

# Pace Intellectual Property, Sports & Entertainment Law Forum

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Volume 1  
Issue 1 *Spring 2011*

Article 3

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April 2011

## The Digital Millennium Copyright Act: The Future of the Safe Harbor Provision

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### Recommended Citation

Jennette Wiser, Kristin Luciano, Christopher Psihoules & Caesar Lopez, *The Digital Millennium Copyright Act: The Future of the Safe Harbor Provision*, 1 Pace. Intell. Prop. Sports & Ent. L.F. 25 (2011).

DOI: <https://doi.org/10.58948/2329-9894.1003>

Available at: <https://digitalcommons.pace.edu/pipself/vol1/iss1/3>

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# The Digital Millennium Copyright Act: The Future of the Safe Harbor Provision

## Abstract

Inspired by the current federal case, *Viacom v. YouTube*, this discussion delves into the history and creation of the Digital Millennium Act (DMCA), the court cases which set the foundation for the ongoing *Viacom v. YouTube* case, and an in-depth discussion on the growth of technology and the Internet with how it is affecting copyright holders. This article culminates with an analysis on how the DMCA is applied to the current Internet landscape and offers potential solutions to solve the battle between Internet Service Providers and copyright holders.

## Keywords

DMCA

## Cover Page Footnote

Founding Members of Pace I.P., Sports, and Entertainment Law Forum at Pace Law School (Apr. 22, 2011).

# The Digital Millennium Copyright Act: The Future of the Safe Harbor Provision

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<sup>1</sup> Founding Members of Pace I.P., Sports, and Entertainment Law Forum at Pace Law School (Apr. 22, 2011).

## I. BACKGROUND

Viacom v. YouTube (“Viacom v. YouTube”) has become the preeminent Digital Millennium Copyright Act (“DMCA”)<sup>2</sup> case of our day. Its looming decision may decide the fate of the DMCA. On December 3, 2010 the case was appealed to challenge the scope of the safe harbor provision and the red flag test for copyright infringing activities.<sup>3</sup> On June 23, 2010, Judge Louis L. Stanton of the U.S. District Court of the Southern District of New York handed down the original decision in Viacom v. YouTube finding that the defendant, YouTube, fell within the scope of the safe harbor provision of the DMCA.<sup>4</sup> The court held that YouTube had neither the actual nor the apparent knowledge that their website contained Viacom’s copyright protected material. Therefore, YouTube was not liable for the \$1 billion in damages Viacom sought.<sup>5</sup> At trial, Viacom argued that YouTube was not only generally aware of, but welcomed, copyright-infringing material to be uploaded onto their website.<sup>6</sup> Moreover, Viacom asserted that this material increased viewership and hits for YouTube, which increased both the value of the website and income from online advertisers.<sup>7</sup> YouTube attempted to defend itself from such an assertion by highlighting that:

Viacom alone has uploaded thousands of videos to YouTube to market hundreds of its programs and movies, including many that are now works in suit...Viacom does so for a simple reason: this kind of marketing works. As a Viacom employee explained to The

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<sup>2</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512 (1998).

<sup>3</sup> Viacom Int’l, Inc. v. YouTube, Inc., 717 F.Supp.2d 514, 516 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>4</sup> *Id.* at 529.

<sup>5</sup> *Id.* at 529.

<sup>6</sup> *Id.* at 518.

<sup>7</sup> *Id.* at 518.

Wall Street Journal: 'you almost can't find a better place than YouTube to promote your movie.'<sup>8</sup>

YouTube also cited to specific instances where upon direct notice of a particular item of copyright infringement located on their website, they swiftly took all measures to remove such item.<sup>9</sup> This case is centered on the issues of what type of “knowledge” YouTube, the Internet Service Provider (“ISP”), had with regard to the infringing material contained on their website; therefore making the issue on appeal: whether YouTube is entitled protection under the safe harbor provision?<sup>10</sup>

As the article will soon discuss, case law has demonstrated that the DMCA notification procedure places the burden of policing copyright infringement on the copyright owner and not the ISP.<sup>11</sup> Judge Louis L. Stanton had the initial opportunity to shift this burden from the copyright owner to the provider, but chose not to do so. The Court’s decision in the Southern District of New York found in favor of YouTube, ruling that they were an ISP as defined under the DMCA, that they did not violate the red flag test, and thus were protected from liability as a copyright infringer under the safe harbor provision. The Court ultimately held that specific knowledge was necessary in order to be held liable for damages to Viacom.<sup>12</sup>

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<sup>8</sup> Memorandum of Law in Support of Defendant’s Motion for Summary Judgment at 39 Viacom Int’l, Inc. v. YouTube, Inc., 717 F.Supp.2d 514 (S.D.N.Y. 2010) (No. 07-CV 3582), 2010 WL 1004562 at 23.

<sup>9</sup> *Id.* at 519.

<sup>10</sup> *Id.*

<sup>11</sup> Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1108 (9th Cir. 2007).

<sup>12</sup> *Id.* at 525.

## II. INTRODUCTION

The Internet is an infant in comparison to the United States Constitution. Because of this, trying to reconcile the two identities is somewhat of a difficult challenge in the context of our modern day legal system. The Constitution was ratified at a time when even the period's most innovative fictional writers could not have contemplated the existence of something such as the Internet. However, fast forward time two centuries, and the Internet is now a pervasive technological force that is virtually impossible not to encounter in your everyday life. The Internet is a worldwide system of interconnected computer networks with no central authority. Due to its expansive nature, rapid rate of growth, volume of content, and degree of user-to-user interconnectedness, it now poses a unique challenge to lawmakers in the United States. Since the 1990's, Congress has been struggling to gain control over rampant piracy and acts of copyright infringement over the Internet. In an attempt to remedy the problem, Congress created the 1998 Digital Millennium Copyright Act (DMCA).<sup>13</sup> "The congressional determination to promote electronic commerce and the distribution of digital works by providing copyright owners with legal tools to prevent widespread piracy was *tempered* with concern for maintaining the integrity of the statutory limitations on the exclusive rights of copyright owners"<sup>14</sup>

Virtual content is constantly uploaded and sent out on the Internet; examples of such content range from videos, to music, to simple creative stories. Try visualizing this: the Internet is a bottomless pot. Everyday Internet users dump whatever ingredients they want into the pot.

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<sup>13</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512 (1998).

<sup>14</sup> *Executive Summary Digital Millennium Copyright Act: Section 104 Report*, COPYRIGHT.GOV, [http://www.copyright.gov/reports/studies/dmca/dmca\\_executive.html](http://www.copyright.gov/reports/studies/dmca/dmca_executive.html) (last visited Mar. 30, 2011). (emphasis added)

The more ingredients added to the pot, the stronger and more fruitful it becomes. Once the ingredients are added to the pot, all of the users now have access to these ingredients. There is one problem, some of the users are putting ingredients into the pot do not have the proper authority to do so. Have you ever heard the saying there are “too many cooks in the kitchen?” As a result, the person who owns the right to that ingredient loses control over that right. By the time this person realizes that their right to their ingredient has been violated it is too late and millions of other users are already tasting their product. This illustration is exactly what is occurring with the Internet and copyright owners.

A case addressing this exact issue is Viacom International, Inc. v. YouTube, Inc.<sup>15</sup> Congress enacted the DMCA, containing a specific safe harbor provision granting copyright infringement liability protection to companies categorized as “providers of Internet services”.<sup>16</sup> This provision protects these providers when third party users commit copyright infringement while using their service.<sup>17</sup> For example, if AT&T were providing Internet service to a group of people and an individual committed copyright infringement by downloading a song they did not pay for on the AT&T Internet connection, AT&T would not be held liable for violating the copyright owner’s rights to that song, assuming they meet the safe harbor provision. The case of Viacom v. YouTube stems from the way the term *Internet service provider* has been interpreted and applied to the landscape that the Internet is today.<sup>18</sup>

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<sup>15</sup> Viacom Int’l, Inc. v. YouTube, Inc., 717 F.Supp.2d 514 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>16</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512 (1998).

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

Viacom, is a leading global entertainment group with brand and rights ownership for MTV, CMT, Comedy Central, Nickelodeon, Spike, TV Land, VH1, BET and Paramount Pictures to list a few.<sup>19</sup> YouTube was founded in 2005 and is a user-generated website where individuals can upload clips of audio and visual content onto the Internet and share it with the Internet via YouTube's website.<sup>20</sup> YouTube does not charge its Internet users to access the website and generates a majority of their income from online advertisements.<sup>21</sup> As of March 30, 2011, YouTube is the third most visited website on the Internet.<sup>22</sup> To get an idea of how much YouTube is worth, on October 9, 2006, Google, Inc. announced that it was purchasing YouTube for \$1.65 billion in a stock-for-stock transition.<sup>23</sup> Presently contained on YouTube's website are user-generated video's which allegedly infringe on the copyrights that Viacom owns.<sup>24</sup> YouTube is trying to claim protection under the DMCA as an ISP, while Viacom is claiming that YouTube's acts do not warrant the application of the safe harbor provision under the DMCA.<sup>25</sup> Ultimately, the Second Circuit must decide if YouTube should be held liable for "knowingly" storing copyright infringed material.

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<sup>19</sup> *About Viacom*, VIACOM.COM, <http://www.Viacom.com/aboutViacom/Pages/default.aspx>, (last visited Feb. 7, 2011).

<sup>20</sup> *About YouTube*, YOUTUBE, [http://www.YouTube.com/t/about\\_YouTube](http://www.YouTube.com/t/about_YouTube) (last visited Mar. 30, 2011).

<sup>21</sup> *Id.*

<sup>22</sup> *Top Sites*, ALEXA (Mar. 30, 2011), <http://www.alexa.com/topsites/global>.

<sup>23</sup> Google To Acquire YouTube for \$1.65 Billion in Stock, GOOGLE PRESS CENTER (Oct. 9, 2006) [http://www.google.com/press/pressrel/google\\_YouTube.html](http://www.google.com/press/pressrel/google_YouTube.html).

<sup>24</sup> *Viacom Int'l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514, 516 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>25</sup> *Id.*



### III. INTERNET EXPANSION AND COMPETING INTERESTS

Historically, the overall idea of a right connected to a creative work has deep origins. William Blackstone pointed out in his Commentaries on the Law of England, that the idea of maintaining some rights attached to a work of genius or invention traces back to Roman Law.<sup>26</sup> A copyright is, “the right to copy a work, specif., a property right in an original work of authorship (including a literary, musical, dramatic, or other work) fixed in any tangible medium of expression, giving the holder the exclusive right to reproduce, adapt, distribute, perform, and display the work.”<sup>27</sup> It was England’s 1710 *Statute of Anne* that created what is considered to be the world’s first copyright act.<sup>28</sup> This act granted publishers legal rights to the books they printed.<sup>29</sup> The copyright protections set forth in the *Statute of Anne* did not apply to the thirteen colonies. As a result, Joel Barlow, a prominent 18th century poet and diplomat, urged the Continental Congress to grant rights to those who produced original, creative works.<sup>30</sup> In a letter to the Continental Congress Barlow advocated for copyright protections:

[t]here is certainly no kind of property, in the nature of things, so much his own, as the works which a person originates from his own creative imagination: And when he has spent great part of his life in study, wasted his time, his fortune & perhaps his health in improving his knowledge & correcting his taste, it is a principle of natural justice that he should be entitled to the profits arising from the sale of his works as a compensation

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<sup>26</sup> BLACKSTONE, WILLIAM, COMMENTARIES ON THE LAWS OF ENGLAND: A FACSIMILE OF THE FIRST EDITION OF 1765--1769 (University of Chicago Press 1979) (1766), available at [http://press-pubs.uchicago.edu/founders/documents/a1\\_8\\_8s3.html](http://press-pubs.uchicago.edu/founders/documents/a1_8_8s3.html).

<sup>27</sup> BLACK’S LAW DICTIONARY 1097 (8th ed. 2004).

<sup>28</sup> Statute of Anne, ENCYCLOPEDIA BRITANNICA ONLINE, <http://www.britannica.com/EBchecked/topic/26243/Statute-of-Anne>. (last visited Apr. 10, 2011).

<sup>29</sup> *Id.*

<sup>30</sup> PETER K. YU, INTELLECTUAL PROPERTY AND INFORMATION WEALTH: COPYRIGHT AND RELATED RIGHTS 143 (Praeger Publishers) (2007).

for his labor in producing them, & his risqué [sic] of reputation in offering them to the Public.<sup>31</sup>

Unfortunately, the Articles of Confederation did not confer power to the Continental Congress to enact a copyright act, and it was not until the Constitutional Convention of 1787 that the United States created a power in the government to issue copyrights.<sup>32</sup> Both James Madison of Virginia and Charles Pickney of South Carolina advocated for copyright laws at the Constitutional Convention and proposed that Congress be granted the power to issue copyrights.<sup>33</sup> This proposal received a majority acceptance and was included in the Copyright and Patent Clause of the United States Constitution.<sup>34</sup> This clause can be located in Article 1, Section 8, Clause 8 of the Constitution, most commonly known as the *Copyright and Patent Clause* (“the clause”).<sup>35</sup> The clause confers power upon the United States Congress, “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>36</sup>

Congress first exercised the powers granted to them under the clause, with the enactment of the 1790 Federal Copyright Act.<sup>37</sup> From the creation of this act to the present,

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<sup>31</sup> Letter from Joel Barlow, to Elias Boudinot, President of the U.S Continental Congress (Jan. 10, 1783) (on file with the National Archives), *available at* [http://www.copyrighthistory.org/cgi-bin/kleioc/0010/exec/showTranscription/%22us\\_1783b%22/start/%22yes%22](http://www.copyrighthistory.org/cgi-bin/kleioc/0010/exec/showTranscription/%22us_1783b%22/start/%22yes%22).

<sup>32</sup> PETER K. YU, INTELLECTUAL PROPERTY AND INFORMATION WEALTH: COPYRIGHT AND RELATED RIGHTS 142 (Praeger Publishers) (2007).

<sup>33</sup> *Id.* at 142.

<sup>34</sup> U.S. CONST. art. I, § 8, cl 8.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *United States Copyright Office: A Brief Introduction and History*, COPYRIGHT.GOV, <http://www.copyright.gov/circs/circ1a.html>, (last visited Apr. 10, 2011).

federal copyright laws have greatly expanded and now include the granting of rights to creative works including but not limited to literature, music, art and film.<sup>38</sup>

It is evident from the clause that copyright laws were of some importance to the founding fathers of this nation; however, it is doubtful that our founding fathers could have foreseen copyright laws acting as a potential roadblock to Internet innovation. In Metro-Goldwyn-Mayer Studios Inc., v. Grokster, Ltd. (“Grokster”), the Supreme Court of the United States observed that there is a “sound balance between the respective values or supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement.”<sup>39</sup> The Court went on to highlight that, “[t]he more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the tradeoff.”<sup>40</sup> Nearly six years after Grokster was settled, the struggle between copyright holders and technological innovators still exists and is stronger than ever before.

#### IV. WHAT IS THE PROBLEM?

Around the time that Congress was debating the terms and scope of the DMCA, they were faced with the dilemma of protecting the rights of copyright owners and technological innovation and expansion. From 1995 to 2000 the rapid growth of the Internet coincided with

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<sup>38</sup> *Id.*

<sup>39</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928 (2005).

<sup>40</sup> *Id.* at 927.

the speculative business bubble known as the “dot-com bubble”.<sup>41</sup> There were various companies that were providers of Internet service, allowing personal computer users to access the Internet for a fee. In order to efficiently provide Internet service and transmit electronically stored information to and from its many individual users, the Internet providers themselves had to maintain control over the electronic information uploaded by third party users on its own main servers. As a result, some of the information held by the Internet providers consisted of copyright protected works. The ISP having unauthorized copyrighted works stored on their servers and then distributing them to individual users constitutes copyright infringement. In American copyright law, there are two different kinds of infringement – (1) Direct Infringement: which is the exclusive copying of one’s copyright by another<sup>42</sup> and (2) Indirect Infringement: which can be broken into two types: contributory and vicarious infringement.<sup>43</sup> Contributory infringement occurs when a party other than the direct infringer is aware of the direct infringement and they substantially participate in the infringement.<sup>44</sup> Vicarious infringement occurs when there has been a direct infringement and the person other than the direct infringer has the ability to control the direct infringer.<sup>45</sup> By result of the infringement the vicarious infringer derives some benefit.<sup>46</sup>

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<sup>41</sup> *Here’s Why the Dot Com Bubble Began and Why it Popped*, BUSINESS INSIDER MONEY GAME, (Dec. 15, 2010) <http://www.businessinsider.com/heres-why-the-dot-com-bubble-began-and-why-it-popped-2010-12>.

<sup>42</sup> Legal Protection of Digital Information: Chapter 1 An Overview of Copyright, COPYRIGHT 101, <http://digital-law-online.info/lpdi1.0/treatise14.html> (last visited Apr. 4, 2011).

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

The United States Supreme Court case Sony Corp. of America v. Universal City Studios (“Sony”) addressed this problem of liability for a device or mechanism that serves both non-infringing and infringing uses.<sup>47</sup> The respondents in Sony brought a copyright infringement action against manufactures of home videotape recorders (“VTR”) alleging that “VTR consumers had been recording some of respondents’ copyrighted works that had been exhibited on commercially sponsored television and thereby infringed [their] copyrights, and further that petitioners were liable for such copyright infringement because of their marketing of VTR’s.”<sup>48</sup>

In the Supreme Court’s holding Justice Stevens asserted,

That manufacturers of home videotape recorders demonstrated a significant likelihood that substantial numbers of copyright holders who licensed their works for broadcast on free television would not object to having their broadcasts time shifted by private viewers and owners of copyrights on television programs failed to demonstrate that time shifting would cause any likelihood of non-minimal harm to the potential market for, or the value of, their copyrighted works and therefore home videotape recorder was capable of substantial non-infringing uses; thus, manufacturers' sale of such equipment to general public did not constitute contributory infringement of respondents' copyrights.<sup>49</sup>

The Court’s reasoning in Sony can be effectively applied as a justification for the safe harbor provision in limiting ISPs’ contributory liability. Because ISPs have substantial non-infringing uses, similar to VTRs, they should not automatically be held liable for contributory infringement. However, when ISPs have knowledge of infringing use of their service they may no longer be immune from contributory liability.

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<sup>47</sup> Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 418.

## V. WHO ARE THE SERVICE PROVIDERS?

For a party to be exempt from copyright infringement liability under the safe harbor provision of the DMCA the party must be a service provider.<sup>50</sup> A service provider is defined under §512(k)(1)(A) of the DMCA as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification of the content of the material as sent or received.”<sup>51</sup> Simply put, an ISP is a provider of “online services or network access, or the operator of facilities therefore.”<sup>52</sup> From a textualist perspective, the definition of a service provider is extremely narrow. However, since the creation of the DMCA the courts have repeatedly interpreted the term “service provider” broadly. An example of such occurred in Viacom v. YouTube.<sup>53</sup> In Viacom v. YouTube, the Court did not find an issue as to whether or not YouTube fell under the definition of a service provider.<sup>54</sup> The decision simply quoted the statute and conclusively asserted that, “YouTube is a service provider for purposes of § 512(c).”<sup>55</sup> An issue can be raised as to whether or not this court and previous courts were correct in finding YouTube as a service provider. “Under the standard definition, many websites may not be considered service providers, but under the judicially-interpreted statutory definition, courts have trouble

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<sup>50</sup> See The Digital Millennium Copyright Act, 17 U.S.C. § 512(c) (1998).

<sup>51</sup> *Id.* at § 512(k)(1)(A).

<sup>52</sup> *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary*, U.S. COPYRIGHT OFFICE (Dec. 1998), <http://www.copyright.gov/legislation/dmca.pdf>.

<sup>53</sup> See *Viacom Int'l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514, 518 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>54</sup> See *id.*

<sup>55</sup> *Id.*

imagining the existence of an online service that would not fall under the definitions.”<sup>56</sup> In Perfect 10, Inc. v. Cybernet Ventures, Inc., Perfect 10 argued that Cybernet was not eligible for protection under the safe harbor provision. Cybernet offered an age verification program that websites such as Perfect 10, would use in order for their users to show proof of age and thereby gain access to a website.<sup>57</sup> Perfect 10 took a narrow approach arguing, that section 512(c) was drafted with the limited purpose of protecting Internet infrastructure services in mind. It contends that the definition for a provider of online services or network access does not include services that ‘participate in the selection or screening of that data or take an interest in the content of that data.’<sup>58</sup>

But the court refused to accept this definition and applied a broader explanation of a service provider.<sup>59</sup> The courts have since taken the narrow definition of a service provider set forth in the DMCA, and interpreted the definition to incorporate almost any website on the Internet that stores, sends or receives electronic information but does not modify the information.<sup>60</sup> It is arguable as to whether the Perfect 10 Court’s definition of a service provider is a good or a bad decision.

From the DMCA, the courts have found that a service provider includes any of the four following activities:

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<sup>56</sup> Jason Breen, *YouTube or Youlose: Can YouTube Survive a Copyright Infringement Lawsuit?*, 16 TEX. INTELL. PROP. L.J. 151, 163 (2007).

<sup>57</sup> Perfect 10, Inc. v Cybernet Ventures, Inc., 213 F. Supp. 2d 1146, 1175 (C.D. Cal 2002).

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *See Hendrickson v. eBay, Inc.*, 165 F. Supp 2d 1082, 1088 (C.D. Cal. 2001); *see also Corbis Corp. v. Amazon.com Inc*, 351 F. Supp. 2d 1090, 1100 (W.D. Wash. 2004).

1. Transitory communication;
2. System caching;
3. Storage of information on systems or networks at the direction of users; or
4. Information location tools.<sup>61</sup>

From the activities listed YouTube appears to be a website that engages in the third conduct - *storage of information on systems or networks at the direction of users*.<sup>62</sup>

Viacom v. YouTube describes YouTube as a website operated by Google “which users may upload video files free of charge.”<sup>63</sup> The opinion further holds that, “[u]ploaded files are copied and formatted by YouTube’s computer systems, and then made available for viewing on YouTube.”<sup>64</sup> The opinion indicates that approximately twenty-four hours worth of video material is uploaded onto YouTube every minute.<sup>65</sup> YouTube’s functionality relies on the direction of its users.<sup>66</sup> Based on the court’s broad interpretation of a service provider and YouTube’s basic functions as a website, YouTube is and was correctly found to be a service provider.

Once an entity has met the qualifications to be classified as a service provider under the DMCA, the service provider can only be immune from copyright infringement

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<sup>61</sup> *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary*, U.S. COPYRIGHT OFFICE (Dec. 1998), <http://www.copyright.gov/legislation/dmca.pdf>.

<sup>62</sup> *See YouTube*, YOUTUBE, <http://www.YouTube.com/>, (last visited Feb. 5, 2011).

<sup>63</sup> *Viacom Int’l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514, 518 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *See YouTube*, YOUTUBE, <http://www.YouTube.com/>, (last visited Feb. 5, 2011).



occurring through the use of its service by meeting the standards set forth under the safe harbor provision of section 512(i) of the DMCA.<sup>67</sup> The service provider must also: (1) adopt and reasonably implement a policy of terminating in appropriate circumstances the accounts of subscribers who are repeat [copyright] infringers; and (2) accommodate and not interfere with ‘standard technical measures.’<sup>68</sup>

In Ellison v. Robertson, the court subdivided condition (1), the repeat infringer policy, into three requirements for a service provider.<sup>69</sup> The service provider must: (1) adopt a policy that provides for the termination of service access for repeat copyright infringers in appropriate circumstances; (2) implement that policy in a reasonable manner; and (3) inform its subscribers of the policy.”<sup>70</sup>

Condition (2), standard technical measures, has been defined as, “measures that copyright owner[s] use to identify or protect copyrighted works, that have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair and voluntary multi-industry process, are available to anyone on reasonable nondiscriminatory terms, and do not impose substantial costs or burdens on service providers.”<sup>71</sup>

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<sup>67</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(i) (1998).

<sup>68</sup> *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary*, U.S. COPYRIGHT OFFICE (Dec. 1998), <http://www.copyright.gov/legislation/dmca.pdf>.

<sup>69</sup> *Ellison v. Robertson*, 357 F.3d 1072, 1080 (9<sup>th</sup> Cir. 2004).

<sup>70</sup> Jason Breen, *YouTube or Youlose: Can YouTube Survive a Copyright Infringement Lawsuit?*, 16 TEX. INTELL. PROP. L.J. 151, 161 (2007); *quoting* *Ellison v. Robertson*, 357 F.3d 1072, 1080 (9<sup>th</sup> Cir. 2004).

<sup>71</sup> *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary*, U.S. COPYRIGHT OFFICE (Dec. 1998), <http://www.copyright.gov/legislation/dmca.pdf>.

However, just fitting the mold of an ISP and qualifying for protection under the safe harbor provision of the DMCA, does not necessarily shield an ISP from liability.<sup>72</sup> In order for YouTube to receive continuous protection from the safe harbor provision, the following three conditions must be met:

1. The provider must not have the requisite level of **knowledge** of the infringing activity;
2. If the provider has the right and ability to control the infringing activity, it must not receive a **financial benefit** directly attributable to the infringing activity; and
3. Upon receiving proper notification of claimed infringement, the provider must **expeditiously** take down or block access to the material.<sup>73</sup>

The first condition is discussed in section 512(c)(1)(A) of the DMCA, the safe harbor provision. It limits an ISP's protection under the safe harbor provision based on the ISP's knowledge of copyright infringing material on their system or network.<sup>74</sup> Section 512(c)(1)(A) provides:

(1) In general. — A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that

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<sup>72</sup> See The Digital Millennium Copyright Act, 17 U.S.C. § 512(i) (1998).

<sup>73</sup> *The Digital Millennium Copyright Act of 1998: U.S. Copyright Office Summary*, U.S. COPYRIGHT OFFICE (Dec. 1998), <http://www.copyright.gov/legislation/dmca.pdf>; See The Digital Millennium Copyright Act, 17 U.S.C. § 512(c) (1998).

<sup>74</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(A) (1998).

resides on a system or network controlled or operated by or for the service provider, if the service provider -

(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;<sup>75</sup>

This provision can be broken down into three independent prongs: (1) Actual knowledge; (2) Apparent knowledge; and (3) Expeditious removal.<sup>76</sup> The first prong, actual knowledge, has been interpreted narrowly to mean knowledge of specific infringing material.<sup>77</sup> A general knowledge of infringing material residing on one's site does not seem to be enough. A court has yet to set a defined standard as to when an ISP has actual knowledge absent the failure to take down specific infringing material upon receiving notification.<sup>78</sup> It has not been suggested that service providers have the affirmative duty to search for infringing material.<sup>79</sup>

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<sup>75</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(A) (1998).

<sup>76</sup> Jason Breen, *YouTube or Youlose: Can YouTube Survive a Copyright Infringement Lawsuit?*, 16 TEX. INTELL. PROP. L.J. 151, 161 (2007); See The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(A)(i) (1998).

<sup>77</sup> See The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(A)(i) (1998); Corbis Corp. v. Amazon.com, Inc., 351 F.Supp. 2d 1090, 1100 (W.D. Wash. 2004).

<sup>78</sup> Jason Breen, *YouTube or Youlose: Can YouTube Survive a Copyright Infringement Lawsuit?*, 16 TEX. INTELL. PROP. L.J. 151, 164 (2007).

<sup>79</sup> *Id.*; See Corbis Corp. v. Amazon.com, Inc, 351 F. Supp. 2d 1090, 1100 (W.D. Wash. 2004).

Before discussing the second prong, the third prong, expeditious removal, simply requires the service provider to create a “take-down” system.<sup>80</sup> Upon being notified that infringing material is on their site, an ISP must “expeditiously” remove the material from the network. Additionally, Section 512(c)(2) requires the service provider to create a “designated agent” that allows copyright owners to notify the agent of such infringed copyright material.<sup>81</sup> YouTube has proven to satisfy its duties under the “take-down” system, as well as, doing their part in providing an agent where notifications can be sent.<sup>82</sup> In Viacom v. YouTube, Viacom recognized the fact that YouTube would remove their infringed material upon being notified by Viacom.<sup>83</sup>

The second prong, apparent knowledge, requires that in the absence of actual knowledge, the ISP be unaware of facts or circumstances from which infringing activity is apparent.<sup>84</sup> It is this prong that has become known as the “red flag” test.<sup>85</sup> The test can be divided more easily into two parts, a subjective part and an objective part: (1) was the service provider aware of infringing material and (2) whether infringing activity would have been apparent to a reasonable person operating under the same or similar circumstances.<sup>86</sup> If the answer is yes to either part then the ISP had apparent knowledge.

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<sup>80</sup> See The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(A)(iii) (1998).

<sup>81</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(2) (1998).

<sup>82</sup> See *Copyright Infringement Notification*, YOUTUBE, [http://www.YouTube.com/t/dmca\\_policy](http://www.YouTube.com/t/dmca_policy), (last visited Feb. 6, 2011).

<sup>83</sup> *Viacom Int'l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514, 519 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>84</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(A)(ii) (1998).

<sup>85</sup> See Liliana Chang, *The Red Flag Test for Apparent Knowledge Under the DMCA § 512(c) Safe Harbor*, 28 CARDOZO ARTS & ENT. L.J. 195 (2010).

<sup>86</sup> Liliana Chang, *The Red Flag Test for Apparent Knowledge Under the DMCA § 512(c) Safe Harbor*, 28 CARDOZO ARTS & ENT. L.J. 195, 201-202 (2010); See also H.R.Rep. No. 105 – 551, pt. 2 (1998).

There has been some public criticism concerning the applicability of the red flag test. Depending on the court's interpretation of the red flag test YouTube could be held liable. Critics have suggested that Viacom v. YouTube has rendered the red flag test useless and essentially equivalent to the "actual knowledge" prong.<sup>87</sup> Their observation is a valid one. Apparent knowledge has never been found through the red flag test.<sup>88</sup> When applying the test generally, YouTube undoubtedly knows that infringing material is uploaded onto their site. Under this simple application of the red flag test YouTube should have been liable. The court did not use this application.

Another criticism of the Viacom v. YouTube decision has been its interpretation of section 512(c)(1)(B). This section of the safe harbor provision states that an ISP is protected from liability if it "does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity."<sup>89</sup> The court in Viacom v. YouTube found that in order to invoke the "financial benefit argument" the ISP needed knowledge, actual or apparent, of infringing activity.<sup>90</sup> The language of the statute does not clearly prescribe that knowledge first be proven. However, the court's interpretation seems logical. It would be difficult to find an infringement case where the service provider had not been financially benefiting. Therefore, the court in Viacom v. YouTube made the best decision when determining that

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<sup>87</sup> See Scott A. Zebrak, *Viacom v. YouTube: a missed opportunity*, THE NATIONAL LAW JOURNAL (July 26, 2010), <http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202463839409&slreturn=1&hblogin=1>.

<sup>88</sup> Liliana Chang, *The Red Flag Test for Apparent Knowledge Under the DMCA § 512(c) Safe Harbor*, 28 CARDOZO ARTS & ENT. L.J. 195, 203 (2010).

<sup>89</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(B) (1998).

<sup>90</sup> *Viacom Int'l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514, 527 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

the service provider must have knowledge (actual or apparent) to be found liable for financial gain from infringing activity.

Section 512(c)(1)(C) of the safe harbor provision merely re-establishes the “take-down” requirement upon notification of the claimed infringement.<sup>91</sup> The provision states, “upon notification of claimed infringement...responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.”<sup>92</sup> It is an important part of the safe harbor statute but is irrelevant for this discussion. The most troubling issue with the DMCA safe harbor provision rests in the knowledge prongs of the statute.

## **VI. CASES DEALING WITH THE DMCA & SAFE HARBOR PROVISION**

The recent case history pertaining to the knowledge prongs have paved the way for Viacom v. YouTube. Some of the most influential holdings on this issue include, (1) Tiffany, Inc. v. eBay, Inc.<sup>93</sup>, (2) Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.<sup>94</sup>, Perfect 10, Inc. v. CCBill LLC.<sup>95</sup> (3) Arista Records LLC v. Usenet.com.<sup>96</sup> (4) Arista Records LLC v. Lime Group LLC<sup>97</sup>. Tiffany and Perfect 10 raised the knowledge threshold that a service provider must have with regard to the acts of copyright infringement and outlined the precautionary measures that a service provider must take in

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<sup>91</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512(c)(1)(C) (1998).

<sup>92</sup> *Id.*

<sup>93</sup> Tiffany, Inc. v. eBay, Inc., 600 F.3d 93 (2<sup>nd</sup> Cir. 2010).

<sup>94</sup> Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, 545 U.S. 913 (2005).

<sup>95</sup> Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102 (9<sup>th</sup> Cir. 2007).

<sup>96</sup> Arista Records, LLC v. Usenet.com, 633 F.Supp.2d 124 (2<sup>nd</sup> Cir. 2010).

<sup>97</sup> Arista Records v. Lime Group, LLC, 715 F.Supp.2d 481 (2<sup>nd</sup> Cir. 2010).

order to be protected under the safe harbor provision of the DMCA.<sup>98</sup> Distinguished from the outcome in Viacom v. YouTube, both Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd. and Arista Records LLC v. Usenet.com were cases where the court ruled against the service provider and did not grant them protection from the DMCA's safe harbor provision.<sup>99</sup>

### 1. **Tiffany, Inc. v. eBay, Inc.**

eBay is the proprietor of www.eBay.com, an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to others.<sup>100</sup> As of early 2011, eBay was the twenty-fifth most visited website in the United States.<sup>101</sup> eBay provides the venue for the sale of the goods but does not do the selling of the goods themselves nor does it ever actually have physical possession of the goods.<sup>102</sup> At any given time eBay contains some 100 million listings.<sup>103</sup> eBay generates revenue by charging sellers to use its listing services and by owning and processing purchases through Paypal.<sup>104</sup> Ultimately, eBay's revenue is directly correlated to the volume of goods it has listed and sold on its website.

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<sup>98</sup> *Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93 (2<sup>nd</sup> Cir. 2010); *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102 (9<sup>th</sup> Cir. 2007).

<sup>99</sup> *Arista Records v. Lime Group, LLC*, 715 F.Supp.2d 481 (2<sup>nd</sup> Cir. 2010); *Arista Records, LLC v. Usenet.com*, 633 F.Supp.2d 124 (2<sup>nd</sup> Cir. 2010); *Metro-Goldwyn-Mayor Studios, Inc. v. Grokster*, 545 U.S. 913 (2005).

<sup>100</sup> *Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93, 96 (2<sup>nd</sup> Cir. 2010).

<sup>101</sup> *Top Sites by Country*, ALEXA.COM, <http://www.alexa.com/topsites/countries/US> (last visited April 10, 2011).

<sup>102</sup> *Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93, 97 (2<sup>nd</sup> Cir. 2010).

<sup>103</sup> *Id.* at 97.

<sup>104</sup> *Id.*

Tiffany is a world-famous branded jewelry seller.<sup>105</sup> Prior to 2004, Tiffany became aware that its counterfeit merchandise was being sold on eBay.<sup>106</sup> Tiffany conducted several surveys and tests which discovered that a significant portion of the alleged authentic “Tiffany” sterling-silver jewelry listed on the eBay website was counterfeit.<sup>107</sup> It was suggested that eBay knew that some portion of the “Tiffany” goods sold on its website might be counterfeit while some were also authentic.<sup>108</sup> Because eBay facilitated the sale of authentic and counterfeit Tiffany’s goods, it accumulated substantial revenue from the sales. It was reported that eBay earned \$4.1 million in revenue from completed listings with “Tiffany” in the listing title.<sup>109</sup> Although counterfeit Tiffany’s jewelry was sold on eBay, this is not to say that eBay did not take precautions to keep counterfeit merchandise off their website. The Second Circuit found that eBay had taken the following precautions:

- Spends \$20 million each year on tools to promote trust and safety on its website.<sup>110</sup>
- Created a “Fraud Engine” for the purpose of ferreting out illegal listings.<sup>111</sup>
- Established the “Verified Rights Owner (VERO) Program” a notice and takedown system allowing the owners of IP rights (i.e. Tiffany, Inc.) to report to eBay any listing offering of potentially infringing items.<sup>112</sup>
- Maintains “About Me” pages on the website to inform eBay users about their products’ Intellectual Property rights and legal positions.<sup>113</sup>

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<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 97.

<sup>107</sup> *Id.* at 97.

<sup>108</sup> *Id.* at 98.

<sup>109</sup> *Id.* at 98.

<sup>110</sup> *Id.* at 98.

<sup>111</sup> *Id.* at 98.

<sup>112</sup> *Id.* at 99.

<sup>113</sup> *Id.* at 99.



- Suspends hundreds of thousands of sellers every year for engaging in infringing activity.<sup>114</sup>

While eBay attempted to reduce the sale of counterfeit items on its website, it also actively sought to promote the sales of premium and branded jewelry through advertisements and promotions that contained hyperlinks to the eBay website, some of which contained images of Tiffany merchandise.<sup>115</sup> eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website.<sup>116</sup>

Tiffany initiated the action against eBay on July 15, 2004, alleging that eBay's conduct facilitating and advertising the sale of "Tiffany" goods which later turned out to be counterfeit constituted direct and contributory trademark infringement, trademark dilution and false advertising.<sup>117</sup> On July 14, 2008, following a bench trial, the district court found in favor of eBay on all claims.<sup>118</sup> Tiffany appealed from the district court's judgment for eBay.<sup>119</sup> The United States Court of Appeals for the Second Circuit affirmed the judgment of the district court with respect to the claims of trademark infringement and dilution and remanded the case to the district court on the issue of false advertising.<sup>120</sup>

The parties focused their attention on the issue of contributory trademark infringement for culpably facilitating the infringing conduct of the counterfeiting

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<sup>114</sup> *Id.* at 100.

<sup>115</sup> *Id.*

<sup>116</sup> *Id.* at 101.

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

<sup>119</sup> *Id.*

<sup>120</sup> *Id.*

vendors.<sup>121</sup> According to common law, contributory infringement occurs when “a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributory liable for any harm done as a result of the deceit.”<sup>122</sup> This language is very similar to the red flag knowledge conditions contained in the DMCA safe harbor provision. The issue the court faced in Tiffany regarding this language turned upon the fact that it was ill-defined and did not lay-out which acts constitute contributory trademark infringement.<sup>123</sup> Additionally, there was limited case law to guide the court in its decision.

In order to render a decision, the court used a test set forth in Inwood Laboratories, Inc. v. Ives Laboratories, Inc.<sup>124</sup> Inwood held that a provider is liable if either the provider “intentionally induces another to infringe a trademark” or the provider “continues to supply to one whom it knows or has reason to know is engaging in trademark infringement.”<sup>125</sup> Tiffany argued that eBay continued to supply its services to its users with reason to know that some of the items sold by these users were counterfeit. The district court ultimately concluded, which the Second Circuit later affirmed, that to hold eBay liable for contributory infringement, Tiffany would have to show that eBay “knew or had reason to know of **specific** instances of actual infringement” beyond those that it addressed upon

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<sup>121</sup> *Id.* at 103.

<sup>122</sup> *Id.* at 104.

<sup>123</sup> *Id.* at 105.

<sup>124</sup> *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

<sup>125</sup> *Id.* at 854.

notification.”<sup>126</sup> “A service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”<sup>127</sup> The requirement of *specific knowledge* in *Tiffany* resembles closely to the *actual knowledge* requirement found in the DMCA and in the Viacom v. YouTube district court decision.

In Viacom v. YouTube, Judge Stanton addresses Tiffany in his decision. Both cases raise the question as to the liability of the service provider for the actions of its third party users. eBay and YouTube are both primarily user-generated websites. Tiffany and Viacom are both companies whose property rights were infringed by third-party users of the service providers. The difference between Tiffany and Viacom v. YouTube lies in the causes of actions brought by the plaintiffs. In *Tiffany*, eBay was sued for trademark infringement while in *Viacom*, YouTube was sued for copyright infringement. Judge Stanton wrote:

Although a different technique, the DMCA applies the same principle, and its establishment of a safe harbor is clear and practical: if a service provider knows (from notice from the owner or a “red flag”) of specific instances of infringement, the provider must promptly remove the infringing material. If not, the burden is on the **owner** to

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<sup>126</sup> *Id.* at 103.

<sup>127</sup> *Id.* at 107.

identify the infringement. General knowledge that infringement is ‘ubiquitous’ does not impose a duty on the service provider to monitor or search its service for infringements.<sup>128</sup>

Judge Stanton’s holding in Viacom v. YouTube, reaffirms the ruling in Tiffany by leaving the burden of policing infringement to the intellectual property owner. Like YouTube, eBay’s primary purpose as a service provider has been protected but it has left the trademark owner, Tiffany, without a remedy.

## **2. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster**

In 2003, Metro-Goldwyn-Mayer Studios along with various motion picture studios, recording companies, songwriters, and music publishers, collectively to be referred to as “MGM”, brought suit against two peer-to-peer (“P2P”) software owners, Grokster, Ltd., and StreamCast Networks, Inc., collectively to be referred to as “Grokster”.<sup>129</sup> MGM alleged that Grokster was liable for acts of copyright infringement by knowingly promoting the use of their software programs to their users to infringe copyrights.<sup>130</sup> The United States District Court for the Central District of California held that the users of Grokster directly infringed MGM’s copyrights by downloading copyrighted media files using Grokster’s software program, but that Grokster was not directly liable because they did not have *actual knowledge* as to the specific acts of infringement.<sup>131</sup> The United States Court of Appeals for the Ninth Circuit affirmed the

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<sup>128</sup> Viacom Int’l, Inc. v. YouTube, Inc., 717 F.Supp.2d 514 (S.D.N.Y. 2010), appeal filed, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>129</sup> Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, LTD., 545 U.S. 913 (2005).

<sup>130</sup> *Id.* at 927.

<sup>131</sup> *Id.* at 927.

district court's holding, finding the decentralized structure of Grokster's software programs rendered them incapable of having *actual knowledge* of the infringement activity from their software users and thus were not vicariously liable.<sup>132</sup> In 2004, the United States Supreme Court granted certiorari to review the case and in a vote of 7-0, the Court unanimously reversed the lower courts' findings, granting summary judgment in favor of MGM.<sup>133</sup> Overall, the issue facing the Court in Metro-Goldwyn-Mayer Studios Inc., v. Grokster, was, "[u]nder what circumstances is a distributor of a product, where the product is capable of both a lawful and unlawful use, liable for acts of copyright infringement by third parties who use the product?"<sup>134</sup> In MGM v. Grokster, the defendant parties did not assert a defense under the DMCA. Even if Grokster qualified as a service provider under the DMCA and were able to invoke legal protections under the DMCA's safe harbor provision, Grokster likely would have been found guilty of contributory liability for copyright infringement. There was evidence that Grokster took active steps to induce infringement by its users through advertisements and failed to develop a filtering tool to diminish the infringing activity produced from use of their software.<sup>135</sup> The district court in Viacom v. YouTube distinguished YouTube from Grokster, stating that YouTube did not exist "solely to provide the site and facilities for copyright infringement."<sup>136</sup> While, in MGM v. Grokster the court held that Grokster's P2P software programs "aimed to have a larger number of copyrighted songs available on their networks than other file-sharing

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<sup>132</sup> *Id.* at 927-928.

<sup>133</sup> *Id.* at 942.

<sup>134</sup> *Id.*

<sup>135</sup> *Id.* at 924-927.

<sup>136</sup> *Viacom Int'l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514 (S.D.N.Y. 2010), appeal filed, No. 10-3270 (2nd Cir. Dec. 3, 2010).

networks” and “sent users a newsletter promoting its ability to provide particular, popular copyrighted materials.”<sup>137</sup>

One reason that Viacom v. YouTube came out in favor of the ISP while MGM v. Grokster came out in favor of the copyright holders was because of how YouTube dealt with the notification and knowledge of infringing uses of their product. While it can be said that both YouTube and Grokster financially benefitted from third party individuals using their services to engage in copyright infringement YouTube has a system where an agent receives complaints of infringement and removes identified material when they learn of the infringement.<sup>138</sup> YouTube complied with the DMCA and qualified for protection under the Safe Harbor Provision.<sup>139</sup> Conversely, Grokster “never blocked anyone from continuing to use its software to share copyrighted files. Grokster not only rejected another company’s offer to help monitor infringement, but blocked the Internet Protocol addresses of entities it believed were trying to engage in such monitoring on its networks.”<sup>140</sup>

What is difficult to reconcile between MGM v. Grokster and Viacom v. YouTube is the prevalence of infringement. Based on a study commissioned by MGM, nearly 90% of the files available for download using Grokster’s software P2P programs were copyrighted works.<sup>141</sup> In, Viacom v. YouTube, it was alleged at trial that “over twenty-four hours of new video-viewing

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<sup>137</sup> Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, LTD., 545 U.S. 913, 926-927 (2005).

<sup>138</sup> *Id.* at 926-27.

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at 922.

time is uploaded to the YouTube website every *minute*”<sup>142</sup> and Viacom contends that “tens of thousands of videos on YouTube, resulting in hundreds of millions of views, were taken unlawfully from Viacom’s copyrighted works without authorization.”<sup>143</sup> It is hard to deny that YouTube does not know the extent to which their own website is abused by third party users in uploading and sharing copyrighted material. If all that separates the acts of Grokster and the acts of YouTube are a few advertisements soliciting copyrighted works and an infringement notification system, it is difficult to understand why the district court found that YouTube passed the red flag test.

### **3. Perfect 10, Inc. v. CCBill, LLC**

In 2007, Perfect 10 brought an action against an ISP claiming that the ISP allowed consumers to pay for subscriptions or memberships to e-commerce venues that violated Perfect 10’s copyrights and trademarks.<sup>144</sup> Perfect 10 is a publisher of an adult entertainment magazine and the owner of a website, perfect10.com.<sup>145</sup> Perfect10.com is a subscription based website where consumers pay a membership fee in order to gain access to the website’s content.<sup>146</sup> It holds registered U.S. copyrights for the images they display.<sup>147</sup>

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<sup>142</sup> Viacom Int’l, Inc. v. YouTube, Inc., 717 F.Supp.2d 514, 518 (S.D.N.Y. 2010), appeal filed, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>143</sup> *Id.*

<sup>144</sup> Perfect 10, Inc. v. CCBill, 488 F.3d 1102, 1108 (9th Cir. 2007).

<sup>145</sup> *Id.* at 1108.

<sup>146</sup> *Id.*

<sup>147</sup> *Id.*

The defendant, CCBill, allows consumers to pay for subscriptions or memberships to e-commerce venues that included sites such as “illegal.net” and “stolencebritypics.com.”<sup>148</sup> Some of these websites infringed upon Perfect 10’s copyrights. For example, if a consumer wanted to view pictures on one of these websites, the viewer would be directed to CCBill to make a payment.<sup>149</sup> Upon completion of the transaction, the consumer would be redirected to the website, where they would have full access to view the pictures.<sup>150</sup> Perfect 10 argued that since CCBill collected payment for access to certain websites that it knew were infringing on Perfect 10’s copyrights and trademarks it should be held liable.<sup>151</sup> Perfect 10 claimed that the defendants had apparent knowledge of the infringing activities because CCBill directed its consumers to websites such as, “illegal.net” and “stolencebritypics.com” which they knew to contain Perfect 10’s copyrighted images.<sup>152</sup>

CCBill countered by stating that it was a third party and therefore their actions fell under the safe harbor provision provided by the DMCA.<sup>153</sup> To garner safe harbor protection, the Ninth Circuit first determined that the ISP must have a reasonably implemented repeat offender policy.<sup>154</sup> Since “reasonably implemented” is not defined, the Ninth Circuit found that an ISP “implements” a policy if it has a working notification

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<sup>148</sup> *Id.*

<sup>149</sup> *Id.*

<sup>150</sup> *Id.* at 1108.

<sup>151</sup> *Id.* at 1114.

<sup>152</sup> *Id.* at 1114.

<sup>153</sup> The Digital Millennium Copyright Act, 17 U.S.C. § 512 (1998).

<sup>154</sup> Perfect 10, Inc. v. CCBill, 488 F.3d 1102 (9th Cir. 2007).



system.<sup>155</sup> This notification system is designed to handle complaints made by the copyright owner to take down infringing material. The Court determined that an ISP does not have an “implemented” system if it prevents copyright holders from providing DMCA complaint-notifications.<sup>156</sup> The Ninth Circuit concluded that CCBill implemented a DMCA-complaint notification system although there was evidence that it was completed in a careless manner.<sup>157</sup> The Ninth Circuit only requires the ISP to act “expeditiously to remove, or disable access to, the material” when it (1) has actual knowledge (2) is aware of facts or circumstances from which infringing activity is apparent, or (3) has received notification of claimed infringement meeting the requirements of section 512(c)(A).<sup>158</sup> This ruling is important because it holds the ISP to a relatively low standard.

The second determination in this case was based on the “red flag” test and whether CCBill had knowledge of the infringing activity. In order for CCBill to fit under the “red flag” test it would need to be apparent that the website instructed or enabled users to infringe another's copyright.<sup>159</sup> A service provider may also lose protection if it fails to take action with regard to infringing material when it is “aware of facts or circumstances from which infringing activity is apparent.”<sup>160</sup> In this case, Perfect 10 argued that CCBill was aware of a number of “red flags” that signaled apparent infringement because CCBill provided services to “illegal.net” and “stolencelebritypics.com,” which made available

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<sup>155</sup> *Id.* at 1109.

<sup>156</sup> *Id.* at 1109-10.

<sup>157</sup> *Id.* at 1110. Perfect 10 references a single page from the DMCA log had some empty fields. The Court did not find that “this does reflect any effort to track notices of infringement.”

<sup>158</sup> *Id.* at 1111.

<sup>159</sup> Perfect 10, Inc. v. CCBill, LLC, 488 F.3d 1102, 1114 (9th Cir. 2007)

<sup>160</sup> Digital Millennium Copyright Act § 512(c)(1)(A)(ii).

Perfect 10 copyrighted images.<sup>161</sup> The Court disagreed, finding these websites to be “titillating by nature, describing photographs as ‘illegal’ or ‘stolen’ may be an attempt to increase their salacious appeal, rather than an admission that the photographs are actually illegal or stolen.”<sup>162</sup> This holding is important because the court further softened the ISP’s burden of determining whether the material it hosts is infringing on the copyright owner.

The court relied upon this case in Viacom v. YouTube because it furthered defined the knowledge requirement under the DMCA’s safe harbor provision. Like Perfect 10, YouTube’s “[m]ere knowledge of prevalence of such [infringing] activity in general is not enough.”<sup>163</sup> In fact, the burden of determining whether there is infringing activity remains with the copyright owner, not the ISP. In Viacom v. YouTube, the Plaintiffs claim that “tens of thousands of videos on YouTube, resulting in hundreds of millions of views, were taken unlawfully from Viacom’s copyrighted works without authorization.”<sup>164</sup> Viacom also alleged that “[d]efendants had ‘actual knowledge’ and were ‘aware of facts or circumstances from which infringing activity [was] apparent,’ but failed to do anything.”<sup>165</sup> Like Perfect 10, the Second Circuit seems to favor the ISP because the ISP does not have “the burden of determining whether photographs are actually illegal.”<sup>166</sup> Moreover, the reasonableness standard places a heavy burden on the copyright owners to prove that the ISP had actual knowledge of the infringement. The Southern District of New York’s ruling

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<sup>161</sup> *Id.* at 1114.

<sup>162</sup> *Id.* at 1114.

<sup>163</sup> *Viacom*, 717 F.Supp.2d at 523.

<sup>164</sup> *Viacom Int’l, Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514, 516 (S.D.N.Y. 2010)

<sup>165</sup> *Id.* at 518.

<sup>166</sup> *Perfect 10*, 488 F.3d at 1114.

in Viacom v. YouTube stays consistent with the decision in Perfect 10, reasoning that stringent requirements<sup>167</sup> are not yet needed for ISPs.<sup>168</sup>

#### **4. Arista Records LLC v. Usenet.com & Arista Records LLC v. Lime Group**

This suit began in October of 2007 when the Recording Artist Association of America (“RIAA”) sued Usenet.com and their sole shareholder Gerald Reynolds for allowing users to pay a fee to download illegally stored copyrighted material.<sup>169</sup> In 2009, Arista Records also filed suit against Usenet.com (“Usenet”) alleging that Usenet engaged in acts of direct infringement of the exclusive right of distribution, inducement of copyright infringement, contributory copyright infringement, and vicarious copyright infringement.<sup>170</sup> On June 30, 2009, the Southern District of New York granted summary judgment for the RIAA in its case against Usenet holding that Usenet was liable for direct, contributory, and vicarious copyright infringement.<sup>171</sup>

The Usenet system was developed over twenty years ago as a global (online) bulletin board which users could post and read messages.<sup>172</sup> The Usenet domain was purchased by Sierra in 1998 and later developed into a website where individuals could pay a fee of up to \$18.95/month in order to download a set number of copyrighted music,

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<sup>167</sup> See *Id.*; imposes no such investigative duties on service providers

<sup>168</sup> *Id.* at 1114.

<sup>169</sup> *Arista Records, LLC. v. USENET.COM, INC.*, 633 F.Supp.2d 124, 128 (S.D.N.Y. 2010).

<sup>170</sup> *Id.* at 129.

<sup>171</sup> *Id.* at 129.

<sup>172</sup> *Id.* at 130.

movies and pictures.<sup>173</sup> Usenet was able to obtain some of the copyright protected material by paying its users to access their data and store it on their own devices.<sup>174</sup>

It was undisputed that Usenet's site was used primarily for obtaining copyright protected works, some of which were material owned by Arista Records.<sup>175</sup> Usenet engaged in direct infringement by paying subscribers to download and upload music files, which would be stored as "Usage Data" and could then be downloaded by other paying customers.<sup>176</sup>

Arista alleged that Usenet directly infringed their copyrights by distributing copies of Arista's musical works to its website subscribers. To establish a claim of copyright infringement, a plaintiff must establish (1) ownership of a valid copyright and (2) unauthorized copying or a violation of one of the other exclusive rights afforded copyright owners pursuant to the Copyright Act (granting a copyright owner the exclusive right to distribute copies...of the copyrighted work to the public or other transfer of ownership).<sup>177</sup>

The Court in Arista relied on Cartoon Network LLLP v. CSC Holdings Inc.,<sup>178</sup> in formulating the standards to determine when a service provider is guilty of direct copyright infringement. The court in Cartoon held that a service provider cannot be guilty for direct infringement where the provider's service acts as a mere "passive conduit" for delivery of

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<sup>173</sup> *Id.* at 131.

<sup>174</sup> *Id.* at 131.

<sup>175</sup> *Id.* at 131-32.

<sup>176</sup> *Id.*

<sup>177</sup> *Id.* at 146.

<sup>178</sup> Cartoon Network, LLLP v. CSC Holdings, Inc., 536 F.3d 121 (2d. Cir. 2008).

works requested by its users.<sup>179</sup> However, an ISP can be held liable if the provider engaged in *volitional* conduct supporting copyright infringement.<sup>180</sup> The court in Usenet found that Usenet engaged in this exact volitional conduct supporting copyright infringement and therefore converted their status as passive service providers protected under the safe harbor provision into active participants in the process of copyright infringement.<sup>181</sup>

Arista also brought claims against Usenet for secondary liability for (1) inducement of copyright infringement, (2) contributory copyright infringement and (3) vicarious copyright infringement.<sup>182</sup> The court ruled against Usenet on the claim of secondary liability for inducement of copyright infringement finding that:

Defendants' subscribers committed direct infringement of the Plaintiffs' exclusive right of reproduction by downloading copies of Plaintiffs' works from Defendants' service, thereby creating copies of the works on their computers without Plaintiffs' authorization.<sup>183</sup>

With respect to the claim of contributory copyright infringement, Usenet asserted the "*multiple uses*" defense alleged by Sony in Sony Corp. of America v. Universal Studios.<sup>184</sup> The court however rejected Usenet's defense and granted summary judgment for Arista on the claim of contributory copyright infringement.<sup>185</sup> Arista's motion for

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<sup>179</sup> Arista Records, LLC. v. USENET.COM, INC., 633 F.Supp.2d 124, 147 (S.D.N.Y. 2010).

<sup>180</sup> *Id.*

<sup>181</sup> *Id.* at 148.

<sup>182</sup> *Id.* at 149.

<sup>183</sup> *Id.*

<sup>184</sup> Sony Corp. of America v. Universal Studios Inc., 464 U.S. 417 (1984) (VHS recorder device could be used for substantial non-infringing uses therefore Sony as the owner was not liable for contributory copyright infringement by consumers who bought a VHS recorder and used it to commit acts of contributory negligence).

<sup>185</sup> Arista Records, LLC. v. USENET.COM, INC., 633 F.Supp.2d 124, 155-56 (S.D.N.Y. 2010).

summary judgment on vicarious liability was also granted.<sup>186</sup> In this case, the service provider took active steps to engage and promote copyright infringement by its users. Both Arista and Grokster can be distinguished from Viacom v. YouTube in this regard. While Viacom has alleged that YouTube has apparent knowledge of the alleged copyright infringement acts by its users, Viacom has not alleged that YouTube has had actual knowledge of the infringement related activities and then not taken active steps to remedy the problem. What remains a question on appeal is the volitional conduct standard applied in Arista. YouTube's knowledge of third party infringers, although not specific, is nonetheless knowledge enough to know that infringement is taking place. This standard may prove to be a linchpin in Viacom's appeal.

## VII. FUTURE SOLUTIONS

### 1. Substantial Precautions as a Reason for No Liability

Due to the makeup of the Internet, the likelihood of copyright infringement continuing to occur is extremely high. In many situations, such as in the case of Viacom v. YouTube, it is not the service provider that is doing the infringing but a third party user. There is only so much a service provider can do to protect itself from a lawsuit.

A potential solution to the ongoing problem of third-party Internet copyright infringement would be to raise the threshold of required precautions an ISP must make in order to prevent copyright infringement. A good example of an ISP engaging in such

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<sup>186</sup> *Id.* at 158.

protective measures is found in Tiffany v. eBay. In Tiffany, one of the most heavily weighed factors the court considered was the time, effort, and expenses eBay put into preventing trademark infringement.<sup>187</sup> The court opined eBay's precautionary tactics, which could be interpreted as praising eBay for good behavior.<sup>188</sup> Overall, courts seem to come down generously on ISPs who exercise good faith in preventing intellectual property infringement by third parties on their sites.<sup>189</sup>

This is not an assertion that this solution will stop infringement altogether, but it will force ISPs to make a good faith effort to reduce the infringing activities. Currently, YouTube takes a number of precautions against infringement and it is not unreasonable to describe them as a good example to newer ISPs. Any user can visit the YouTube site and find the link to its "copyright" page on the bottom of the home screen.<sup>190</sup> After clicking the link, a user is immediately directed to YouTube's "take-down" policy and directions.<sup>191</sup> YouTube has conveniently provided a downloadable form for copyright owners to notify YouTube that their material is being infringed.<sup>192</sup> YouTube has taken it one step further by developing an "Audio ID and Video ID" feature to give greater control to copyright owners.<sup>193</sup> This technology allows copyright owners to send YouTube audio or video reference files, which contain the metadata of the copyright protected materials they own.

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<sup>187</sup> Tiffany, Inc. v. eBay, Inc., 600 F.3d 93, 98-100 (2<sup>nd</sup> Cir. 2010).

<sup>188</sup> *Id.*

<sup>189</sup> *See Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93 (2<sup>nd</sup> Cir. 2010); Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102 (9<sup>th</sup> Cir. 2007).

<sup>190</sup> *Copyright Infringement Notification*, YOUTUBE, [http://www.YouTube.com/t/dmca\\_policy](http://www.YouTube.com/t/dmca_policy) (last visited Feb 2, 2011).

<sup>191</sup> *Id.*

<sup>192</sup> *Id.*

<sup>193</sup> *YouTube Audio ID & YouTube Video ID*, YOUTUBE, <http://www.YouTube.com/t/contentid> (last visited Feb. 3, 2011).

YouTube then takes this information and searches its databases for media matches.<sup>194</sup>

Once a match is found, YouTube notifies the copyright owner who initially provided their metadata to YouTube, and inquires if they want the located match *monetized*, *tracked*, or *blocked*.<sup>195</sup> Lastly, YouTube has a “Copyright Tips” screen with links to further information on copyright and even offers a library of authorized music for users to “liven up” their videos without worrying that they are infringing someone else’s copyright.<sup>196</sup>

Based on the recent decision in the Viacom v. YouTube case, it is clear that YouTube’s precautionary measures are in compliance with what the DMCA requires.<sup>197</sup> Nevertheless, this does not appear to be sufficient enough based on the high rate of copyright infringement occurring on YouTube’s website.<sup>198</sup>

## 2. Partnerships

Although a higher threshold of precautions against infringement may put some copyright owners at ease, the fact that infringing material still makes it onto these sites at such an alarming rate creates a feeling of injustice.<sup>199</sup> It is evident that ISPs continue to benefit financially from the infringing material located on their servers, even though this benefit actually belongs to the copyright owners.<sup>200</sup> A possible solution to the battle between the copyright owners and the ISPs is to promote partnerships or agreements

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<sup>194</sup> *Id.*

<sup>195</sup> *Id.*

<sup>196</sup> *Copyright Tips*, YOUTUBE, [http://www.YouTube.com/t/howto\\_copyright](http://www.YouTube.com/t/howto_copyright) (last accessed Feb. 3, 2011).

<sup>197</sup> *Viacom Int’l, Inc. v. YouTube, Inc.*, 717 F.Supp.2d 514, 529 (S.D.N.Y. 2010), *appeal filed*, No. 10-3270 (2nd Cir. Dec. 3, 2010).

<sup>198</sup> *Id.* at 23.

<sup>199</sup> Mark Harrington, *Online Copyright Infringement Liability for Internet Service Providers: Context, Cases & Recently Enacted Legislation*, BC.EDU, (Jun. 4, 1999), [http://www.bc.edu/bc\\_org/avp/law/st\\_org/iptf/articles/content/1999060401.html](http://www.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/1999060401.html).

<sup>200</sup> *Id.*



between the two, thereby allowing both parties to profit from the material. Looking to YouTube as an example again, the website currently has a partnership program in place where qualified copyright owners team up with YouTube to create “channels.” The owners of these channels share in the profits YouTube makes off of the advertising posted to these channels.<sup>201</sup> One of the most well known channels is VEVO. VEVO as a group, was established as a partnership between SONY Music Entertainment, Universal Music Group and Abu Dhabi Media.<sup>202</sup> Other leading music companies license material to VEVO to broadcast across the Internet.<sup>203</sup> VEVO entered into a partnership with YouTube where they share in the advertising profits.<sup>204</sup> This partnership illustrates how both parties can potentially coexist while maximizing both of their economic gains. YouTube benefits from VEVO’s music videos because YouTube’s users generally prefer the high-quality video on the VEVO channel as opposed to the poorer quality infringing videos.<sup>205</sup> The owners’ of the VEVO channel benefit from the partnership because it increases the amount of exposure and viewership its videos receive.<sup>206</sup> This partnership currently appears to be working out well. Is it possible that a similar agreement could be made between YouTube and Viacom? The problem with these agreements and partnerships is that it may just be limited to certain copyrights. For example, a song generally lasts for three to five minutes long. Most YouTube visitors will watch a “video” to listen to an entire song. Whereas

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<sup>201</sup> *Partner with YouTube*, YOUTUBE, <http://www.YouTube.com/partners> (last visited Feb. 3, 2011).

<sup>202</sup> *About VEVO*, VEVO, <http://www.vevo.com/about> (last visited Feb. 4, 2011).

<sup>203</sup> *Id.*

<sup>204</sup> *Id.*

<sup>205</sup> *Id.*

<sup>206</sup> *Vevo Quickly Dominates Online Music Videos*, BLOGGERSBLOG, (Jan. 21, 2010), <http://www.bloggersblog.com/videos/>.

with television and full length films, most YouTube visitors are just looking for a quick clip such as the winning touchdown or a funny punch line. As a result, it would be difficult for corporations who own the television and film rights to partner with YouTube to develop channels and only select certain clips to be placed on their specific channel. Furthermore, creating these agreements is difficult and complex. The idea of “working together” may be too good to be true, or limited to certain industries.

### **3. Ideas on the Horizon**

Another way that ISPs can protect themselves from lawsuits against copyright holders is through the novel idea of Internet insurance. As previously stated, it is not the service provider that is doing the infringing but generally a third party user. With the excessive growth of the Internet and the potential for more lawsuits to arise, ISPs will inevitably need somewhere to turn to protect their financial interests. For argument’s sake, let’s assume that the Second Circuit reverses the lower court’s ruling in Viacom v. YouTube and holds YouTube liable for a billion dollars in damages to Viacom (what Viacom is alleging).<sup>207</sup> A holding such as this could deplete nearly all of YouTube’s assets and mean financial ruin for YouTube as a company. From here, the idea of Internet insurance arises. The current field of protection afforded to ISPs consists of:

Any content on [web]site[s] has the potential to raise issues about copyright and trademark infringement as well as defamation and invasion of privacy issues. Often an offline liability policy will not cover online

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<sup>207</sup> Damages attempt to measure in financial terms the extent of harm a plaintiff has suffered because of a defendant's actions. Damages are distinguishable from costs, which are the expenses incurred as a result of bringing a lawsuit and which the court may order the losing party to pay. Damages also differ from the verdict, which is the final decision issued by a jury.

applications. Furthermore, sites that provide information such as financial information, health-related information, indeed virtually any sort of information that visitors may rely on can be subject to claims. These claims against the owner can arise whether the owner is the creator of that content or a licensee of some third party content. As with the offline world, any acquisition agreements with writers, artists, licensors and others should contain appropriate warranties and indemnities but these are often illusory if the warrantor has no or little assets to protect the owner. Thus the need for insurance arises.<sup>208</sup>

In order to protect oneself from major losses, a variety of insurances have acted as societal cogs. When individuals have money attached to themselves, they take out a life insurance policy to make sure those around them benefit. When profitable buildings open, they take out liability insurance to protect them from natural disasters. The current situation for ISPs should be looked at no differently. Some of the most profitable businesses in the world are now run through the Internet, it only makes sense for there to be Internet insurance readily available.

Umbrella insurance<sup>209</sup> through an established insurance company may not be a functional solution. The ability to insure for large financial losses means not only having the money to do so, but also the willingness to take large financial hits.<sup>210</sup> Profitable insurance companies may not want to take such a risk. A number of insurers, including AIG, Chubb, CIGNA, CNA, Liberty Mutual, St. Paul, Zurich, and underwriters in the

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<sup>208</sup> Ivan Hoffman, *Online Liability Insurance*, HOFFMAN.COM, <http://www.ivanhoffman.com/onlineinsurance.html> (last accessed Dec. 13, 2010).

<sup>209</sup> As its name implies, umbrella insurance sits "on top of" your other insurance policies like an umbrella, to provide added financial protection in the event that other policies cannot cover the loss.

<sup>210</sup> JAYSON W. SOWERS, MONA K. MCPHEE & RIDDELL WILLIAMS P.S., *INSURANCE LAW 2005 UNDERSTANDING THE ABC'S*, 2005 LITIGATION AND ADMINISTRATIVE PRACTICE COURSE HANDBOOK SERIES: INSURANCE COVERAGE FOR CYBERSPACE LIABILITIES, (2005), 199, 224.

London market have issued policies providing both first and third party insurance coverage in an attempt to meet the market demand. As policyholders increase their presence on the Internet, more insurers will enter the field either through stand-alone Internet-specific policies or custom endorsements.<sup>211</sup>

The likelihood of Internet insurance immediately becoming a reliable insurance staple remains a challenge. First, Internet insurance must be different from most other insurances. Life, car and health insurance all have a large pool of applicants where money is made and then distributed.<sup>212</sup> Insurance policies use the “law of large numbers,” which states, “the more members in an insured group, the more likely it is that the number of actual losses will be very close to the number of expected losses.”<sup>213</sup> Insurance policies also have premiums, which will cover the anticipated losses and are calculated using statistics on the probability of loss for each type of insurance offered.<sup>214</sup> Current market Internet insurance policies come in great variety and no one policy has yet to set the industry standard.<sup>215</sup> A majority of these policies do not adhere to the prototypical umbrella style policy and instead insure “specific, explicitly defined risks.”<sup>216</sup> Amongst the few current cyber liability policies out there, they generally cover the traditional offenses, which have been discussed above. However, these policies have not yet become widespread and would be difficult to obtain for a company as large as YouTube who could

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<sup>211</sup> INSURANCE COVERAGE FOR CYBERSPACE LIABILITIES, (2005) at 224.

<sup>212</sup> *Id.*

<sup>213</sup> *How Does Insurance Work*, SUPER PAGES, <http://www.superpages.com/supertips/how-does-insurance-work.html> (last accessed Dec. 17, 2010).

<sup>214</sup> *Id.*

<sup>215</sup> INSURANCE COVERAGE FOR CYBERSPACE LIABILITIES, (2005) at 224.

<sup>216</sup> *Id.* at 225.

presumably ask for an insurance recovery in the amount of hundreds of millions of dollars.<sup>217</sup>

Internet activities expose a policyholder to both traditional and rapidly emerging new risks. Internet-related liabilities and insurance coverage for these liabilities will continue to evolve both through court decisions interpreting traditional policies and the insurance industry's attempts to develop new coverage to meet demand. Once a policyholder's risk and potential coverage gaps are identified, the new Internet [insurance] policies may be important risk management tools for Internet-related exposures.<sup>218</sup>

Given the ever-changing culture of the Internet and as evidenced by the above findings, a statistic based insurance policy may be too overwhelming for a typical insurance company to carry. The lack of uncertainty brings about an alternative suggestion originating from the Securities Investor Protection Corporation ("SIPC"). The SIPC restores funds to investors with assets in the hands of bankrupt firms and otherwise financially troubled brokerage firms.<sup>219</sup> The actual SIPC fund is financed by:

Annual assessments on all member firms – periodically set by SIPC and interest generated from its investments in U.S. Treasury notes. If the SIPC fund becomes or appears to be insufficient to carry out the purposes of Securities Investor Protection Act (SIPA), SIPC may borrow up to \$1 billion from the U.S. Treasury through SEC (i.e., SEC would borrow the funds from the U.S. Treasury and then re-lend them to SIPC). In addition, SIPC has a \$1 billion line of credit with a consortium of banks.<sup>220</sup>

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<sup>217</sup> *Id.* at 226.

<sup>218</sup> *Id.* at 228.

<sup>219</sup> *SIPC: Who We Are*, SECURITIES INVESTOR PROTECTION CORPORATION, <http://www.sipc.org/who/who.cfm> (last visited Dec. 11, 2010).

<sup>220</sup> *SIPC Protection Versus Federal Deposit Insurance*, INTEGRATED PUBLISHING, <http://www.tpub.com/content/cg2001/d01653/d016530021.htm> (last visited Dec. 11, 2010).

What if there was an SIPC for online service providers? Hypothetically speaking, the Internet Service Provider Protection Corporation (“ISPPC”). Perhaps the government uses a model similar to the one they enacted with the SIPC and modifies to allow for large-scale ISP’s to contribute a specific percentage of revenue annually to the ISPPC. The difference between the SIPC and our fictional ISPPC is that the SIPC is used to insure investors, while the Internet fund would be used to insure the big market service providers. Although this idea is in its infancy, the thought of having major Internet corporations join a fund like the ISPPC should be considered.

Due to the potential volume of damages involved in cases such as Viacom v. YouTube , it may be best to fuse both a typical insurance premium with the ISPPC funding model. All Internet corporations that register with the fictional fund would be required to contribute money based on probability of lawsuits. These probabilities would come from the same type of statistical analysis done using a traditional insurance premium. With large Internet decisions looming, the ability to insure might aid the ability to expand.

## **VIII. CONCLUSION**

As society submerses itself in the social media era, the Digital Millennium Copyright Act, and more specifically its “safe harbor provision,” provides us all with questions that need to be answered. As this article highlights, the “safe harbor provision” has proven to be controversial and could lead to drastic Internet service provider changes in the near future. As it currently stands, the “safe harbor provision” has afforded ISPs a relatively low standard to elude liability. The aforementioned solutions are meant as a framework to stimulate discussion

throughout the legal community to develop a solution that mutually benefits both the ISP and the copyright owner. Viacom has recently appealed the Second Circuit decision, which, allowed YouTube to keep its impervious status as a non-infringer, begging the question, what will the court decide?