
Court: Implementing Proper DMCA Policy Provides Website Operators ‘Safe Harbor’ From Copyright Infringement

By James G. Gatto and Jenna F. Leavitt

Google has prevailed in the closely watched lawsuit against its YouTube website by Viacom, with the federal district court granting summary judgment in favor of Google. The main issue came down to who bears the responsibility for identifying or monitoring the infringing content—the copyright owner (Viacom) or the online service provider (Google). The safe harbor provisions of the Digital Millennium Copyright Act provide a significant shield from liability for online service providers. However, to qualify for this safe harbor, the service provider must have an effective policy in place.

Viacom filed the lawsuit in March 2007 against Google for the widespread infringements of its copyrighted materials being uploaded by users to the YouTube website. Viacom sought \$1 billion in damages, and alleged that Google was generally aware that users were committing copyright infringement by uploading videos and other content to YouTube, and permitted these infringements to continue.

In this case, the New York Southern District Federal Court sided with Google based on the "safe harbor" provisions of the Digital Millennium Copyright Act (DMCA). 17 U.S.C. § 512(c). In doing so, the court disagreed with Viacom's argument that Google should be held liable based on its knowledge of the infringing activity and failure to stop it. Instead, the court held that the relevant inquiry was whether Google had knowledge of "specific and identifiable infringements of particular individual items." The court emphasized that mere knowledge of the "prevalence of such activity in general is not enough" and does not trigger an obligation to monitor and search for infringements, and that Section 512(m) of the DMCA negates such a duty.

The safe harbor provisions of the DMCA provide a significant shield from liability for online service providers, such as Google, when users post infringing content to their service. However, to qualify for this safe harbor, among other things, the online service provider must have an effective policy, comply with the noti-

fication and takedown procedures set forth in the DMCA, and must also ensure that its internal procedures allow for the termination of repeat infringers.

Background

Google moved for summary judgment that it was not liable for direct or secondary infringement because it was entitled to "safe harbor" protection under the DMCA. In particular, Google argued that it could not be held liable for copyright infringement, because it had insufficient notice of the specific instances of copyright infringement.

Viacom cross-moved for summary judgment alleging that Google was not entitled to the "safe harbor" protection, but that it is:

liable for the intentional infringement of thousands of Viacom's copyrighted works, . . . for the vicarious infringement of those works, and for the direct infringement of those works . . . because: (1) Defendants had 'actual knowledge' and were 'aware of facts and circumstances from which infringing activity [was] apparent,' but failed 'act[] expeditiously' to stop it; (2) Defendants 'receive[d] a financial benefit directly attributable to the infringing activity' and 'had the right and ability to control such activity;' and (3) Defendants' infringement does not result solely from providing 'storage the direction user' or any other Internet function specified in section 512."

The DMCA's "safe harbor" provisions, in part, state:

(c) **Information residing on systems or networks at direction of users.-**

- (1) **In general.** A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider-
- (A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
 - (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
 - (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
 - (B) does 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; and
 - (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

The relevant portions of Section 512(c) also specify the required elements of a proper DMCA takedown notice and responses and require that an online service provider must register an agent with the Copyright Office.

The DMCA makes clear that an online service provider need not monitor its service for infringement. Section 512(m) states:

Protection of privacy. Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on-

- (1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i); or
- (2) a service provider gaining access to, removing, or disabling access to material in cases in which such conduct is prohibited by law.

The Court's Analyses and Ruling

Although not in dispute, the court found Google, for its YouTube service, qualified as an online service provider under the DMCA and acknowledged that a jury could find that Google not only was generally aware of, but welcomed, copyright-infringing material being placed on the YouTube website.¹

However, the court noted that Google designated an agent, and when it received specific notice that a particular item infringed a copyright, it swiftly removed the infringing item. It was undisputed that all the clips in the lawsuit had been removed from the YouTube site, most having been removed in response to DMCA takedown notices.

Thus, the critical question for the court was whether the statutory phrases “actual knowledge that the material or an activity using the material on the system or network is infringing,” and “facts or circumstances from which infringing activity is apparent” as set forth in § 512(c) (1) (A) (i) and (ii) meant either (1) a general awareness that there are infringements, or (2) actual or constructive knowledge of specific and identifiable infringements of individual items.

The court reviewed the legislative history and concluded that:

[t]he phrases “actual knowledge that the material or an activity” is infringing, and “facts or circumstances” indicating infringing activity, describe knowledge of **specific and identifiable infringements of particular individual items**. Mere knowledge of prevalence of such activity in general is not enough. That is consistent with an area of the law devoted to protection of distinctive individual works, not of libraries. To let knowledge of a generalized practice of infringement in the industry, or of a proclivity of users post infringing materials, impose responsibility on service providers to discover which of their users' postings infringe a copyright would contravene the structure and operation of the DMCA.

The court also cited to prior cases that it viewed as consistent with this conclusion. For example, the court cited to *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, (9th Cir. 2007), which stated:

¹ Viacom claimed that “tens of thousands of videos on YouTube, resulting in hundreds of millions of views, were taken unlawfully from Viacom’s copyrighted works without authorization” (Viacom Br., Dkt. No. 186, p. 1), and that “Defendants had ‘actual knowledge’ and were ‘aware of facts or circumstances from which infringing activity [was] apparent,’ but failed to do anything about it.” (*Id.* at 4) (alteration in original).

The DMCA notification procedures place the burden of policing copyright infringement-identifying the potentially infringing material and adequately documenting infringement-squarely on the owners of the copyright. We decline to shift a substantial burden from the copyright owner to the provider . . .

The court added that the DMCA is explicit that it is not a condition of the "safe harbor" protection that an online service provider monitor its service or affirmatively seek facts indicating infringing activity, citing Section 512(m) of the DMCA.

The court indicated that the present case evidences that the DMCA notification regime works efficiently because when Viacom identified 100,000 videos and sent one mass take-down notice, by the next business day Google had removed virtually all of them from the YouTube website.²

The court also referred to a recent decision of the Second Circuit that involved analogous claims of trademark infringement (and therefore did not involve the DMCA) by sales of counterfeit Tiffany merchandise on the eBay website. In that case, *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. April 1, 2010), the Second Circuit affirmed the dismissal of trademark infringement and dilution claims against eBay's advertising and listing practices, holding that generalized knowledge was insufficient to impose upon eBay an affirmative duty to remedy the problem. It held that "for Tiffany to establish eBay's contributory liability, Tiffany would have to show that eBay 'knew or had reason to know of specific instances of actual infringement' beyond those that it addressed upon learning of them." (*Id.* at 107). Specifically, the Second Circuit held (*Id.* at 107 and 110):

We agree with the district court. For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary. . . .

eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. *Tiffany*, 576 F. Supp. 2d at 514. Without more, however, this knowledge is insufficient to trigger liability under *Inwood*.³

In distinguishing the *Grokster* line of cases,⁴ the core principles of which were heavily relied on by Viacom to support its infringement claims, the court stated:

Grokster, *Fung*, and *Lime Group* involved peer-to-peer file-sharing networks which are not covered by the safe harbor provisions of DMCA § 512 (c). The *Grokster* and *Lime Group* opinions do not even mention the DMCA. *Fung* was an admitted copyright thief whose DMCA defense under § 512(d) was denied on undisputed evidence of "purposeful, culpable expression and conduct" aimed at promoting infringing uses of the websites" (2009 U.S. Dist. LEXIS 122661, at *56 [C.D. Cal. Dec. 21, 2009]).

² The court also reviewed other cases on this issue and found that they too made clear that the burden is on the copyright owner, not the online service provider, to identify infringement. See *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1108 (C.D. Cal. 2009); and *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1108 (W.D. Wash. 2004) ("The issue is not whether Amazon had a general awareness that a particular type of item may be easily infringed. The issue is whether Amazon actually knew that specific zShops vendors were selling items that infringed Corbis copyrights.")

³ See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 102 S. Ct. 2182 (1982).

⁴ *Metro-Goldwyn-Maver Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) and its progeny *Arista Records LLC v. Use-net.com, Inc.*, 633 F. Supp. 2d 124 (S.D.N.Y. 2009) (dismissing DMCA defense as sanction for spoliation and evasive discovery tactics), *Columbia Pictures Industries, Inc. v. Fung*, No. 06 Civ. 5578, 2009 U.S. Dist. LEXIS 122661 (C.D. Cal. Dec. 21, 2009), and *Arista Records LLC v. Lime Group LLC*, No. 06 Civ. 5936 (KMW), ___ F. Supp. 2d ___, 2010 WL 2291485 (S.D.N.Y. May 25, 2010).

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. In a setting of distribution of software products that allowed computer-to-computer exchanges of infringing material, with the expressed intent of succeeding to the business of the notoriously infringing Napster (see 545 U.S. at 923-26) the *Grokster* court held (*id.* at 919, 936-37):

. . . that one 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 the resulting acts of infringement by third parties.

It was undisputed that, as alleged by Google:

It is not remotely the case that YouTube exists "solely to provide the site and facilities for copyright infringement." . . . Even the plaintiffs do not (and could not) suggest as much. Indeed, they have repeatedly acknowledged the contrary.⁵

Because Google removed infringing material from the YouTube website upon receiving actual notice of such infringements, the court held that Google was entitled to be protected "from liability for all monetary relief for direct, vicarious and contributory infringement" according to the "specific provisions of the DMCA."

The court also addressed and dismissed several of Viacom's other arguments. For example, the court found that Viacom improperly sought to narrowly construe the DMCA to limit the safe harbor protection only to "storage" activities. The court did not agree with Viacom that the replication, transmittal and display of videos on YouTube fell outside the protection of the DMCA.

In finding that Google's services were entitled to the safe harbor protections, the court stated:

In § 512(k) (1) (B) a "service provider" is defined as "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." Surely the provision of such services, access, and operation of facilities are within the safe harbor when they flow from the material's placement on the provider's system or network: it is inconceivable that they are left exposed to be claimed as unprotected infringements. . . .

To the extent defendants' activities go beyond what can fairly be characterized as meeting the above-described collateral scope of "storage" and allied functions, and present the elements of infringements under existing principles of copyright law, they are not facially protected by § 512 (c). Such activities simply fall beyond the bounds of the safe harbor and liability for conducting them must be judged according to the general law of copyright infringement. That follows from the language of § 512 (c) (1) that "A service provider shall not be liable . . . for infringement of copyright by reason of the storage" However, such instances have no bearing on the coverage of the safe harbor in all other respects.

The court also stated that the safe harbor requires that the online 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" § 512 (c) (1) (B). However, the court stated that *the "right and ability to control" the activity requires knowledge of the actual activities, which must be item-spe-*

⁵ Viacom's reliance on the *Grokster* line of cases was undercut by an email from Viacom's own General Counsel, stating that ". . . the difference between YouTube's behavior and Grokster's is staggering."

cific. The court did acknowledge that revenues from advertising, applied equally to space regardless of whether its contents are or are not infringing, might be "directly attributable to" infringements, but, in any event, the online service provider must know of the particular activity before it can control such an activity. Because Google did not have actual knowledge of each particular infringement, it did not have the right and ability to control such infringement. The court also held that the online service provider need not monitor or seek out facts indicating the activity. However, if "red flags" identify infringing material with sufficient particularity, then such material must be taken down.

The court was also not persuaded by Viacom's arguments regarding: 1) the YouTube "three-strikes" policy implementation; 2) arguments relating to its use of a fingerprinting tool; or 3) the removal of only identified clips and not all infringements of the identified work.

As to the three-strikes policy, the court stated:

YouTube has implemented a policy of terminating a user after warnings from YouTube (stimulated by its receipt of DMCA notices) that the user has uploaded infringing matter (a "three strikes" repeat-infringer policy). That YouTube counts as only one strike against a user both (1) a single DMCA take-down notice identifying multiple videos uploaded by the user, and (2) multiple take-down notices identifying videos uploaded by the user received by YouTube within a two-hour period, does not mean that the policy was not "reasonably implemented" as required by § 512 (i) (1) (A).

The court cited to *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1105 (W.D. Wash. 2004) where even DMCA-compliant notices "did not, in themselves, provide evidence of blatant copyright infringement." The court also noted that in *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1116, 1118 (C.D. Ca1. 2009), Veoh's policy of terminating users after a second warning, even if the first warning resulted from a take-down notice listing multiple infringements was upheld as a reasonable implementation.⁶

As to the use of a fingerprinting tool, the court noted that the YouTube website has an automated program (its "Claim Your Content" system) that uses a "fingerprinting tool" which removes an offending video automatically if it matches some portion of a reference video submitted by a copyright owner through the system. It also indicated that a video is removed from the YouTube website if the rights-holder operates a manual function after viewing the infringing video. Strikes were assigned only when the rights-holder manually requested the video to be removed. The court found that acceptable, citing *UMG Recordings*, 665 F. Supp. 2d at 1116-18 (automated filter "does not meet the standard of reliability and verifiability required by the Ninth Circuit in order to justify terminating a user's account") and *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1112 (9th Cir. 2007) ("We therefore do not require a service provider to start potentially invasive proceedings if the complainant is unwilling to state under penalty of perjury that he is an authorized representative of the copyright owner, and that he has a good-faith belief that the material is unlicensed.")⁷.

⁶ As the *Corbis* court noted, "[t]he key term, 'repeat infringer,' is not defined. . . . The fact that Congress chose not to adopt such specific provisions when defining a user policy indicates its intent to leave the policy requirements, and the subsequent obligations of the service providers, loosely defined." *Corbis*, 351 F.Supp.2d at 1100-01. This court finds that Veoh's policy satisfies Congress's intent that "those who repeatedly or flagrantly abuse their access to the Internet through disrespect for the intellectual property rights of others should know that there is a realistic threat of losing that access." H.R. Rep. 105-551(II), at 61. *Id.* at 1118. (alteration and omission in original).

⁷ The court did not address whether subsequent changes in fingerprinting technology might have made such technology adequately reliable and verifiable or if a different result would obtain if the copyright holder were willing to allege unauthorized use under penalty of perjury in automated notices generated using the fingerprinting technology.

Lastly, the court disagreed with Viacom that Google could still be liable because it removed only the specific clips identified in DMCA notices, and not other clips which also infringed the same works. Viacom argued that under the DMCA a notification must include "[i]dentification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site." The court noted that if the "representative list" reference requirement was construed as merely a generic description without requiring the identification of the actual location of the infringing works on the website ("all works by Gershwin") as argued by Viacom, then it would eviscerate the required specificity of notice and would impermissibly require the online service provider to perform the factual search precluded by Section 512(m)⁸.

Imminent Appeal

Viacom has vowed to appeal stating:

We believe that this ruling by the lower court is fundamentally flawed and contrary to the language of the Digital Millennium Copyright Act, the intent of Congress, and the views of the Supreme Court as expressed in its most recent decisions. We intend to seek to have these issues before the U.S. Court of Appeals for the Second Circuit as soon as possible. After years of delay, this decision gives us the opportunity to have the Appellate Court address these critical issues on an accelerated basis. We look forward to the next stage of the process.

How to Maximize Your Benefits Under the DMCA and Avoid Liability

Many companies are generally aware of the DMCA but some do not comply with *all* of the steps necessary to benefit from the safe harbor due to a lack of complete understanding or implementation of these requirements. Proper compliance is required to ensure that you maximize the allowable safe harbor protections. If you are an online service provider and allow users to post content to your site, you should consult with an attorney knowledgeable of the DMCA to ensure you maximize the likelihood that you qualify for the safe harbor provisions.

If you are a copyright owner, and believe that your content has been infringed by being uploaded to an online service, you can use the DMCA take down procedures to address the infringement. However, it is important to know that if you misuse the DMCA takedown procedures, *you can become liable*. While this was not an issue in this case, this has been addressed in other cases.

Also, while the safe harbor portion of DMCA at issue in this case is relatively well known, other somewhat lesser known aspects of the DMCA can provide additional benefits to online service providers. For example, the DMCA also includes liability limiting provisions for online service provider conduct relating to transitory communications, system caching and information location tools. But again, it is important to fully understand how and when you can benefit from these protections.

⁸ The court acknowledged that the DMCA "states that the 'works' may be described representatively, 512 (c) (3) (A) (ii), but noted that the subsection which immediately follows requires that the identification of the infringing material that is to be removed must be accompanied by 'information reasonably sufficient to permit the service provider to locate the material.' 512 (c) (3) (A) (iii). See House Report at 55; Senate Report at 46: 'An example of such sufficient information would be a copy or description of the allegedly infringing material and the so-called "uniform resource locator" (URL) (i. e., web site address) which allegedly contains the infringing material.' See also *UMG Recordings*, 665 F. Supp. 2d at 1109-10 (DMCA notices which demanded removal of unspecified clips of video recordings by certain artists did not provide "information reasonably sufficient to permit the service provider to locate [such] material. ") (alteration in original)."

A small investment now in these issues may save you a significant amount of money down the road. In Google's case, its implementation of policies and procedures pursuant to the DMCA entitled it to safe harbor protection, which may have saved it \$1 billion.

If you have any questions about the content of this client alert, please contact the Pillsbury attorney with whom you regularly work or the authors below.

James G. Gatto [\(bio\)](#)
Northern Virginia
+1.703.770.7754
james.gatto@pillsburylaw.com

Jenna F. Leavitt [\(bio\)](#)
Los Angeles
+1.213.488.7459
jenna.leavitt@pillsburylaw.com

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