

# Back Into the Open Sea - US Appellate Court Sends Viacom V Youtube Safe Harbour Case Back to Trial

Henry Fraser examines the *Viacom v Youtube* decision and considers its potential implications for carriage service providers in Australia.

## Introduction

The US case of *Viacom v. YouTube* concerned the US 'safe harbor' exemption from liability for copyright infringement by online service providers (**OSPs**).<sup>1</sup> This article provides a brief summary of the case before offering a few comments on the liability of carriage service providers in Australia for the copyright infringements of their customers.

## 1. Background

The safe harbor provisions of the US Digital Millennium Copyright Act 17 U.S.C (**DMCA**) apply not only to carriage service providers, who provide access to the internet, but also to online service providers (**OSPs**), such as search engines.

**The red flag test posits that mere knowledge of the general prevalence of an infringing activity conducted on or through the OSP's service is not enough to deny the protection of the safe harbour.**

§512(c) of the DMCA applies to infringements by an OSP that arise '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 OSP. An OSP will not be liable for monetary or injunctive relief in respect of such an infringement if the OSP:

- (a) does not have 'actual knowledge' of the presence of the infringing material (§512(c)(1)(A)(i));
- (b) is not 'aware of facts and circumstances that would make infringing material apparent' (§512(c)(1)(A)(ii));
- (c) acts expeditiously upon obtaining such awareness of knowledge to take down allegedly infringing material (§512(c)(1)(A)(iii));
- (d) does not obtain a direct financial benefit from the infringing activity in circumstances where it has the 'right or ability to remove or control' such activity (§512(c)(1)(B)0;
- (e) acts expeditiously to take down allegedly infringing material upon receiving notice of infringements in a prescribed form (§512(c)(1)(C) and §512(c)(3)); and
- (f) has designated an agent to receive notices of infringement §512(c)(2), and provided contact details for the agent to the public online and to the US Copyright Office.

A notice from a rights-holder that is not in a prescribed form is not taken into account in determining whether an OSP has actual

knowledge of infringement or awareness of facts and circumstances making infringement apparent.

## 2. Facts

In the present case, two separate claims were heard together. In one claim the plaintiffs included Viacom International, Inc., Comedy Partners, Country Music Television, Inc., Paramount Pictures Corporation and Black Entertainment LLC. In the other claim, there were also numerous high-profile plaintiffs including the Football Association Premier League Limited and the Fédération Française de Tennis.

The plaintiffs in each suit claimed that YouTube, Inc., YouTube LLC and Google, Inc (together **YouTube**) had infringed their copyright both directly and vicariously by reproducing, publicly performing and displaying approximately 79,000 audiovisual 'clips' in which the plaintiffs owned copyright.

YouTube moved for summary judgment that it was entitled to the protection of the §512(c)(1) safe harbor. The plaintiffs cross-moved for summary judgment that the YouTube was not entitled to the safe harbour protection because:

- (a) YouTube had actual knowledge of their users' infringement, and were aware of facts and circumstances from which infringing activity was apparent;
- (b) YouTube received direct financial benefit from the infringement and had the right or ability to control the infringing activity; and
- (c) the infringement did not result solely from providing storage at the direction of the user.

## 3. Previous findings

At first instance, Judge Stanton of the District Court of the Southern District of New York found in favour of YouTube. His Honour held that YouTube's knowledge of infringements was not sufficient to require YouTube to take action before it received notice from the plaintiffs.<sup>2</sup>

His Honour relied heavily on the 'red flag' test advocated in the Senate Judiciary Committee Report that accompanied the introduction of the US safe harbour provisions.<sup>3</sup> The red flag test posits that mere knowledge of the general prevalence of an infringing activity conducted on or through the OSP's service is not enough to deny the protection of the safe harbour. Before an OSP is required to act to take down allegedly infringing material there must be a specific 'red flag' that puts the service provider on notice, or there must be notice in the prescribed form from a rights-holder.

Judge Stanton held that an OSP must have "knowledge of specific and identifiable infringements " in order to be considered to have 'actual knowledge' or 'awareness of facts and circumstances' that

1 *Viacom Int'l, Inc. v. YouTube, Inc.*, No. 10-3270-cv, 2012 WL 1130851 (2d Cir. Apr. 5, 2012)

2 *Viacom International, Inc. v. YouTube, Inc.*, No. 07 Civ. 2103

3 Senate Judiciary Committee Report and the House Committee on Commerce Report, H.R. Rep. No. 105-551, pt. 2 (1998).

## In Australian copyright law there is no safe harbour for OSPs.

would disqualify it from the protection of the §512(c)(1) safe harbour. Further, his Honour held that an OSP will not be considered to have the “right and ability to control” infringing activity for the purposes of the safe harbour unless it has ‘item-specific’ knowledge of infringements. His Honour affirmed that facts and circumstances are not ‘red flags’ if it would not be possible to identify material as infringing without further investigation of those facts and circumstances.<sup>4</sup> His Honour concluded that YouTube’s general knowledge that infringement was ubiquitous did not impose a duty on YouTube to monitor or search its service for infringements as a condition of the §512(c)(1) safe harbour.

Judge Stanton also found that YouTube’s replication, transmittal and display of infringing videos in providing the YouTube service was “by reason of the storage at the direction of a user”, and therefore received safe harbour protection.

### 4. Decision on Appeal

The U.S. Court of Appeals for the Second Circuit, in a decision released on 5 April 2012, vacated Judge Stanton’s decision and sent the case back to the U.S. District Court for the Southern District of New York for retrial.

The Court of Appeals held that Judge Stanton had correctly articulated the rule that actual knowledge or awareness of specific infringing activity is required before an OSP will be considered to have ‘actual knowledge’ or ‘awareness of facts or circumstances’ that would disqualify it from safe harbour protection under §512(c)(1). The Court explained that the test for ‘actual knowledge’ is a subjective one: whether the OSP has actual knowledge of infringing conduct or material. The test for ‘awareness of facts or circumstances’, it held, is partly objective and partly subjective: whether the OSP has *subjective* knowledge of facts and circumstances that would have made the specific infringement *objectively* obvious to a reasonable person. The Court also held that common concepts of willful blindness may assist in considering whether an OSP has ‘awareness of facts and circumstances’ for the purposes of the safe harbour.

Crucially, however, the Court of Appeal’s view of the facts of the case differed from Judge Stanton’s view. The Court decided that a reasonable jury could have found that YouTube did indeed have ‘red-flag’ knowledge or awareness of specific infringing activity. The court relied on evidence of reports by and emails between YouTube staff indicating an awareness of quite specific infringements of various plaintiff’s copyright material (and indeed a willingness to persist in hosting videos known to be infringing). As it was not clear whether this awareness of specific infringement related to any of the clips in suit, the Court remanded to the District Court the questions of whether there was such specific awareness, and whether YouTube was willfully blind in relation to infringements.

The Court also held that Judge Stanton erred in his interpretation of the meaning of ‘right and ability to control’ infringing activity in the context of §512(c)(1)(B). The Court held that, to be considered to have such a right and ability, an OSP is not required to have item-specific knowledge of infringement. Further, the Court held that OSPs will not be excluded from the safe harbour merely because:

- (a) they receive a direct financial benefit from infringing material; or
- (b) they have the capacity to block access to infringing material.

Having made these comments on the interpretation of §512(c)(1)(B), the Court remanded to the District Court the question of whether the plaintiffs adduced sufficient evidence that YouTube had the right and ability to control infringement. The exact scope of §512(c)(1)(B) therefore remains unclear.

Finally, the Court upheld the trial judge’s finding that three of four software functions involved in YouTube’s replication, transmittal and display of infringing fall under the umbrella of infringement that occurs “by reason of” storage at the direction of the user, but remanded for further fact-finding the question of whether a fourth function also fell under that umbrella.

## 5. Comparison with Australia

### 5.1 Safe harbours in Australia

In Australian copyright law there is no safe harbour for OSPs. The safe harbour in Part V, Division 2AA of the *Copyright Act 1968*, applies only to carriage service providers (**CSPs**). Broadly, CSPs are providers of internet connectivity (rather than providers of services on the internet). There are however, four categories of activities protected by the Australian safe harbour, which closely reflect the categories in the US safe harbour. These are:

- (a) transmitting, routing or providing connections for copyright material, or the intermediate and transient storage of copyright material in the course of transmission, routing or provision of connections (Category A);
- (b) caching copyright material through an automatic process (Category B);
- (c) storing, at the direction of a user, copyright material on a system or network controlled or operated by or for the carriage service provider (Category C); and
- (d) referring users to an online location using information location tools or technology (Category D).

## CSPs are not required to prove that they did not have knowledge of infringing material, or awareness of facts and circumstances making infringement apparent

Category C is analogous to §512(c), and Categories A, B and D mirror §512(a), (b) and (d) respectively. The categories, effects and conditions of the Australian safe harbour are similar to those of the US safe harbour because the Australian safe harbour provisions were introduced to give effect to obligations under the Australia-United States Free Trade Agreement in 2004.

In Australia, if a CSP is protected by the safe harbour, a court cannot award damages, account of profits or other monetary relief against it. If the Category A safe harbour applies, the orders available to a court in respect of the CSP’s safe harbour activity are limited to an order requiring a CSP to disable access to an online location outside Australia or to terminate a specified account. If the Category B, C, or D safe harbours apply, then the court has the option of making some other ‘less burdensome, but comparably effective’ order, as well as the orders that would be available for a category A activity.

The conditions of the Australian Category C safe harbour that correspond to those in §512(c)(1) are the requirements that a CSP:

- (a) must act expeditiously to remove or disable access to copyright material residing on its system or network if the carriage service provider:

<sup>4</sup> Inc.665 F. Supp 2d 1099, 1108 (C.D. Cal. 2009)

## In Australia, if a CSP is protected by the safe harbour, a court cannot award damages, account of profits or other monetary relief against it.

- (i) becomes aware that the material is infringing; or
- (ii) becomes aware of facts or circumstances that make it apparent that the material is likely to be infringing;
- (b) must expeditiously remove or disable access to copyright material residing on its system or network upon receipt of a notice in the form prescribed by the *Copyright Regulations 1969* that the material has been found to be infringing by a court; and
- (c) must not receive a financial benefit that is directly attributable to the infringing activity if the carriage service provider has the right and ability to control the activity.

A CSP must also comply with a number of other conditions in order to qualify for the Category C safe harbour. The conditions are as follows:

- (a) the carriage service provider must adopt and reasonably implement a policy that provides for termination, in appropriate circumstances, of the accounts of repeat infringers;
- (b) if there is a relevant industry code in force--the carriage service provider must comply with the relevant provisions of that code relating to accommodating and not interfering with standard technical measures used to protect and identify copyright material;
- (c) the carriage service provider must expeditiously remove or disable access to copyright material residing on its system

or network upon receipt of a notice in a prescribed form that the material has been found to be infringing by a court; and

- (d) the carriage service provider must comply with a prescribed procedure in relation to removing or disabling access to copyright material residing on its system or network.<sup>5</sup>

Certain aspects of the Australian safe harbour provisions also give legislative effect to the sentiment articulated in *Youtube v Viacom* that there is no positive duty in the US on OSPs to monitor their services for infringements. In Australia, CSPs are not required to prove that they did not have knowledge of infringing material, or awareness facts and circumstances making infringement apparent. Nor is a CSP required to monitor its service for infringements or to seek facts indicating infringing activity (except to the extent necessary to accommodate, and not interfere with, standard technical measures used to protect and identify copyright material) (s116AH(2)).

### 5.2 Mere conduit defence

The other close analogue to the US service provider safe harbour is the defence in ss 39B and 112E of the Australian *Copyright Act 1968* for a persons who merely provide a facility for making a communication, where the facility is then used to make an infringing communication. The mere conduit defence is interpreted narrowly in Australia. Any knowledge or notice of infringement will generally preclude reliance on the defence.<sup>6</sup>

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<sup>5</sup> See *Copyright Act 1968*, s116AH, *Copyright Regulations 1969*, Part 3A.

<sup>6</sup> *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285; *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187.



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