

ClientAlert

Intellectual Property

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Second Circuit Clarifies DMCA Safe Harbor in *Viacom v. YouTube*

In a much anticipated decision, the Second Circuit has clarified the contours of the Digital Millennium Copyright Act's (DMCA) safe harbor for website operators that allow users to post content to their sites.

In *Viacom Int'l, Inc. v. YouTube, Inc.*, No. 10-3270-cv (2d Cir. Apr. 5, 2012), the court vacated the district court's summary judgment decision that YouTube was immune from liability under the DMCA and remanded for further fact-finding. Along the way, the court addressed "a series of significant questions of statutory construction" concerning the DMCA, answering some of them, providing guidance on others and leaving several issues for another day. This case has broad implications for both content owners and website operators that host user-uploaded content.

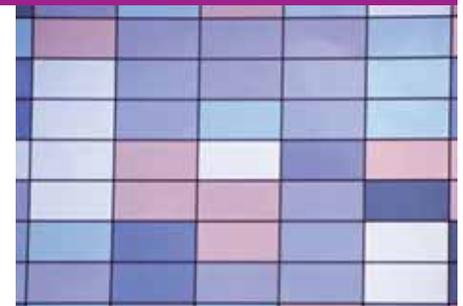
The Dispute

YouTube allows users to upload and view video clips free of charge. Launched in 2005, the website achieved great success, with more than a billion daily views and more than 24 hours of new video content uploaded every minute. The plaintiffs are content owners—film studios, television networks, music publishers, and sports leagues—led by Viacom and the Premier League, an English professional football league.

The plaintiffs sued YouTube for direct and secondary copyright infringement, identifying collectively more than 70,000 allegedly infringing video clips uploaded to YouTube by its users. The plaintiffs are seeking statutory damages or, alternatively, actual damages plus profits, as well as declaratory and injunctive relief. Both sides moved for summary judgment on the applicability of the DMCA safe harbor to YouTube's activities. The district court ruled in YouTube's favor, finding that the service qualified for the DMCA safe harbor with respect to all claims.

The DMCA

Enacted in 1998, the DMCA created four safe harbors from copyright infringement liability for common activities of online service providers (OSPs): (a) "transitory digital network communications," (b) "system caching," (c) "information residing on systems or networks at [the] direction of users" and (d) "information location tools."¹ At issue in *Viacom* is the third safe harbor, § 512(c). To qualify for this safe harbor, the OSP must not have "actual knowledge" of copyright infringement or so-called "red flag" knowledge, i.e., "aware[ness]



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¹ 17 U.S.C. § 512.

of facts or circumstances from which infringing activity is apparent.”² If the OSP acquires such knowledge or awareness, the OSP must “act[] expeditiously to remove, or disable access to, the material.”³ In addition, the OSP must not receive a financial benefit from the infringing activity if the OSP has “the right and ability to control such activity,”⁴ and the OSP must comply with the DMCA’s notice-and-takedown procedures.⁵

Since its enactment, courts, litigants and commentators have grappled with the precise contours of the DMCA’s safe harbors, particularly those of § 512(c) which applies to a broad range of websites that host user-uploaded pictures, videos and text.

The Second Circuit Decision

Item-Specific Knowledge Is Required

The “first and most important question on appeal” was whether § 512(c) requires knowledge or awareness of “specific and identifiable infringements” or whether, as the plaintiffs urged, the red flag provision “requires less specificity” than the actual knowledge provision. Affirming the trial court’s holding, the court ruled that both actual knowledge and red-flag knowledge require the higher level of knowledge—that a specific and identifiable work is being infringed. The court rejected the plaintiffs’ argument that such an interpretation renders the red flag provision superfluous. Actual knowledge, the court explained, turns on whether the OSP *subjectively* knew of a specific infringement, while red flag knowledge turns on whether the OSP was aware of facts from which a specific infringement would be *objectively* obvious to a reasonable person. The difference between the two is not between specific and generalized knowledge, but between a subjective and an objective standard. The court noted that its interpretation is consistent with the Ninth Circuit’s recent decision in *Shelter Capital*.⁷

Applying the knowledge standard to the facts at hand, however, the Second Circuit found that summary judgment was premature.⁸ The court ruled that although there was evidence that YouTube was aware of widespread copyright infringement, that evidence,

standing alone, is insufficient to establish knowledge of specific infringements. Other evidence, however, could support such a finding, the court said, including internal communications from the early days of YouTube that commented on certain specific content. Viewed in the light most favorable to the plaintiffs, a reasonable jury could conclude from these facts that YouTube had “actual knowledge of specific infringing activity or was at least aware of facts or circumstances from which specific infringing activity was apparent.”⁹

The court found, however, that it was unclear whether this knowledge evidence related specifically to any of the clips-in-suit, and that “[b]y definition, only the current clips-in-suit are at issue in this litigation.” The court therefore instructed the district court to determine whether any specific infringements of which YouTube had knowledge or awareness correspond to the clips-in-suit. If not, it seems that YouTube may yet prevail on summary judgment. If so, the litigation may proceed with respect to those clips only.

Willful Blindness May Be Used

The court also ruled, on an issue of first impression, that the common law doctrine of “willful blindness” may be used to demonstrate knowledge or awareness of specific instances of infringement. A court will find willful blindness when a person “was aware of a high probability of the fact in dispute and consciously avoided confirming that fact.”¹⁰ The court noted that while the DMCA does not require affirmative monitoring, it does not expressly abrogate the common law doctrine of willful blindness either. Thus, the doctrine applies, and the court remanded on this issue for further fact-finding.

“Right and Ability to Control”

Eligibility for the safe harbor also requires that the provider “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.”¹¹ Here, the Second Circuit found that the district court erred in requiring specific knowledge of

² *Id.* at § 512(c)(1)(A)(i)-(ii).

³ *Id.* at § 512(c)(1)(A)(iii).

⁴ *Id.* at § 512(c)(1)(B).

⁵ *Id.* at § 512(c)(1)(c).

⁶ *Viacom Int’l, Inc. v. YouTube, Inc.*, No. 10-3270-cv, slip op. at 15.

⁷ *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022 (9th Cir. 2011).

⁸ *Viacom*, slip op. at 19.

⁹ *Id.* at 22.

¹⁰ *Id.* at 23 (citations omitted).

¹¹ 17 U.S.C. § 512(c)(1)(B).

infringement.¹² Such an interpretation of § 512(c)(1)(B), the court explained, would render the provision superfluous because any OSP with specific knowledge of infringement would already be excluded from the safe harbor under § 512(c)(1)(A). This interpretation conflicts with the Ninth Circuit's decision in *Shelter Capital*, which held that an OSP does not have the "right and ability to control" infringing activity until it becomes aware of specific infringing activity.¹³

The court also rejected a lower standard of vicarious liability, which would not require any knowledge of infringing activity. Instead, the Second Circuit charted a middle ground, holding that "the 'right and ability to control' infringing activity under § 512(c)(1)(B) 'requires something more than the ability to remove or block access to materials posted on a service provider's website.'"¹⁴ But the court did not define what that "something more" could be. As guidance, the court pointed to two cases, including *Grokster*, involving "a service provider exerting substantial influence on the activities of users, without necessarily—or even frequently—acquiring knowledge of specific infringing activity."¹⁵ The court remanded on this issue, as well.

"By Reason of Storage"

The court then considered whether four of YouTube's software functions occur "by reason of the storage at the direction of a user" of copyrighted material, within the meaning of § 512(c)(1). The court found that three of those functions were clearly covered: converting (or transcoding) videos into a standard display format, playback of videos on "watch" pages, and the "related videos" function, which identifies and displays thumbnail images of clips that are related to the user-selected video.¹⁶ The court declined to address whether, as the plaintiffs argued, § 512(c) incorporates a principle of proximate causation, finding that "the indexing and display of related videos retain a sufficient causal link to the prior storage of those videos."

A fourth software function—third-party syndication—was a closer case, the court said. Beginning in 2007, YouTube licensed videos to wireless companies like Verizon Wireless for streaming on mobile devices. The court suggested that this activity could fall outside the § 512(c) safe harbor. But because there was

no evidence that any of the clips-in-suit were provided to Verizon Wireless, the court declined to address the issue. The court, however, remanded for a determination of whether any of the clips-in-suit were syndicated to any other third party.¹⁷

Implications

Viacom provides important guidance for content owners and website operators alike. Here are some important take-aways:

- The law appears settled that § 512(c) requires knowledge of item-specific infringement. Generalized knowledge that infringement is prevalent will not, in itself, suffice.
- Specific knowledge can be self-acquired. That is, an OSP may, through its own investigation, become aware of facts sufficient to subjectively conclude, or from which it would be objectively obvious, that a specific and identifiable instance of infringement has occurred.
- Specific knowledge can be proved by showing willful blindness. But it is a high hurdle. In the patent context, the Supreme Court recently clarified that "deliberate indifference to a known risk" is not enough.¹⁸ Willful blindness requires evidence that the defendant "subjectively believe[s] that there is a high probability" of infringement and that the defendant "take[s] deliberate actions to avoid learning" of that infringement.
- There is now a circuit split on "right and ability to control." The Ninth Circuit requires evidence of item-specific knowledge of infringing activity, while the Second Circuit requires less, but "something more" than the mere ability to remove or block access. What that "something more" might be—and how courts might define it—remains to be seen.
- The law is now a bit clearer on what an OSP can safely do with user-uploaded content without drifting outside the safe harbor. Transcoding, playback and posting links to related videos—safe. Syndicating videos—maybe not.

In light of *Viacom*, OSPs would be well advised to examine their internal policies and procedures for monitoring, reporting and acting upon user-uploaded content to insulate themselves against a charge of red flag knowledge or willful blindness.

¹² *Viacom*, slip op at 25.

¹³ *Shelter Capital*, 667 F.3d at 1041.

¹⁴ *Viacom*, slip op. 27 (citations omitted).

¹⁵ *Id.* at 28.

¹⁶ *Id.* at 29.

¹⁷ *Id.* at 31-32.

¹⁸ *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2070 (2011).

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