

EXPERT ANALYSIS

Copyright Owners Face New Obstacles In Fighting Online Infringement

By Michael S. Denniston, Esq.
Bradley Arant Boult Cummings LLP

Copyright owners and online service providers have some measure of guidance from three U.S. courts of appeal (the 2nd, 9th and 7th circuits) regarding the reach of the “safe harbor” provisions of the Digital Millennium Copyright Act. This comes after a year or more of uncertainty caused by an earlier split between the 2nd and 9th circuits, which has now been resolved with the withdrawal of one 9th Circuit opinion and the issuance of another.

Online service providers include websites like YouTube, which permits users to upload content (such as video) to the site.

In *Viacom International Inc. v. YouTube Inc.*,¹ *UMG Recordings Inc. v. Shelter Capital Partners LLC*² and *Flava Works v. Gunter*,³ each appellate court deals with:

- The potential liability of online service providers that make copyrighted music and videos available online.
- The remedies available to the copyright owners.
- The potential limitations on those remedies.

Taken together, these cases signal a broad range of protection for online service providers under the DMCA’s “safe harbor” provisions. They also present significant, but not insurmountable, issues for copyright owners who have content posted online without permission.

SECTION 512(C) OF THE DMCA

Section 512(c) establishes a “safe harbor” that allows qualifying online service providers to limit their liability for copyright infringement claims based on “information residing on systems or networks at [the] direction of users.”⁴

The safe harbor applies only if the online service does not have the requisite knowledge or awareness of infringing activity. The online service provider needs to prove:

- It does not have actual knowledge of infringing material.
- It is not aware of circumstances indicating infringing activity (“red flag” awareness).
- After obtaining actual knowledge or awareness, it acted expeditiously to remove or to disable access to the material.⁵

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VIACOM V. YOUTUBE

In *Viacom*, the owners of copyrighted videos filed an infringement suit against YouTube. The U.S. District Court for the Southern District of New York granted summary judgment to YouTube on the basis of the Section 512(c) safe harbor, saying the service provider squarely met all the provision's conditions.

The 2nd U.S. Circuit Court of Appeals' opinion addressed several aspects of Section 512(c)(1), including subsection (A)'s "knowledge" requirement, subsection (B)'s "control and benefit" provision, and the threshold requirement of the safe harbor's availability only when the infringement occurs "by reason of the storage [of material] at the direction of a user." In the context of this case, the court was concerned with YouTube's knowledge of infringing activity on its site, whether it received a financial benefit from the allegedly infringing activity, and whether it had the right and ability to control the activity. It also addressed whether the technical manipulation of uploaded files took YouTube outside the safe harbor's protection.

Knowledge

Viacom argued for a broad reading of the so-called "red flag" knowledge provision — that is, it argued YouTube had knowledge that should have put a reasonable service provider on notice of infringing activities. "Red flag" knowledge is a step removed from "actual" knowledge, when the service provider has actual knowledge or awareness of the alleged infringement.

The appellate court rejected Viacom's argument and reconciled the provisions dealing with actual knowledge and red-flag knowledge.

Notably, the court held that Section 512(c) requires actual or red-flag "knowledge or awareness of specific infringing activity."⁶ Even with the requisite knowledge or awareness concerning the specific infringing activity, the 2nd Circuit said a defendant still could maintain safe-harbor protection if it acted expeditiously to remove or disable access to the infringing material. It observed that "the nature of the removal obligation itself contemplates knowledge or awareness of specific infringing material, because expeditious removal is possible only if the service provider knows with particularity which items to remove."⁷

While holding that the District Court correctly applied the knowledge standard of Section 512(c)(1)(A), the appellate court held that summary judgment was improper because of disputed issues of fact regarding the level of YouTube's actual knowledge or red-flag awareness of specific instances of infringement. Along the same lines, the court also held that in appropriate circumstances, a copyright owner could invoke the common-law "willful blindness" doctrine to show a service provider had knowledge or awareness of specific instances of infringement.⁸

Control and benefit

Although the appellate panel imposed a specific-knowledge requirement to trigger the actual-knowledge or red-flag awareness element, it held that the District Court erred by importing this requirement into the control-and-benefit provision of Section 512(c)(1)(B), when it held that the right and ability to control infringing activity must necessarily be item-specific. The appellate court rejected that item-specific view of subsection (B) and concluded that the right and ability to control infringing activity require more than the mere ability to block access to materials posted on the service provider's website. The court remanded the case to the District Court to determine whether YouTube had the ability to control the infringing activity.⁹

User direction

In evaluating whether the infringement occurred "by reason of the storage" of material at the direction of a user, the 2nd Circuit also addressed the threshold issue of whether the Section 512(c) safe harbor was available at all.

According to the record, uploading a video to YouTube triggers a number of automated software functions that allow users to easily view its content. Viacom argued that YouTube's manipulation of uploaded video by those automated functions pushed the conduct out of the safe harbor. The court mainly disagreed, holding that three software functions all fell within the service provider's

basic “storage” function. However, the court remanded the case for additional findings on a fourth software function that involved third-party syndication of videos uploaded to YouTube.¹⁰

In so ruling, the court observed that YouTube’s “storage” function extended to software functions that facilitated access to the user-stored material. These included transcoding, and playback and running content through the “related videos” algorithm, which identifies and displays thumbnails of videos that are “related” to the video selected by the user. On remand, the District Court found that YouTube’s use of the third-party syndication function did not preclude application of the safe harbor.¹¹

UMG RECORDINGS V. SHELTER CAPITAL

The 9th Circuit’s March opinion in *UMG Recordings v. Shelter Capital* resulted from the granting of a petition for rehearing and the withdrawal of an earlier opinion.¹² UMG Recordings and other music publishers sued Veoh Networks, a video-sharing website, for copyright infringement and named the website’s backers, including Shelter Capital Partners LLC, Spark Capital LLC and Tornante Co. Like YouTube, Veoh’s service performed several automated software functions when a user uploaded a video, and the file-sharing site asserted Section 512(c) as its primary defense to the infringement claims.

Knowledge

The appellate panel addressed at length the level of knowledge or awareness that Section 512(c) requires. Although other parties had notified Veoh about specific infringing materials on the file-sharing site, the 9th Circuit found that UMG had not followed the DMCA’s notice requirement.¹³ The court ultimately held that Veoh’s “general knowledge” that its services could be used to post infringing material was insufficient to demonstrate that it knew about infringement of UMG-owned content. Like the 2nd Circuit in *Viacom*, the 9th Circuit required “specific knowledge of particular infringing activity” in order to establish actual knowledge of infringement. The court reached the same conclusion with respect to red-flag awareness of infringement, holding that “general knowledge that it hosted copyrightable material and that its services could be used for infringement is insufficient to constitute a red flag.”¹⁴

Control and benefit

As in *Viacom*, the court also addressed the “control and benefit” provision of Section 512(c)(1)(B). It rejected a reading of that provision that essentially would codify common-law vicarious liability. The court noted that the level of “control” required by that subsection must necessarily be something more than the mere ability to locate and terminate access to any infringing material, because the safe harbor presumes that a service provider will have that ability in order for it to comply with a copyright owner’s take-down request. Instead, the panel held that in order to have the “right and ability to control,” the service provider must “exert substantial influence on the activities of users.” Merely having material reside on a website, the implementation of filtering systems, and the site owner’s ability to remove material and search for potentially infringing content do not rise to the level of “substantial influence.”¹⁵

User direction

With respect to the automated software functions, the court found that those automated processes fell within the ambit of “storage” by Veoh. The court distinguished between activities that would require Veoh to actively participate in or supervise file uploading (which Veoh did not undertake) and the mere automated software processes for making files accessible that are initiated when the user begins the upload process.¹⁶

FLAVA WORKS V. GUNTER

In *Flava Works*, the intricacies of Section 512(c)’s safe-harbor provision were not the key issue. Instead, the 7th Circuit addressed the potential liability of an “online social bookmarking service provider” for contributory infringement. Unlike the YouTube and Veoh services, the videos viewable on myVidster are not posted directly to the website. Instead, myVidster merely allows

The new laws allow rejected dealers to block new Chrysler from granting franchises to new dealers or relocating existing franchises into the ex-dealers’ former markets.

As it usually does, the EU has chosen an aggressive regulatory approach, eschewing recommending “best practices” in favor of a top-down legal mandate.

users to bookmark videos hosted on other sites. Clicking on the thumbnail of the bookmarked video on myVidster creates a framed page that plays the video from its original location on the Internet.¹⁷

The 7th Circuit vacated the District Court’s preliminary injunction against the site, on the basis that myVidster’s activity was not contributory copyright infringement. As the appeals court noted, “[t]he infringers are the uploaders of copyrighted work. There is no evidence that myVidster is encouraging them, which would make it a contributory infringer.”¹⁸

The appellate panel rejected the position that the DMCA’s reference to “referring or linking users to an online location containing infringing material” expanded the concept of contributory infringement to any conduct that facilitated access to infringing material.¹⁹ It distinguished myVidster’s activities from other cases in which courts have found a party liable for contributory infringement.²⁰ On the basis of the limited record available at the preliminary injunction stage, the court vacated the preliminary injunction.

CONCLUSIONS

These opinions establish a roadmap for online service providers to avoid liability for copyright infringement because of infringing materials posted to or viewable through their sites. Overall, they are a victory for service providers, and they highlight several obstacles the copyright owner faces in combating online piracy, particularly in cases in which the service provider can invoke the DMCA’s safe harbor or use technology to avoid contributory infringement.

There are several important takeaway points from these cases.

First, file-sharing sites like YouTube and Veoh may continue to use automated software codes that manipulate the uploaded materials and make them easier to access. By doing so, the file-sharing site still should maintain the position that the infringement occurs “by reason of the storage” of material at the direction of a user.

Second, these opinions set a high burden for copyright owners to prove that the site’s alleged infringement falls outside the Section 512(c) safe harbor. Based on *Viacom* and *UMG*, a copyright owner must prove that a service provider has knowledge of specific infringing material on its site.

True to the statute, that knowledge can be either actual (objective) knowledge or red-flag (subjective) awareness of the existence of infringing material. However, proof of that knowledge is not sufficient to establish conduct falling outside the safe harbor if the service provider complied with the law’s take-down requirements.

Third, the *UMG* opinion highlights why copyright owners must serve DMCA notices on the service provider. As the court noted, UMG’s failure to send DMCA notices regarding specific infringing material “stripped it of the most powerful evidence of a service provider’s knowledge — actual notice of infringement from the copyright holder.”²¹

However, a service provider still has its own set of responsibilities. If it receives notice of an alleged infringement, the service provider must act expeditiously to remove the content. In addition, although the knowledge requirement sets a high standard of requiring knowledge or awareness of specific instances of infringement, both *Viacom* and *UMG* leave open the possibility of liability for an online provider that truly is willfully blind to infringing activity.²²

Likewise, all three cases reject a broad expansion of the doctrines of vicarious liability or contributory infringement, but they leave open the possibility of that type of liability for an online service provider in the appropriate situation.

At least for the time being, it is unlikely that the U.S. Supreme Court would step in to construe the safe-harbor provisions of the DMCA. The vacating and issuance of a new opinion in the *UMG* case put an end to a potential split in the circuits on some issues. With the new harmony between the 2nd and 9th circuits on the requirements and limits of the Section 512(c) safe harbor, the construction of the major provisions being litigated by content owners and service providers appears to be settled, at least in two judicial circuits. **WJ**

NOTES

¹ 676 F.3d 19 (2d Cir. 2012).

² 2013 WL 1092793 (9th Cir. 2013).

³ 689 F.3d 754 (7th Cir. 2012).

⁴ 17 U.S.C. § 512(c).

⁵ *Id.* at § 512(c)(1)(A).

⁶ 676 F.3d at 30.

⁷ *Id.* at 31.

⁸ *Id.* at 35.

⁹ *Id.* at 38.

¹⁰ *Id.* at 38-39.

¹¹ *Viacom Int'l Inc. et al. v. YouTube Inc. et al.*, No. 07 Civ 2103, 2013 WL 1689071 (S.D.N.Y., Foley Square Apr. 18, 2013).

¹² 667 F.3d 1022 (9th Cir. 2011), opinion withdrawn and superseded on rehearing.

¹³ *Id.* at 10. Section 512(c)(3)(A)(i-vi) of the DMCA sets out the form of notice of claimed infringement that must be given to the service provider to be effective notice of infringement. The signed notice must identify the copyrighted work and the allegedly infringing work, provide contact information for the complaining party, and state that the allegedly infringing use is not authorized and that the complaining party is authorized to send the notice.

¹⁴ *Id.* at 12.

¹⁵ *Id.* at 18-20.

¹⁶ *Id.* at *9-10.

¹⁷ *Flava Works*, 689 F.3d 754, 756.

¹⁸ *Id.* at 758.

¹⁹ *Id.* at 758.

²⁰ *See Fonovisa Inc. v. Cherry Auction Inc.*, 76 F.3d 259 (9th Cir. 1996) (defendant operated a "swap meet" at which pirated works regularly were sold); *see also In re Aimster Copyright Litig.*, 334 F.3d 649, 653 (7th Cir. 2003) (a file-sharing service defendant created the "online equivalent of a swap meet," and there was no "evidence that its service has ever been used for a noninfringing use").

²¹ *UMG Recordings et al. v. Shelter Capital Partners et al.*, 718 F.3d 1006, 1020 (9th Cir. 2013), *citing Corbis Corp. v. Amazon.com*, 351 F. Supp. 2d 1090, 1107 (W.D. Wash. 2004).

²² *See also Columbia Pictures Indus. v. Fung*, 710 F.3d 1020 (defendants liable for contributory infringement because the defendant distributed the peer-to-peer file-sharing protocol BitTorrent with the object of promoting its use to encourage copyright infringement).



Michael S. Denniston, vice chair of the intellectual property and competition group at **Bradley Arant Boult Cummings LLP** in Birmingham, Ala., represents many clients on Digital Millennium Copyright Act issues. He can be reached at mdenniston@bab.com.

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