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Court Rules Copyright Owners Must Consider Fair Use Before DMCA Takedown Notice

by James G. Gatto

In Lenz v. Universal Music Corp et al. *(Case 5:07-cv-03783 JF) a California District Court held that in order to issue a Digital Millennium Copyright Act ("DMCA") takedown notice in good faith, a copyright holder must evaluate whether the use at issue qualifies as "fair use" under copyright law. In this case, the Court refused to dismiss a misrepresentation claim based on the allegation that the copyright holder (Universal) acted in bad faith by issuing a takedown notice without proper consideration of the fair use doctrine. This case highlights the need for proper legal diligence before issuing a DMCA takedown notice.*

Background

Plaintiff Stephanie Lenz ("Lenz") recorded a 29-second videotape of her young children dancing in her family's kitchen, with the song "Let's Go Crazy" by the artist professionally known as Prince playing in the background. Lenz titled the video "Let's Go Crazy #1" and uploaded it to YouTube.com.

Universal, which owns the copyright to "Let's Go Crazy," sent YouTube a takedown notice pursuant to Title II of the DMCA, 17 U.S.C. § 512 (2000), demanding that YouTube remove Lenz's video from the site because of a copyright violation. Allegedly this was done to appease Prince, who has been aggressive about enforcing copyrights in his songs. YouTube removed the video the following day and sent Lenz an email notifying her that it had done so in response to Universal's accusation of copyright infringement. Lenz sent YouTube a DMCA counter-notification pursuant to 17 U.S.C. § 512(g), asserting that her video constituted fair use and thus did not infringe Universal's copyrights. Lenz demanded that the video be reposted. YouTube re-posted the video on its website about six weeks later. As of the date of the Court's decision, it has been viewed on YouTube about 600,000 times.

Lenz filed suit against Universal alleging misrepresentation pursuant to 17 U.S.C. § 512(f) and tortious interference with her contract with YouTube. She also sought a declaratory judgment of non-infringement.

Universal filed a motion to dismiss, which the Court granted on April 8, 2008. Lenz was given leave to amend and replead her complaint. On April 18, 2008, Lenz filed a second amended complaint alleging only a claim for misrepresentation pursuant to 17 U.S.C. § 512(f). Universal moved to dismiss under 12(b)(6).

Legal Analysis

The Court found that the DMCA requires that copyright owners provide, among other things, the following information in a takedown notice:

> A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

17 U.S.C. § 512(c)(3)(A)(v). The parties did not dispute that Lenz used copyrighted material in her video or that Universal is the true owner of Prince's copyrighted music. Rather, the question was whether 17 U.S.C. § 512(c)(3)(A)(v) requires a copyright owner to consider the fair use doctrine in formulating a good faith belief that "use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law."

Universal contended that copyright owners cannot be required to evaluate the question of fair use prior to sending a takedown notice because fair use is merely an **excused** infringement of a copyright rather than a use **authorized** by the copyright owner or by law. Universal emphasized that Section 512(c)(3)(A) does not even mention fair use, let alone require a good faith belief that a given use of copyrighted material is not fair use. Universal also contended that even if a copyright owner were required by the DMCA to evaluate fair use with respect to allegedly infringing material, any such duty would arise only **after** a copyright owner receives a counter-notice and considers filing suit. *See* 17 U.S.C. § 512(g)(2)(C).

Lenz argued that fair use is an authorized use of copyrighted material, noting that the fair use doctrine itself is an express component of copyright law. Section 107 of the Copyright Act of 1976 provides that "[n]otwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work…is not an infringement of copyright." 17 U.S.C. § 107. The primary legal issue the court addressed was whether copyright owners can represent in good faith that material infringes a copyright without considering all authorized uses of the material, including fair use.

In addressing the issues, the court stated:

> Whether fair use qualifies as a use "authorized by law" in connection with a takedown notice pursuant to the DMCA appears to be an issue of first impression. Though it has been discussed in several other actions, no published case actually has adjudicated the merits of the issue. *See, e.g., Doe v. Geller*, 533 F. Supp. 2d 996, 1001 (N.D. Cal. 2008) (granting motion to dismiss for lack of personal jurisdiction).

In its analysis, the court stated:

> An activity or behavior "authorized by law" is one permitted by law or not contrary to law. Though Congress did not expressly mention the fair use doctrine in the DMCA, the Copyright Act provides explicitly that "the fair use of a copyrighted work…is not an infringement of copyright." 17 U.S.C. § 107. Even if Universal is correct that fair use only *excuses* infringement, the fact remains that fair

> use is a lawful use of a copyright[1]. Accordingly, in order for a copyright owner to proceed under the DMCA with "a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law," the owner must evaluate whether the material makes fair use of the copyright. 17 U.S.C. § 512(c)(3)(A)(v). An allegation that a copyright owner acted in bad faith by issuing a takedown notice without proper consideration of the fair use doctrine thus is sufficient to state a misrepresentation claim pursuant to Section 512(f) of the DMCA. Such an interpretation of the DMCA furthers both the purposes of the DMCA itself and copyright law in general. In enacting the DMCA, Congress noted that the "provisions in the bill balance the need for rapid response to potential infringement with the end-users [sic] legitimate interests in not having material removed without recourse." Sen. Rep. No. 105-190 at 21 (1998).

The Court was not moved by Universal's arguments that copyright owners may lose the ability to respond rapidly to potential infringements if they are required to evaluate fair use prior to issuing takedown notices or that the question of whether a particular use of copyrighted material constitutes fair use is a fact-intensive inquiry, and that it is difficult for copyright owners to predict whether a court eventually may rule in their favor.

In fact, the Court stated that while these concerns are understandable, their actual impact likely is overstated, adding:

> Although there may be cases in which such considerations will arise, there are likely to be few in which a copyright owner's determination that a particular use is not fair use will meet the requisite standard of subjective bad faith required to prevail in an action for misrepresentation under 17 U.S.C. § 512(f). *See Rossi V. Motion Picture Ass'n of America, Inc.*, 391 F.3d 1000, 1004 (9th Cir. 2004) (holding that "the 'good faith belief' requirement in § 512(c)(3)(A)(v) encompasses a subjective, rather than objective standard")[2].

The Court further stated that requiring owners to consider fair use will help "ensure[] that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand" without compromising "the movies, music, software and literary works that are the fruit of American creative genius," citing Sen. Rep. No. 105-190 at 2 (1998).

Interestingly, through, the court added that even though the damages may be nominal and their exact nature is yet to be determined, Lenz adequately alleged a cognizable injury under the DMCA. Thus, the motion to dismiss the misrepresentation claim was denied.

Conclusion

This court concluded that copyright owners must consider fair use in connection with a DMCA takedown notice. In so doing, the Court appears to have struck a balance between preventing overly aggressive use of the DMCA takedown provisions, yet not setting the diligence requirement too high. Nevertheless, copy-

[1] The Supreme Court also has held consistently that fair use is not infringement of a copyright. *See e.g., Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 433 (1984) ("[a]nyone…who makes a fair use of the work is not an infringer of the copyright with respect to such use.")

[2] One might imagine a case in which an alleged infringer uses copyrighted material in a manner that unequivocally qualifies as fair use, and in addition there is evidence that the copyright owner deliberately has invoked the DMCA not to protect its copyright but to prevent such use. *See, e.g., Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1204-05 (N.D. Cal. 2004) (suggesting that the copyright owner sought to use the DMCA "as a sword to suppress publication of embarrassing content rather than as a shield to protect its intellectual property.

right owners will need to conduct some fair use diligence to satisfy the good faith requirement and avoid potential claims from being asserted against them, as happened here.

If you need assistance in understanding how much diligence is necessary to act in good faith please contact us.

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