

Practice Update

Second Circuit Further Clarifies DMCA Safe Harbors in *Vimeo*

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The Second Circuit recently decided *Capitol Records, LLC, et al. v. Vimeo, LLC*, (2d Cir. June 16, 2016) (*Vimeo*), a landmark decision concerning the interpretation of the Digital Millennium Copyright Act of 1998 (the DMCA). The DMCA gives qualifying internet service providers a safe harbor (protection) from copyright liability with respect to user-posted material.

In this case, Plaintiffs, a group of record labels and music publishers owning copyrights in sound recordings and musical compositions, brought suit against Vimeo, an internet service provider, which operates a website for the storage and exhibition of user-posted videos. Plaintiffs alleged that Vimeo was directly, contributorily and vicariously liable for the copyright infringements identified in approximately 200 videos. *Vimeo*, at 18.

Following discovery, the district court granted Plaintiffs summary judgment as to those videos that allegedly infringed pre-1972 sound recordings, finding that claims concerning those recordings were not covered by the safe harbor provisions of the DMCA, and granted summary judgment to Vimeo where there was no evidence that Vimeo employees ever observed certain of the videos at issue. As to videos containing post-1972 sound

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recordings and for which there was some evidence that Vimeo employees had observed the videos posted by users, the district court denied both sides' motions, finding that there remained triable issues of fact as to whether Vimeo acquired actual or so-called "red flag knowledge" as to the infringement of Plaintiffs' rights. *Id.*, at 18-19.

The district court then certified three questions for interlocutory appeal:

1. "Whether the DMCA's safe-harbor provisions are applicable to sound recordings fixed prior to February 15, 1972";
2. "Whether, under the holding of [*Viacom Int'l, Inc. v. YouTube, Inc.*], 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"; and
3. "[W]hether Plaintiffs' evidence showed willful blindness that could justify imposition of liability on Vimeo, notwithstanding the [DMCA] safe harbor provisions."

Vimeo, at 20.

The Second Circuit Answers The Three Certified Questions

Before addressing these questions, the Second Circuit discussed, at length, the legislative history and intent of the DMCA generally, and the specific provisions relevant to the DMCA "safe harbor." *Id.*, at 9-13. As the Court explained, because Congress wanted to encourage the expansion of the speed and capacity of the Internet and because internet service providers (ISPs) could be subject to copyright infringement liability for actions taken by users of their websites, the DMCA set up a "compromise" which insulated qualifying ISPs from liability for infringements for which they were unaware, while

at the same time protecting the valuable intellectual property of the copyright holders. *Id.*, at 9-10.

Accordingly, in the words of the Court, the DMCA's "notice-and-takedown regime requires a service provider, to preserve its eligibility for the safe harbor, to 'expeditiously... remove... material that is claimed to be infringing,' or disable access to it, whenever the service provider (1) receives a notice of infringing material on the service provider's site or (2) otherwise becomes aware of the infringement or of circumstances making the infringement apparent." *Id.*, at 10-11 (quoting § 512(c)(1)(C), (A)(iii)). In this way, the DMCA provisions "favor[]" ISPs because in the first instance, the ISPs are "immunize[d]" from liability if the ISPs qualify and are "unaware" of the user-posted infringements, and in the second instance, the ISPs are "expressly relieve[d]" of "any obligation to monitor the postings of users to detect infringements as a condition of qualifying for the safe harbor." *Id.*, at 11. However, as the Second Circuit cautioned, ISPs "forfeit entitlement to the safe harbor if they fail to expeditiously remove the infringing material upon receipt of notification of the infringement or upon otherwise becoming aware of it." *Id.*, at 11-12.

The "awareness" of an ISP of its users' infringing use or conduct is the vital question that either preserves or forfeits the ISP's entitlement to the DMCA safe harbor. Previously, the Second Circuit's decision in *Viacom International Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012) (*Viacom*) set forth certain considerations for an ISP's "red flag knowledge" and the concept of "willful blindness," which imputes knowledge on the ISP. The Second Circuit's decision in *Vimeo* considered the standard previously set forth in *Viacom* and expanded and clarified the law.

The DMCA Applies to Pre-1972 Sound Recordings

As to the first certified question, the Second Circuit, following a review of Congressional intent and the legislative history and the language of certain

provisions of the Copyright Act and the DMCA, vacated the district court's grant of summary judgment to Plaintiffs as to Vimeo's liability for infringement of videos containing sound recordings fixed prior to February 15, 1972, finding that the DMCA's safe harbor provisions applied with respect to claims of infringement with respect to pre-1972 sound recordings. *Vimeo*, at 21-37.

The Second Circuit Further Circumscribes Red Flag Knowledge

As to the second certified question, the Second Circuit concluded that Plaintiffs' evidence was insufficient to prove that Vimeo had "red flag knowledge" of infringement. At issue was the fact that Vimeo employees had viewed "user-generated videos containing all or virtually all of a recognizable, copyrighted song." *Id.*, at 38. Previously, under *Viacom*, the Second Circuit grappled with the difference between "actual and red flag knowledge" and found that "red flag" knowledge requires proof that the ISP was "subjectively aware of facts that would have made the specific infringement 'objectively' obvious to a reasonable person." 676 F.3d at 31. The Second Circuit in *Vimeo* expounded on this and stated that the "hypothetical 'reasonable person' to whom the infringement must be obvious is an ordinary person – not endowed with specialized knowledge or expertise concerning music or the laws of copyright" and emphasized, as it stated in *Viacom*, that §512(m) "makes clear that the service provider's personnel are under no duty to 'affirmatively seek[]' indications of infringement." *Vimeo*, at 39.

With these guidelines set out, the *Vimeo* Court concluded that the "mere showing that a video posted by a user on the service provider's site includes substantially all of a recording of recognizable copyrighted music, and that an employee of the service provider saw at least some part of the user's material, is insufficient to...[prove] that the service provider had either actual or red flag

knowledge of the infringement....for many reasons.”
Id., at 44-45.

Thus, the Court observed that

1. “the employee’s viewing might have been brief” and such a brief viewing would not allow an employee to “ascertain[] that [the video’s] audio track contains all or virtually all of a piece of music” (*id.*, at 45);
2. “the insufficiency of some viewing by a service provider’s employee to prove the viewer’s awareness that a video contains all or virtually all of a song is all the more true in contemplation of the many different business purposes for which the employee might have viewed the video.” Thus, for example, an employee may have viewed the video to “detect inappropriate obscenity or bigotry... having nothing to do with recognition of infringing music” (*id.*);
3. “the fact that music is ‘recognizable’ ... or even famous ... is insufficient to demonstrate that the music was in fact recognized by a hypothetical ordinary individual who has no specialized knowledge of the field of music” as “some ordinary people know little or nothing of music” and “[l]overs of one style or category of music may have no familiarity with other categories” or “know and love entirely different bodies of music.” (*id.*, at 45-46);
4. “employees of service providers cannot be assumed to have expertise in the laws of copyright” and thus, “cannot be expected to know how to distinguish, for example, between infringements and parodies that may qualify as fair use” or whether the user had authorization to use the music (*id.*, at 46-47); and
5. “[n]or can every employee of a service provider be automatically expected to know how likely or unlikely it may be that the user who posted the material had authorization to use the copyrighted music” (*id.*, at 46-47).

In sum, the Court found that “a showing by plaintiffs of no more than that some employee of Vimeo had some contact with a user-posted video that played all, or nearly all, of a recognizable song is not sufficient to satisfy plaintiffs’ burden of proof that Vimeo forfeited the safe harbor by reason of red flag knowledge with respect to that video. *Id.*, at 49.

The *Vimeo* Court also made important determinations as to the burdens of proof under the DMCA, holding that “[a] service provider’s entitlement to the safe harbor is properly seen as an affirmative defense” and, therefore, the service provider “undoubtedly bears the burden of raising entitlement to the safe harbor and of demonstrating that it has the status of service provider, as defined, and has taken the steps necessary for eligibility.” *Id.*, at 40. Thus, the Court held that “a defendant would, in the first instance, show entitlement to the safe harbor defense by demonstrating its status as a service provider that stores users’ material on its system, that the allegedly infringing matter was placed on its system by a user, and that it has performed precautionary, protective tasks required by § 512 as conditions of eligibility.” *Id.* at 42-43.

For example, the service provider must demonstrate that it has adopted and implemented (i) a repeat infringer policy “designed to exclude users who repeatedly infringe”, (ii) “designated an agent for receipt of notices of infringement”; and (iii) “accommodates standard technical measures used by copyright owners to detect infringements.” *Id.*, at 43. Following this demonstration of eligibility, the burden shifts to the copyright holder to prove that (i) the service provider “fail[ed] to act as the statute requires after receiving the copyright owner’s notification” or (ii) that facts and circumstances exist such that the service provider had actual knowledge or acquired “red flag knowledge” of the infringement so as to be disqualified from the safe harbor. *Id.*, at 41.

As to the differences between actual knowledge of infringement under § 512(c)(1)(A)(i) and red flag knowledge under § 512(c)(1)(A)(ii), the Court held that “the difference... may not be vast,” but “it is nonetheless a real difference.” *Vimeo*, at 48. The *Vimeo* Court states “[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 on the ground that the person with knowledge of those facts never thought of the obvious significance of what she knew in relation to infringement.” *Id.* In other words if “the service provider did not subjectively know that the posted material infringed, but did know facts that made infringement objectively obvious” that would constitute the small category of “red flag” knowledge from which Congress did not expect the safe harbor to extend. *Id.*, at 48-49.

The Second Circuit Limits and Defines Willful Blindness Under the DMCA

As to the third certified question, the *Vimeo* Court concluded that Plaintiffs failed to establish “willful blindness.” First, Plaintiffs argued that because Vimeo “monitored videos for infringement of *visual* content but not for infringement of audio content”, Vimeo “demonstrated willful blindness to infringement of music.” *Id.*, at 50. However, the Court found that § 512(m) “relieves the service provider of obligation to monitor for infringements posted by users on its websites” and, therefore, “Vimeo’s voluntary undertaking to monitor videos for infringement of visual material should [not] deprive it of the statutory privilege not to monitor for infringement of music.” *Id.*, at 51.

Second, Plaintiffs argued that Vimeo’s “awareness of facts suggesting a likelihood of infringement gave rise to a duty to investigate further” and Vimeo’s “failure to do so showed willful blindness that justifies liability.” *Id.*, at 50. The Court refused to construe the statute as “requiring investigation

merely because the service provider learns facts raising a *suspicion* of infringement (as opposed to facts making infringement obvious).” *Id.*, at 51. Specifically, the Court concluded that relieving service providers of the “expense of monitoring was an important part of the compromise embodied in the safe harbor” because “Congress’s objective was to serve the public interest by encouraging Internet service providers to make expensive investments in the expansion of the speed and capacity of the Internet”. *Id.*, at 51-52.

Third, Plaintiffs argued that because Vimeo “encouraged users to post infringing matter, Vimeo could not then close its eyes to the resulting infringements without liability.” *Id.*, at 50. The Court rejected that view, explaining that, as it held in *Viacom*, willful blindness “must relate to specific infringements” and noted that Plaintiffs proffered evidence “consisting 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” which “cannot suffice to justify stripping Vimeo completely of the protection of §512(m).” *Id.*, at 53. Moreover, the *Vimeo* Court found that the “evidence was not shown to relate to any of the videos at issue in this suit.” *Id.*

Vimeo is an important decision reinforcing that theories of “red flag knowledge” and “willful blindness” must relate to specific instances of infringements at issue in the subject action, as opposed to knowledge of alleged categories of infringement or generalized knowledge of widespread infringement, and that ISPs have no obligation to monitor their systems for infringement or to investigate infringement in the face of such generalized awareness of infringement activity.

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