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## Second Circuit Examines Limits of DMCA Safe- Harbor Protection

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### Introduction

In two recent decisions, *EMI Christian Music Group, Inc. v. MP3tunes, LLC*<sup>1</sup> and *Capitol Records, LLC v. Vimeo, LLC*,<sup>2</sup> the Second Circuit addressed several important questions – and sounded some cautionary notes – for online service providers concerning the parameters of the safe harbor under section 512(c) of the Digital Millennium Copyright Act (DMCA).

To qualify for the section 512(c) safe harbor, an online service provider (i) must not have “actual knowledge” that material on the system is infringing; (ii) must not be “aware of facts or circumstances from which infringing activity is apparent”; and (iii) “upon obtaining such knowledge or awareness, [must] act[] expeditiously to remove, or disable access to, the material.”<sup>3</sup> The statute expressly does *not* condition safe harbor protection on a service provider “monitoring its service or affirmatively seeking facts indicating infringing activity.”<sup>4</sup> In addition, the statute requires, among other prerequisites, that a service provider have “adopted and reasonably implemented, and inform[ed] subscribers and account holders of... 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.”<sup>5</sup>

In its two most recent DMCA rulings, the Second Circuit examined the “facts or circumstances” that give rise to so-called “red flag” knowledge of infringement; the scope of the service’s obligation upon obtaining such knowledge; and what constitutes an adequate repeat infringer termination policy. The court made clear that although a service provider is not necessarily charged with knowledge of infringing material its employees review in the ordinary course of business and need not monitor proactively for infringements, it is required to track, identify, and take appropriate action against repeat infringers without regard to their apparent intent, and it may be required, where feasible, to remove or block access to readily identified and locatable categories of material that it knows are infringing even without receiving a takedown notice.

### VIMEO

#### “Red Flag” Knowledge

Four years ago in *Viacom Int’l, Inc. v. YouTube, Inc.*,<sup>6</sup> the Second Circuit explained that “red flag” knowledge – as distinct from “actual knowledge”<sup>7</sup> – “turns on whether the provider was subjectively aware of facts that would have made the specific infringement ‘objectively’ obvious to a reasonable

person.”<sup>8</sup> The court emphasized that “red flag” knowledge, like actual knowledge, must relate to “specific and identifiable instances of infringement” and that evidence that YouTube employees knew that 60% or more of YouTube streams contained copyrighted material did not create a genuine issue of material fact as to “red flag” knowledge of infringement because it was not sufficiently specific.<sup>9</sup> However, an internal report alluding to the presence of “blatantly illegal” clips and episodes of popular copyrighted television shows as well as employee emails alluding to other specific copyrighted content raised a material issue of fact regarding YouTube’s knowledge or awareness of specific instances of infringement – without having received takedown notices directed at that material – warranting reversal of summary judgment for Google.<sup>10</sup>

The Second Circuit revisited “red flag” knowledge in *Vimeo*, where it reviewed the denial of summary judgment to the video-hosting service Vimeo based on evidence that certain Vimeo employees had viewed parts of various videos that contained infringing songs. Vimeo’s 12.3 million registered users post approximately 43,000 new videos to Vimeo each day without any involvement of Vimeo staff. However, a Vimeo “Community Team” of sixteen employees “curates” content by (i) designating some videos with a “like” sign; (ii) preparing commentary on some videos; (iii) offering technical assistance; and (iv) sometimes inspecting videos suspected of violating Vimeo’s policies. The Community Team uses various tools to assist in locating and removing videos that may violate the site’s Terms of Service, but the screening is limited to visual content. When one of the tools flags a video and/or user, Vimeo staff review them individually. Vimeo also allows users to flag potentially violative videos and to submit DMCA takedown claims, whereupon Community Moderators evaluate flagged content and decide whether to remove it. Some 4,000 videos were removed over a two-year period.

Various record and music publishing companies sued Vimeo in the Southern District of New York for direct, contributory, and vicarious copyright infringement, arguing that the failure to screen audio content while screening visual content demonstrated willful blindness

to infringement and, further, that, based on emails between Vimeo employees and users, Vimeo actively encouraged users to post infringing videos by suggesting that the practice would be tolerated. None of the 199 videos at issue in the case was the subject of a takedown notice. The parties cross-moved for summary judgment as to whether Vimeo qualified for the section 512(c) safe harbor. The court granted summary judgment to Vimeo for 144 of the videos on the ground that there was no evidence Vimeo employees had viewed them.<sup>11</sup> However, where there was evidence of viewing by Vimeo employees, the court found triable issues of fact as to whether Vimeo had acquired actual or “red flag” knowledge of infringement and thus did not qualify for the safe harbor.<sup>12</sup>

The district court certified two questions to the Second Circuit for interlocutory appeal: (1) Does the DMCA apply to pre-1972 sound recordings; and (2) Whether a service provider’s viewing of “a user-generated video containing all or virtually all of a recognizable, copyrighted song may establish ‘facts or circumstances’ giving rise to ‘red flag’ knowledge of infringement.” The Second Circuit also granted Vimeo’s petition for interlocutory review of whether plaintiffs could establish willful blindness.

On the pre-1972 question the Second Circuit reversed, holding that section 512(c) immunity applies to copyright claims made under state law.<sup>13</sup> With respect to “red flag” knowledge, the court held that the mere viewing by a Vimeo employee of videos containing a “recognizable, copyrighted song” did not constitute “red flag” knowledge under *Viacom* because the mere fact of viewing a video, without information as to how much of the video was viewed or why it was viewed, is not enough to make infringement obvious to an ordinary person as a matter of law.<sup>14</sup> The court described several scenarios in which an employee’s viewing of a video would not constitute “red flag” knowledge: the viewing might have been too brief to reveal that it contained the infringing material; the viewing might have been for technical or classification reasons unrelated to attempting to detect copyright infringement; or the employee might not have recognized that the material was infringing.<sup>15</sup> The court stated that employees

“cannot be assumed to have expertise in the laws of copyright” sufficient to, for example, distinguish infringement from fair use parody or to know whether the use is likely to have been authorized.<sup>16</sup> The court also emphasized that it is the plaintiff’s burden to demonstrate the service provider’s failure to take the requisite remedial action after acquiring actual or “red flag” knowledge; the defendant need not negate such knowledge with respect to all of its employees.<sup>17</sup>

### **Willful Blindness**

In *Viacom* the Second Circuit held that knowledge of infringement that would disqualify the defendant from the 512(c) safe harbor also can be established by the common law doctrine of willful blindness.<sup>18</sup> In *Vimeo* the court rejected the argument that having supposedly encouraged users to post infringing matter, Vimeo could not then close its eyes to the resulting infringements, noting that willful blindness, as “a proxy for knowledge,” must “relate to specific infringements.”<sup>19</sup> The relevant evidence consisted of “a handful of sporadic instances (amongst the millions of posted videos) in which Vimeo employees inappropriately encouraged users to post videos that infringed music.”<sup>20</sup> The court held that this evidence did not “support a finding of... generalized encouragement of infringement” as posited by the plaintiffs.<sup>21</sup> The court also rejected the plaintiffs’ assertion that a suspicion of infringement (as opposed to an obvious infringement) gives rise to a duty to investigate further (and that failing to do so constitutes willful blindness). “Protecting service providers from the expense of monitoring was an important part of the compromise embodied in the safe harbor... If service providers were compelled constantly to take stock of all information their employees may have acquired that might suggest the presence of infringements in user postings, and to undertake monitoring investigations whenever some level of suspicion was surpassed, these obligations would largely undo the value of § 512(m).”<sup>22</sup>

### **Comments**

*Vimeo* makes clear that mere contact with allegedly infringing material does not necessarily constitute “red flag” knowledge and that a failure to investigate

whether allegedly suspicious content is infringing cannot constitute willful blindness because it would conflict with the section 512(m) prohibition on an affirmative duty to monitor. The court thus reaffirmed that the copyright holder ordinarily must notify the service provider of specific infringing material before the service provider has an obligation to take remedial action in order to qualify for safe-harbor protection. Thus, except as it relates to specific infringing materials, “red flag” knowledge and/or willful blindness cannot be invoked to circumvent the copyright holder’s notification obligation. Otherwise, service providers would effectively be forced to engage in proactive monitoring based on general awareness of infringement – thus undermining the purpose of the safe harbor.

### **MP3TUNES**

In *MP3tunes*, the Second Circuit again addressed the issue of knowledge in the absence of takedown notices, albeit on much more damning facts than in *Vimeo*. MP3tunes, LLC (MP3tunes) operated MP3tunes.com, a locker service for storing digital music, and sideload.com, a service that allowed users to search for free music on the Internet. Users could choose either a free locker with limited storage space or could pay for a larger locker. MP3tunes used an algorithm that created an identification number called a hash tag for each stored song; if different users uploaded the same song to MP3tunes’s servers, it was assigned the same hash tag and typically saved only once. MP3tunes kept track of the sources of songs in its users’ lockers and could identify the third-party websites from which users copied songs to their lockers.<sup>23</sup>

Sideload.com offered a free plug-in that enabled users to “sideload” (upload) songs they found on the Internet directly to their MP3tunes storage lockers. Every time a user sideloaded a song into his/her locker, the song was added to an index of searchable songs stored on MP3tunes’s servers. MP3tunes executives, including CEO Michael Robertson, used their own MP3tunes accounts to store sideloaded songs (thus building the index), and MP3tunes encouraged users to upload songs to the sideload.com index in various ways, including by creating lists of top sideloaders.

In September 2007, an EMI entity sent MP3tunes a takedown notice identifying 350 song titles and web addresses that allegedly infringed EMI's copyrights as well as a list of EMI artists, and demanded that MP3tunes "remove all of EMI's copyrighted works, even those not specifically identified." MP3tunes removed all of the links to the specific web addresses in the letter but did not remove infringing songs from users' lockers. MP3tunes asked EMI to identify any other infringing links, but EMI contended that its representative list was sufficient to require MP3tunes to take down all other infringing material. Two other EMI entities also sent similar takedown notices, and MP3tunes again removed specific links but did not also remove identical content from users' lockers.

In November 2007, EMI and various other record companies and music publishers sued MP3tunes and Robertson for copyright infringement in the Southern District of New York, alleging that they had infringed, *inter alia*, thousands of copyrights in sound recordings and musical compositions. Both sides moved for summary judgment. MP3tunes argued that it was protected by the section 512(c) safe harbor, but EMI argued that MP3tunes had failed to reasonably implement a repeat infringer policy; failed to act expeditiously to remove works identified in takedown notices; ignored "red flags" of widespread infringement; and controlled and benefitted from the infringing activity.

The district court (Judge William Pauley) held that MP3tunes satisfied the section 512(i) prerequisites because it had a reasonably implemented repeat infringer policy under section 512.<sup>24</sup> The court found that MP3tunes's decision not to terminate the accounts of users who sideloaded content to their lockers for personal use was appropriate because those users did not know for sure that the material they downloaded was infringing and thus were not blatant infringers.<sup>25</sup> The court granted EMI's motion for summary judgment on contributory liability, finding that MP3tunes had *actual knowledge* from takedown notices that certain EMI works were infringing but chose only to remove infringing links and not to block users' access to infringing files.<sup>26</sup>

Following a 12-day liability trial, a jury found MP3tunes secondarily liable for infringements of EMI

music by users, third-party websites, and executives based on MP3tunes having acted with both "red flag" knowledge and willful blindness as to four categories of works: (1) takedown notices identifying ten or more infringing files on a domain; (2) sideloads of MP3s before January 2007; (3) sideloads by MP3tunes executives; and (4) works by the Beatles. The district court granted judgment for MP3tunes as a matter of law, finding no secondary liability for three of the four categories of works: (1) tracks sideloaded by users from domains with 10 or more infringing files identified; (2) MP3s released before January 2007; and (3) Beatles songs, but the court upheld the jury's finding of liability with respect to sideloads by MP3tunes executives because the court found it reasonable to conclude that it would be objectively obvious to a reasonable person that those sites were infringing.<sup>27</sup> Both parties appealed.

### **Repeat Infringer Policy**

The Second Circuit rejected the district court's holding that only willful or knowing infringers should be subject to termination as repeat infringers, finding it unsupported by the text, structure, or legislative history of the DMCA.<sup>28</sup> In addition to finding no statutory basis to equate "repeat" with "blatant," the court noted that requiring service providers to attempt to discern users' knowledge of infringement would conflict with section 512(m)(1), which relieves service providers of an obligation to investigate or monitor infringement.<sup>29</sup> Accordingly, the court held that MP3tunes was not entitled to summary judgment on its DMCA defense because it "did not even try to connect known infringing activity of which it became aware through takedown notices to users who repeatedly created links to that infringing content... or who copied from those links,"<sup>30</sup> and that MP3tunes executives knew of specific repeat infringers and did not take action.<sup>31</sup>

### **"Red Flag" Knowledge/Willful Blindness**

With respect to knowledge of infringement, the court noted the trial evidence showing that MP3tunes knew that major music labels generally had not authorized their music to be distributed as MP3s prior to 2007 and that the Beatles had *never* authorized their songs to

be available digitally.<sup>32</sup> Moreover, it was reasonable, the court held, for a jury to find that MP3tunes had the ability to search sideload.com for MP3s sideloaded before a certain date and for Beatles songs.<sup>33</sup> While the jury was clearly (and properly) instructed that there was no affirmative duty to monitor, the Second Circuit held that it nonetheless was permitted to conclude that requiring a targeted search for songs before a certain date or for songs by the Beatles did not create a broad affirmative duty to monitor at odds with section 512(m).<sup>34</sup> Particularly in light of evidence of MP3tunes and Robertson's bad intentions, the court held that it was reversible error to find no "red flag" knowledge or willful blindness with respect to the pre-2007 and Beatles works that easily could have been identified with some basic searches of the service.<sup>35</sup>

These conclusions relied on the fact that every time a user sideloaded a song from a third-party site into his/her locker, that third-party website was added to sideload.com's index of searchable songs stored on MP3tunes's servers, and information associated with the song was automatically stored on a "Track Details" page that became part of the index. A reasonable jury could have concluded that MP3tunes had the ability to search sideload.com for MP3s sideloaded before a certain date, and expert testimony demonstrated that "searching through libraries of MP3 songs was a common function of MP3tunes's business."<sup>36</sup> In addition, MP3tunes's knowledge was seemingly undisputed: Robertson "apparently knew that major record labels had not offered songs in MP3 format until 2007."<sup>37</sup>

The Second Circuit also affirmed the district court's ruling upholding the jury's verdict of "red flag" knowledge and willful blindness with respect to songs sideloaded by Robertson and MP3tunes employees from personal file storage sites and student-run collect webpages with "obviously infringing" URLs. The court stated that "[i]f the facts actually known by an employee of the service provider make infringement obvious, the service provider cannot escape liability through the mechanism of the safe harbor."<sup>38</sup> The court relied on the fact that the defendants (including Robertson) had themselves spent considerable time on the infringing sites sideloading songs and thus

gained fairly intimate knowledge of the activities on those sites. They intentionally sideloaded works from sites that were so clearly infringing that it would have been obvious.<sup>39</sup>

## Comments

*MP3tunes* confirms that a reasonable repeat infringer policy must track infringement complaints against individual users and cannot fail to do so on the ground that the conduct was not deliberately infringing; the statute contains no intent requirement.

With respect to knowledge and the resulting takedown obligation, *MP3tunes* suggests that where there is material on a site that is clearly and categorically infringing, and where the defendant can easily identify that content and remove it (e.g., tracks well-known never to have been authorized for digital distribution), "red flag" knowledge may be found. The Second Circuit was careful to note, however, that copyright owners still have the burden of showing the defendant had knowledge of specific infringing material. And where the lines are not clean and simple, as the court found they were with respect to "MP3s before 2007" and "no Beatles," courts are unlikely to find "red flag" knowledge (or an affirmative duty to identify all infringing files).<sup>40</sup>

## Conclusion

In its recent *Vimeo* and *MP3tunes* decisions, which followed its 2012 ruling in *Viacom*, the Second Circuit helped define the narrow circumstances in which DMCA safe-harbor protection can be lost even as to copyrighted material for which the service provider did not receive a takedown notice. More is required, the court held in *Vimeo*, than just some interaction with the content by employees; it must be shown that the infringement would have been obvious to an ordinary person.

*MP3tunes* presented unusual facts in which there was evidence not just that the CEO and other employees knew about and sought to encourage users to copy infringing music files but that they did so themselves. The court found, moreover, that the design of the service's indexing feature, coupled with the readily ascertainable and searchable nature of certain categories of infringing material, made it appropriate

for the takedown obligation to cover all the files in those categories. The court made clear that this search obligation did not constitute a broad duty to monitor for infringing content, which the DMCA bars; rather, the court saw it as a limited, feasible remedial action based on knowledge of specific infringing material acquired by sophisticated individuals.

*MP3tunes* demonstrates that service providers cannot turn their backs with impunity on obvious infringements and expect to be protected by section 512, nor can they fail to remove or block access to specific content they know is infringing if the index and search functions of the site make it feasible to do so without disrupting the service. While it remains to be seen how other courts will interpret *MP3tunes*, it should be understood as limited to the narrow factual circumstances presented, i.e., employees/executives deliberately populating the service with what was known to be infringing material. The ruling should be seen as a cautionary note, not an alarm bell, for services acting in good faith to comply with the DMCA. Such services can take comfort from the high bar set in *Vimeo* for “red flag” knowledge and willful blindness.

1. 2016 U.S. App. LEXIS 19236 (2d Cir. Oct. 25, 2016).
2. 826 F.3d 78 (2d Cir. 2016).
3. 17 U.S.C. § 512(c)(1)(A)(i)-(iii).
4. *Id.* § 512(m)(1).
5. *Id.* § 512(i).
6. 676 F.3d 19 (2d Cir. 2012).
7. *See* 17 U.S.C. § 512(c)(1)(A)(i)-(ii).
8. 676 F.3d at 31.
9. *Id.* at 33.
10. *Id.* at 33-34.
11. *Capitol Records, LLC v. Vimeo, LLC*, 972 F. Supp. 2d 500, 523 (S.D.N.Y. 2013).
12. *Id.*
13. 826 F.3d at 87-93.
14. *Id.* at 94.
15. *Id.* at 96-97.

16. *Id.* at 97.
17. *Id.* at 95.
18. 676 F.3d at 35.
19. *Vimeo*, 826 F.3d at 99.
20. *Id.*
21. *Id.*
22. *Id.* at 98-99.
23. *See Capitol Records, Inc. v. MP3tunes, LLC*, 821 F. Supp. 2d 627, 633-34 (S.D.N.Y. 2011) (“*MP3tunes I*”).
24. *Id.* at 638-39.
25. *Id.* at 638.
26. *Id.* at 643. The court also found that MP3tunes did not have actual or “red flag” knowledge of infringement based upon executives sideloading songs from what plaintiffs argued were obviously infringing sites, but the court partially reconsidered this ruling following the Second Circuit’s decision in *Viacom. Capitol Records, Inc. v. MP3tunes, LLC*, 107 U.S.P.Q.2d 1770, 2103 WL 1987225 (S.D.N.Y. May 14, 2013) (“*MP3tunes II*”). Finding that a jury could reasonably interpret certain record evidence as triggering a duty to make further inquiries into specific and identifiable instances of infringement, the court vacated summary judgment for the defendants on contributory liability for those songs that were not the subject of DMCA takedown notices. The court also withdrew its grant of summary judgment to MP3tunes on its lack of “red flag” knowledge on the ground that under *Viacom* something less than a formal takedown notice could establish “red flag” knowledge. *Id.*
27. *Capitol Records, Inc. v. MP3tunes, LLC*, 48 F. Supp. 3d 703 (S.D.N.Y. 2014) (“*MP3tunes III*”).
28. 2016 U.S. Dist. LEXIS at \*13-14.
29. *Id.*
30. *Id.* at \*16.
31. *Id.* at \*16-17.
32. *Id.* at \*22-24.
33. *Id.* at \*23.
34. *Id.* at \*23-24.
35. *Id.* at \*25.
36. *Id.* at \*23.
37. *Id.* at \*22.

38. *Id.* at \*30 (quoting *Vimeo*, 826 F.3d at 97).

39. *Id.* at \*31.

40. It bears noting that a duty to search and remove particular categories of content has been at least a theoretical possibility in the copyright context since *Hendrickson v. eBay*, 165 F. Supp. 2d 1082 (C.D. Cal. 2001):

The Court recognizes that there may be instances where a copyright holder need not provide eBay with specific item numbers to satisfy the identification requirement. For example, if a movie studio advised eBay that all listings offering to sell a new movie (e.g., "Planet X,") that has not yet been released in VHS or DVD format are unlawful, eBay could easily search its website using the title "Planet X" and identify the offensive listings. However, the record in this case indicates that specific item numbers were necessary to enable eBay to identify problematic listings.

*Id.* at 1090.

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