

Playing by the Notice & Takedown Rules: Protection for Online Service Providers

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You may have heard about Viacom's \$1 billion complaint alleging that YouTube failed to take "reasonable precautions to deter rampant infringement on its site" by not removing allegedly infringing third-party content. YouTube, as an online service provider, or "OSP," may argue for immunity from liability under the safe harbors of the Digital Millennium Copyright Act, or "DMCA" (17 U.S.C. Section 512). The act protects OSPs from copyright liability when their users transmit or post copyrighted works online provided the OSPs meet certain safe-harbor eligibility requirements and implement notice-and-takedown procedures.

But the regime set out by the act places the onus in the first instance on the copyright holder rather than the OSPs to police Web sites for potentially-infringing material. Moreover, in providing the required notice to the OSP, the copyright holder must also attest to its ownership of the accused material and its belief that the content has been posted without authorization, so as to safeguard against false claims that would otherwise result in removal of non-infringing content protected by the First Amendment.

In a March 29, 2007 decision that reiterated Congress' allocation of these burdens and wielded the hammer of free speech, the U.S. Court of Appeals for the 9th Circuit clarified what it means to "substantially comply" with the DMCA's notice-and-takedown provisions. *Perfect 10 Inc. v. CCBill LLC*, 481 F.3d 751 (9th Cir. 2007). The *Perfect 10* decision also confirmed OSP immunity against state law intellectual property claims pursuant to the Communications Decency Act, or "CDA," (47 U.S.C. Section 230).

Many of the 9th Circuit's holdings deserve a closer look, as they are likely to impact the *Viacom* case and others as they make their way through federal court.

Why is Everyone Fighting?

Perfect 10 publishes an adult magazine and owns a subscription Web site of the same name. No strangers to federal court, Perfect 10 has already brought several enforcement actions in copyright and Internet law that have yielded important opinions. Indeed, just this month in another Perfect 10 suit, the 9th Circuit reaffirmed the rule

that the display of thumbnail images and provision of in-line linking on an image search engine do not amount to copyright infringement of the originals. *Perfect 10 v. Amazon.com*, 2007 DJDAR 6903 (9th Cir. May 16, 2007).

At issue in the present case by Perfect 10 are the approximately 5,000 images of models that Perfect 10 displays on its online site and in its magazine, and for which it holds federally registered copyrights. Defendant CWIE provides Web-hosting and related Internet connectivity services to its client Web site owners—essentially insuring that a server is on and running in exchange for a fee, as well as connecting the client's service or Web site to the Internet. Defendant CCBill provides online credit card processing services, which allow consumers to use credit cards or checks to pay for subscriptions or memberships to e-commerce venues.

Perfect 10 sued CWIE and CCBill alleging that Web masters using CWIE's and CCBill's services had posted Perfect 10's images online. The suit claimed copyright infringement as well as state unfair competition, false advertising and violation of publicity rights of the Perfect 10 models. Defendants CWIE and CCBill raised the various DMCA safe harbors and CDA immunities as defenses, with mixed success in the district court.

All parties appealed, and the 9th Circuit issued important holdings on the notice requirements of the DMCA and defendants' immunity from suit for state law claims.

Safe Harbors

The 9th Circuit's decision squarely addressed the sufficiency of the notice that complaining parties must provide OSPs when requesting content takedown.

Under the DMCA, notification of alleged infringement must be in writing to a designated agent of a service provider and "include substantially" the following six elements: 1) the signature of a person authorized to act on behalf of the owner of an exclusive right under copyright law; 2) identification of the work allegedly infringed, or a list of representative works; 3) identification of the allegedly infringing material whose removal or disablement is being requested, along with

information sufficient for the OSP to locate it; 4) information sufficient for the OSP to contact the complaining party; 5) a statement that the complaining party has a good faith belief that accused use of the material is unauthorized; and 6) a statement that the information in the notification is accurate and made under penalty of perjury, and that the complaining party is authorized to act on behalf of the copyright owner. Perfect 10 asked the court to consider three sets of documents, which it suggested could be combined to satisfy these notice requirements. But none of the documents was sufficient on its own, and together they required defendants to sift through an inordinate amount of material to piece together what the infringing files might be. The court rejected Perfect 10's arguments, holding that "[c]ompliance is not 'substantial' if the notice provided complies with only some" of the required elements. Compliance requires a single document that is signed under penalty of perjury.

The court strictly enforced these requirements for two reasons. First, "substantial compliance" with notice procedures is necessary to effect Congress's intentional distribution of burden to the copyright holder. For the same reason that OSPs are not required to police their Web sites for potentially infringing content, OSPs should not have to fish for sufficient information among thousands of pages in order to "cobble together adequate notice from separately defective notices," the 9th Circuit declared. Second, substantial compliance with the DMCA's notice requirements is necessary to protect free speech because "accusations of alleged infringement have drastic consequences." An OSP should not be forced to initiate proceedings to remove content if the accuser is unwilling to declare that it represents the copyright owner and believes, in good faith, that the material was posted without authorization.

Having found the notices provided by Perfect 10 to be deficient, there still remained the initial question of whether CWIE and CCBill qualified for the safe harbors in the first place. OSPs can qualify for safe harbors if they transmit, cache, store, or refer or link to infringing content. But many factors affect whether an OSP qualifies under these prongs, such as whether the OSP receives any direct financial benefit from the infringing activity or has interfered with any "standard technical measures" designed to identify and protect copyright owners' content. The court undertook a detailed analysis of whether CWIE and CCBill qualified for each, and it remanded the case to the district court on issues for which it lacked sufficient information.

Interestingly, in making threshold safe harbor eligibility determinations, the court exercised another opportunity to trumpet free speech. Perfect 10 had argued that, because CCBill and CWIE provided services to "illegal.net" and "stolencelebritypics.com," the defendants "must have been aware of apparent infringing activity" because such sites should have been "red flags" of apparent infringement. But the court ruled that CWIE and CCBill did not lose safe harbor eligibility through any *imputed knowledge* of infringement based on the name of the Web sites they linked to or hosted. It explained that there is nothing to suggest from name alone that such Web sites contain infringing photos; Web site names may simply be a hoax or an attempt to increase salacious appeal to prospective users. Alone, they do not put defendants on alert.

State Law Immunity

The other significant holding in the 9th Circuit's decision relates to Perfect 10's state law claims for unfair competition, false advertising and violation of the models' publicity rights. CWIE and CCBill argued they were immune from suit on these related claims under a portion of the CDA that provides expansive immunity for claims brought against those who provide access to third-party content.

Section 230 of the CDA provides in part that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. Section 230(c)(1). This provision has been interpreted to establish "broad 'federal immunity to any cause of action that would make service providers liable for information originating with a third-party user of the service,'" the 9th Circuit said, quoting *Almeida v. Amazon.com, Inc.*, 456 F.3d 1316 (11th Cir. 2006).

The breadth of Section 230 immunity for OSPs has recently been challenged in *Fair Housing Counsel of San Fernando Valley v. Roommate.com LLC*, 2007 DJDAR 6822 (9th Cir. May 15, 2007), in which the 9th Circuit majority opinion set a low bar for what constitutes the editing or selection of information supplied by another. Potentially, the ruling would make many OSPs "information content providers" rather than mere service providers, thereby removing their CDA liability.

As the CDA relates to *Perfect 10*, the problem rests on the fact that the CDA's pre-emptions do not extend to "intellectual property" claims. CDA Section 230(e)(2). In other words, OSPs remain potentially liable for copyright infringement claims brought against them as service providers under

federal intellectual property laws—unless other laws, such as the DMCA, provide immunity.

Until the *Perfect 10* decision, a question remained about whether the CDA’s reference to “intellectual property” extended to *state* intellectual property laws, potentially leaving operators and providers liable for IP claims such as the trademark and right of publicity claims lodged by Perfect 10. In its ruling, the 9th Circuit decisively held that Section 230’s restriction applies only to “federal intellectual property” law. Thus, OSPs remain immune from suit for publishing or linking to third-party content when such claims are based on state intellectual property law.

Otherwise, the court explained, various state “intellectual property” laws would dictate the contours of federal immunity, and would contradict Congress’s expressed goal of insulating Internet development from inconsistent state law regimes. As a result, Perfect 10’s state law claims against CWIE and CCBill were barred.

The Road Ahead

On remand, the district court now must determine several safe-harbor eligibility issues, including: whether CCBill interfered with any “standard technical measures” protecting the copyrighted works of Perfect 10, and whether the defendants reasonably implemented a repeat-infringers policy based on their treatment of takedown notices received from other third-party copyright holders. As these decisions are threshold determinations about whether the safe harbors even apply, the district court’s holdings could substantially impact these litigants.

In the meantime, what remains clear—at least in the 9th Circuit—is an OSP’s absolution from liability for state law claims relating to its use or delivery of third-party content. The 9th Circuit’s message on the mechanics of the DMCA and free speech also stands out: The DMCA’s notification procedures place the burdens of policing copyright infringement, identifying potentially infringing material, and adequately documenting infringement “squarely on the owners of the copyright.” It remains to be seen whether and how this analysis may factor into the *Viacom v. YouTube* litigation.

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