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VIACOM V. YOUTUBE – BIG VICTORY FOR CONTENT-BASED WEBSITES
INFORMATION TECHNOLOGY LAW UPDATE

If a website is full of infringing material posted by third parties, can it still enjoy immunity from copyright infringement claims? Yes! In perhaps the most closely watched case on this subject for the last 15 years, a U.S. court recently awarded YouTube a clear-cut victory. The court held that the U.S. Digital Millennium Copyright Act ("DMCA") protects website operators from infringement claims even if they had general knowledge that infringement is "ubiquitous" on their site. Operators need only focus on content that has been specifically identified to them as infringing. Based on this development, Israeli websites may take some cues on how to handle material posted by their users.

If you have any questions regarding the matters in this legal update, please contact the following attorneys or call your regular Meitar contact.

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Factual Background

In March 2007, Viacom sued YouTube and its owner, Google, for damages in excess of $1 billion for infringement of Viacom's copyrights. Viacom is the media giant which owns television networks MTV, Nickelodeon and Comedy Central, shows such as "The Daily Show with Jon Stewart", "South Park", and "Sponge Bob," and movie studios including Dreamworks and Paramount. Viacom claimed that YouTube publicly performed, displayed, copied, distributed and uploaded more than 100,000 clips of Viacom-owned programming, which had been viewed at least 1.5 billion times. Viacom sent a "takedown" notice to YouTube to remove the videos. YouTube did so, most by the next business day.

Legal Background

The legal question is whether the DMCA protects YouTube from having to pay any damages to Viacom for the infringing videos posted by users. The DMCA is a 1998 statute intended to balance the needs of content owners, such as Viacom, with those of Internet service providers (ISPs), such as YouTube, that host content uploaded by users. The underlying principle of the law was that ISPs are not required to seek out infringing material on their sites, but once they become aware of it, they have "actual knowledge" of infringing material and need to act responsibly to remove it.

One of the DMCA safe harbors under which ISPs are not liable for damages is the one covering "storage" of material at the direction of a user. But navigating the statute is difficult. Supposedly, if the ISP has "actual knowledge" that the material is infringing, or "is aware of facts or circumstances from which infringing activity is apparent", and fails to remove the infringing material, it cannot enjoy the safe harbor protection. But when does an ISP become "aware of facts or circumstances" from which infringing activity is "apparent"? The legislative history indicates that it is a bright-line test – that an ISP will "not qualify for the safe harbor if it had turned a blind eye to 'red flags' of obvious infringement." The example given is if it were a "pirate" site where sound recordings, software, movies or books were available for unauthorized downloading.

The Court's Holding

The court held that YouTube was not aware of "facts or circumstances" from which infringement by the 100,000 clips was apparent. The court determined that it was not sufficient that YouTube has generalized knowledge of infringements on its site; rather it needed to know about "specific and identifiable infringements of particular individual items….[m]ere knowledge of prevalence of such activity is not enough."

The court correctly noted that even if a copyrighted work, such as a clip from a Disney movie, is posted to a site, the ISP cannot necessarily know whether it is infringing. First, the clip could be properly licensed. Second, the clip might be a "fair use", by using just a small part of the film. Third, the copyright owner might not object to the use, instead viewing it as good publicity.

In practical terms, the court's holding seems to undermine basic tenets of the DMCA. First, it renders moot the distinction between "apparent" knowledge as articulated by Congress and "actual" knowledge. Specifically, the obligation on YouTube was only triggered once it was notified of specific infringing files; it was not required to seek out any additional facts no matter how seemingly obvious. Second, as a result, the court in effect determined that the entire burden of policing a site falls on the copyright owner. But it also pointed out that the DMCA notice procedures worked quite efficiently here. When Viacom sent a takedown notice for over 100,000 infringing files, YouTube had complied almost completely by the next business day. Such clarity and ease, according to the court, were also among DMCA's goals.

Impact: Another Victory for ISPs

Although still pending appeal, the outcome in this case should be a pivotal precedent for smaller and growing ISPs. Not only does the decision come add to the string of ISP victories, but given the parties, the fight was convincingly fought.

User-generated content powerhouse YouTube and content king Viacom had all of the trappings of test-case litigants. First, the resources that both parties could marshal were considerably greater than that of previous controversies, resulting in the ability to adjudicate DMCA issues to a decisive conclusion. Second, the scope of the infringements on the YouTube site were much greater than in previous cases, which often dealt with a few infringing files. The implication is thus clear: if YouTube is not liable for 100,000+ infringing Viacom videos, then virtually no site could be liable under similar circumstances. Third, the other cases had largely come from California or the west coast, which has a plethora of ISPs. This case came from New York, the home of many powerful media companies, and indicates a trend, not limited to geography, favoring ISPs.

Finally, this caps a string of important litigation victories for websites. In an appeal of Perfect 10 v. CCBill, a 2007 case, the Ninth Circuit was unwilling to place a burden on a service provider to determine whether photographs were actually illegal even when the names of the applicable websites were "red flags" themselves such as "illegal.net" and "stolencelebritypics.com". In the 2009 case of UMG Recordings v. Veoh Networks, a California court held that a video uploading site was not liable for infringing user-uploaded videos regardless of the odds of infringement, stating that "awareness of pervasive copyright-infringing, however flagrant and blatant, does not impose liability on the service provider." And earlier this year, in the trademark context, Tiffany sued eBay for contributory trademark infringement because it facilitated the sale of counterfeit Tiffany products (upwards of 75% of goods advertised as "Tiffany" were counterfeit), but the court dismissed the case, finding that eBay would need to have knowledge of "specific instances" of counterfeit goods and fail to take action.

The momentum may even influence courts here in Israel, which have also adopted a "notice-and-take-down" approach to user-posted copyright infringements. Two recent examples are the case of Al Hashulchan v. Ort, which involved a third party posting infringing recipes to a food site, and the Paintball.co.il case (Hadmayot Taktiyot), which involved a third-party advertiser posting copyright infringing pictures to a site.

The take-home message is clear for some of the most provocative, popular Internet sites that permit upload of audio, video, blogs and talkbacks. Short of notice from a copyright owner, sites can prosper without the threat that large content companies, like music labels and movie studios, will sue them for failing to take proactive steps to monitor and filter.

Recommendations

In light of this decision, we would recommend that websites act in good faith to remove specific infringements promptly. They can demonstrate further good faith by working with their legal advisors to develop a comprehensive plan to indicate that they are discouraging infringements. While probably not required to employ content-filtering systems like Audible Magic or maintain a hash-file database to compare uploaded files with previous infringing ones, they certainly are helpful factors likely to make a positive impression on a court.

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