

Client Alert

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***Viacom v. YouTube*: Second Circuit Decides Long-awaited Appeal on Safe Harbor Protection for Online Service Providers**

On April 5, 2012, the Second Circuit issued its long-awaited decision in *Viacom International Inc., et al v. YouTube*, one of the most closely watched cases in the ongoing legal struggle between advocates for copyright protection and those advocating for broadened expression and dissemination of content.¹ While YouTube and the online service provider community prevailed on summary judgment in the district court, the Second Circuit's decision revives Viacom's lawsuit and is a victory for advocates of stronger content protection and limitations on the safe-harbor provisions of the Digital Millennium Copyright Act (DMCA). The Second Circuit held that although 17 USC § 512(c) of the DMCA requires knowledge or awareness of specific infringing activity, the district court erred by interpreting the "right and ability to control" infringing activity to require "item-specific" knowledge.² The Second Circuit's holding may make it more difficult for online service providers to seek protection under the DMCA safe harbors.

The Second Circuit's decision arose from an appeal of a June 2010 decision in the Southern District of New York, which held that generalized knowledge of copyright infringement is insufficient to deny safe-harbor protection to online service providers (such as YouTube) under the DMCA with respect to those providers' storage of user-provided content.³ The district court granted summary judgment in favor of YouTube, finding there was no triable issue of fact on whether YouTube had actual knowledge of specific infringing items uploaded by its users.⁴ The district court held that such item-specific *actual* knowledge of infringing activity is required for a service provider to have the "right and ability to control" infringing activity under § 512(c)(1)(B).⁵

On appeal, a panel of the Second Circuit — Judges José Cabranes and Debra Ann Livingston — affirmed the district court's interpretation of the DMCA's knowledge provision, but partially vacated the summary judgment order in favor of YouTube and its parent, Google Inc., based on evidence that YouTube may have had knowledge of specific video clips that infringed Viacom's copyrights. The Second Circuit also held that the district court erred in failing to examine whether YouTube was willfully blind to specific infringing video clips.

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Safe Harbor Protection Under the Digital Millennium Copyright Act

Under Section 512 of the DMCA, online service providers are immune from monetary liability for copyright infringement arising in the context of certain activities. The most notable is the safe harbor provision of § 512(c), which protects online service providers such as YouTube from copyright liability for materials posted or stored at the direction of users, but only 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.⁶

Expansion of Knowledge: Actual and “Red Flag” Knowledge

The Second Circuit affirmed the district court holding that the § 512(c) safe harbor provision requires knowledge or awareness of specific infringing activity before a content provider is obligated to act. Thus, a general awareness of infringement is insufficient to cause an online service provider to lose safe harbor protection. However, the Second Circuit explained that service providers had to act upon both (i) “actual knowledge” of infringement, which arises when the provider actually knows of specific infringement, and (ii) apparent or “red flag knowledge” of infringement, which arises when the provider learns of facts that make the specific infringement objectively obvious to a reasonable person, even if they are not actually aware of specific acts of infringement which occurred.⁷ In explaining how these two concepts of knowledge are distinguished, the court explained that “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.”⁸

This concept of “red flag knowledge” was originally contemplated in the 1998 House of Representative congressional report on the DMCA, which stated that apparent knowledge requires evidence that a service provider “turned a blind eye to red flags of obvious infringement.”⁹ Other lower court cases, such as *Corbis Corp. v. Amazon.com, Inc.*, have also interpreted the failure to act upon “red flag knowledge” to mean instances when “the service provider deliberately proceeded in the face of blatant factors of [infringement] which it was aware.”¹⁰

Applying this two-tiered knowledge standard, the Second Circuit vacated the district court's order granting summary judgment, and held that a reasonable jury could find that YouTube had actual knowledge of specific infringing activity on its website. The Second Circuit cited YouTube officials' emails about Viacom owned content, as well as an internal YouTube report from 2006, stating that clips of Viacom shows including “The Daily Show” and “South Park” were available on YouTube, and that such content was “blatantly illegal” and should have been removed.¹¹ The Second Circuit court also cited survey results received by YouTube employees, which estimated that 75-80 percent of all YouTube streams copyrighted material.¹² The court further cited estimates by Credit Suisse, acting as financial advisor to Google, that only 10 percent of YouTube's premium copyright content was authorized.¹³ The case has now been remanded back to district court to determine whether any specific infringements of which YouTube had knowledge or awareness correspond to the clips-in-suit in Viacom's action.¹⁴

Willful Blindness Doctrine May Be Applied to Demonstrate Knowledge or Awareness of Specific Instances of Infringement Under the DMCA

The Second Circuit also assessed whether a service provider could be found liable for copyright infringement if the service provider remained “willfully blind” to specific infringing activity. The court noted the DMCA does not specifically mention willful blindness, and that this appeal marked the first time the Second Circuit addressed whether such doctrine could be used to find an online service provider liable for copyright infringement, despite the safe harbor protections under the DMCA.¹⁵

The court explained that “willful blindness” arises when a person “was aware of a high probability of the fact in dispute and consciously avoided confirming the fact.”¹⁶ Citing to DMCA § 512(m), the Second Circuit held that DMCA safe harbor protections should not be conditioned on affirmative monitoring of user uploaded content by a service provider.¹⁷ However, the Second Circuit court did acknowledge that the “willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under § 512(c)(1)(A)” of the DMCA. Thus, the court remanded the question of whether YouTube made a “deliberate effort to avoid guilty knowledge” back for the district court to consider in the first instance on remand.¹⁸

Right and Ability to Control Does Not Require Item-Specific Knowledge of Infringement

The Second Circuit reversed the district court’s finding that a service provider’s “right and ability to control” infringing activity requires item-specific knowledge of infringement; however, the Second Circuit did not specify the level of knowledge necessary to find the requisite control. The district court in *Viacom* previously held that a provider must know of the particular instance of infringement before the provider can control it. The Second Circuit also cited to a Ninth Circuit case, holding that “until [the service provider] becomes aware of specific unauthorized material, it cannot exercise its ‘power or authority’ over the specific infringing item” and that “[i]n practical terms, it does not have the kind of ability to control infringing activity the statute contemplates.”¹⁹ However, the Second Circuit rejected these interpretations, finding that importing a specific knowledge requirement into § 512(c)(1)(B) renders the control provision duplicative of § 512(c)(1)(A), in that “[a]ny service provider that has item-specific knowledge of infringing activity and thereby obtains financial benefit would already be excluded from the safe harbor under § 512(c)(1)(A) for having specific knowledge of infringing material and failing to effect expeditious removal.”²⁰

Though not specifying the knowledge required, the Second Circuit did articulate actions that could result in a finding that a service provider has a “right and ability to control” and therefore forfeits safe harbor protection. The Second Circuit provided two examples. First, the Second Circuit cited *Perfect 10, Inc. v. Cybernet Ventures, Inc.*,²¹ where a California district court found “control where the service provider instituted a monitoring program” and “forbade certain types of content and refused access to users who failed to comply with its instructions.”²² In the second example, the Second Circuit cited *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*, which held that “inducement of copyright infringement under which premises liability on purposeful, culpable expression and conduct might also rise to the level

of control under § 512(c)(1)(B)."²³ The Second Circuit stated that both examples involved "a service provider exerting substantial influence on the activities of users, without necessarily — or even frequently — acquiring knowledge of specific infringing activity."²⁴

Implications for Copyright Owners and Online Service Providers

The Second Circuit appeal and the order for remand raise significant implications for both copyright owners and online service providers. Though many of these issues remain unsettled in light of the order to remand, as well as the strong likelihood of additional appeals in the Second Circuit, this appellate ruling raises significant implications for both online service providers and content owners:

- **Increased Need to Address Red Flag Knowledge of Copyright Infringement.** Section 512(m)(1) of the DMCA states that safe harbor protection for service providers is not conditioned on a provider "monitoring its service or affirmatively seeking facts indicating infringing activity" except to the extent such monitoring is necessary to meet the provider's obligations to adopt and reasonably implement a policy for terminating the accounts of repeat infringers.²⁵ However, the Second Circuit's holding regarding red flag knowledge of infringement suggests that service providers should be proactive in addressing such red flags.
- **Increased Difficulty for Service Providers to Prevail on Summary Judgment Motions.** The Second Circuit's decision makes it more difficult for an online service provider to prevail on a summary judgment motion in a copyright infringement case involving the DMCA's safe harbor provisions. The Second Circuit's ruling makes it easier for a copyright holder to raise triable issues of material fact, such as whether the service provider had apparent red-flag knowledge of copyright infringement, or whether the service provider was willfully blind to specific copyright infringing materials on their website.

Future Developments

The Second Circuit remanded several questions to the district court, including whether, on the current record, YouTube had knowledge or awareness of any specific infringements, whether YouTube willfully blinded itself to specific infringements, whether YouTube had the "right and ability to control" infringing activity within the meaning of § 512(c)(1)(B), and whether, if any clips-in-suit were syndicated to a third party, such syndication occurred "by reason of the storage at the direction of the user" within the meaning of § 512(c)(1), so that YouTube may claim the protection of the § 512(c) safe harbor.

The ultimate outcome of this litigation will impact the required controls service providers must implement to prevent copyrighted content from appearing on its site. Rather than merely waiting for a takedown notice, service providers may potentially need to adopt a more proactive role in order to comply with the DMCA, possibly having to act upon specific facts that are obvious signals of copyright infringement. Nevertheless, this litigation will likely continue for an extended period of time. Given this uncertainty, both copyright holders and online service providers are advised to monitor future developments.

Endnotes

- ¹ Latham & Watkins LLP (Lori Alvino McGill and Gregory Garre) filed an amicus brief on behalf of Microsoft in the Second Circuit *Viacom v. YouTube* appeal.
- ² *Viacom International v. YouTube*, No. 10-3270, 2012 WL 113085, at * 9 (2d Cir. Apr. 5, 2012) (hereinafter referred to as "*Viacom Appeal*").
- ³ *Viacom Int'l, Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514, 529 (S.D.N.Y. 2010); 17 U.S.C. §§ 512(c), (j) (hereinafter referred to as "*Viacom District*"). The district court interpreted "storage" of user-provided content to encompass a wide range of services performed by online service providers on such content, including the processing, duplication and uploading of audiovisual content for public viewing. *Viacom District* at 23-25. See also Latham & Watkins LLP *Client Alert* on the district court opinion (*Viacom v. YouTube: Safe Harbor Protection for Online Service Providers* (July 26, 2010)).
- ⁴ *Viacom District* at 528.
- ⁵ *Id.* at 527.
- ⁶ 17 U.S.C. § 512(c)(1) (emphasis added).
- ⁷ *Viacom Appeal* at 17.
- ⁸ *Id.*
- ⁹ H.R. Rep. No. 105-551, pt. 2, at 57 (1998) (internal quotations omitted).
- ¹⁰ *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1108 (W.D. Wash. 2004). In *Corbis Corp. v. Amazon.com, Inc.*, the court emphasized specific knowledge, in which the image-licensing plaintiff alleged that Amazon had infringed copyrights on certain photos, by uploading those photos on its website, and by operating the site from which certain Amazon vendors sold other photos. See also *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1108 ("[I]f investigation of 'facts and circumstances' is required to identify material as infringing, then those facts and circumstances are not 'red flags.'").
- ¹¹ *Viacom Appeal* at 20-21.
- ¹² *Id.* at 19.
- ¹³ *Id.*
- ¹⁴ *Id.* at 22.
- ¹⁵ *Id.* at 23.
- ¹⁶ *United States v. Aina-Marshall*, 336 F.3d 167, 170 (2d. Cir 2003).
- ¹⁷ *Viacom Appeal* at 23.
- ¹⁸ *Id.* at 24.
- ¹⁹ *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022, 1041 (9th Cir. 2011).
- ²⁰ *Viacom Appeal* at 25.
- ²¹ *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002).
- ²² *Viacom Appeal* at 28 (internal quotations omitted) (citing *Perfect 10, Inc.*, 213 F. Supp. 2d 1146, 1173 (C.D. Cal. 2002)).
- ²³ *Id.* citing *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005).
- ²⁴ *Viacom Appeal* at 28.
- ²⁵ 17 U.S.C. § 512(m)(1).

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