

Copyright Alert: *Viacom v. YouTube/Google*

Second Circuit Reinstates Viacom's Copyright Lawsuit, But Largely Affirms Pro-Online Service Provider Holdings

BY MITCHELL ZIMMERMAN

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FENWICK & WEST LLP

The Second Circuit Court of Appeals yesterday set aside a 2010 federal district court decision that had granted summary judgment to YouTube and Google, based on the Digital Millennium Copyright Act's safe harbor for storage at the direction of users. Even though the summary judgment was vacated, the Second Circuit opinion largely affirmed the conclusions the district court had reached on several key issues relating to eligibility for the safe harbor. In doing so, the Court of Appeals rebuffed a number of arguments Viacom made that would have narrowed the safe harbor standards for online service providers. Although the case is far from over, it appears dubious that this remains a billion dollar lawsuit. *Viacom v. YouTube and Google*, No. 10-3270 (2nd Cir. Apr. 5, 2012).

The practical meaning of the decision may not become clear until there are further proceedings in the Southern District of New York court. Below, we set out the key holdings and some lessons.

The "Knowledge" Condition for the Safe Harbor. To be eligible for immunity from monetary damages for copyright infringement, 17 U.S.C. § 512(c) sets forth certain conditions that must be met by an online service provider (OSP). Among these is that the OSP does not have actual knowledge that the material placed on the OSP's system or network by a user is infringing, and "is not aware of facts or circumstances from which infringing activity is apparent" (the so-called "red flag" test). § 512(c)(1)(A).

- The Second Circuit affirmed the district court's ruling that an OSP is disqualified from the safe harbor only if it has knowledge of *specific infringing activity*, not a generalized awareness that there is or may be infringing activity on the website — even if it is aware that infringing activity is extensive. "Actual knowledge" looks to what the OSP subjectively believed to be the case with respect to specific infringing activity.
 - "Red Flag" knowledge (knowledge of facts and circumstances making infringement apparent) does not require any lesser degree of specificity. Red flag knowledge must meet an objective standard, namely, whether the OSP "was subjectively aware of facts that would make specific infringement 'objectively' obvious to a reasonable person."
- Summary Judgment Reversed on Knowledge Issue.** Notwithstanding that the court agreed with YouTube on these important issues, the court held there was a triable issue of fact as to whether YouTube did have specific knowledge in some particular instances sufficient to disqualify it from the safe harbor. This means, not that the Second Circuit believed that YouTube would lose on the issue of specific knowledge, but only that the court concluded that there was enough of an issue to require that a jury should consider the matter.
- YouTube had conducted website surveys and estimated that 75-80% of all streams contained copyrighted matter. Moreover, Google financial adviser Credit Suisse had estimated that more than 60% of YouTube's content was "premium" copyrighted content, and that only 10% of that was authorized by copyright owners. Importantly, the court held that even such evidence was not enough to prove that YouTube had either actual or red flag knowledge of specific infringements.
 - However, the record also included evidence of internal YouTube communications that did refer to particular clips or groups of clips. These included a 2006 report in which a YouTube founder identified well-known shows that could be found on YouTube and characterized some content as "blatantly infringing," but did not cause it to be taken down

right away. In other instances, specific copyrighted content was identified in company documents, but left up “until we get a cease & desist letter.” The Second Circuit held that evidence of this kind was enough to raise an issue of fact as to whether YouTube knew of specific instances of infringement and failed to act to take them down.

- *Comment:* Since it is knowledge of specific infringements that must be shown, the number of specific video clips that such evidence refers to may be a relatively small number, involving much smaller possible liability than anticipated in the original “billion dollar” lawsuit. Presumably, the safe harbor would be lost only for those particular instances for which it could be shown that YouTube knew of specific infringing content and failed to act.
- *Key lesson for OSPs:* Under § 512(m), there is no duty to monitor one’s website for infringing content; however, if in the course of other activity one becomes aware that specific material that has been uploaded to the site is infringing, one must take that content down.
- In a further ruling on the type of knowledge that disqualifies an OSP from the safe harbor, the court held that “the willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.” Under this doctrine, an OSP can be deemed to have knowledge of infringement if the OSP is “aware of a high probability of the [presence of infringing matter] and consciously avoid[s] confirming that fact.” The Second Circuit remanded the issue to the district court to consider whether defendants had “made a ‘deliberate effort to avoid guilty knowledge.’”
- *Comment:* Since the court nonetheless confirmed that YouTube had no duty to monitor for infringement, it is not clear, as a practical matter, whether there is any difference between what it would take to prove that an OSP had ignored a red flag of infringement and what it would take to

prove that the OSP had turned a blind eye to a high probability of infringement. Perhaps the distinction is between ignoring a red flag in particular instances of infringing activity and taking more generalized steps to make oneself blind to all forms of infringement (as the defendants in the *Aimster* case did by encrypting all uploads and downloads) or to certain categories of infringement. The further proceedings in district court may clarify this issue. Query whether the appearance of some facts suggesting infringement is sufficient in the absence of facts that would furnish the entire context, since underlying facts not apparent to the OSP may exist. The record in this case included evidence, for example, that some copyright holders deliberately have employees upload material without revealing that they are doing so for the copyright holder.

District Court Reversed on Control and Benefit Test.

Under § 512(c)(1)(B), an OSP is ineligible for the safe harbor if it “receive[s] 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.” The control requirement has been the subject of many decisions, but in this case the district court ruled that the control requirement would be satisfied only if the OSP had item-specific knowledge of infringement.

- The Second Circuit held that the district court erred by conflating knowledge of specific instances of infringement with the “right and ability to control” — such specific knowledge is not required to show that the OSP had such control. However, the court also rejected plaintiffs’ contention that a common law vicarious liability standard applies, under which (plaintiffs maintained) an OSP’s right and power to block an infringer’s access to the site for any reason would prove the OSP had the requisite, potentially disqualifying right and ability to supervise infringing activity. Something more is required, and the Second Circuit acknowledged

that defining that “something more” was a difficult question.

- In addition to remanding the issue to the district court for further consideration, the court provided some clues on the “something more” which bear closer study. First, the court observed, in the one case in which an OSP had ever been held to have the right and ability to control, that finding was based on the service provider having “a monitoring program by which user websites received ‘detailed instructions regard[ing] issues of layout, appearance, and content,’” and which also “forbade certain types of content and refused access to users who failed to comply.” *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002). Whether or what lesser forms of control would suffice is not clear.
- Second, the Second Circuit also suggested that “inducement of copyright infringement” under the Supreme Court’s 2005 *MGM v. Grokster* decision “might also rise to the level of control under § 512(c)(1)(B).” The Second Circuit cited both the facts of the *Cybernet* case and fact patterns in which inducement liability might arise as examples involving an OSP “exerting substantial influence on the activities of users.” It is unclear whether the Second Circuit meant “exerting substantial influence” to be some kind of new test for “control.” Further confusing the issue, in a later part of the opinion the Second Circuit specifically rejected plaintiffs’ argument that the safe harbor did not protect OSPs against copyright claims under *Grokster*.

“By Reason of Storage” Interpreted Broadly. The court affirmed most of the district court’s rulings in considering just what was within the scope of the safe harbor. On its face, the systems storage safe harbor immunizes OSPs only against copyright claims “by reason of the storage at the direction of a user.” But this phrase is to be understood more broadly than just literal storage.

- The Second Circuit affirmed the district court ruling that transcoding (making technical changes in a

video to make it more suitable for online streaming) and playback (allowing website visitors to stream and view the stored video) are within the scope of the safe harbor. These rulings did not break new ground.

- The court also affirmed the district court’s ruling that displaying thumbnails of video clips “related” to the video being watched was also protected by the safe harbor.
- However, regarding what the court confusingly referred to as another “software function” — third-party syndication — the court remanded for further consideration. This appears to concern transcoding videos into a format compatible with mobile devices, and “syndicat[ing]” or licensing the videos to Verizon Wireless and others. The court seemed sympathetic to plaintiffs’ argument that these activities constituted “business transactions [that] do not occur at the ‘direction of a user’ within the meaning of § 512(c)(1).” Since it was not clear that this had occurred with regard to any of the works at issue in the lawsuit, however, and the court did not want to render an advisory opinion on the alleged practice, the court remanded to clarify this question.

Selective Offering of Identification and Take-Down Tools.

Notwithstanding that they have no obligation to monitor or otherwise facilitate copyright holder searches for infringing matter, some OSPs including YouTube have made tools available to selected content owners that allow them to search for and identify infringing copies of their content, and in some instances to take such content down themselves. Although the opinion is unclear, it appears that the Second Circuit was referring to this practice in considering plaintiffs’ allegation that YouTube had “‘deliberately set up its identification tools to try to avoid identifying infringements of class plaintiffs’ works.’”

- Since, the court noted, such systems are not a “standard technical measure” within the meaning of § 512(i), “YouTube cannot be excluded from the

safe harbor by dint of a decision to restrict access to its proprietary search mechanisms.”

- *Lesson:* If an OSP wants to make do-it-yourself tools available to selected (and perhaps especially threatening) content owners, it will trigger no obligation under the DMCA to make those tools available to all comers.

Whatever the scope of the practical issues remaining as a result of the decision (and Google promptly issued a statement suggesting the decision was largely a victory for it), most online service providers, and particularly websites offering user contributed content, should not find the Second Circuit decision overly troubling. Several important not-fully-resolved issues were dispatched to the district court, so “stay tuned” for more in the Viacom — YouTube saga.

Mitchell Zimmerman is member of Copyright Group and Of Counsel at Fenwick & West LLP

For more information about this article, please contact: Mitchell Zimmerman (mzimmerman@fenwick.com) of Fenwick & West LLP.

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