

STROOCK

SPECIAL BULLETIN

Southern District of New York Rules in *Viacom v. YouTube*

June 28, 2010

Introduction

On June 23, 2010, the United States District Court, Southern District of New York, issued its decision in *Viacom International Inc. v. YouTube Inc.* (Case No. 07 Civ. 2103), granting the defendants' motion for summary judgment. The Court found that the "safe harbor" provision contained within the Digital Millennium Copyright Act (the "DMCA") protects the defendants from all of the plaintiffs' direct and secondary infringement claims. The Court held that if service providers¹ know of specific instances of infringement, the provider must promptly remove the infringing material. However, generalized knowledge of infringing activity is not sufficient to impose liability upon service providers. Rather, the burden is on the copyright owner to identify specific instances of infringement. The Court determined that because YouTube promptly removed infringing material upon specific notice, the safe harbor provision shielded it from any liability.

The Lawsuit

In March 2007, the plaintiffs Viacom International Inc., Comedy Partners, Country Music Television, Inc., Paramount Pictures Corporation and Black Entertainment Television LLC (collectively, "Plaintiffs") filed a \$1 billion lawsuit against the defendants YouTube, Inc., YouTube, LLC and Google Inc. (collectively, "Defendants"), alleging mass copyright infringement. YouTube, which is owned by Google, operates a website that allows users to upload video files free of charge. Plaintiffs contended that YouTube "willfully, intentionally, and purposefully reproduced, publicly performed, and publicly displayed the copyrighted works, and/or knowingly facilitated, enabled, induced, and materially contributed to infringing uses thereof, and/or refused to exercise its ability to control or supervise infringing uses thereof from which it obtains direct financial benefits." (Complaint at 35, *Viacom v. YouTube* (No. 07 Civ. 2103).)

The DMCA

The parties' cross motions for summary judgment pertained to the safe harbor provision contained within the DMCA. This provision protects service providers from copyright infringement liability in certain situations. Specifically, the DMCA provides that a service provider is not liable for copyright infringement if the service provider: (1) does not have "actual knowledge" of infringing material; (2) is unaware of "facts or circumstances from which infringing activity is apparent;" or (3) acts expeditiously to remove or disable access to infringing material upon gaining such knowledge or awareness. 17 U.S.C. § 512(c)(1)(A).

Additionally, the DMCA requires that the service provider not receive financial benefits directly attributable to the infringing activity (provided that the service provider has the right and ability to control such activity) and that upon notification of claimed infringement, the service provider responds expeditiously to remove or disable access to the allegedly infringing material. 17 U.S.C. § 512(c)(1)(B), (C). The DMCA also requires that the service provider designate an agent to receive notifications of claimed infringement. 17 U.S.C. § 512(c)(2).

The Summary Judgment Motions

Defendants moved for summary judgment, contending that they were entitled to protection under the safe harbor provision of the DMCA. Plaintiffs cross-moved for partial summary judgment, arguing that Defendants were not protected by the safe harbor provision on the basis that Defendants had "actual knowledge" of infringing activity, and were aware of "facts or circumstances from which

infringing activity [was] apparent," but failed to do anything about it.

As a preliminary matter, the Court determined that "as a 'provider of online services or network access, or the operator of facilities therefor' as defined in 17 U.S.C. § 512(k)(1)(B), YouTube is a service provider" for purposes of the safe harbor provision. The Court acknowledged that a jury could find that Defendants were not only generally aware that copyright-infringing material was being placed on their website, but also welcomed such material. However, the Court also noted that, in accordance with the requirements of the safe harbor provision, Defendants had designated an agent for notification of infringement and expeditiously removed infringing activity once they had specific knowledge that a particular item was infringing.

Thus, Defendants' protection under the DMCA safe harbor provision hinged on the statute's knowledge requirement. Specifically, if YouTube's general awareness of the infringements constituted "actual knowledge" or awareness of "facts or circumstances from which infringing activity is apparent," then Defendants would not be protected under the DMCA safe harbor provision. Conversely, if YouTube's general awareness of the infringements did not constitute "actual knowledge" or awareness of "facts or circumstances from which infringing activity is apparent," then Defendants would be protected under the DMCA safe harbor provision, because Defendants had designated an agent for notification of infringement and expeditiously removed infringing activity once they had specific knowledge of infringement.

The Court's Analysis

Discussion of the Legislative History of the DMCA

The Court turned first to the legislative history of the DMCA, focusing in particular on extensive passages from the Senate Committee on the Judiciary Report and the House Committee on the Commerce Report. From these passages, the Court construed “actual knowledge” and “facts or circumstances” indicating infringement to mean knowledge of specific and identifiable infringements of individual items. The Court concluded that “[m]ere knowledge of prevalence of such activity in general is not enough.”

The Court stated that it would be contrary to the structure and operation of the DMCA to require service providers to actively seek out infringing activity. Indeed, the Court noted that the DMCA explicitly provides that the safe harbor provision does not require a service provider to “monitor[] its service or affirmatively seek[] facts indicating infringing activity.” 17 U.S.C. § 512(m)(1). According to the Court, imposing the burden of policing copyright infringement on the copyright owners is sensible because infringing works may constitute only a small percentage of the millions of works posted on the service provider’s platform. Consequently, the service provider cannot, as a practical matter, inspect whether the use has been licensed by the owner, whether it is a “fair use” of the material, or whether the copyright owner or licensee object to the posting.

Moreover, the Court noted the effectiveness of the DMCA’s notification procedure. In particular, the Court pointed out that on February 2, 2007, Viacom sent YouTube a mass take-down notice pertaining to over 100,000 videos. By the next business day, YouTube had removed virtually all of them.

Application of Existing Case Law, Including Peer-to-Peer File Sharing Decisions

Based on its review of existing cases, the Court concluded that general awareness of infringing activity is not enough. As the Court explained, “if investigation of ‘facts and circumstances’ is required to identify material as infringing, then those facts and circumstances are not ‘red flags.’” (quoting *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1108 (C.D. Cal. 2009).)

The Court also relied on the Second Circuit’s recent decision in *Tiffany Inc. v. eBay Inc.*, 600 F. 3d 93 (2nd Cir. 2010). Although, that case involved claims of trademark infringement, and thus did not rely upon the DMCA, the Court noted that eBay’s generalized knowledge of trademark infringement did not impose an affirmative duty upon eBay to remedy the infringement. Thus, the Court summarized the liability of service providers under the DMCA safe harbor provision as follows: “[I]f a service provider knows (from notice from the owner, or a ‘red flag’) of specific instances of infringement, the provider must promptly remove the infringing material. If not, the burden is on the owner to identify the infringement.”

The Court rejected *amici* and Plaintiffs’ reliance upon cases involving peer-to-peer file sharing networks, such as *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) and its progeny. The Court determined that because peer-to-peer file sharing networks are not covered by the safe harbor provisions of the DMCA, the cases had little application to the parties’ motions.

Grokster addressed the more general law of contributory liability for copyright infringement, and its application to the particular subset of

service providers protected by the DMCA is strained.

Additionally, the Court distinguished the *Grokster* model from YouTube's model. In particular, the Court described the *Grokster* model as "computer-to-computer exchanges of infringing material, with the expressed intent of succeeding to the business of the notoriously infringing Napster." Conversely, the Court described YouTube's model as "a service provider who furnishes a platform on which its users post and access all sorts of materials as they wish, while the provider is unaware of its content, but identifies an agent to receive complaints of infringement, and removes identified material when he learns it infringes." The Court further noted that Plaintiffs had acknowledged these differences.

Court Rejects Plaintiffs' Arguments That DMCA Safe Harbor Provision Does Not Apply

The Court also rejected Plaintiffs' remaining arguments. For example, the Court dismissed Plaintiffs' claim that because YouTube replicates, transmits and displays videos, it is not protected by the DMCA safe harbor provision, which protects "infringement of copyright by reason of the storage at the direction of a user or material." 17 U.S.C. § 512(c)(1). The Court found that Plaintiffs' interpretation of "storage" was too narrow to achieve the purpose of the DMCA. The Court also dismissed Plaintiffs' argument that YouTube's "three strikes" policy for terminating infringing users' accounts was not "reasonably implemented" as required by Section 512(i)(1)(A).

The Court also briefly addressed Plaintiffs' argument that the DMCA safe harbor provision did not protect Defendants because Defendants received

financial benefits as a result of infringing activity. Section 512(c)(1)(B) of the safe harbor provision requires that the service 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." The Court found that the "right and ability to control" the activity requires knowledge of the activity and, per the Court's prior analysis, the knowledge must be "item-specific." Thus, even though Defendants may have received a financial benefit from infringing activity, Defendants did not have control over such activity until they received specific knowledge of the infringements.

Implications of *Viacom v. YouTube*

Although of little precedential effect, the Court's decision is of interest to content providers, content owners and content users alike. Specifically, as new technologies are constantly being implemented, this decision indicates that courts may be willing to protect service providers against copyright infringement liability so long as they diligently remove infringing material upon specific notice of infringement. Additionally, this decision may signify that courts are not willing to expand the holding in *Grokster* beyond peer-to-peer file sharing networks.

In any event, service providers will undoubtedly find comfort in the Court's imposition of the burden to protect copyrighted materials on the copyright owners. Nevertheless, as Viacom has already vowed to appeal, this dispute is not over. We will monitor significant developments.

By John M. Gatti (310.556.5818 or jgatti@stroock.com) and Daniel A. Rozansky (310.556.5986 or drozansky@stroock.com) Partners in the Entertainment Practice Group of Stroock & Stroock & Lavan LLP, and Crystal Jonelis, an associate in Stroock's Entertainment Practice Group.

1. Under the DMCA, "service provider" means "a provider of online services or network access, or the operator of facilities therefor," and includes "an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received." 17 U.S.C. § 512(k)(1).

New York

180 Maiden Lane
New York, NY 10038-4982
Tel: 212.806.5400
Fax: 212.806.6006

Los Angeles

2029 Century Park East
Los Angeles, CA 90067-3086
Tel: 310.556.5800
Fax: 310.556.5959

Miami

Wachovia Financial Center
200 South Biscayne Boulevard, Suite 3100
Miami, FL 33131-5323
Tel: 305.358.9900
Fax: 305.789.9302

www.stroock.com

This *Stroock Special Bulletin* is a publication of Stroock & Stroock & Lavan LLP © 2010 Stroock & Stroock & Lavan LLP. All rights reserved. Quotation with attribution is permitted. This Stroock publication offers general information and should not be taken or used as legal advice for specific situations, which depend on the evaluation of precise factual circumstances. Please note that Stroock does not undertake to update its publications after their publication date to reflect subsequent developments. This Stroock publication may contain attorney advertising. Prior results do not guarantee a similar outcome.

Stroock & Stroock & Lavan LLP is a law firm with a national and international practice serving clients that include investment banks, commercial banks, insurance and reinsurance companies, mutual funds, multinationals and foreign governments, industrial enterprises, emerging companies and technology and other entrepreneurial ventures.

For further information about *Stroock Special Bulletins*, or other Stroock publications, please contact Richard Fortmann, Senior Director-Legal Publications, at 212.806.5522.