

**KERNOCHAN CENTER FOR LAW, MEDIA AND THE ARTS
COLUMBIA LAW SCHOOL**

**BEFORE THE
U.S. COPYRIGHT OFFICE**

Section 512 Study

Docket No. 2015-7

Comments of the Kernochan Center for Law, Media and the Arts

Columbia Law School

Introduction

The Kernochan Center for Law, Media and the Arts appreciates the opportunity to respond to the Notice of Inquiry concerning the study of section 512 published by the U.S. Copyright Office, 80 Fed. Reg. 251, 81862-68 (Dec. 31, 2015).¹

The Kernochan Center for Law, Media, and the Arts at Columbia Law School is one of the leading centers for intellectual property research in the United States. Its faculty and staff dedicate their research and writing to copyright, trademarks and related areas as they concern traditional and emerging media, entertainment and the arts. The Center offers students an in-depth program of instruction, lectures, internships and externships while providing symposia, lectures, research studies and publications to the broader legal community. Founded as the Center for Law and the Arts, it was renamed in 1999 to honor Professor John M. Kernochan, its founder and a pioneer in teaching copyright in American law schools.

¹ Research assistance from Neal Burstyn and Alexandra Swain, both Columbia Law School ('16), is gratefully acknowledged.

Below please find our responses to certain of the questions presented in the Notice of Inquiry.

Section 512 of Title 17 was adopted as the Online Copyright Infringement Liability Limitation Act (“OCILLA”), Title II of the Digital Millennium Copyright Act. Its goal was to promote the growth and development of electronic commerce while protecting intellectual property rights of creators whose works are made available on the internet.² Recognizing that “a plentiful supply of intellectual property” would be necessary to support a “flexible and efficient electronic marketplace,” Congress regarded this legislation as beneficial to both creators and “internet service providers” (“ISPs”)³ and viewed it as an important step into the future. Congress hoped that section 512 would strike a balance between copyright owners and ISPs, allowing for the detection and removal of copyrighted works posted online without the copyright holder’s permission, while also providing ISPs greater certainty regarding their exposure to copyright infringement lawsuits.⁴

1. Are the Section 512 safe harbors working as Congress intended?

If Congress’ goal in passing section 512 was to encourage the growth of services available on the internet while protecting copyright holders from rampant infringement, it has only half-succeeded.

The internet has undergone profound change since the DMCA was passed. The sheer volume of internet use has expanded exponentially: according to one source, in 1998, the total estimated value of commerce conducted over the internet was almost \$5 billion; by 2014, that

² See, H.R. REP. NO. 105-551, pt. 2, at 23 (1998).

³ *Id.* Section 512 protects a variety of different internet activities: §512(a) (acting as a mere conduit automatically transmitting third party material without modification); §512(b) (system caching); §512(c) (information residing on a network or system at the direction of users); and §512(d) (information location tools). A service provider must meet specific conditions to be eligible for each of these safe harbors; those conditions are discussed in the Notice of Inquiry and will not be repeated here except where relevant to our comments. These comments focus principally on issues concerning section 512(c).

⁴ See, *supra* note 2 (discussing goal of balancing two interests).

number had risen to almost \$299 billion.⁵ According to a Pew Research Study, in 1998, 41% of American adults used the internet;⁶ today that number is 85%.⁷

At the same time, technology has moved forward with stunning rapidity. Before 1998, authors' principal concerns were the illegal upload of literary works and photographs.⁸ But the creation and widespread use of peer-to-peer file sharing⁹ and digital storage lockers,¹⁰ coupled with faster internet connections, have enabled everyone with a computer and an internet connection to quickly and easily upload infringing material and share it widely, sometimes throughout the world.¹¹ As a result, music, videogames and motion pictures are now widely "shared" on the internet.

Congress could not have anticipated these profound changes to the internet, but courts must make do with a statutory scheme designed in 1998. Judicial application of that scheme has

⁵ United States Census Bureau, *Estimated Annual U.S. Retail Trade Sales- Total and E-commerce: 1998-2014*, available at <http://www.census.gov/retail/index.html>.

⁶ Susannah Fox, *The Internet Circa 1998*, PEW RESEARCH CENTER: INTERNET, SCIENCE, & TECH, (June 21, 2007), <http://www.pewinternet.org/2007/06/21/the-internet-circa-1998/>.

⁷ Monica Anderson & Andrew Perrin, *15% of Americans Don't Use the internet. Who are They?*, PEW RESEARCH CENTER, (July 28 2015), <http://www.pewresearch.org/fact-tank/2015/07/28/15-of-americans-dont-use-the-internet-who-are-they/>.

⁸ Two of the cases that prompted service providers to seek protection from liability for third-party material placed on their services were *Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (S.D. Fla. 1993) (defendant held liable for direct infringement of plaintiff's copyrighted photos made accessible through defendant's bulletin board service); and *Religious Technology Center v. Netcom On-Line Comm. Servs., Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995) (denying summary judgment to service provider on contributory infringement claim in connection with third party postings of copyrighted materials by L. Ron Hubbard). Based on such cases, internet service providers feared exposure to significant damages from materials placed on their services by third parties, and argued that the volume of material made it impossible to review and evaluate the postings – and that the infringing nature was not always apparent even when reviewing the material. Thus they strongly urged the incorporation of OCILLA into the DMCA.

⁹ See M. Eric Johnson, Dan McGuire, Nicholas D. Willey, *The Evolution of the Peer-to-Peer File Sharing Industry and the Security Risks for Users*. CENTER FOR DIGITAL STRATEGIES: TUCK SCHOOL OF BUSINESS (2008), http://digitalstrategies.tuck.dartmouth.edu/cds-uploads/publications/pdf/30750383_1.pdf ("Peer-to-peer file sharing came of age during the dot.com boom and the rise of Napster.").

¹⁰ See generally, Joseph Mehn, *Digital Lockers A Growing Piracy Concern*, REUTERS, (Jan. 20, 2012 9:27 PM), <http://www.reuters.com/article/us-digital-piracy-idUSTRE80K05120120121> (noting that Recording Industry Association of America has expressed concern over illegal infringement on digital locker sites such as Megaupload).

¹¹ Section 512 of Title 17, *Hearing Before the Subcomm. On Courts, Intellectual Property, and the Internet. H. Comm. on the Judiciary*. 113th Cong. 254 (2014) [hereinafter Section 512 Hearing] (statement of Cary Sherman) (noting that after Napster, copycat sites and other outlets such as locker services made putting illegal content online easy and thus there are "billions" infringing copies online today).

produced broadly service provider-favorable interpretations of section 512(c). Courts have at times placed disproportionate emphasis on the ability of service providers to flourish in the internet environment, while demonstrating less concern for the burdens on right holders' ability to enforce copyright. For example, the courts have (1) interpreted the concept of service provider arguably more broadly than Congress intended (see the response to Question 2); (2) defined "storage" expansively to include all manner of commercially rewarding activities by service providers with respect to third-party content placed on their services (see the response to Question 2); (3) created a high threshold for "red flag knowledge," so that almost nothing short of a compliant notice from the copyright owner can suffice to establish red flag knowledge (see the response to Question 19); (4) in some cases, read the notion of "representative list" out of the statute (see the response to Question 14); and (5) left right holders with little recourse, other than to serve repeated notices, to prevent the immediate reposting of infringing content removed from the provider's service – the so-called "whack-a-mole" problem (see the response to Question 10).

We are not suggesting that all of these decisions are wrong: the language of section 512 is in many respects ambiguous. But the cumulative effect of all of these decisions has been to disadvantage right holders relative to service providers, and undermine the balance Congress strove to achieve in section 512.

2. Have courts properly construed the entities and activities covered by the Section 512 safe harbors?

The legislative history indicates that Congress did not intend the term "service provider"¹² to embrace every kind of business found on the internet. Examples from the House Report consist "entirely of enterprises who provide 'space' for third-party websites and fora, not the operators of the websites themselves."¹³ But courts have interpreted section 512(c) as covering more activities than Congress may have intended or anticipated when it drafted the

¹² For purposes of section 512 (c) – and all provisions of section 512 other than section 512(a) – "a 'service provider' means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described as a service provider for purposes of section 512 (a)." 17 U.S.C. §512(k)(2). A section 512(a) service provider is defined as "an entity offering the transmission, routing or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received." *Id.* §512(k)(1).

¹³ Jane C. Ginsburg, *Separating the Sony Sheep from the Grokster Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs*, 50 ARIZ. L. REV. 577, 594 (2008).

section, most notably hybrid services that combine the hosting of third-party content with content posted or managed by the service itself.

Moreover, courts have extended section 512(c)'s immunity beyond acts of reproduction, distribution, public performance or display “*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” (emphasis supplied). Case law now permits hybrid services not merely to store and to further communicate that content (as surely must have been implicit), but also to manage, enhance and repackage the third party content, all under the umbrella of the initial acts of storing user-posted content.¹⁴ For example, in *UMG Recordings, Inc. v. Shelter Capital Partners LLC*,¹⁵ plaintiff argued that the phrase “by reason of storage” in section 512(c) did not immunize the service provider Veoh’s activities in processing the user-submitted material in various ways to make it more accessible.¹⁶ The Ninth Circuit rejected this argument, holding that

[T]here is no limitation on the service provider’s ability to modify user-submitted material to facilitate storage and access, as Veoh’s automatic processes do. . . Had Congress intended to include such a limitation it would have said so expressly and unambiguously, as it did in the narrower definition of “service provider” [applicable to section 512(a)].¹⁷

Similarly, in *Viacom Int’l, Inc. v. YouTube, Inc.*, the Second Circuit held that service providers may undertake a range of activities, such as transcoding and playback functions, without losing the protection of the safe harbor.¹⁸ The court remanded to the district court the question whether syndication of user-uploaded material to third parties was encompassed within the safe harbor.

¹⁴ See generally, *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 38-41 (2d Cir. 2012).

¹⁵ 718 F.3d 1006 (9th Cir. 2013).

¹⁶ And, presumably, more attractive to users of its service.

¹⁷ *Id.* at 1019-20 (citations omitted).

¹⁸ 676 F.3d 19, 38-41 (2d Cir. 2012). Viacom had argued, inter alia, that YouTube transcodes not to facilitate storage, but to facilitate activities that are necessary for wide public dissemination of the works (i.e., broadcasting). It further argued that YouTube’s playback activity does not qualify as “storage;” although it may occur at the direction of a user, it is usually a different user than the one who originally uploaded the video. Viacom also complained that when a user has finished watching an infringing video, YouTube would automatically search its indexed video library and suggest similar videos for additional viewing, encouraging the user to commit new acts of copyright infringement. Opening Brief for Plaintiffs-Appellants at 49-52, *Viacom Int’l Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012) (No. 10-3270).

The district court subsequently concluded that the syndication activity serves the purposes of providing access to the material and thus it too falls within the 512 (c) safe harbor.¹⁹

6. *How effective is the Notice and Takedown Process?*

If “effective” is measured by copyright owners’ ability to get unauthorized postings of their copyrighted material removed from the internet quickly and efficiently, then the notice and takedown process has not been effective. As Prof. Bruce Boyden has described it, “the notice-and-takedown system of Section 512 is straining under the weight of a blizzard of notices, as copyright owners struggle to abate the availability of infringing copies of their most highly valued works. The tool is no longer up to the task.”²⁰ Prof. Boyden estimated in 2013 that each month mainstream copyright owners were sending takedown notices for more than 6.5 million files, on over 30,000 sites.²¹ Roughly two-thirds of those notices came from RIAA or MPAA member companies; the balance were from other industries (publishing, videogames, software) and smaller players in the recording and film business.²²

Even when material is removed, copies are reposted to the same site (as well as to different sites) almost immediately.²³ The process of trying to remove infringing content from the internet through successive notices is often compared to the game of “Whack-A-Mole.” Congressional testimony from counsel for Elsevier, a prominent publishing house, illustrates the problem: “In 2013, Elsevier issued an average of 20,537 takedown notices a month, a total of 246,441 notices.”²⁴ One of Elsevier’s books was reposted 571 times after the company sent in the first takedown notice.²⁵ These numbers amply demonstrate the futility of DMCA notices and the burden they create for copyright owners.

7. *How efficient or burdensome is section 512’s notice and takedown process for addressing online infringement? Is it a workable solution over the long run?*

¹⁹ 940 F. Supp. 2d 110, 122-23.

²⁰ Bruce Boyden, *The Failure of the DMCA Notice and Takedown System*, CENTER FOR THE PROTECTION OF INTELLECTUAL PROPERTY at 1 (Dec. 5, 2013) <http://cpip.gmu.edu/2013/12/05/the-failure-of-the-dmca-notice-and-takedown-system-2/>.

²¹ *Id.*, citing Transparency Report: Copyright Owners, GOOGLE (Sept. 8, 2013), <http://www.google.com/transparencyreport/removals/copyright/owners/?r=last-month>.

²² *Id.* at 3.

²³ Section 512 Hearing, *supra* note 11 at 11 (Statement of Sean O’Connor, Professor of Law).

²⁴ *Id.* at 35 (Statement of Paul F. Doda, Global Litigation Counsel for Elsevier Inc.).

²⁵ *Id.* at 31.

The sheer volume of infringing material on the internet makes any attempt to remove it not only extremely burdensome, but arguably futile. The internet's exponential growth has dramatically increased the time that content owners must expend policing infringement of their works. Copyright holders must constantly monitor websites and prepare and send notices to the offending websites.²⁶

Copyright owners are not alone in finding the notice-and-takedown process excessively burdensome. Service providers are on the receiving end of these notices, responsible for locating and removing the complained-of postings, notifying the posters, and responding to counter-notifications. Large service providers like Google can receive millions of takedown notices each week.

8. In what ways does the process work differently for individuals, small-scale entities and/or large-scale entities that are sending and/or receiving takedown notices?

The process is burdensome for individuals and entities of any size. Larger entities, which may hold or manage numerous copyrighted works, may use technological tools and many employees or consultants to search for infringing files on the internet and to file notices in an attempt to get them removed. Independent creators, however, often have to face this issue alone. Composer Maria Schneider testified before the House Judiciary Committee that she spends “countless hours” trying to get various websites to take down illegally uploaded copies of her music, infringements which threaten her livelihood.²⁷ Schneider lamented:

The majority of my time is now spent on activities that allow me some chance of protecting my work online. Only a fraction of my time is now available for the creation of music. So instead of the Copyright Act providing an incentive to create, it provides a disincentive.²⁸

9. Please address the role of both ‘human’ and automated notice and takedown processes under section 512, including their respective feasibility, benefits and limitations.

The immense volume of unauthorized postings, including repeat postings, challenges copyright owners’ ability to keep up, prompting resort to automated methods of identifying

²⁶ *Id.* at 11 (Statement of Professor Sean M. O’Connor).

²⁷ Section 512 Hearing, *supra* note 11 at 56-59 (Statement of Maria Schneider, Composer).

²⁸ *Id.* at 58.

unauthorized material, and of communicating takedown notices to service providers. But given the Ninth Circuit's holding in *Lenz v. Universal Music Corp.*, -- F.3d --, 2016 WL 1056082 (9th Cir. 2016), that the copyright owner's expression of a good faith belief that the posting is infringing under section 512(c)(3)(A)(v) requires an assessment that the posting is not a fair use, the question arises whether, or to what extent, automated fair use assessment is possible. The more the copyright owner must engage in manual review, the more difficult it may become to stay abreast of the massive numbers of unauthorized postings.

Lenz itself offers no guidance. While the Ninth Circuit's original 2015 decision adverted to the problem of practical implementation of fair use review, including by automated means, its amended 2016 opinion omits all discussion of practical implementation, leaving one guessing the means by which the copyright owner is to form a subjective good faith belief that the posted material is infringing. The Ninth Circuit's desistance from articulating ways to balance the competing concerns of users to avoid the blockage of non-infringing fair use postings on the one hand, and those of copyright owners for effective enforcement in a fast-moving technological environment on the other, is disappointing, albeit understandable on the facts of the case, in which there existed no record regarding automated versus human review.

The balance between particularized takedown notice obligations and mass UGC postings may skew against copyright holders absent some automated means to form a good faith belief that each posting lacks a reasonable claim to fair use. "Teaching" a search bot to recognize a parody or other fair use may not be an obvious proposition – indeed the difficulties of teaching the fair use doctrine to human law students might make one less than sanguine about teaching a computer to recognize fair uses – and manual review by copyright owners may therefore seem necessary. But one can imagine increasing levels of sophistication, to recognize, for example, when the uploaded content matched by the identification technology to a copyrighted work consists entirely of the copyrighted content, or instead is composed of small excerpts interwoven with truly user-generated content (content that does not match to the content which the filter identifies).²⁹ For example, the byte equivalent of the apocryphal "250 word" threshold for permissible unauthorized quotations might be programmed into the bot; similarly, the bot might

²⁹ Or, in the case of "mashups" (assuming these to be fair use – a potentially contentious assumption) small excerpts matched to many identified works. The Ninth Circuit's original panel opinion, slip op. at 19, indicated that human review might not be required if the computer match set a very high threshold of identity between the copyrighted work and the unauthorized posting.

distinguish between overall quantity of content matched between the user-generated upload and a copyrighted work (or works), but might let pass matches that are not in sequence and therefore might more likely be parodies or mash-ups.³⁰ The prospect of automated fair use might after all not prove as preposterous as first impression suggests.

There remains, however, the danger of false positives. An excerpt too substantial for the bot might not always be an unfair use. In that, probably infrequent, instance, would systematic manual review be required before the copyright owner could form a good faith subjective belief that the material was infringing? But were that the rule, then automated review would not substantially diminish the copyright owner's burden, because even total matches would demand individualized human assessment. If the *Lenz* rule mandates individualized assessment of each posting, notwithstanding copyright owners' implementation of directions that would limit the identification of infringing content to substantial reproductions of copyrighted content that do not combine that content with other user-generated or user-borrowed work, then that rule may set a practically insuperable barrier if the volume and reiteration of unauthorized postings continue unabated. A more realistic standard might consider that an appropriately generous automated standard for identifying infringing postings suffices to provide a basis for the copyright owner's good faith belief, notwithstanding the possibility of false positives. Given the *Lenz* court's insistence that the copyright owner's fair use assessment need neither be correct nor objectively reasonable, and that all that is required is a good faith subjective belief that the posting is infringing, one can even expect that an automated standard that tolerates a high threshold of unauthorized incorporation of copyrighted material might identify fewer instances of infringement than individualized subjective application of a less forgiving approach to fair use.

The structure of section 512, moreover, makes clear that the copyright owner may be wrong, albeit reasonably so, about a posting's fair use status. The purpose of the counter-notification and put-back obligation is precisely to counteract false positives. Given that human review can still produce misjudgments of a posting's fair use status, if the copyright owner has

³⁰ See, e.g., Memorandum of Understanding between MPAA, RIAA and various ISPs, <http://www.copyrightinformation.org/wp-content/uploads/2013/02/Memorandum-of-Understanding.pdf> (7/6/2011), p. 6, section C: "For purposes of generating ISP Notices, the Content Owner Representatives further agree to focus on instances of P2P Online Infringement involving files or data consisting primarily of infringing material or containing unauthorized copyrighted works in complete or substantially complete form and to avoid instances of P2P activity in which de minimis amounts of allegedly infringing material are incorporated into files or data consisting primarily of non-infringing material."

implemented an automated detection system that reduces the likelihood of misidentifications, then to require additional human intervention unduly increases the burden on the copyright holder without clearly benefitting the user (unless one believes that users appropriately benefit when the volume of infringement is so great that copyright owners cannot effectively utilize the notice and takedown system that Congress devised as copyright owners' principal practical remedy against infringements hosted by third party sites).

10. Does the notice and takedown process sufficiently address the reappearance of infringing material previously removed by a service provider in response to a notice? If not, what should be done to address this concern?

As indicated in our response to Question 6, the notice and takedown process leaves copyright owners vulnerable to having their materials immediately reposted, necessitating multiple notices with respect to the same material. There are a number of ways to ameliorate the problem; we address only two.

The first is to implement "takedown-stay down," whereby service providers, in order to retain the protections provided by section 512, would catalog works for which they have received valid notices, and be required to filter uploaded content to prevent the reposting of those works (or to facilitate monetization of them by the copyright owner), using a system such as Content ID.³¹ This approach might more fairly allocate the burden of policing services for infringing content.

Another possibility would be to provide a means to more effectively monitor and enforce the manner in which service providers are implementing section 512(i)'s repeat infringer policy.

14. Have courts properly interpreted the meaning of 'representative list' under section 512(c)(3)(A)(ii)? If not, what should be done to address this concern.

The description of the notification required by section 512(c) to effectuate takedown indicates that copyright holders may present a representative list of infringing material to service providers and are not invariably required to pinpoint each instance of infringement with a direct address. Specifically, under "elements of notification," the statute includes

³¹ Section 512 Hearing, *supra* note 11 at 14 (testimony of Prof. Sean O'Connor). This system is currently in place on YouTube.com. *Id.* at 98 (Testimony of Katherine Oyama Sr., Copyright Policy Counsel, Google, Inc.).

Identification 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.³²

The legislative history is consistent with this conclusion:

Where multiple works at a single on-line site are covered by a single notification, a representative list of such works at that site is sufficient. Thus, for example, where a party is operating an unauthorized Internet jukebox from a particular site, it is not necessary that the notification list every musical composition or sound recording that has been, may have been, or could be infringed at that site. Instead, it is sufficient for the copyright owner to provide the service provider with a representative list of those compositions or recordings in order that the service provider can understand the nature and scope of the infringement claimed.³³

Nevertheless, some courts have virtually read the “representative list” language out of the statute. For example, the district court in *Viacom Int’l, Inc. v. YouTube, Inc.* wrote: “This ‘representative list’ reference would eviscerate the required specificity of notice...if it were construed to mean a merely generic description (“all works by Gershwin”) without also giving the works’ locations at the site and would put the provider to the factual search forbidden by section 512(m).”³⁴

Absent a legislative amendment (which would be unlikely and possibly counter-productive), a study by the Copyright Office that would, inter alia, attempt to clarify this provision might be helpful.

19. *Assess courts’ interpretations of the “actual” and “red flag” knowledge standards under the section 512 safe harbors, including the role of “willful blindness” and section 512(m)(1) in such analyses. How are judicial interpretations impacting the effectiveness of section 512?*

Under section 512 (c), a service provider must expeditiously remove material on its system not only upon receipt of a compliant notice from a right holder, but also when the service provider obtains actual knowledge that the material is infringing, or becomes aware of facts or circumstances from which infringing activity is apparent.³⁵ Awareness of facts or circumstances from which infringing activity is apparent is often referred to as “red flag knowledge.”

³² 17 U.S.C. § 512(c)(3)(A)(ii).

³³ H.R. Rep. No. 105-551, Part 2 at 55 (1998).

³⁴ 718 F. Supp. 2d 514, 528-29 (S.D.N.Y. 2010), *aff’d in part, rev’d in part and remanded*, *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012).

³⁵ 17 U.S.C. § 512 (c) (1) (A), (C).

Nevertheless, the law is clear that service providers have no obligation to monitor their systems for infringing material or “affirmatively seek[] facts indicating infringing activity.”³⁶

The courts have set a very high bar for demonstrating actual knowledge or red flag knowledge sufficient to trigger a takedown obligation on the part of a service provider. For example, in *Perfect 10, Inc. v. CCBill LLC*,³⁷ the court held that websites entitled “illegal.net” and “stolencelebritypics.com,” did not constitute “red flags” for CCBill, since in the context of titillating content, “describing photographs as ‘illegal’ or ‘stolen’ may be an attempt to increase their salacious appeal, rather than an admission that the photographs are actually illegal or stolen. We do not place the burden of determining whether photographs are actually illegal on a service provider.”³⁸

In *Viacom v. YouTube*, the Second Circuit held that generalized knowledge was not sufficient to constitute a “red flag.” According to the court, red flag knowledge requires specificity, and is met only if the service provider was “subjectively aware of facts and circumstances that would have made the *specific infringement* ‘objectively’ obvious to a reasonable person.”³⁹ The Second Circuit concluded that Viacom’s evidence of YouTube’s internal communications raised an issue of fact concerning YouTube’s knowledge or awareness of infringing content on its service, and remanded the case to the district court to see if any specific infringements of which YouTube had knowledge or awareness correspond[ed]” to the Viacom film clips at issue in the suit.⁴⁰ On remand, however, the court granted summary judgment to YouTube, since Viacom could not show that YouTube had actual knowledge or awareness of the specific clips from Viacom’s copyrighted works that were involved in the suit.⁴¹

In *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, the Ninth Circuit held that “merely hosting a category of copyrightable content, such as music videos, with the general knowledge that one’s services could be used to share infringing material, is insufficient to meet

³⁶ *Id.* § 512 (m) (1).

³⁷ 488 F.3d 1102 (9th Cir. 2007).

³⁸ *Id.* at 1114. *Cf.* H.R. REP. NO. 105-551, pt. 2, at 57-58 (suggesting in the context of section 512 (d) that because the infringing nature of sites that use words such as “pirate,” “bootleg,” or slang terms in their URL and header information would be apparent from even a brief and casual viewing, safe harbor status for a provider that views such a site and then establishes a link to it would not be appropriate).

³⁹ 676 F.3d at 31 (emphasis supplied).

⁴⁰ *Id.* at 34.

⁴¹ *Viacom Int’l, Inc. v. YouTube, Inc.*, 940 F. Supp.2d 110 (S.D.N.Y. 2013).

the actual knowledge requirement under section 512(c)(1)(A)(i). We reach the same conclusion with regard to the section 512(c)(1)(A)(ii) inquiry...”⁴² Furthermore, the court continued, neither actual nor red flag knowledge standards can be applied to an entire service, but only to specific instances of infringement.⁴³

Concerning “willful blindness” the Second Circuit in *Viacom* concluded that the DMCA did not abrogate the doctrine, which could be applied “in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.”⁴⁴ It remanded the question of willful blindness to the district court, which concluded that service providers must be willfully blind to each particular incident before they will lose section 512(c)’s shelter.

In imputing knowledge of the willfully disregarded fact, one must not impute more knowledge than the fact conveyed. Under appropriate circumstances the imputed knowledge of the willfully-avoided fact may impose a duty to make further inquiries that a reasonable person would make – but that depends on the law governing the factual situation. As shown by the Court of Appeals’ discussion of “red flags,” under the DMCA, what disqualifies the service provider from the DMCA’s protection is blindness to “specific and identifiable instances of infringement.”⁴⁵

The court went on to hold that there was “no showing of willful blindness with respect to specific infringement of the clips-in-suit.”⁴⁶

The requirement that a copyright owner show that service providers have red flag knowledge of, or are willfully blind to, the specific infringements complained of in the suit to deny them safe harbor protection creates a virtually insurmountable barrier, rendering section 512(c)(1)(A)(ii) essentially moot.

20. Assess courts’ interpretations of the “financial benefit” and “right and ability to control” standards under the section 512 safe harbors. How are the judicial interpretations impacting the effectiveness of section 512?

⁴² 718 F.3d. 1006 at 1022.

⁴³ *Id.* at 1021.

⁴⁴ 676 F.3d at 35.

⁴⁵ *Viacom Int’l, Inc. v. Youtube, Inc.*, 940 F. Supp. 2d 110, 116 (S.D.N.Y. 2013).

⁴⁶ *Id.* at 117.

Section 512(c)(1)(B) establishes that the service provider must 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.” Courts have ruled that this standard does not adopt the common law test for vicarious liability⁴⁷ long enunciated in copyright cases.⁴⁸ Most of the caselaw has focused on the “right and ability to control” prong. Disposal of cases on that ground has resulted in less consideration of the meaning of direct financial benefit.

Right and ability to control

Courts have found that the ability to block access to infringing uses of a website does not of itself mean that an online service provider has the “right and ability to control” for the purposes of section 512.⁴⁹ The rationale for this departure from the common law caselaw derives from other aspects of section 512. Section 512(c)(1)(C) conditions qualification for the safe harbor on expeditious removal of the infringing content once the service provider is properly notified of its existence. Similarly, under section 512(c)(1)(A), if the service provider has actual or red flag knowledge that the material is infringing, it must remove the material of its own accord. To qualify for the statutory exemption, then, the service provider must have the ability to block access, at least once the material has been posted. But if the ability to block access also meets part of the standard for disqualification from the exemption, then the statute would be incoherent.⁵⁰

Thus, in this view, “right and ability to control” under section 512(c)(1)(B) must mean something more than ability to block access. “Something more” does not mean actual knowledge, as the Second Circuit in *Viacom* stressed, because such a rule would render section 512(c)(1)(B) duplicative of section of 512(c)(1)(A): “Any service provider that has item-specific knowledge of infringing activity and thereby obtains financial benefit would already be excluded

⁴⁷ See, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996) (liability of landlord of flea market at which vendors sold pirated sound recordings).

⁴⁸ See, e.g., *Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 37 (2d Cir. 2012); *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022, 1042-43 (9th Cir. 2011);

⁴⁹ See, e.g., *Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 37 (2d Cir. 2012); *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022, 1042-43 (9th Cir. 2011); *Costar Group, Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688, 704-05 (D. Md. 2001); *Hendrickson v. Ebay, Inc.*, 165 F. Supp. 2d 1082, 1093-94 (C.D. Cal. 2001)

⁵⁰ *Costar Group*, 164 F. Supp. 2d at 704 n.9; *Hendrickson*, 165 F. Supp. 2d at 1093-94.

from the safe harbor under § 512(c)(1)(A) for having specific knowledge of infringing material and failing to effect expeditious removal.”⁵¹

Nonetheless, courts requiring “something more,” generally find that the service lacked the requisite “right and ability to control.” In a rare decision to find the necessary control, *Columbia Pictures v. Fung*,⁵² the Ninth Circuit, quoting *Viacom*, characterized the “something more” as “exerting substantial influence on the activities of users.”⁵³ In *Fung*, in addition to its ability to block access and terminate subscribers (already statutory preconditions to safe harbor availability), the defendant actively intervened to facilitate infringement in a variety of ways: defendant “organized torrent files on his sites using a program that matches file names and content with specific search terms describing material likely to be infringing, such as ‘screener’ or ‘PPV.’ And when users could not find certain material likely to be infringing on his sites, Fung personally assisted them in locating the files. Fung also personally removed ‘fake[], infected, or otherwise bad or abusive torrents’ in order to ‘protect[] the integrity of [his websites’] search index[es].”⁵⁴

As the excerpt from *Fung* demonstrates, however, courts’ current interpretation of the “right and ability” prong encounters the same critique as those courts levelled against equating ability to block access or terminate subscribers with the “right and ability to control.” If that equation made the statute redundant, because host providers would not qualify under section 512(c)(1)(A) and (C) (removal of infringing postings) and 512(i)(1)(A) (termination of repeat infringers) unless they had that ability, the same redundancy problem recurs with respect to the kinds of activities that satisfy the judicial standard of “something more” and the statutory knowledge prerequisites under section 512(c)(1)(A)(i) and (ii). Consider the following statement from the district court in *Viacom*:

Thus, where the service provider's influence does not "take the form of prescreening content, rendering extensive advice to users regarding content and editing user content," *Wolk v. Kodak Imaging Network, Inc.*, 840 F. Supp. 2d 724, 748 (S.D.N.Y. 2012), or where the service provider lists items for sale by users but "is not actively involved in the listing, bidding, sale and delivery of any item," *Hendrickson v. eBay, Inc.*, 165 F. Supp. 2d 1082, 1094 (C.D. Cal. 2001), and

⁵¹ *Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d at 36.

⁵² 710 F.3d 1020 (9th Cir 2013).

⁵³ *Id.* at 1045, quoting *Viacom Int'l, Inc.*, 676 F.3d at 38. Inducing infringement may qualify, as the Ninth Circuit stated in *Shelter Capital* and reiterated in *Fung*, *id.* at 1045-46.

⁵⁴ *Id.* at 1046.

"does not preview the products prior to their listing, does not edit the product descriptions, does not suggest prices, or otherwise involve itself in the sale," *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1110 (W.D. Wash. 2004), its influence on users is not participation in their infringing activity, and does not amount to the required "control" beyond the normal ability of every service provider to decide what appears on its platform.⁵⁵

Following the negative inference that if the service provider had engaged in the described activities it would have fulfilled the "something more" standard, the redundancy becomes apparent. Any service that "prescreen[s] content," or that is "actively involved in the listing. . . of any item," or that "preview[s]" products or "edit[s] the product descriptions" will inevitably have the actual knowledge (or at the very least, red flag knowledge) that disqualifies the service from the safe harbor under section 512(c)(1)(A)(i) and (ii).

We are compelled to reach the sad conclusion that the statute is imperfectly drafted. Whether one interprets section 512(c)(1)(B) as adopting the common law standard of vicarious liability (an approach supported by legislative history,⁵⁶ and some of the early case law⁵⁷), or the judicially-interpolated "something more" standard, the statute will in this respect be incoherent. We suggest that the common law vicarious liability standard may be closer to Congress' intention and in any event better balances practical enforceability with the Congressional goal to provide breathing space for new business models without the unintended consequence of fostering internet enterprises built on the uncompensated communication of copyrighted works.

Direct financial benefit

The *Fung* case also addressed the financial benefit prong, and found that defendant's activities met the statutory standard. In an analysis more consistent with common law standards, the *Fung* court reiterated the necessity of a causal relationship between the infringing activity and the financial benefit, and recognized that it suffices to demonstrate that the infringements

⁵⁵ 940 F. Supp.2d at 118-19.

⁵⁶ H.R. REP. NO. 105-551, pt. 1, at 26 (1998).

⁵⁷ See, e.g., *Perfect 10 v. CC Bill*, 481 F.3d at 766-67 (common law standards and Section 512(c)(1)(B) standards are the same); *Costar Group v Loopnet, Inc.*, 164 F. Supp. 2d 688, 704 (D. Md. 2001), *aff'd* 373 F.3d 544 (4th Cir. 2004) (stating that "Basically, the DMCA provides no safe harbor for vicarious infringement because it codifies both elements of vicarious liability.").

were a “draw” for customers.⁵⁸ The court detailed how the infringements bolstered the advertising revenue that provided Fung’s income source.

[W]e hold the connection between the infringing activity and Fung’s income stream derived from advertising is sufficiently direct to meet the direct “financial benefit” prong of § 512(c)(1)(B). Fung promoted advertising by pointing to infringing activity; obtained advertising revenue that depended on the number of visitors to his sites; attracted primarily visitors who were seeking to engage in infringing activity, as that is mostly what occurred on his sites; and encouraged that infringing activity. Given this confluence of circumstances, Fung’s revenue stream was tied directly to the infringing activity involving his websites, both as to his ability to attract advertisers and as to the amount of revenue he received.⁵⁹

Here, the court avoided the redundancy problem evoked in connection with the “right and ability” standard. The court did not rule that a financial benefit “directly attributable” to infringing activity requires the copyright owner to demonstrate that the website accepted advertising *targeted* to the infringing content. Had the court so interpreted “directly attributable,” the website owner would also have had the actual knowledge that would disqualify it from the safe harbor under section 512(c)(1)(A). Rather, the court focused on the relationship of the volume of visitors to the presence of infringing content. Under the court’s approach, an advertising-funded site that primarily hosts infringing content is likely to be drawing users to the site by virtue of that content, particularly if the website operator is also facilitating users’ location of that content. The Ninth Circuit’s analysis does not necessarily preclude a determination that a less substantial proportion of infringing content would not also be a sufficient “draw.” As that court stated in an earlier decision, what matters “is a causal relationship between the infringing activity and any financial benefit a defendant reaps, regardless of *how substantial* the benefit is in proportion to a defendant’s overall profits.”⁶⁰

Respectfully submitted,

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⁵⁸ 710 F.3d at 1044-45 and cases cited therein.

⁵⁹ *Id.* at 1045.

⁶⁰ *Ellison v. Robertson*, 357 F.3d 1072, 1078-79 (9th Cir. 2004) (emphasis in original).