Connecticut Law Tribune

April 16, 2012

An ALM Publication

INTELLECTUAL PROPERTY
patent & trademark

Clarifying Contours Of DMCA's Safe Harbor

Second Circuit revives billion-dollar YouTube infringement suit

By PATRICK M. FAHEY and SUSAN S. MURPHY

The Second Circuit's recent decision in Viacom International Inc. v. YouTube Inc., No. 10-3270-cv (April 5, 2012) takes on the scope of the liability that an Internet service provider may have for copyright infringement by its users — liability that, in the Viacom case, may run as high as a billion dollars.

Digital Millennium Copyright Act

The scope of an Internet service provider's liability for copyright infringement on its network is defined by the Digital Millennium Copyright Act (DMCA), 17 U.S.C. § 512. The DMCA is meant to provide certainty to Internet service providers regarding their potential liability for copyright infringement taking place on their networks by setting forth certain statutory criteria that, if met, provide a safe harbor from liability for money damages.

At issue in the Viacom case is the DMCA safe harbor for information residing on systems or networks at the direction of users. This safe harbor applies only if the service provider, among other things:

- Does not have actual knowledge of infringing material residing on its system
- Does not have apparent knowledge of infringing material (often referred to in the case law as "red-flag" knowledge)
- Acts expeditiously to remove or disable access to infringing material when it obtains knowledge of infringement (either on its own or through the DMCA's notice provisions)
- Does not receive a direct financial benefit from the infringing activity where it has the right and ability to control such activity
- Has designated an agent to receive notifications of claimed infringement.

Viacom Decision

The Viacom case was an appeal from the grant of summary judgment in favor of YouTube on the applicability of the DMCA safe harbor provision to its popular Internet video sharing service. The plaintiffs in that action claim that YouTube is liable for the infringement of approximately 79,000 copyrighted works on youtube.com, notwithstanding the DMCA's safe harbor provisions. The U.S. Court of Appeals for the Second Circuit overturned the summary judgment ruling and revived the plaintiffs' case against YouTube, remanding for a determination of a number of issues.

One of the more divisive issues in DMCA litigation is the quality of the "knowledge"

Patrick M. Fahey

Susan S. Murphy

on the part of the service provider that will divest it of safe harbor protection. Copyright holders claim that the prevalence of copying on a service provider's network alone can be a sufficient basis for actual or apparent knowledge, while service providers assert that proof of knowledge of a specific act of infringement is required. Following the judicial trend, the Second Circuit in Viacom concluded that the text of the statute compels the conclusion that only "actual knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement will disqualify a service provider from the safe harbor."

The court characterized "actual" and "apparent" (or "red flag") knowledge as a subjective and an objective standard, respectively. The court held that summary judgment on this issue was premature because there was evidence in the record of

Patrick Fahey is a partner and Susan Murphy is an associate in the Hartford office of Shipman & Goodwin, where they both practice in the areas of intellectual property and business litigation.

numerous internal YouTube communications, referencing specific video clips and the court remanded for a determination of whether the referenced clips were among the clips-in-suit.

Willful Blindness

The court next turned to an issue of first impression — whether the common law willful blindness doctrine applies in the context of the DMCA. The Viacom court applied the general rule that "a statute will abrogate a common law principal only if the statute 'speak[s] directly to the question address by the common law.'" The court also determined that the most relevant portion of the DMCA was § 512(m), which provides that the DMCA expressly does not require a service provider to monitor its network but concluded that "willful blindness cannot be defined as an affirmative duty to monitor." Thus, the court concluded that the willful blindness doctrine is limited, but not abrogated, by § 512(m) and remanded, concluding that this issue "remains a fact question for the District Court …."

Ability To Control

Whether a service provider has a sufficient degree of control over the content on its network to take it outside of the DMCA safe harbor is an often litigated issue. The defendants here proffered a construction of this provision (adopted by the district court and a recent decision of the U.S. Court of Appeals for the Ninth Circuit) that the right and ability to control required a showing of specific knowledge of infringing items. The plaintiffs claimed that the control provision "codifies the common law doctrine of vicarious copyright liability." The court, in Viacom, rejected both parties' constructions "in favor of a fact-based inquiry to be conducted in the first instance by the District Court."

The court did not, however, define that inquiry. Instead, it cited to cases involving "a service provider exerting substantial influence on the activities of users, without necessarily — or even frequently — acquiring knowledge of specific infringing activity" and remanded to the district court for a finding of whether "the plaintiffs have adduced specific evidence to allow a reasonable jury to conclude that YouTube had the right and ability to control the infringing activity."

'By Reason of' Storage

YouTube had also achieved a significant victory in the district court as relates to a threshold issue in the applicability of the 512(c) safe harbor, i.e., whether content stored by a user that is then actually copied into different formats by the service provider can be considered "storage at the direction of a user." The Second Circuit in Viacom affirmed that the § 512(c) safe harbor is not limited to merely storing material but rather "extends to software functions performed 'for the purpose of facilitating access to user-stored material.'" The court held that "to exclude these automated functions from the safe harbor would eviscerate the protection afforded to service providers by § 512(c)."

The plaintiffs claim that YouTube is liable for the infringement of approximately 79,000 copyrighted works.

The court further held that an automated function that retained a sufficient causal link to the prior stage of the copyrighted work and that "serve[d] to help YouTube users locate and gain access to material stored at the direction of other users" is protected With regard to one aspect of the parties' dispute — whether YouTube's conversion of videos into a format compatible with mobile devices and licensing of those videos fell within the safe harbor — the court was unwilling to potentially render an advisory opinion "on the outer boundaries of the storage provision" and remanded to the district court for a finding of whether any of the clips-in-suit were involved.

Conclusion

The Second Circuit set out to clarify the contours of the DMCA safe harbor, and the Viacom opinion accomplished that end in some important respects. The clearest aspect of the holding is that access-facilitating measures applied to user content, including actual copying and conversion of content into different file types, is an extension of storing content at the direction of a user. In addition, the court's conclusion that the "knowledge" possessed by the service provider must be of specific acts of infringement, regardless of whether the knowledge is actual or apparent, eliminates one frequent issue of contention. At the same time, however, the court's apparent acceptance of the willful blindness doctrine threatens to revive that issue. Moreover, the court's lack of guidance on the meaning of a service provider's "right or ability to control" is a missed opportunity to provide context to a hotly disputed issue. Because the case was remanded to the district court for further proceedings, we must await further developments before obtaining the clarity promised in the court's opinion.•