

# YouTube rematch

Viacom has lost another decision in its long campaign to make YouTube pay for alleged breach of copyright. **Hillel Parness**, from the law firm Robins, Kaplan, Miller & Ciresi, discusses the issues

The April decision in the *Viacom v YouTube* litigation<sup>1</sup> is the latest step in an ongoing process by which the courts of the Second and Ninth Circuits have been testing the interpretation and application of the safe harbours of the Digital Millennium Copyright Act (DMCA). Although the decision follows a remand from the Second Circuit, it leaves a number of open questions and appears headed for another appeal. Nevertheless, there are a number of best practices that companies operating sites based on user-supplied content, and those concerned about such sites, can keep in mind going forward.

Section 512(c) of the DMCA establishes a safe harbour for service providers, limiting their liability for copyright infringement "by reason of the storage at the direction of a user" as long as the service provider does not have actual or "red flag" knowledge of infringement (the latter being defined as awareness of "facts or circumstances from which infringing activity is apparent", lacks "the right and ability to control such activity" when receiving a direct financial benefit, and responds expeditiously to notices to remove infringing material.<sup>2</sup> There is little disagreement that if a service provider were to have actual or red flag knowledge, or the right and ability to control infringing activity (with a direct financial benefit), they could not passively rely on "notice and takedown". How each of these terms should be interpreted, however, is the core of the debate in the *Viacom* case in the Second Circuit and the *UMG* case in the Ninth Circuit, where the parties have disagreed over the following core questions, among others:

1. How should one define and differentiate actual and "red flag" knowledge?
2. Does, and if so when does, a service provider have to take action against infringement?
3. What qualifies as the "right and ability to control" for purposes of the DMCA?

## Second Circuit 2012 Opinion

On three critical issues the Second Circuit broke with the Ninth Circuit, remanding the case to the District Court and giving direction as to how to proceed.

### Red flags

On the topic of "red flag" knowledge the Second Circuit agreed that knowledge had to

be "specific", but introduced a new doctrinal approach to distinguish "red flag" knowledge:

The difference between actual and red flag knowledge is thus not between specific and generalised knowledge, but instead between a subjective and an objective standard. In other words, the actual knowledge provision turns on whether the provider actually or "subjectively" knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement "objectively" obvious to a reasonable person.<sup>4</sup>

The Court of Appeals remanded the case for an application of the evidence to this new standard, reviewing some of the evidence already in the record, comprised largely of internal YouTube emails concerning potentially problematic videos and classes of videos and writing:

On these facts, a reasonable juror could conclude 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. See § 512(c)(1)(A)(i)-(ii). Accordingly, we hold that summary judgment to YouTube on all clips-in-suit, especially in the absence of any detailed examination of the extensive record on summary judgment, was premature.<sup>5</sup>

### Willful blindness

On a related topic the Second Circuit clarified that the common law doctrine of willful blindness was not pre-empted by the DMCA, and "may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA".

The Court of Appeals also acknowledged that the applicability of the safe harbours cannot be made conditional on "a service provider monitoring its service or affirmatively seeking facts indicating infringing activity..."<sup>6</sup> Thus the Second Circuit opinion describes a zone bounded by willful blindness and pro-activity, where service providers need not affirmatively seek out facts indicating

infringement, but also may not turn a blind eye to the facts before them. The Court of Appeals reversed, and remanded the case to the District Court to apply this standard to the facts.

### Control

Whereas the Second Circuit believes that the "knowledge" prong of the safe harbour must be satisfied by "specific" knowledge, it reached the opposite conclusion with regard to the "right and ability to control" infringing activity. The Court of Appeals explicitly found that "the District Court erred by importing a specific knowledge requirement into the control and benefit provision," and remanded this issue as well.<sup>7</sup> Much like it did with wilful blindness, the Second Circuit identified two outside boundaries for the proper interpretation of the control prong: (i) it requires "something more than the ability to remove or block access to materials posted on a service provider's website",<sup>8</sup> while at the same time (ii) it requires something less than "specific knowledge".<sup>9</sup>

While the Court of Appeals reflected that defining "something more" is difficult, it did not attempt to do so but rather sent the task back to the District Court.<sup>10</sup> As discussed below, the Court of Appeals also provided two examples as guidance to the District Court.

Whether one characterises the Second Circuit's *Viacom* opinion as reflecting consistency or disagreement with the Ninth Circuit's approach in *UMG* and other cases (and there are many people in each camp), the Second Circuit opinion presented new, rough guidelines and directed the District Court to help develop the guidelines into workable doctrine. One can question, however, whether the District Court conducted the full analysis directed by the Second Circuit, and further whether the outcome is consistent with the Court of Appeals' guidelines.

## District Court 2013 Opinion

As noted above, the Second Circuit presented a new approach to the issue of knowledge, advising that actual knowledge is a subjective standard, and red flag knowledge is an objective standard. It comes as some surprise, then, that the words "subjective" and "objective" do not appear in the District Court's decision.

The decision begins by saying that neither party was able to present the court with evidence as to what information YouTube had about the more than 60,000 video clips at issue in the case, from which the court could consider whether YouTube had “red flag” awareness. The District Court held that the burden of proof remained with Viacom, and thus “plaintiffs lack proof that YouTube had knowledge or awareness of any specific infringements of clips-in-suit.”<sup>11</sup> With that, the District Court appears to have avoided the subjective/objective issue entirely.

### Willful blindness

The District Court then acknowledged the need to consider willful blindness, but likewise decided that the evidence presented by Viacom could not meet the standard, explaining: “[t]he specific locations of infringements are not supplied: at most, an area of search is identified, and YouTube is left to find the infringing clip... There is no showing of willful blindness to specific infringements of clips-in-suit.”<sup>12</sup>

### Control

As discussed above, the Court of Appeals offered up two examples when remanding the case to the District Court. First, the Second Circuit noted that at that point in time only one court had ever found a service provider to have had the requisite control under the DMCA. In that case from the Central District of California, the court found that the service provider gave “detailed instructions” regarding content to user websites, blocked types of content and denied access to non-compliant users.<sup>13</sup>

The second example advanced by the Court of Appeals was the 2005 *Grokster* case, which did not involve the DMCA at all, but where the US Supreme Court found the defendants liable for copyright infringement on an inducement theory, which “premises liability on purposeful, culpable expression and conduct.”<sup>14</sup> On *Grokster*, the Second Circuit wrote that activity that satisfies the inducement standard “might also rise to the level of control under § 512(c)(1)(B). Both of these examples involve a service provider exerting substantial influence on the activities of users, without necessarily – or even frequently – acquiring knowledge of specific infringing activity.”<sup>15</sup>

Leaving aside the cases, the Second Circuit chose as examples (a 2002 California district court case and the DMCA, and a Supreme Court that did not address the DMCA), the Court of Appeals appeared to be advancing them as examples, but leaving the forging of a doctrine to the District Court.

One can argue, however, that the District Court applied these examples far too narrowly and made them the limits of a “control” rule,

much as the Ninth Circuit has done (indeed the District Court begins by citing the Ninth Circuit’s March 2013 replacement opinion in *UMG*):

“[T]he Ninth Circuit requires ‘high levels of control’ over activities of users as in *Cybernet*, or ‘purposeful conduct’ as in *Grokster*.”<sup>16</sup>

The District Court went on to cite other decisions, all of which preceded the Second Circuit’s 2012 remand in the *Viacom* case and its pronouncement as to what the control prong does and does not require. The District Court then essentially limited its analysis to the question of whether the evidence shows that YouTube was actively inducing copyright infringement, without which there can be no control.

Limiting the “control” prong to active inducement goes well beyond what the DMCA says and what the Second Circuit said about it 2012. To put the argument another way, just because active inducement of copyright infringement could satisfy the control prong does not mean evidence of inducement is required to satisfy it. Building off of this analysis, the District Court made some of the strongest statements by any court to date about the DMCA, such as, “The governing principle must remain clear: knowledge of the prevalence of infringing activity, and welcoming it, does not itself forfeit the safe harbour. To forfeit that, the provider must influence or participate in the infringement.”<sup>17</sup>

The April 2013 decision in *Viacom v YouTube* was an obvious disappointment for the plaintiffs and to many other copyright owners, and what the District Court said about sites that “welcome” infringement. It is also disappointing to many because by not taking up the Second Circuit’s directive to flesh out – among other things – the distinctions between actual and red flag knowledge, substantial uncertainties remain for service providers and copyright owners. Both types of parties are advised to keep certain principles in mind for the conceivable future:

1. Proceed with caution (especially service providers). The Second Circuit distinguished its approach from that of the Ninth Circuit, especially in its recognition that knowledge can come in many forms, both “subjective” and “objective”. Service providers who imprudently rely on the idea that passivity is always appropriate, and that they never need to take any kind of action unless they receive a qualifying DMCA takedown notice, may be acting at their peril.
2. Keep your eyes open (especially copyright owners). Be on the lookout for indicia of the things that the Ninth Circuit and the Viacom District Court agreed would constitute the “control” necessary to

disqualify service providers from the safe harbour (or require them to act), such as: “Induc[ing] users to submit infringing videos, provid[ing] users with detailed instructions about what content to upload or edit[ing] their content, prescreen[ing] submissions for quality, steer[ing] users to infringing videos, or otherwise interact[ing] with infringing users to a point where it might be said to have participated in their infringing activity.”<sup>18</sup>

3. Stay tuned (everyone). The Viacom plaintiffs can be expected to argue on appeal that the District Court misapplied the facts to the new standards, failed to develop the new standards, or both. And no matter where the Viacom case goes from here, the new standards are still there, awaiting further development.

### Footnotes

1. *Viacom Int'l v YouTube*, 07 Civ. 2103, 2013 U.S. Dist. LEXIS 56646 (Apr. 18, 2013). This opinion followed a remand from the Second Circuit in April 2012. 676 F.3d 19 (2d Cir. 2012).
2. 17 U.S.C. §512(c) (emphasis added).
3. *UMG Recordings, Inc. v Veoh Networks Inc.*, 665 F. Supp. 2d 1099 (C.D. Cal. 2009), *aff'd*, *UMG Recordings, Inc. v Shelter Capital Partners LLC*, 667 F.3d 1022 (9th Cir. 2011), *op. withdrawn and superseded by* 2013 U.S. App. LEXIS 5100 (Mar. 14, 2013).
4. 676 F.3d at 28.
5. *Id.* at 35-36.
6. *Id.* at 40-41 (citing 17 U.S.C. §512(m)).
7. *Id.* at 42.
8. *Id.* at 47 (citation omitted).
9. *Id.* at 49.
10. *Id.*
11. 2013 U.S. Dist. LEXIS 56646 at \*10.
12. *Id.* at \*13-14.
13. *Perfect 10 v Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002).
14. *Metro-Goldwyn-Mayer Studios Inc. v Grokster, Ltd.*, 545 U.S. 913, 937 (2005).
15. 676 F.3d at 39.
16. 2013 U.S. Dist. LEXIS 56646 at \*18.
17. *Id.* at \*19 (emphasis added).
18. *Id.* at \*27.

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