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Navigating DMCA: Limitation of Liability, Notice, Takedown Procedures and Safe Harbors

Best Practices for Copyright Holders and Online Service Providers

WEDNESDAY, AUGUST 10, 2016

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

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Navigating the DMCA: Limitation of Liability, Notice, Takedown Procedures & Safe Harbors

by

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DMCA basics

“Digital Millennium Copyright Act” (DMCA) amends Copyright Act

Signed into law by President Clinton in 1998

“To update copyright law for the digital age” - Second Circuit

Five Parts: Here are the ones we are not going to talk about

Title I: implements two 1996 WIPO copyright treaties with prohibitions against circumventing tech measures

Title III: creates infringement exemption for computer repair

Title IV: miscellaneous provisions for U.S. Copyright Office

Title V: new protections for designs of vessel hulls

Title II: Limits Liability of Online Service Providers

17 U.S.C. § 512

“to preserve strong incentives for service providers and copyright owners to cooperate to detect and deal with infringement”

and

“to ensure that the efficiency of the Internet will continue to improve and the variety and quality of services will continue to expand”

-- House Report 105-551 (II), at 49 (1998).

How to accomplish these goals?

Title II provides four “safe harbors” – complete insulation against copyright infringement damages – for qualifying service providers who engage in any of the following activities:

1. Transitory communications
2. System caching
3. Storage of information on systems or networks at the direction of users – this is the biggie!
4. Information location tools (search engines).

The safe harbors are AFFIRMATIVE DEFENSES –

burden is on service provider to show that it meets the statutory criteria.

What are the Statutory Criteria?

FIRST, you need to be a qualifying “online service provider” (OSP)

512(k)(1)(A) for *temporary communications* safe harbor:
transmission, routing, or providing connections
for digital online communications
between or among user-specified points
of user-specified content
without modification.

512(k)(1)(B) for *the other three safe harbors*:
provider of online services or network access, or the
operator of facilities for online services or network
access -- *very broad category!*

Statutory Criteria - continued

SECOND, you need to promulgate a Repeat Infringer Policy

“Adopt” a Policy – How? What kind?

Congress purposely left this “loosely defined.”

Inform your subscribers

Put the Repeat Infringer Policy into the EULA or
Terms & Conditions for your website

-- *Obodai v. Demand Media*, SDNY 2013

“Reasonably Implement” the Policy

Cannot fail to act on perceived repeat infringement

Cannot have a history of intermittent enforcement

Statutory Criteria: if you meet all three, you're in!

THIRD, you can't interfere with "**standard technical measures**" that copyright owners use to protect their digital works

What are "standard technical measures"?

used by owners to identify and encrypt their works,
adopted by a broad consensus of owners
adopted in a multi-industry standards process
available to anyone on nondiscriminatory terms
do not impose substantial costs or burdens
on owners or service providers.

Limitation of Liability No. 3

-- for Information Residing on Systems or Networks at the Direction of Users

Section 512(c) The crowded Safe Harbor: *where every OSP wants to be!*

Provider must designate a DMCA AGENT

agent receives notices of infringement claims
file form with Copyright Office, with fee = \$105
Instructions, forms and Directory of Agents:

<http://www.copyright.gov/onlinesp/>

Provider must not have knowledge of the infringing activity

Provider must not receive a direct financial benefit from the infringing activity, if it has the right and ability to control such activity

If receive proper notification of claimed infringement, provider must promptly take down or block access to the material.

Section 512 Notice and Takedown Procedure

To be proper, the Notice must –

- be a written communication provided to the DMCA agent
- include physical or e-signature of copyright owner or rep
- identify the infringed work or works
- provide information sufficient to allow provider to locate the infringing material
- provide accurate contact information
- include statement of good faith belief that use is infringing
- include statement that information in notice is accurate
- under penalty of perjury, that the sender is authorized

Safeguards to Prevent Abuse of Takedown Process

Congress sought to “balance the need for rapid response to potential infringement with the end-users’ legitimate interests in not having material removed without recourse.”

-- Senate Report 105-190, at 21 (1998).

Counter-Notification Procedure - limitation of liability for provider

Penalty for Misrepresentations - application of liability to copyright owners and subscribers

Counter-Notification and “Put Back” Procedure

Provider must promptly notify subscriber that material has been removed or disabled pursuant to a takedown notice

If receive a qualifying counter-notice, provider must inform the copyright owner of the counter-notification and intent to restore the removed material

Provider must restore the removed the material 10-14 business days after receipt of the qualifying counter-notice, unless the copyright owner files suit against subscriber

Counter-Notification and “Put Back” Procedure

To be proper, **Counter-Notice** must –

- be a written communication to provider’s DMCA agent

- include a physical or e-signature of subscriber

- identify the removed or disabled material

- include a statement of subscriber’s good faith belief that the material was removed or disabled due to mistake or misidentification

- provide accurate contact information for subscriber,

 - including subscriber’s name

- include a consent to jurisdiction in subscriber’s federal judicial district or provider’s district if subscriber is outside U.S.

Unequal Incentives for Providers to Seek Section 512 Safe Harbors

Section 512(c) – Takedown Notice is a Powerful Incentive
immunity for claims of copyright owner
statutory damages under copyright law

Section 512(g) – Counter-Notice is a “Porous Shield”
immunity for claims of subscriber
liability already limited under provider’s terms and conditions
actual damages of subscriber

Subscribers Reluctant to Use Counter-Notification:
awareness of procedure
disclosure of identity to copyright owner
consent to jurisdiction for infringement suit

Section 512(f) – Misrepresentations

Any person who knowingly materially misrepresents that content is infringing, or that content was removed by mistake or misidentification, is liable for any damages, including costs and attorneys' fees, incurred by subscriber copyright owner, or service provider who is injured by such misrepresentation, as a result of the provider relying on the misrepresentation in removing or restoring the content.

§ 512 Pitfalls for the Unwary

for the service provider:

Capitol Records v. Vimeo

for the copyright owner:

Lenz v. Universal Music Corporation

Pitfalls for OSPs: the **Vimeo** case

Capitol Records and EMI sued Vimeo in SDNY in 2009 for copyright infringement in 199 videos which had been uploaded by Vimeo users to the Vimeo website.

In 2012, parties cross-moved for summary judgment

Issue: does Vimeo qualify for § 512 safe harbor protection?

In 2013, SDNY found for Vimeo on 144 of the videos, but said case must proceed to trial on 55 videos

In 2014, both parties appealed to Second Circuit

Decided: June 16, 2016.

Did Vimeo adopt, inform subscribers, and implement a Repeat Infringer Policy?

Since inception in 2004, Vimeo made users agree not to violate copyright in its website Terms & Conditions

Starting in 2008, the Terms included language saying Vimeo “will terminate rights of subscribers . . . if they are determined to be repeat infringers”

Vimeo used a “three strike” rule and terminated users who had been the subject of three takedown notices

Starting in 2008, Vimeo used a “Purgatory tool” to block access to repeat infringer accounts

Vimeo did not post a specific “Repeat Infringer Policy”

until 2011 – seven years later!

Vimeo's Success Likely Contributed to its DMCA Problem

From 2004 – 2008, Vimeo had a handful of employees and received 5 or fewer takedown requests per month

Starting in 2008, Vimeo had 20 employees and received about 5 takedown requests per week

By 2012, Vimeo had become one of the top ten online distributors of video content and was receiving takedown requests **EVERY DAY:**

74 employees

12.3 million subscribers – 31 million videos in total

43,000 new videos uploaded each day

Activities of Vimeo's Employees were the core issues!

Does Vimeo qualify for admission to the 512(c) safe harbor?

Capitol argued, **NO** –

Infringing videos were not on website “by reason of the storage at the direction of a user” because some were posted by *Employees*

Vimeo had knowledge of infringement

Actual knowledge – awareness of specific infringement

“Red flag” knowledge – enough for reasonable person

Policy of “Willful blindness” – consciously ignoring red flags

Vimeo had right and ability to control the infringement and benefitted financially from infringement

Vimeo did not act promptly in responding to takedown notices

Employee Activities – “storage at direction of user”

Undisputed that 10 of the videos were uploaded by Employees
Capitol’s main argument on this factor focuses on the 10 videos
Court has not yet decided this issue:

Are these employees “users” within meaning of 512(c)?

Or are these employees acting within scope of employment
and therefore at direction of Vimeo itself?

This issue is going to trial: Second Circuit explicitly refrained from
addressing this issue, so the Vimeo employees who posed the 10 videos
are still on the hook.

Employee Activities: “Actual Knowledge” and “Red Flag Knowledge”

Vimeo employees interacted with 55 of the videos

Employees “Liked” and “Whitelisted” some of the videos

Responses to user questions about whether or not to post content that the user thought might be copyrighted --

“We allow it, but if we receive a takedown notice, we’ll have to comply.”

“Don’t ask, don’t tell 😊”

“The official answer I have to give you is . . . but off the record . . . go ahead and post it. I don’t think you’ll have anything to worry about.”

Second Circuit analysis of “Red Flag Knowledge”

Red Flag Knowledge means – *subjective* awareness of facts that would make infringement **objectively OBVIOUS** to a **reasonable** person

Reasonable person is ordinary: no specialized knowledge of either *music* or copyright.

Employees are not copyright law experts and cannot be expected to behave like legal experts!

Capital objected that this analysis (1) makes red flag knowledge very close to actual knowledge, and (2) makes the category of red flag knowledge very small.

Second Circuit: *So what? The distinction is still real.*

Court vacated denial of summary judgement for Vimeo.

Employer Endorsed Employee Activities – Policy of “Willful Blindness”

District Court said Capitol’s “willful blindness” argument “amounts to little more than their frustration that Vimeo did not use sophisticated monitoring technology in its possession to seek out and remove instances of infringing content.”

512(m) – OSPs are under **no affirmative duty** to seek out infringement: Policing copyright infringement is up to copyright owners

On appeal, Capitol argued Vimeo demonstrated willful blindness because employees reviewed **video** content but not **AUDIO** content

Second Circuit affirmed: evidence was *anecdotal*, consisting of **d i s c r e t e** instances, but not *wholesale manipulation* or *inducement* by Vimeo - no overall policy of willful blindness.

What's the deal with Pre-1972 Music?

Court granted Vimeo summary judgment on 144 videos except for an unspecified number containing material recorded before **FEB 15, 1972**.

Sound recordings not protected under Copyright Act of 1909.

Sound Recording Amendment of 1971

Passed after rise in unauthorized cassette tape copying
Not retroactive in effect – created the problem now

Section 301(c): “With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067.”

Capitol asserted— *because this music is covered under various state laws, 512(c) safe harbor does not apply*

Pre-1972 Sound Recordings (cont.) – debate context

2011 Copyright Office report: No reason why DMCA safe harbors should not apply to Pre-1972 music, but Congress must amend Act.

Capitol Records v. MP3Tunes (SDNY 2011) –

Ruled 512(c) already applies to this music

UMG Recordings v. Escape Media (NY Sup Ct 2013) –

No, 512(c) does not apply because Congress needs to speak

Focus of oral arguments before Second Circuit

Judge Leval: “No way of answering the question without doing violence to Congress’ intention: 512(c) safe harbor and 301(c) simply don’t go together.”

Judge Lynch: “Holding service providers liable for these recordings would impose precisely the burden that Congress intended to lift from them.”

Second Circuit: pre-1972 Music is Covered!

Court showed much deference to the 2011 Copyright Office report and spent 16 pages (about 33% of the opinion) in articulating why Copyright Office was wrong in its interpretation of the term “infringer” under the Copyright Act.

§ 512(c) protects a qualifying service provider from liability for infringement of copyright under state law.

Court vacated district court’s grant of summary judgment to Capitol.

Congressional compromise in § 512(c): in return for the obligation to take down infringing works promptly on receipt of notice, OSPs would be relieved of liability for user-posted infringements of which they were unaware, as well as of the obligation to police their networks. To make OSPs liable under state law would defeat the purpose of the DMCA.

Pitfalls for Copyright Owners and Subscribers – Misrepresentation under 512(f)

Online Policy Group v. Diebold - 337 F. Supp. 2d 1195 (N.D. Cal. 2004)

students' posts were a fair use of copyrighted emails

Diebold knowingly misrepresented that use was infringing, liable for \$125K in damages and attorneys' fees

“good faith belief” requirement of 512(c) is an objective* standard – “*no reasonable copyright holder could have believed Diebold’s emails were protected by copyright*”

*Overruled by *Rossi v. MPAA*

Rossi v. Motion Picture Assoc. of America

391 F.3d 1000 (9th Cir. 2004), *cert. denied* 544 U.S. 1018 (2005)

Rossi's website falsely promised free "full-length" movie downloads

MPAA sent takedown notice and provider shut down website

Rossi sued for tortious interference with contract, not for misrepresentation under 512(f), but asserted MPAA had not formed a "good faith belief" of infringement because had not tried to download a movie

Rossi v. Motion Picture Assoc. of America

Court held:

“Good faith belief” of infringement required for lawful takedown is judged by a subjective standard

Required state of mind for a misrepresentation under 512(f):

“A copyright owner cannot be liable simply because an unknowing mistake is made, even if the copyright owner acted unreasonably in making the mistake.”

Lenz v. Universal – The Dancing Baby

Lenz v. Universal Music Corp - 572 F. Supp. 2d 1150
(N.D. Cal. 2008)

29 second video posted to YouTube of toddler dancing to a Prince song

Universal, as Prince's agent, sent DMCA takedown notice
YouTube removed video, then reposted about 6 weeks after
Lenz sent counter-notification

Lenz sued Universal claiming misrepresentation under 512(f)

Lenz v. Universal – “Good Faith Belief” Requirement

To be proper, DMCA notice requires:

“a statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.”

17 U.S.C § 512(c)(3)(A)(v)

Lenz v. Universal – Forming a “Good Faith Belief”

Lenz’s complaint:

Copyright owner must consider fair use doctrine in forming a good faith believe that use of work is not authorized by law

Universal knew video was fair use, sent improper notice anyway simply to appease Prince

Universal’s motion to dismiss:

fair use is an excused infringement, not an authorized use

full fair use analysis too onerous, will delay prompt takedowns

District Court – Motion to Dismiss Denied

Fair use is “authorized by the law” even if procedurally an affirmative defense

Adding basic fair use analysis to initial inquiry required for good faith belief does not cause unnecessary delay

Furthers DMCA’s purpose to balance need for rapid response to alleged infringement against threat of improper removals

Universal’s failure to consider fair use in forming good faith belief of infringement *could be* a knowing material misrepresentation

Did Universal Consider Fair Use?

Universal reviewed YouTube daily for uses of Prince's music
Attorney determined if music was recognizable and a
"significant portion" or a "focus" of the video

No explicit consideration of four "fair use" factors:

- Purpose of copying

- Nature of work being copied

- Amount of work being copied

- Effect of copying on market for work

Cross-motions for summary judgment denied; parties filed
interlocutory appeal to 9th Circuit

Lenz v. Universal – 801 F.3d 1126 (9th Cir. 2015)

Three-judge panel affirmed:

Fair use is a use “authorized by law”

Lawful takedown notice requires consideration of the fair use doctrine to form a good faith belief as to infringement

Knowing misrepresentation about fair use, and thus infringement, creates liability under 512(f)

Majority Opinion - How much fair use analysis is enough?

Fair use inquiry need not be “**searching or intensive**”*

Following *Rossi*, it may not require an “**investigation of the allegedly infringing content**”*

Human review not necessarily required as “**implementation of computer algorithms**”* may be enough

* Removed from Amended Opinion, March 2016

To show no subjective good faith belief, Lenz will need evidence that copyright owner knew the use was fair or knew that no fair use analysis was done

a “*smoking gun*” email

a “*moustache twirling level of intentional villainy*”

Petitions for Rehearing and Amicus Briefs

Lenz and Amici Curiae (OSPs):

objective good faith belief should be the standard for sending take down notice

copyright owners should not be able to avoid liability under 512(f) with unreasonable belief in copyright claim

Universal:

Lenz suffered no economic damage and is represented pro bono, thus no injury personal to her that the court can redress

Rehearing Denied in an Order & Amended Opinion

Amended Opinion (March 17, 2016) affirms:

Copyright owners must consider fair use prior to a takedown notice
Subjective good faith belief of infringement is appropriate standard

But removes Court's earlier statements that:

Failure to consider fair use raises a triable issue of fact as to
misrepresentation under 512(f)

(Only that this case presents such a triable issue)

Fair use inquiry need not be “*searching or intensive*” or involve an
“investigation of the allegedly infringing content”

(So some threshold level of review of the content is required?)

Computer algorithms may be able to perform the fair use inquiry

(So maybe they can't?)

Abuse of DMCA Takedown Process

Providers who screen DMCA Notices find about a third are invalid:

Wordpress enforced less than 60% of about 8,000 takedown notices received in 2015: <https://transparency.automattic.com/intellectual-property>

Staff reviews each notice for accuracy and validity, before removing content
About 30% were incomplete; about 10% were rejected as abusive
Only 44 counter-notices received in same period

Twitter enforced 71% of about 19,000 takedown notices received from July-Dec 2015: <https://transparency.twitter.com/copyright-notices/2015/jul-dec>

Received 121 Counter-Notices in the same period; 100% of material restored

Abuse of DMCA Takedown Process

Enforcement rates appear to be much higher for providers processing huge volumes of DMCA notices:

Google enforced 97% of nearly 5 million DMCA notices related to Google search results received from July-Dec 2011

In the month of February 2016, Google received more than 80 million DMCA notices related to Google search results

<https://www.google.com/transparencyreport/removals/copyright/>

Automated Copyright Enforcement and Takedown Services

9th Cir in *Lenz*: “Copyright holders cannot shirk their duty to consider—in good faith and prior to sending a takedown notification— whether allegedly infringing material constitutes fair use”

This duty will impact automated systems that scan for content and then allow owner to track viewership stats and run ads with the video

Use a software tool that will preserve integrity of notice and takedown process, perform an objective fair use analysis, or signal need for fair use review by an actual

human being !

Best Practices for Online Service Providers

Adopt and promulgate Repeat Infringer Policy from get-go: make part of your EULA or website click-thru T&Cs – weigh heavily in favor of OSP

Implement Policy consistently – devoted DMCA employees

Train employees to respect copyright – liability can be **STAGGERING!**

Put behavioral policy in employee handbook

Arm yourself with software tools to facilitate response to notices

Make sure you consistently qualify for 512(c) safe harbor

Keep diligent records documenting your DMCA-related activities

Best Practices for Copyright Owners

Preserve integrity of Notice and Takedown process

- Implement policy of sincerity in “good faith” statement

- Train employees to respect the process

- Monitor employees to prevent disingenuous abuse

Adopt objective reasonableness standard for fair use inquiry

- Document internal communications regarding fair use issues

Do not rely solely on automated notice & takedown technology

- The risk is that the crucial “good faith” element will drop out

- Make sure software tool performs fair use inquiry or flags the necessity for review by employees trained in fair use inquiry

Adopt and promulgate policy regarding misrepresentation liability

- Train employees in regard to 512(f)

A Cautionary Tale ...

Company A

Stylized "C" Logo & App Icon



Mobile Messaging App

Company B

Stylized "C" Logo



*Enterprise Telecommunication
Services*

DMCA Takedown Used as Leverage in TM Dispute

Cease and desist letter alleged trademark and copyright infringement

Company B lost patience and filed DMCA takedown notices

TM Registration uploaded as support for Company B's copyright claim
Notice targeted app only, not uses of logo on Company A's website

Company A's app immediately removed from Google Play and Google Developer Account suspended; app not removed from Apple Store

Company A filed counter-notice within 24 hours and Company B "retracted" the takedown notice within 3 days

Company A's app not restored to Google Play for 7 days

New Dispute With Similar Fact Pattern

Company A

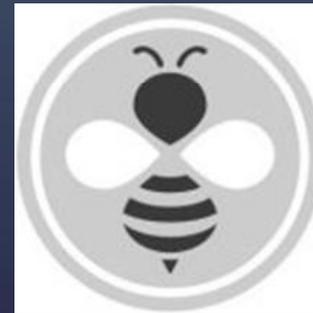
Stylized Bee Logo & App Icon



*Smartwatch
& Related Fitness App*

Company B

Stylized Bee Logo



Transportation Services

Preemptive Refusal from Copyright Office

Company B's cease and desist letter alleged trademark and copyright infringement and threatened to file suit

No response to a demand for Company B's copyright registration

Company A sought expedited copyright registration for its logo

Refusal received in about 7 days with anticipated objection:
insufficient creative expression for copyright protection

Refusal sent to Company B to preclude a "good faith belief" of infringement sufficient to file a DMCA takedown notice

Conclusion / Questions

- *We are happy to answer any additional questions you may have:*

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