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Friel and Meyer on User-Generated Content: Potential DMCA Safe Harbor

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SUMMARY: Use Title Below instead of Online Display Name for the ADF/Case Link:Friel and Meyer on User-Generated Content in the Web 2.0 Era: The Potential DMCA Safe HarborAn area of concern for website providers, promotions operators, sponsors, and others that permit third parties to post so-called user-generated content (UGC) is the distinct possibility that the user will infringe third-party intellectual property or personal rights. This article will address the most common complaint by rightholders concerning UGC -- that the content infringes copyright. This expert commentary is written by Alan L. Friel.s a Partner at Wildman Harrold Allen & Dixon LLP in Los Angeles where he practices in the areas of advertising, media and technology law, and Nathan D. Meyer, an associate at Russ August & Kabat P.C. in Los Angeles where he practices in general litigation.

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ARTICLE: An area of concern for website providers, promotions operators, sponsors, and others that permit third parties to post so-called user-generated content (UGC) is the distinct possibility that the user will infringe third-party intellectual property or personal rights. This article will address the most common complaint by rightholders concerning UGC that the content infringes copyright.

Copyright Owner Rights. Copyright owners have the exclusive rights to reproduce, distribute, make derivatives from, and publicly perform and display their works. n1 The unauthorized posting, uploading, transmission, and storage of copyrighted works by individual Internet users may constitute an infringement of these rights, specifically those of reproduction, distribution, and performance or display. Theories of liability for UGC that infringe upon third-party copyright include 1) direct infringement; n2 2) contributory infringement, n3 3) inducement liability n4 4) vicarious liability n5 and 5) tertiary liability. n6 Depending upon the facts, both website operators and the operators and sponsors of online UGC contests or other promotions could conceivably fall under one or more of these theories and could potentially be found liable for the copyright infringement caused by users.

Potential Safe Harbor Defense. However, the Online Copyright Infringement Liability Limitation Act, passed in 1998 as Title II of the Digital Millennium Copyright Act (the DMCA) n7 provides that an online service provider, n8 including potentially a single sponsor website and joint operators of co-branded websites, may be able to create a safe harbor defense for what is truly UGC stored at the direction of users if it maintains a proper DMCA compliant notice and take down process. *See*, 17 U.S.C. §512(c), (i). n9

If the website does not receive a financial benefit directly attributable to the infringing activity in a situation where it has the right and ability to control such activity, has registered an agent of service with the U.S. Copyright Office and maintains a procedure compliant with the Act for the removal of UGC upon a valid take down request, it should have a defense to copyright infringement claims by copyright holders for UGC stored at the direction of users. 17 U.S.C. § 512(c)(1)(B)-(c)(2), (i). The service provider must respond expeditiously to remove, or disable access to, material that a proper notice identifies as infringing. If the user whose content is taken down files a proper counter-notification requesting the restoration of removed content, the service provider must send a copy of such request to the party that originally requested the removal. 17 U.S.C. § 512 (g)(3). Unless that party then obtains a court order supporting removal of the material at issue, the service provider must restore access to the material. *Id.* A service provider does not have a duty to monitor its website for infringing content, but must terminate repeat offenders and must not have actual knowledge that material is infringing. n10 *See*, 17 U.S.C. §§ 512(c)(1)(A), 512(i)(1)(A) and 512 (m)(1). However, if the service provider becomes aware of a red flag from which infringing activity is apparent, it will lose the limitation of liability if it takes no action. n11

A further requirement for safe harbor under the DMCA is implementation of standard technical measures. 17 U.S.C. §512(i)(1)B), (i)(2). On this issue, the industry arguably appears to be moving toward a standard as of early 2008. Google's YouTube recently announced that it was testing a copyright filtering system and a coalition of mainstream content companies and several UGC websites announced guidelines calling for adoption of such types of filtering and blocking technology. *See Principles for User Generated Content Services* (www.ugcprinciples.com). The use of content filters, however, is likely to result in complaints by the fair use community that First Amendment protected transformative uses of third-party content (i.e., fair use) are improperly blocked by such technology. *See, Moveon.org Civic Action et al. v. Viacom*, No. 3:07:01657 (N.D.Cal. 2007) (alleging improper DMCA take down notice regarding a political parody and criticism video incorporating clips from a TV show whose host was lampooned). The Copyright Act codifies the concept of fair use at 17 U.S.C. § 107 as a defense to a copyright infringement claim. Under the DMCA's notice and take down scheme, the user that posted allegedly infringing UGC has a procedure, in the form of the counter-notice, for raising the fair use defense. The UGC Principles provide that Copyright Owners and UGC Services should cooperate to ensure that Information Technology is implemented in a manner that effectively balances legitimate interests in (1) blocking infringing user-uploaded content, (2) allowing wholly original and authorized uploads, and (3) accommodating fair use. However, they fall short of setting forth ways in which fair use will be respected and for a method for users to raise a fair use defense to removal or blocking of UGC by filtering technology. Accordingly, it remains unsettled how users will be able to advance a fair use position with respect to UGC caught by filters, short of bringing a declaratory relief action, which few users will have the resources to pursue. Some of the contributors to the drafting of the UGC Principles have opined that fair use can be in part addressed when content owners set usage rules for their content, in connection with filtering, and further by UGC sites when they set up implementation protocols. In addition to fair use concerns, there is also an ongoing controversy as to how the cost burden of filtering should be allocated and concern by smaller online publishers that the cost to them will be too burdensome, chill free expression and create a barrier of entry that protects well-heeled website operators.

Scope of DMCA Safe Harbor. The scope of the DMCA safe harbor is currently the topic of several pending law suits against UGC websites. *See, e.g., Viacom v. YouTube, Inc. et al.*, No. 1:07:02103 (S.D.N.Y. filed March 13, 2007); *UMG Recordings, Inc. v. MySpace, Inc.*, No. 2:06-07361 (C.D.Cal. filed Nov. 17, 2006); *Robert Tur v. YouTube*, No. 06:4436 (C.D. Cal., filed 6/14/06, voluntarily dismissed by Tur to join *Football Assoc.* cases YouTube has appealed.), and *The Football Assoc. Premier League Ltd. and Bourne v. YouTube, Inc. et al.*, No. 07:3593 (S.D.N.Y. filed May 24, 2007). Among the issues to be decided in these cases is whether these websites have the right and ability to control the UGC and, if so, how much commercial activity by the website related to the UGC constitutes direct financial benefit that would preclude the website from falling within the DMCA safe harbor, and what technical measures to prevent infringement are required by the Act. As they address these questions, the courts need to establish what content guidelines and controls, beyond the ability to take down UGC that clearly infringes third-party copyrights, falls short of constituting an ability to control, and how CDA Section 230(c)(2)s encouragement of good faith efforts to restrict obscene, lewd, lascivious, filthy, excessively violent, harassing and otherwise objectionable content interplays with the

DMCA's restriction on a financially interested operator's ability to control UGC and still obtain the safe harbor. Compare e.g. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 556 (4th Cir. 2004) (website that conducted human review of posted photos for photos that did not depict the applicable subject matter (commercial real estate) and for obvious copyright violations entitled to DMCA protections); and *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082, 1094 (C.D. Cal. 2001); (Congress did not intend for service providers to lose the safe harbor if it monitors its site for apparent infringement and removes same) (quoting House Report 105-796 at 73 (October 8, 1998)) with *Perfect 10, Inc. v. Cybernet Ventures*, 213 F. Supp. 2d 1146, 1182-82 (C.D. Cal. 2002) (service provider maintains right and ability to control where it prescreens sites, gives extensive advice regarding content and limits sites with identical content). These cases, and subsequent cases discussing them, suggest that the ability to control goes to the issue of the operator's editorial activities as opposed to mere monitoring, blocking and removal of postings and non-editorial operational control. See, e.g., *Corbis Corporation v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1102 (finding Amazon's regulation of its merchant partners more like LoopNet and eBay than Cybernet). In the *Tur* case, however, the court denied YouTube's Motion for Partial Summary Judgment on the DMCA safe harbor issue finding issues of fact as to YouTube's ability to exercise control over infringing activity on its site. In its discussion of the issue, the court took a more restrictive reading of some of the DMCA cases, noting that while the right and ability to control infringing activity, as the concept is used in the DMCA, has been held to mean something more than just the ability of a service provider to remove or block access to materials posted on its website . . . , the requirement presupposes some antecedent ability to limit or filter copyrighted material. *Tur*, *supra*, 2007 U.S. Dist. LEXIS 50254 (decided June 20, 2007 YouTube has appealed)(emphasis added), citing *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082, 1093 (C.D. Cal. 2001); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp.2d 1146, 1183 (C.D. Cal. 2002); *Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090 (W.D. Wash. 2004); *Cherry Auction v. Fonovisa, Inc.*, 76 F.3d 259, 63 (9th Cir. 1996); and *MGM, Inc. v. Grokster*, 125 S.Ct. 913, 926 (2005).

Future of Commercial UGC sites. If the UGC sites lose on right and ability to control, there is sparse authority giving meaningful guidance to what constitutes direct financial benefit. The legislative history instructs that [i]n determining whether the financial benefit criterion is satisfied, courts should take a common-sense, fact-based approach, not a formalistic one. n12 Charging the users posting infringing content set up and service fees has been found not to be a direct financial benefit. *Perfect 10, Inc. v. CC Bill LLC*, 481 F.3d 751, 767 (9th Cir. 2007); and *Ellison v. Robertson*, 357 F.3d 1072, 1079 (9th Cir. 2004); cf. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004) (suggesting in dicta no direct financial benefit from subscription service); and *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082 (C.D. Cal 2001) (suggesting in dicta no direct financial benefit from service fees on online auctions). Whether serving ads (contextual or otherwise) n13 on the same page as UGC or within the UGC itself, using UGC as part of a sponsor's promotion of its products and services or as part of a sponsored contest or other promotion, or enlisting users to create user generated ads for a site's sponsors are direct financial benefits remain unanswered. Some UGC sites have taken steps to separate their revenue generating activities from UGC by limiting ads and revenue sharing with content providers to pages of the site that have content licensed from mainstream content providers rather than users.

It is important to note that the DMCA safe harbor will not apply other than to qualifying online service providers (which at least for now appears to include websites, *supra* n. 8). Thus, if a company is operating a UGC promotion other than on its own site (e.g., via a YouTube user group), the company will not have a DMCA copyright-infringement shield. However, promotions sponsors and operators may be subject to copyright infringement claims for UGC posted as part of a promotion under one of the indirect or secondary liability theories discussed in notes 2 through 5. Sponsors of UGC promotions can reduce the potential for liability by restricting the content to be used to content that is either original to the user and/or certain pre-cleared content made available to the users for purposes of the promotion. n14 It is also advisable to direct users to sources that explain the basic rules of copyright, intellectual property and personal rights (while disclaiming responsibility for the completeness or accuracy of that information) and to explain to users that infringement is prohibited and grounds for account termination and/or disqualification from the promotion. An alternative approach is to opt for clearance and active control as the preferred method of risk management over an attempt to fall under CDA and DMCA protections. At least one major promoter of user-created ads has taken this route and elected not to have submissions posted on a public website by users, but rather privately submitted, reviewed and

cleared by the provider and its sponsors before the ads are publicly displayed.

UGC is an important part of the second generation Web Web 2.0 and so long as users continue to embrace the ability to create and post content as a method of online expression, websites and advertisers and promoters seeking to capture users attention, will continue to provide venues for UGC distribution. A decade has passed since the DMCA was passed, and courts or Congress need to further flesh out how the Act should be interpreted and how websites and copyright owners are to interact and cooperate within the structure of the Acts safe harbor provisions. The high profile cases currently working their way through the courts will likely provide some guidance in this regard.

For additional information regarding UGC, see Nimmer on Copyright, Ch. 12B, Liability for Online Copyright Infringement, § 12B.04.

Return to Text

n1 . See 17 U.S.C. § 106.

n2

[2]. To establish direct copyright infringement, a plaintiff must establish 1) as valid copyright and 2) copying of constituent elements of the work that are original. *Fiest Publications, Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340, 361 (1991).

n3

[3]. *Perfect 10 v. Visa International*, 494 F.3d 788 (9th Cir. 2007) (One contributorily infringes when he 1) has knowledge of another's infringement; and 2) either (a) materially contributes to or (b) induces that infringement.); *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001) (Contributory liability found where a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to the infringement.).

n4

[4]. *MGM Studios v. Grokster, Ltd.*, 545 U.S. 913, 936-37 (2005) ([O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for [inducing] the resulting acts of infringement by third parties.).

n5

[5]. *Cherry Auction v. Fonovisa, Inc.*, 76 F.3d 259, 262-63 (9th Cir. 1996) (Vicarious liability exists where the defendant: 1) possesses the right and ability to supervise; and 2) has an obvious and direct financial benefit from the infringement.).

n6

[6]. *UMG Recordings, Inc. v. Hummer Winblad, et al.*, 2006 U.S. Dist. Lexis 30338 (N.D. Cal. 2006) (raising possibility of tertiary liability for investors in contributorily infringing companies).

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[7]. Equally importantly, the Communications Decency Act of 1996 (the CDA) provides certain immunities for other types of causes of action (e.g., state tort claims) protecting providers and users of interactive computer services. These protections are discussed in more detail in a subsequent LexisNexis Expert Commentary by the same authors to follow. Such article will outline the bounds of CDA immunity, both in terms of what laws are carved out of CDA immunity, and what acts must be taken by a provider to preserve CDA immunity generally.

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[8]. The DMCA explicitly protects service providers. This term of art has been interpreted by courts to include websites. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 556 (4th Cir. 2004); *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082, 1088 (C.D. Cal. 2001) (eBay clearly meets the DMCA's broad definition of online "service provider."). Viacom, in a pending case against a UGC website, has challenged that the DMCA protections apply to most websites in its pleadings. *See Viacom v. YouTube, Inc. et al.* Case No. 07:02103 (S.D.N.Y., filed 3/13/07), complaint at 38.

n9

[9]. The DMCA also provides safe harbors for (1) transitory digital network communications, (2) system caching, and (3) information location tools. 17 U.S.C. § 512(a),(b),(d).

n10

[10]. [A] service provider need not monitor its service or affirmatively seek facts indicating infringing activity...in order to claim this limitation on liability. House of Rep., Rept. 105-551, Part 2, page 53, 105th Congress, 2d Session (July 22, 1998).

n11

[11]. Id.

n12

[12]. House of Rep., Rept. 105-551, Part 2, page 54, 105th Congress, 2d Session (July 22, 1998).

n13

[13]. Contextual advertisements are targeted ads served to users based upon a users input, such as search terms or the content of a piece of UGC. Other advertisements are run more broadly to any user who visits a given site.

n14

[14]. Such restrictions are also frequently employed by website operators who do potentially qualify for DMCA protection. Arguably, however, this type of limitation and direction of UGC could be indicia of an ability to control, which, as noted above, could negatively affect the service providers ability to claim a safe harbor. Given, though, that the purpose of such restrictions is to try to prevent copyright infringement, such a finding would be inconsistent with the intent and purpose of the DMCA and support can be found in prior cases that efforts to prohibit infringement should not be used to bar the safe harbor.

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