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Courts Favoring ISPs in Copyright Infringement Battles – The Shifting Tide

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The latest wave in the ebb and flow of decisions involving the battle over online copyright infringement made a tidal shift in favor of Internet service providers (ISPs). The recent *Viacom v. YouTube*, No. 07-02103 (S.D. N.Y July 2, 2008) litigation, in which the court further defined what is acceptable behavior by "user-generated content" sites toward copyrighted works, gave the video-sharing site the win and left Viacom feeling a little soaked.

The ruling on June 23 by a federal district judge in the Southern District of New York is the latest in a trend of one-sided interpretations of the Digital Millennium Copyright Act (DMCA) in favor of ISPs. Congress enacted the DMCA to update copyright law for the digital age and balance copyright protection with the operations of ISPs. Although Viacom will appeal, and therefore the case is far from over, the ruling has the potential to influence other courts and the behavior of ISPs.

Three years ago, Viacom, a media conglomerate that owns MTV and Comedy Central, sued YouTube (which is now owned by Google) for $1 billion based on copyright infringement claims for unauthorized posting of Viacom copyrighted material.

The court, in granting YouTube's motion for summary judgment, ruled that YouTube, Inc. is not liable for direct or secondary copyright infringement due to its hosting of infringing content posted by users of the wildly popular website. The court ruled that YouTube's general knowledge that a substantial portion of the posted videos infringed copyright was insufficient to impose liability, and that its prompt take-down of specific infringing material of which it was notified entitled it to the DMCA's "safe harbor" for ISPs.

DMCA

The DMCA is a 1998 amendment to the Copyright Act that clarifies the copyright responsibilities and liabilities of those who provide "online services or network access." The Act extends to providers of information location tools (e.g., search engines), and to sites that present user-provided information, such as eBay and Amazon.

For Viacom, Waves Crash In

Viacom argued that because YouTube had general knowledge that infringing videos were available on the service, it should be stripped of the safe harbor protections. However, since every public hosting service knows some users will infringe, that would make the DMCA safe harbor meaningless. The court states:

"(I)f a service provider knows ... of specific instances of infringement, the provider must promptly remove [it]. If not, the burden is on the owner to identify the infringement. General knowledge that infringement is 'ubiquitous' does not impose a duty on the service provider."

Essentially, Viacom sought to change the law on U.S. copyright to require online service providers to implement and pay for copyright filtering—an argument already rejected by U.S. courts.

The court determined that YouTube qualified for a DMCA safe-harbor provision, 17 U.S.C. §512(c). This is one of four limited DMCA safe harbors from claims of copyright infringement against "service providers" whose infringement liability is "by reason of" providing certain core Internet functions: transmission, routing or providing connections (§512(a)); system caching (§512(b)); storage of materials at the direction of a user (§512(c)); and information location tools such as a directory, index and linking (§512(d)). The §512(c) safe harbor serves as a "free pass" from monetary liability for infringement that arises by storing material at the user's direction, but only if and to the extent that the ISP meets certain carefully delineated statutory preconditions.

It is important to note that Viacom's lawsuit focused on YouTube's actions before the date in 2008 on which YouTube began to filter infringing uploads of Viacom's copyrighted works. Viacom alleged that YouTube implemented filtering to prevent infringement of the works of companies that would agree to do deals with it but otherwise withheld filtering to gain a business advantage in negotiations (a form of "high-tech extortion"). Viacom also submitted evidence that YouTube knew that up to 80 percent of its user traffic was for pirated videos.

The court's other significant findings include the following:

"Generalized knowledge" of infringing activity is not "actual knowledge." The court ruled that "actual knowledge" requires knowledge of the "specific and identifiable infringements" at issue, and that general knowledge does not obligate a provider to monitor its site for infringing materials. Under this interpretation, a copyright owner will have to prove that the ISP has knowledge of each infringing video, for example. It is a much higher standard, one the court found Viacom had not met.

As the court explained, a qualifying ISP that complies with the DMCA's "notice and takedown" procedures is entitled to safe harbor protection, and copyright owners are responsible for policing ISP websites. Although an ISP cannot turn a blind eye to a "red flag" indicating obvious infringement, neither is it obligated to monitor user uploads and affirmatively ferret out infringing content.

The court noted that YouTube had complied with the act by registering an agent with the Copyright Office for notification of infringements, and by acting promptly when notified of a problem. The court cited that when Viacom sent YouTube a mass take-down notice alleging that some 100,000 videos on the site were infringing, YouTube removed virtually all by the next business day.

Surf's Up for Video Sharing

The court's reasoning follows the findings of several other recently decided cases. For example, Universal Music Group (UMG) Recordings, Inc. and Io Group, Inc. charged online video host site Veoh Networks, Inc. with copyright infringement of sound recordings owned by UMG and clips from adult videos owned by Io, respectively, that had been uploaded by users. Two federal district courts extended DMCA safe harbor protection to Veoh and dismissed the charges. See *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F.Supp.2d 1099 (C.D. Cal. 2009); *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F.Supp.2d 1132 (N.D. Cal. 2008). Like YouTube, Veoh's victories are attributable, in part, to scrupulous compliance: Veoh registered a copyright agent and responded to takedown notices on a same-day basis.

In *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d. Cir. 2010), the Second Circuit Court of Appeals dismissed analogous trademark infringement claims. The court found that eBay "had generalized notice that some portion of the Tiffany goods sold on its website might be counterfeit," but that this was not enough to impose liability, even though the Trademark Act does not contain a safe harbor provision. Where eBay was notified of specific infringing goods being offered for sale, those auctions were promptly shut down.

Viacom claimed support from the Supreme Court's decision in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), which held Grokster liable for user-committed infringements via unauthorized movie and music uploads. However, *Viacom* distinguishes the peer-to-peer file-sharing structure of the Grokster site, and the way it encouraged infringing activity.

Viacom comes on the heels of another significant Google victory: The decision by the European Union's Court of Justice that Google's AdWords keyword advertising program does not facilitate trademark infringement, in part because Google enjoys the status of a

"referencing service provider" under E.U. law. (See the August 18, 2010 *Los Angeles Daily Journal* article.)

If, as seems likely, Viacom appeals the district court's decision to the Second Circuit, a defeat there will certainly have implications for copyright enforcement efforts against video-hosting sites. Given the Second Circuit's *Tiffany* decision, one might anticipate a ruling that will not be applauded by content owners.

Freely Flowing

The case is complex and controversial. Filings reveal Viacom paid dozens of marketing companies to clandestinely upload its videos to YouTube. And in an effort to promote its own shows, Viacom routinely left up clips from shows that had been uploaded to YouTube by ordinary users.

Viacom filed an appeal August 26, 2010 in the Second Circuit. Google declined to comment on Viacom's appeal. No date has been set yet for initial hearings on the appeal, as this point in the process is only to notify the court of Viacom's intentions.

Given that the court's ruling granting summary judgment is based on Youtube before its use of prefiltering software, it is difficult to assess what real impact this will have on future YouTube operations. An argument can be made that the use of the software does indeed demonstrate that YouTube knows there is substantial copyright infringement occurring. This knowledge removes YouTube from the DMCA's safe harbor protection and the software is inadequate given the requirement that copyright holders must contribute to the database to receive protection, but that is the subject of another article.

For now, the waters are calm. We will have to wait and see what courts will do with future challenges to ISPs.

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