "deliberately proceeded in the face of blatant factors of which it was aware."

Another decision in an action against Veoh, *UMG Recordings Inc. v. Veoh Networks Inc.*, 620 F. Supp. 2d 1081 (C.D. Calif. 2008), also addressed the § 512(c) safe harbor. As in *Viacom*, the court held that protection against liability for damages resulting from "infringement of copyright by reason of the storage at the direction of a user" extends to infringement resulting not just from the act of storage, but also from providing access to materials stored at the direction of a user.

Viacom has said it will appeal. There is at least one reason to believe that the decision may be upheld. The district court's decision relies on a recent decision by the 2d Circuit, *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010). That decision held that, to be liable for contributory trademark infringement, a defendant must have more than a general knowledge that its service is being used to sell counterfeit goods; rather, the defendant must have "some contemporary knowledge of which particular listings are infringing or will infringe in the future." In any event, a decision from the influential 2d Circuit is likely to cast light on the video camera's increasingly ubiquitous role and guide future actions by video-sharing services and copyright owners alike.

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