

KEKER & VAN NEST LLP

# Viacom Dios

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# Viacom's March 13, 2007 Complaint

Six counts (later, seven):

- Direct infringement of the public performance, public display, and reproduction rights. (Distribution claim added later by consent.)
- Inducement of infringement, contributory infringement, and vicarious infringement.

# Remedies sought

- Declaration of direct and secondary infringement;
- Permanent injunction;
- Statutory or actual damages;
- Fees and costs;
- Pre- and post-judgment interest;
- Attempt to amend to seek punitive damages denied as futile.

# Class action

- Also included state common law claims;
- Also included foreign copyright claims; and
- Sought to proceed as a class action.

# Viacom General Counsel

“The DMCA strikes a logical compromise among competing interests and is one of many sound policies that have allowed the Web to develop and flourish.”

# Viacom General Counsel

“[N]o obligation to monitor every file loaded and downloaded by their users.”

# Viacom General Counsel

“What the DMCA doesn’t do is  
protect YouTube.”

# Google Managing Counsel, Litigation

“Copyright owners . . . have the responsibility to identify infringing material they want removed.”

# Google Managing Counsel, Litigation

“Viacom’s lawyers helped craft this law but apparently don't like it, after all. They want to shirk the responsibility Congress gave them.”

# Google Managing Counsel, Litigation

“Fortunately, the law is clear,  
and on our side.”

# Summary judgment proceedings

- Cross-motions filed in March 2010, after **three years** of discovery.
- Reply briefs were submitted on June 14th, and made public on June 28th.
- S.J. Order issued on June 23, 2010—**nine days** after replies were filed and **five days before** the replies were made public.
- Order sidesteps most of the mudslinging.
- Judge Stanton may have viewed the case as a no-brainer based on **settled (though non-binding) precedent**.

# What happened in those three years?

- Perfect 10 v. CCBill (9th Cir. 2007): red flags must be bright red.
- Io v. Veoh (N.D. Cal. 2008): Hosting safe harbor covers activities related to “storage.”
- UMG v. Veoh (C.D. Cal. 2008): Same.
- UMG v. Veoh (C.D. Cal. 2009): Granting S.J. on § 512(c) to a video-hosting site.
- Tiffany v. eBay (2d Cir. 2010 - during S.J. briefing): Generalized awareness is not enough for secondary trademark infringement liability.
- These cases built on prior precedent favorable to hosting providers, such as Corbis v. Amazon and Hendrickson v. eBay.

# Judge Stanton's assumptions

For purposes of the S.J. Order, *assumes*:

“A jury could find that the defendants . . . welcomed[] copyright-infringing material being placed on their website.”

# Judge Stanton's assumptions

Further assumes:

“Such material was attractive to users, whose increased usage enhanced defendants' income from advertisements displayed on certain pages of the website, with no discrimination between infringing and non-infringing content.”

# Judge Stanton's assumptions

And yet:

“[D]efendants designated an agent, and when they received specific notice that a particular item infringed a copyright, they swiftly removed it.”

# Central issue

Whether the knowledge disqualifiers:

“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.”

## Legislative history (re § 512(d))

- **Suspicious activity is not enough:** “one or more well known photographs of a celebrity” is not a red flag.
- Providers need not make “**discriminating judgments about potential copyright infringement.**”
- Red flags, where they exist, **impute knowledge only to specific infringements** (“only with respect to pirate sites or in similarly obvious and conspicuous circumstances”).

# Perfect 10 v. CCBill

Favorably quotes 9th Circuit precedent:

“The DMCA notification procedures place the burden of policing copyright infringement—identifying the potentially infringing material and adequately documenting infringement—squarely on the owners of the copyright. We decline to shift a substantial burden from the copyright owner to the provider . . . .”

# 17 U.S.C. § 512(m)(1)

Applicability of the safe harbors cannot be conditioned on:

“a service provider monitoring its service or affirmatively seeking facts indicating infringing activity . . . .”

## Viacom's mass takedown notice

“Indeed, the present case shows that the DMCA notification regime works efficiently: when Viacom over a period of months accumulated some 100,000 videos and then sent one mass take-down notice on February 2, 2007, by the next business day YouTube had removed virtually all of them.”

## Judge Stanton's conclusion

“General knowledge that infringement is ‘ubiquitous’ does not impose a duty on the service provider to monitor or search its service for infringements.”

# What about Grokster?

- Grokster was **not a DMCA case**.
- Safe harbor requires a **separate analysis**.
- Limewire: not a DMCA case.
- Usenet.com: terminating sanctions for misconduct.
- Fung: outlier (“undisputed evidence of “purposeful, culpable expression and conduct” aimed at promoting infringing uses of the websites”).

## Some other issues

- What is the scope of coverage? What is “infringement by reason of **storage**” intended to cover?
- What are we to make of “**financial benefit**” and “**right and ability to control**”?

# Storage

- The “hosting” safe harbor applies to “infringement of copyright **by reason of the storage** at the direction of a user of material . . . .”
- Every court to consider the issue (and there have been many) agrees that this applies to acts related to storage (e.g. providing access to hosted material).
- Judge Stanton agreed.

## Fin. bene. / right & ability to control

- Courts have by and large decided cases based on “right and ability to control.”
- Legislative history says the safe harbor applies to vicarious liability
- Courts therefore conclude that “right and ability to control” means more than control over the hosting system.
- Focus on **practical ability to control.**
- Judge Stanton did the same thing.

## Fin. bene. / right & ability to control

- No ruling on what “financial benefit directly attributable to the infringing conduct” means.
- But the legislative history says a lot about “financial benefit.”

## Fin. bene. / right & ability to control

- “[A] service provider conducting a legitimate business” is **ok** if “**the infringer makes the same kind of payment as non-infringing users of the provider’s service.**”
- Revenues must specially be keyed to infringing conduct?

## Fin. bene. / right & ability to control

- Also **ok**:
  - “one-time set-up fee” from infringer
  - “flat periodic payments” from infringer
  - “**fees based on the length of the message** (per number of bytes, for example)”
  - fees “**by connect time**”
- Last two examples in particular presume it can be **ok to make money when people access infringing material.**

## Fin. bene. / right & ability to control

- **Not ok:** “fees where **the value of the service** lies in providing access to infringing material.”
- Use of “the” suggests that if “a” value, to some users, is access to infringing material, that can be ok.
- If “the” value of a service (i.e. its entire purpose) is providing access to infringing material, that is not a “legitimate business.”

## Minor points

- Provider has some flexibility in “reasonably implement[ing]” a policy aimed at repeat infringers.
- Providers need to count automated detection of suspicious activity as a “strike.”
- Providers need not search out additional infringements of a work.

## Effect of S.J. Order

- Declaration of direct and secondary infringement;
- Permanent injunction;
- Statutory or actual damages [no];
- Fees and costs [no]; and
- Pre- and post-judgment interest [no].

## Stipulation of the parties

- Declaration of direct and secondary infringement [moot?];
- Permanent injunction [withdrawn];
- Statutory or actual damages [no];
- Fees and costs [no]; and
- Pre- and post-judgment interest [no].

# Class action

- State common law claims [safe harbor].
- Foreign copyright claims [safe harbor].
- No ruling on class cert. [moot].

# Gazing into the crystal ball

- **Viacom v. YouTube**
  - Notice of Appeal: August 11, 2010
  - Avg. time to dispo. (2d Cir. 2009): 16.9 mo.
  - Disposition: February 2012?
- **UMG v. Veoh**
  - Notice of Appeal: November 4, 2009
  - Avg. time to dispo. (9th Cir. 2009): 17.9 mo.
  - Disposition: May 2011?

# The future is clouded

- Alternative guess about when to expect a ruling in UMG v. Veoh:
  - Briefing completed: September 9, 2010
  - Typical time to hearing (9th Cir. FAQs): 9-12 mo.
  - Typical time to decision (9th Cir. FAQs): 3-12 mo.
  - Disposition: September 2011 - September 2012

# Who knows?

## Conclusion:

- **No idea** which case will get to an appellate decision first.
- At least in the initial briefing, both cases will be cited **only as district court decisions.**

# Supreme Court?

- If **the Second and the Ninth agree**, the likelihood of certiorari is slim.
- If **they split**, the likelihood of certiorari is still slim, as it always is, but how slim will depend on the details of the split.
- Yes, I know, that's **not very helpful**.

# Practical considerations

- The dispute between Viacom and YouTube was **largely about historical damages.**
- Business needs will drive **business solutions.**
- Today's perceived bandit may be **tomorrow's revenue-driving hero.**