

Secondary Liability for Copyright Infringement in the Web 2.0 Environment: Some Reflections on *Viacom v. YouTube**

Miquel Peguera

Professor, Universitat Oberta de Catalunya
mpeguera@uoc.edu

Abstract. The lawsuit brought by Viacom and other copyright owners against YouTube underscores the uncertainties of the law of secondary liability for third-party copyright infringement. Particularly, it shows the strengths and weaknesses of the Digital Millennium Copyright Act, on which most Web 2.0 service providers heavily rely for protection from liability for their users' infringements. This article explores the relationships between the protection granted by the DMCA safe harbors and the standards of secondary liability developed at common law, with special reference to that of inducement adopted by the U.S. Supreme Court in the *Grokster* case. **Keywords:** YouTube, Secondary Liability, DMCA, inducement, copyright.

1. Introduction.

Liability of online service providers in the field of copyright continues to be a highly controversial issue. This is particularly true of the liability of providers operating platforms generally referred to as web 2.0 where users upload vast amounts of potentially copyrighted creative content, including photographs, music or video files. Services such as YouTube, Facebook, MySpace, eBay, Amazon, or Flickr, among many others, are examples of this category of platforms. Under the US law, all these providers rely on the protection established by the Digital Millennium Copyright Act ("DMCA"), a 1998 statute that creates a series of liability safe harbors for specific online activities.¹ One of the activities covered is the storage of materials provided by users, so that qualifying service providers are exempted from liability for all monetary relief for direct and secondary liability by reason of the storage of infringing content at the direction of their users.²

The application of this safe harbor has been discussed in just a handful of cases, the most relevant of which is probably the Viacom's suit against YouTube, recently decided at the lower court level.³ On 23 June, 2010, after more than three years of litigation and a voluminous record—but only some days after the parties filed their last briefs concerning their cross motions for summary judgment—the United States District Court for the Southern District of New York handed down its much-expected ruling on this case. The parties and their supporting amici had advanced and discussed all types of possible arguments in favour and against YouTube's liability for the infringement of plaintiffs' copyrighted works.⁴ Chief among the disputed legal issues was whether defendants were shielded from copyright liability under the DMCA's hosting safe harbor. The court granted summary judgment that defendants were indeed entitled to the DMCA protection against all of plaintiffs' direct and

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¹ Title II of the DMCA amended Chapter 5 of Title 17 of the United States Code, by adding a new section 512 titled "Limitations on liability relating to material online". See 17 U.S.C. § 512 (2000).

² See 17 U.S.C. § 512(c) (2000) ("Information Residing on Systems or Networks at Direction of Users").

³ *Viacom Intern. Inc. v. YouTube, Inc.* 2010 WL 2532404 (S.D.N.Y. June 23, 2010). The ruling grants defendants motion for summary judgment and denies the cross motions filed by both Viacom and the Class Plaintiffs (The Football Association Premier League Limited, *et al.*). In this article, unless indicated otherwise, I will use the term "YouTube" to refer generally to defendants (YouTube, Inc., YouTube, LLC, and Google Inc.).

⁴ Almost all documents filed with the case are available at <http://dockets.justia.com/docket/new-york/nysdce/1:2007cv02103/302164> / (last visited Sept. 5, 2010).

secondary copyright infringement claims. Viacom immediately announced it would appeal the ruling and thus the U.S. Court of Appeals for the Second Circuit will have the opportunity to decide on the matter.⁵

Viacom v. YouTube offers a good opportunity to reflect on the meaning and operation of the hosting safe harbor and its ability to supply legal certainty for user-generated content platforms and other Web 2.0 service providers. While the DMCA intended to strike an appropriate balance between the interests of service providers and copyright owners, the parties in the lawsuit appear to hold strongly different views as to how some of the key points of the statute must be construed. Both parties insist that the law is perfectly settled—albeit in exactly opposite ways. Disagreements encompass a wide range of issues, including the very meaning of the balance the DMCA intended to strike. Service providers and copyright owners argue about basic policy options supposedly addressed by the law, such as who should bear—and to what extent—the burden of searching for copyright infringement. Likewise, they dispute whether the DMCA safe harbors shelter a service provider in case of inducement—a theory of secondary liability developed by the US Supreme Court in the *Grokster* case.⁶

Both sides disagree as well on the interpretation of specific elements of the safe harbor provisions. They disagree for instance on the scope of the hosting safe harbour - *i.e.* which activities may be deemed to occur “by reason of the storage at the direction of a user”. They have also different views on the meaning of the so-called ‘red flag’ provision—*i.e.* what amounts to awareness “of facts or circumstances from which infringing activity is apparent” and which are the duties this awareness triggers. Another point of disagreement is whether the DMCA merely codifies the common law standards for vicarious liability or if the notions of “financial benefit directly” and “right and ability to control such activity” have a different meaning within the statute.

While these and other relevant points of the DMCA are under dispute between the parties, the debate is not limited to the interpretation that statute; rather, the parties have conflicting positions on almost every legal theory imposing liability for copyright infringement. As to direct liability, for instance, they disagree on what constitutes the volition element to find infringement. Regarding contributory liability, they diverge on what amounts to inducement under *Grokster*. With respect to vicarious liability they differ on how the common law standards must be assessed.

These conflicting legal arguments reflect different understandings of how copyright should be enforced in the web 2.0 environment. To be sure, from a more general viewpoint, the dispute involves the long debated question of how to treat technologies capable of both infringing and non infringing uses. To what extent should disruptive technologies be allowed to go ahead when they may result in a general increase of copyright infringement? Should a given new technology or device be obliged to limit itself so that it cannot be used for infringement purposes, even at the cost of cutting off many of its legitimate uses? Should copyright owners be forced to bear the burden of investing more and more resources to police and prevent the widespread infringement made possible by a given new development? Conversely, if this burden were to be imposed on the operators of the innovative platforms or services, wouldn't this imply an unjustified obstacle to progress and innovation? Imagine for example a promising new technology that is supposed to be widely used for legitimate and even socially desirable purposes in a foreseeable future, but that in its first stages of development is used mainly for copyright infringement by end users. Suppose further that in order for this technology to achieve the necessary level of development it must reach a sufficient number of users and that they are likely to arrive attracted precisely by the infringing possibilities the new technology facilitates. Should copyright owners be allowed to stop the development of the new technology or to get somehow compensated by its developers on account of the increased level of infringement? Would the answer to this question depend on whether or not the provider of the new technology or service is actually fostering the infringing uses or using the infringing possibilities as a draw to attract users? Would liability ultimately turn on the actual or constructive knowledge the operator may have of specific instances of infringement? And if so, could the operator avoid liability by engaging in some form of wilful blindness?

⁵ See Viacom's Notice of Appeal, *Viacom* 2010 WL 2532404 (No. 402), filed on August 11, 2010.

⁶ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005).

These and similar questions lie behind conflicts that arise at the intersection of copyright and innovative technologies or services. Disputes of this nature have been addressed by courts on different occasions. Two well known cases decided by the US Supreme Court are prominent examples of this. The first one is *Sony v. Universal*, also known as the ‘*Betamax*’ case.⁷ At issue in this case was Sony’s liability for the copyright infringements made possible by its videocassette recorder. The second example is the *Grokster* case, mentioned above, which dealt with the liability of a distributor of peer-to-peer software for the infringements it facilitated. Both rulings adopted legal standards intended to achieve an appropriate balance between the interests at stake. In *Sony*, the US Supreme Court, reflecting the patent law’s traditional staple article of commerce doctrine, ruled that one who distributes a device that enables copyright infringement, with constructive knowledge that some will actually engage in infringing activities, is not liable for the infringements performed by end users if the device is “capable of substantial non infringing uses”.⁸ In *Grokster*, defendants relied on the *Sony* rule to escape liability, as the peer-to-peer software is indeed capable of substantial non infringing uses. The Supreme Court noted, however, that *Sony* “was never meant to foreclose rules of fault-based liability derived from the common law” and that “where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, *Sony*’s staple-article rule will not preclude liability”.⁹ The *Grokster* court further stated that the patent’s law rule on inducement of infringement was also appropriate in the field of copyright. It adopted accordingly that rule, holding 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.”¹⁰

Not only courts but also Congress has tried to craft a balanced legal framework. As noted, this was the purpose behind the DMCA safe harbors scheme, which, according to the legislative history, “preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment”, and “[a]t the same time, it provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”¹¹ The balance, however, is difficult to achieve in a rapidly changing environment. The dispute in *Viacom v. YouTube*, a lawsuit filed almost a decade after the DMCA was enacted, underscore those difficulties. In this Article I do not intend to cover all the issues raised by this case; instead I will focus on the relationship between the safe harbors and the doctrines of secondary liability, particularly that of inducement, as well as on some internal inconsistencies of the statute that may dilute its intended balance.

2. The DMCA safe harbors and the doctrines of secondary liability

Liability of online service providers, and more generally that of operators of technologies that enable copyright infringement by third parties, rests mainly on doctrines of secondary liability. This was the case in both *Sony* and *Grokster*, and it is also the case in *Viacom v. YouTube*. In fact, while *Viacom* claims that *YouTube* is also directly liable, the lawsuit is primordially about secondary liability.

As opposed to ‘direct’ liability, that is, liability imposed on those who directly engage in acts of infringement, the idea of secondary, or derivative, liability relates to those instances where one is held liable for infringements committed by another. This liability is not expressly imposed by the Copyright Act; rather, it has been developed by courts.

⁷ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 446 U.S. 417 (1984).

⁸ *Sony*, 464 U.S. at 442.

⁹ *Grokster*, 545 U.S. at 934-35.

¹⁰ *Id.* at 936-37.

¹¹ H.R. REP. NO. 105-551, Part 2, at 49-50 (1998).

Secondary liability may be established under two different doctrines, namely, contributory infringement and vicarious liability. The classic statement regarding contributory infringement affirms that «[o]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory infringer’». ¹² With regard to vicarious liability, the traditional formula states that «[w]hen the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired—the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.». ¹³ Both theories of derivative liability have been expressly recognized by the Supreme Court. ¹⁴ However, the ways courts have been applying them have not always been perfectly homogeneous. ¹⁵

In its lawsuit against YouTube, Viacom claims that defendants are liable under both doctrines of secondary liability. First, it claims defendants are liable under the inducement rule adopted in *Grokster*, which is actually a form of contributory liability, ¹⁶ because they “intentionally operated YouTube as a haven for massive infringement.” ¹⁷ Second, it claims defendants are vicariously liable because they “derived a direct financial benefit from infringement that they had the right and ability to control.” ¹⁸ YouTube rejects both claims and, more importantly, it contends that the court does not even need to consider whether those allegations have merit, because YouTube is entitled to the DMCA hosting safe harbor, which protects it against all liability claims. In other words, even if YouTube could be considered liable under the common law’s doctrines of secondary liability—which it denies—it would be nonetheless exempted from that liability by virtue of the hosting safe harbor provision. ¹⁹ Viacom holds a different view of the safe harbors, asserting that they do not immunize defendants from common law secondary liability claims. In particular, Viacom emphasizes that the DMCA does not protect defendants against liability for inducement, ²⁰ and that it does not protect them either against vicarious liability. ²¹

¹² *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

¹³ *Shapiro, Bernstein & Co. v. HL Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

¹⁴ See *Sony*, 464 U.S. at 435 (“The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”) (Footnote omitted). See also *Grokster* 545 U.S. at 930 (“[T]hese doctrines of secondary liability emerged from common law principles and are well established in the law”).

¹⁵ See Alfred C. Yen, *Third-Party Copyright Liability After Grokster*, 91 MINN. L. REV. 184 (2006) (discussing the different constructions of third party liability followed by courts before *Grokster*).

¹⁶ See *Grokster* 545 U.S. at 930 (“One infringes contributorily by intentionally inducing or encouraging direct infringement.”). See also Mark Bartholomew, *Cops, Robbers, and Search Engines: The Questionable Role of Criminal Law In Contributory Infringement Doctrine*, 2009 BYU L. REV. 783, 787. See also *Perfect 10, Inc. v. Visa Int’l Serv. Ass’n.*, 494 F.3d 788, 795 (9th Cir. 2007) (“one contributorily infringes when he (1) has knowledge of another’s infringement and (2) either (a) materially contributes to or (b) induces that infringement.”).

¹⁷ See Memorandum of Law In Support of Viacom’s Motion for Partial Summary Judgment on Liability and Inapplicability of the Digital Millennium Copyright Act Safe Harbor Defense at 5, *Viacom* 2010 WL 2532404 (No. 186) [hereinafter, *Viacom’s memorandum*].

¹⁸ *Id.* at 30.

¹⁹ See Memorandum of Law In Support of Defendant’s Motion for Summary Judgment at 79, *Viacom* 2010 WL 2532404 (No. 188) [hereinafter, *YouTube’s memorandum*] (“As an initial matter, a finding that YouTube is protected by the Section 512(c) safe harbor would preclude damages liability for any of plaintiffs’ infringement theories—including inducement.”).

²⁰ See Viacom’s Memorandum of Law in Opposition to Defendants’ Motion for Summary Judgment at 23 *Viacom* 2010 WL 2532404 (No. 284) [hereinafter, *Viacom’s Opposition*] (“Defendants (backed by their *amici*, who also defended *Grokster* in the Supreme Court) embrace the extremist position that even if they are liable as intentional infringers under *Grokster*, the DMCA would still immunize that intentional wrongful conduct. But the law (not to mention common sense and sound policy) does not permit Defendants to indirectly circumvent *Grokster* and reap the benefits of their intentional wrongdoing on the basis of an extreme and one-sided reading of the DMCA.”) (internal citations omitted).

²¹ See *Viacom’s memorandum*, at 57 (“Defendants are liable for the infringement on YouTube under the common law of vicarious copyright liability. Therefore, under § 512(c)(1)(B) incorporating that standard, Defendants cannot use the DMCA to escape liability.”).

The contention that a defendant who would be liable under common law's criteria of derivative liability—including inducement—is not protected by the DMCA safe harbors can be argued in two different ways. First, by pointing out that the conditions required by the DMCA in order to benefit from the safe harbors basically track the common law standards of secondary liability, and thus, being secondarily liable under the common law criteria would normally result in failing to meet the DMCA statutory requirements.²² Second, by referring to the purpose of the statute, that is, reasoning that the safe harbors were never meant to apply to an intentional wrongdoer, and that, as a consequence, where a defendant meets the standard on inducement, section 512 would not even come into play. I will briefly consider these approaches in the following subparts.

2.1 The position that the DMCA merely codifies the common law criteria on secondary liability

Section 512(c) exempts a service provider from liability for all monetary relief (and, in a limited way, also from injunction 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.” This limitation of liability is subjected to several conditions, some of which appear to parallel the common law standards for contributory and vicarious liability. First, with regard to contributory infringement, the statute tracks the traditional common law standard that holds liable a defendant who has actual or constructive knowledge of the infringing activity and, nonetheless, continues to materially contribute to the infringement. In this respect, Section 512(c)(1)(A) requires that the service provider “(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.” Section 512(c)(1)(C) further demands that “upon notification of claimed infringement as described in paragraph (3), [the service provider] responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.” Second, as for the common law standard of vicarious liability, Section 512(c)(1)(B) requires that the service provider “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.”

Does this mean that the hosting safe harbor simply does not protect a defendant that would be secondarily liable at common law, and thus limits its effect to immunize a defendant from direct liability? This would be the logic conclusion if those requirements were completely coincident with the common law standards. However, it can be shown that there are at least some differences between both sets of criteria.²³ Moreover, Section 512's legislative history shows that the statute did intend to cover at least some instances where, in the absence of the safe harbors, secondary liability would arise.

In this respect, the Conference Report states that “[a]s provided in subsection (l), Section 512 is not intended to imply that a service provider is or is not liable as an infringer either for conduct that qualifies for a limitation of liability or for conduct that fails to so qualify. Rather, the limitations of liability apply if the provider is found to be liable under existing principles of law.”²⁴ Now, this limitation of liability is by no means reserved to providers that would be found directly liable. Rather, it also protects those who would be held secondary liable at

²² Albeit acknowledging that some differences exist, this approach has been basically followed, for instance, in *Columbia Pictures Industries, Inc. v. Fung*, No. CV 06-5578, 2009 WL 6355911, at *15 (C.D. Cal. Dec. 21, 2009) (“In many ways, the Digital Millennium Copyright Act is simply a restatement of the legal standards establishing secondary copyright infringement—in many cases, if a defendant *is* liable for secondary infringement, the defendant *is not* entitled to Digital Millennium Copyright Act immunity; if a defendant *is not* liable for secondary infringement, the defendant *is* entitled to Digital Millennium Copyright Act immunity. The two sets of rules do not entirely overlap, but this framework is helpful for understanding the Act's statutory text and structure.”) (emphasis in the original).

²³ See R. Anthony Reese, *The Relationship between the ISP Safe Harbors and the Ordinary Rules of Copyright Liability*, 32 COLUM. J.L. & ARTS 427 (2009).

²⁴ H.R. Rep. No. 105-796, at 73 (1998) (Conf. Rep.) (emphasis added). The same exact fragment can be found in the House Report (H.R. Rep. No. 105-551(II), at 50 (1998)) and in the Senate Report (S. Rep. No. 105-190, at 19, 40 (1998)). The only difference is that the House and Senate reports still referred to Subsection (k), a provision that was finally renamed as Subsection (l).

common law, as long as they qualify for the safe harbors. Indeed, the Conference Report, as well as the House and Senate Reports, immediately add that “[t]he limitations in subsections (a) through (d) protect qualifying service providers from liability for all monetary relief for direct, vicarious and contributory infringement.”²⁵ This scope is further reiterated specifically with regard to the hosting safe harbor: “New Section 512(c) limits the liability of qualifying service providers for claims of direct, vicarious and contributory infringement for 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.”²⁶

These passages from the legislative history contradict the idea that the statute intended to exclude from the safe harbors’ protection every instance where a defendant may be found secondarily liable at common law. In fact, it seems safe to assume that the drafters of the DMCA did not consider the qualifying criteria for the safe harbors to be completely coincident with those used at common law to find derivative liability, and thus they envisioned that in some situations a defendant secondarily liable at common law would nonetheless benefit from the liability limitations.

Moreover, regardless how much both sets of criteria resembled at the time the statute was enacted, it appears that the DMCA did not intend to be bound by future developments of the common law standards of secondary liability, at least inasmuch these new developments might depart from the criteria laid down in the statute. In this respect, the Senate Report indicates that “[r]ather than embarking upon a wholesale clarification of these doctrines [of contributory and vicarious liability], the Committee decided to leave current law in its evolving state and, instead, to create a series of ‘safe harbors,’ for certain common activities of service providers. A service provider which qualifies for a safe harbor, receives the benefit of limited liability.”²⁷ This may be particularly relevant with respect to the Grokster standard of inducement, as it was adopted the Supreme Court years after the enactment of the DMCA.

2.2 The position that inducement liability renders the DMCA inapplicable.

Viacom claims not only that defendants fail to meet the specific requirements for the safe harbors—particularly those set forth in subsections 512(c)(1)(A) and (B)—but also that defendants purposefully intended to foster copyright infringement, and thus that they are liable under the inducement rule adopted in Grokster. According to Viacom, liability for inducement would prevent defendants to take refuge in the DMCA, because “Grokster liability inherently defeats the DMCA.”²⁸

In making this claim, Viacom relies on *Columbia Pictures Industries, Inc. v. Fung*²⁹, where the court stated that “inducement liability and the Digital Millennium Copyright Act safe harbors are inherently contradictory. Inducement liability is based on active bad faith conduct aimed at promoting infringement; the statutory safe harbors are based on passive good faith conduct aimed at operating a legitimate internet business. Here, as discussed supra, Defendants are liable for inducement. There is no safe harbor for such conduct.”³⁰

Defendants in Fung maintained and operated a number of web sites that allowed users to download files located in peer-to-peer networks. Most of the files were infringing—the evidence showed that “90%-95% of the material was likely to be copyright infringing”.³¹ The court found defendants liable as inducers under the Grokster standard (“evidence of Defendants’ intent to induce infringement is overwhelming and beyond

²⁵ H.R. Rep. No. 105-551(II), at 50 (1998) (emphasis added). See also S. Rep. No. 105-190, at 20, 40 (1998) (same), and .R. Rep. No. 105-796, at 73 (1998) (Conf. Rep.) (same).

²⁶ H.R. Rep. No. 105-551(II), at 52 (1998) (emphasis added). See also S. Rep. No. 105-190, at 43 (1998) (same).

²⁷ S. Rep. No. 105-190, at 19 (1998).

²⁸ Viacom’s memorandum at 51.

²⁹ *Columbia Pictures Industries, Inc. v. Fung*, No. CV 06-5578, 2009 WL 6355911, (C.D. Cal. Dec. 21, 2009).

³⁰ *Fung*, 2009 WL 6355911, at *18 (C.D. Cal. 2009). See Viacom’s memorandum at 51.

³¹ *Id.*, at *17.

reasonable dispute”).³² Defendants contended they were protected by Section 512(d) of the DMCA, which establishes a safe harbor dealing with the provision of hyperlinks and other information location tools.³³ The court analyzed the safe harbor’s requirements—which are roughly the same than those of the hosting safe harbor—and concluded that defendants did not qualify for that protection. In this regard, the ruling held that plaintiffs had established that defendants had “reason to know of their users’ infringing activities”, and that defendants did not satisfy “their summary judgment burden by identifying facts showing that [they] were ‘not aware of facts or circumstances from which infringing activity [wa]s apparent.’”³⁴ It is worth noting that this analysis entails a very broad reading of the requirement of § 512(d)(1)(B). In addition, the court noted that defendants did “not introduced any evidence that they ‘act[ed] expeditiously to remove, or disable access to, the [infringing] material’ once they became aware that this infringing activity was apparent.”³⁵ The court held as well that defendants failed to meet the statutory conditions because they received a financial benefit directly attributable to the infringing activity and had the right and ability to control such activity.

The Fung court’s statement that inducement liability and the DMCA safe harbors are “inherently contradictory” suggests that where inducement is found the safe harbors do not even come into play and thus there is no need to assess whether the qualifying conditions are met. However, Fung did not limit itself to analyze whether defendants met the Grokster inducement test, but it also evaluated the specific requirements of the DMCA—and found that defendants failed to meet them.

But then, if ultimately the ineligibility for the safe harbors rests on the failure to fulfill the DMCA specific conditions, Viacom’s contention that “Grokster liability inherently defeats the DMCA” has no practical meaning. In any event, the court in *Viacom v. YouTube* certainly rejected this argument, refusing to conclude that if defendants could be found liable under Grokster they would be, because of that, expelled from the DMCA. The Viacom ruling said that “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.”³⁶ The court however did not explain why such an application would be strained. To be sure, the court did not see YouTube as an inducer that purposefully promoted, and profited from, copyright infringement. Nonetheless, the court avoided evaluating whether defendants actually met the Grokster standard for inducement. And while the court suggested that, whatever the result of that test might be, a provider meeting the qualifying criteria for the DMCA must be protected from liability, it is clear that the court went ahead on the assumption that defendants were not inducers.³⁷

Interestingly, the court appears precisely to infer that defendants are not inducers from the fact that they meet the qualifying requirements for the hosting safe harbor.³⁸ However, the prongs of the inducement test do not perfectly square with those of the DMCA. As noted above, the Grokster test establishes 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.”³⁹ The Grokster court, moreover, pointed to three elements that allowed finding the intent to induce infringement: (a) defendants aimed to satisfy a known source of demand for copyright infringement; (b)

³² *Id.*, at *11.

³³ See 17 U.S.C. § 512(d) (2000).

³⁴ *Fung*, 2009 WL 6355911, at *16.

³⁵ *Ibid.*

³⁶ *Viacom v. YouTube*, 2010 WL 2532404, at *11 (S.D.N.Y., 2010).

³⁷ *Ibid.* (“The *Grokster* model does not comport with that of 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. To such a provider, the DMCA gives a safe harbor, *even if otherwise he would be held as a contributory infringer under the general law*. In this case, it is uncontroverted that when YouTube was given the notices, it removed the material. It is thus protected ‘from liability for all monetary relief for direct, vicarious and contributory infringement’ subject to the specific provisions of the DMCA. Senate Report at 40, House Report at 50.”) (emphasis added).

³⁸ *Ibid.*

³⁹ *Grokster*, 545 U.S. at 936-37.

defendants did not attempt to develop filtering tools or other mechanisms to diminish the infringing activity using their software; (c) the commercial sense of defendants' enterprise turned on high-volume use, which the record showed was infringing.⁴⁰ None of these elements directly involves the requirement of having actual or constructive knowledge of specific instances of actual infringements. Therefore, at least in theory, a defendant liable under the Grokster test might nonetheless satisfy the lack of knowledge or awareness requirement set forth in Section 512(c)(1)(A) of the DMCA if it is construed—like in *Viacom*—as knowledge of particular instances of infringing acts. Thus, while in a case of straightforward inducement, a court would probably find that the defendant fails to comply with the qualifying requirements of the DMCA, this might be at the cost of construing those requirements in an expansive way. In fact, as noted, the Fung court needed to construe the knowledge requirement of the linking safe harbor in a very broad way in order to find that defendants failed to meet it.⁴¹

Arguably, the more obvious the inducement is, the more willing a court will be to expand the DMCA requirements so that a defendant does not qualify for the safe harbors. To be sure, a real inducer—even if it complied with the knowledge/awareness requirement—would be unlikely to satisfy some other conditions of the DMCA, such as that of adequately responding to notices of infringement under §512(c)(1)(C), or the threshold requirement of having “adopted and reasonably implemented . . . a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers.”⁴²

Let's imagine however a case where a defendant is liable under Grokster but nonetheless formally complies with the specific conditions set forth in the DMCA—which does not seem to be an impossible situation. Would this defendant be granted the DMCA immunity? Defendants in *Viacom v. YouTube* would answer this question affirmatively. However, the understanding that the DMCA goes so far as to protect deliberate inducers as long as they formally respect the safe harbors' requirements seems problematic.

True, the DMCA intended to provide legal certainty to internet entrepreneurs with regard to their potential copyright liability. In this respect, it sought to set forth some clear rules establishing safe harbors from liability, even if the situations protected under those harbors might have otherwise given rise to liability, whether direct or secondary. As noted above, the legislative history makes this point clear, and so do some particular prongs of the eligibility criteria that somewhat depart from common law standards on derivative liability. Actually, it can be argued that all this was meant to protect online providers from facing excessive risk in terms of potential liability, or to free them from having to invest too much in policing and effectively preventing their users' infringements. It is difficult to accept that the statute would aim to immunize from liability intentional a purposeful wrongdoer, *i.e.*, not just an operator of dual purpose technologies or services whose activities may bring about high levels of infringement, but an entrepreneur that deliberately encouraged infringement. It seems safe to assume that the DMCA did not intend to protect such a defendant.

In any event, however, the facts in *Viacom v. YouTube*, hardly show defendants to be such intentional wrongdoers. There are at least some relevant actions carried out by YouTube that contradict the idea of a cynical, bad faith actor. One may consider in this regard YouTube's compliance with DMCA notices, expeditiously taken down the material claimed to be infringing, and moreover preventing the ulterior uploading of files identical to those already removed—as well as YouTube's serious efforts to develop filtering tools or its policy against repeat infringers. All these conducts hardly respond to the idea of an intentional inducer, and thus seriously undermine plaintiff's possibilities in the case. On top of that, the *Viacom*'s motion for summary judgment seems to concede that defendant's business model is not premised on promoting, or profiting from,

⁴⁰ *Id.*, at 939-40.

⁴¹ Moreover, the idea that the DMCA should not protect deliberate inducers may be alleged by plaintiffs in order to favor a more stringent construction of the statutory requirements. For example, regarding the critical question of whether or not the knowledge/awareness must be referred to specific instances of infringement, *Viacom* contends that the statute does not require such specific knowledge, and concludes by saying: “there is no ‘specific knowledge’ requirement in the DMCA—particularly where defendants intentionally foster infringement.” See *Viacom's memorandum* at 53 (emphasis added).

⁴² 17 U.S.C. § 512(i) (2000).

infringement. Indeed, the motion considers that from May 2008 YouTube is adequately filtering users' contents, and, as a consequence, Viacom limits its claims to YouTube's activities carried out before that date. All this certainly does not comport with a business model that is built on profiting from infringement, and would arguably suffice for a court to find that a defendant meets all the necessary DMCA requirements—even if they must be construed in a loose way.

A further question worth noting relates to the internal inconsistencies of the statute, which I address in the following part.

3. Construing the DMCA as a mere takedown notice statute.

As indicated above, Section 512(c) subjects the safe harbor to the condition that the service provider has neither "actual knowledge" of infringement, nor awareness "of facts or circumstances from which infringing activity is apparent".⁴³ Upon obtaining such knowledge or awareness, the provider must act expeditiously to remove the material or disable access to it.⁴⁴ According to the Viacom ruling, the critical issue presented by the lawsuit was precisely "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' in § 512(c)(1)(A)(i) and (ii) mean a general awareness that there are infringements (here, claimed to be widespread and common), or rather mean actual or constructive knowledge of specific and identifiable infringements of individual items."⁴⁵ In fact, many other critical issues were raised by plaintiffs. However, the nature of that knowledge and particularly the meaning of the awareness prong turned out to be a key point indeed, revealing different views regarding the structure of the safe harbors scheme and the balance supposedly achieved by the statute.

After quoting extensively the relevant passages of the legislative history, the court—without much elaboration—came to the conclusion that "the 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."⁴⁶

This way of deciding the issue, however, is not entirely unproblematic. To begin with, it certainly does not seem to address all the issues raised by the plaintiffs, who did not limit their claims to a defendants' mere general knowledge. What I would like to stress here, however, is that court's and defendant's understanding of the red flag test raises the question of whether this prong can then be distinguished from the actual knowledge prong at all.

It is not that the conclusion of the court is necessarily wrong. Rather it is that some important problems of consistency within the DMCA seem to arise. The legislative history explains that the awareness prong "can best be described as a 'red flag' test. As stated in new subsection (c)(1), a service provider need not monitor its service or affirmatively seek facts indicating infringing activity . . . However, if the service provider becomes aware of a 'red flag' from which infringing activity is apparent, it will lose the limitation of liability if it takes no action."⁴⁷ This way, the awareness prong appears to be meant as a sort of a limit to the provision that establish that the provider need not monitor its service or affirmatively seek facts indicating infringing activity (§ 512(m)). The court, however, points precisely to that provision in order to assert that the red flag must mean something that in the end is practically indistinguishable from actual knowledge of a specific instance of infringement, this way rendering the red flag test inoperative or useless.

⁴³ 17 U.S.C. § 512(c)(1)(A)(i), (ii) (2000).

⁴⁴ 17 U.S.C. § 512(c)(1)(A)(iii) (2000).

⁴⁵ *Viacom v. YouTube*, 2010 WL 2532404, at *3, fn 1 (S.D.N.Y., 2010).

⁴⁶ *Ibid.*

⁴⁷ H.R. REP. NO. 105-551, Part 2, at 53 (1998).

Court's and defendant's reading of the DMCA effectively converts it into a mere takedown notice statute—exactly what plaintiffs had denounced.⁴⁸ This appears to run afoul of the purpose of the statute. As noted by the House Report, “[t]he Committee emphasizes that new Section 512 does not specifically mandate use of a notice and take-down procedure. Instead, a service provider wishing to benefit from the limitation on liability under new subsection (c) must ‘take down’ or disable access to infringing material residing on its system or network in cases where it has actual knowledge or that the criteria for the ‘red flag’ test are met—even if the copyright owner or its agent does not notify it of a claimed infringement.”⁴⁹

The solution favoured by the court, however, completely places the burden of policing copyright infringement on copyright owners. Some other courts have also considered this to be the practical result of the DMCA.⁵⁰ However, this is not the purpose the legislative history tried to convey, as it stressed—as quoted above—that Section 512 “preserves strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment”.⁵¹

Nonetheless, the ambiguous language of the statute, coupled with some specific provision, such as that of § 512(c)(3)(B) - by which a notification from a copyright owner that fails to comply substantially with the elements required by the statute shall not be considered in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent - converts the purported goal of sharing that burden into a merely rhetorical aim.

4. Conclusion

Viacom v. YouTube, now pending before the Court of Appeals for the Second Circuit, tackles crucial issues regarding secondary liability of online service providers for copyright infringement. This case is in a way a test for the DMCA safe harbors, which were enacted long before the emergence of today's widespread web 2.0 services. While it is clear that the safe harbors scheme did not intend to exempt from liability all instances where a provider might be found liable at common law, only straightforward bad faith operators seem to fall outside the protection granted by the statute. While it supposedly intended to strike an appropriate balance between the interests of copyright owners and service providers, the DMCA is turning out to be easier to fulfil than expected - in fact almost converted into a mere takedown notice statute.

⁴⁸ *Viacom's memorandum*, at 3.

⁴⁹ H.R. REP. NO. 105-551, Part 2, at 54 (1998).

⁵⁰ See *Perfect10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1113 (9th Cir. 2007).

⁵¹ H.R. REP. NO. 105-551, Part 2, at 49-50 (1998) (emphasis added).