
PERSPECTIVE • Jan. 25, 2010

Clash of the Titans: *Viacom v. YouTube*

By David Given

It began as a war of words.

The media and entertainment giant Viacom was an early skeptic of YouTube, the video sharing Web site that launched in November 2005. Viacom objected that YouTube's service was facilitating the reproduction, broadcasting and other distribution of copyrighted content without the owner's authority. That objection employed an easily understood optic in the much publicized legal battle over Napster, the music sharing Web site, which produced a strong decision by the 9th Circuit U.S. Court of Appeals in favor of content owners.

YouTube responded by accusing the content owners of giving with one hand while taking away with the other. Content owners' "marketing departments are uploading content directly to the [YouTube] site," accused one YouTube founder, "while on the other side of the company their attorney is demanding we remove this content."

Looking back to that time, Viacom certainly had the most to lose among the major content providers as its copyrighted content migrated to the Internet. For years Viacom dominated the so-called "youth market" on cable television. In 2005, these cable networks - MTV, VH-1, Nickelodeon, and Comedy Central - were extraordinarily valuable brands and (unlike YouTube) consistently profitable, taking down hefty license fees from the cable system providers in addition to substantial advertising revenue.

But the value of these brands was built on a demographic increasingly drawn to the Internet and away from television as its primary source for media and entertainment consumption. That value also depended on the cable television franchise, a distribution channel operating in most places as an actual or virtual monopoly. Both those streams of income therefore - billions of dollars a year - were potentially at risk.

Compounding this threat, Viacom's strategy for its proprietary online business was largely a bust. Just that year, Viacom failed in its effort to acquire online social networking site MySpace - perceived to be a perfect fit with the aforementioned cable networks. But it did succeed in acquiring a company called NeoPets.com as well as two online video sites, Atom Films and iFilm, intended in part to compete with YouTube. According to Nielson/NetRatings, however, Neopets lost about 15 percent of its audience the following year. And as far as Atom Films or iFilm competing with YouTube - well, we all know how that turned out.

In the meantime, from its beginnings YouTube announced its intention to seek strategic partnerships with the major content owners. Perhaps Viacom's management missed that press release or the serious disquisitions then taking place on the subject of what it meant to be a media and entertainment company. But it could not have missed the news of Google's acquisition of YouTube a year after its official launch for an astonishing $1.65 billion.

That transaction likely confirmed the content owners' world-view. YouTube's value proposition was in the spectacular growth of its Web site traffic. In the content owners' view, that growth was built in large part off of the availability to its users of unlicensed copyrighted content, rather than the service's simple and intuitive user-interface together with the powerful organizational and search technology behind it. By the following year Viacom was in court - saying just that.

In March 2007, Viacom filed its lawsuit. *Viacom Int'l Inc., et al. v. YouTube, Inc. et al.*, Case No. 07 Civ. 2103 LLS (S.D.N.Y.). Its complaint (since amended) states seven causes of action - four for direct copyright

infringement and three for indirect copyright infringement - and seeks declaratory and injunctive relief as well as damages and an award of attorneys' fees under the federal Copyright Act.

Ominously, Viacom has asked the court to declare that YouTube "willfully infringes" Viacom's copyrights - a predicate for enhanced statutory damages under the Copyright Act. Those damages could theoretically run to a billion dollars or more. And the permanent injunction Viacom seeks has the potential to seriously diminish YouTube as an online service - just as the preliminary injunction all but finished Napster in that case.

The simplicity of the claims stated belies several legal complexities embedded in Viacom's action, however. First among those are the issues arising in connection with application of the Digital Millennium Copyright Act, which contains certain provisions, informally called safe harbors, barring any exposure of "service providers" (as defined by statute) to monetary and equitable relief for copyright infringement in certain situations. Since YouTube qualifies as a service provider under the Digital Millennium Copyright Act's broad definition of the term, its conduct comes within the purview of its safe harbors for purposes of this lawsuit.

Of those safe harbors, the ones likely to see the most action in this case are the "hosting" safe harbor contained at 17 U.S.C. Section 512(c) and the "information location tools" safe harbor contained at 17 U.S.C. Section 512(d). The former would appear to give legal cover for that infringement Viacom claims arises from a user's uploading of infringing material to the YouTube service. The latter would appear to give legal cover for that infringement Viacom claims arises from linking users to an online location containing infringing material, including via YouTube's "e-mail" and "embed" functions.

Both safe harbors have three nearly identical conditions that YouTube must satisfy to invoke safe harbor protection. Viacom will likely attack all three conditions, and contend that YouTube has not met them. This attack will likely focus on these factual questions: YouTube's state of knowledge or awareness of the infringing activity on its Web site; its right and ability to control such activity by its users; and the appropriate implementation of the Digital Millennium Copyright Act's "take-down" policies and procedures.

Discovery on these subjects is well underway. Barring some evidentiary revelation (i.e., the proverbial smoking gun), however, Viacom's legal strategy has its challenge. For example, in its complaint Viacom has set its sights on defeating the second condition to YouTube's (and Google's) defense under the Digital Millennium Copyright Act by proving that both entities "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."

But the "direct causal connection" Viacom alleges between the presence of infringing material and YouTube's income from additional users viewing advertising on the site appears to take liberty with the commonly accepted meaning of the statute's language taken from other tort or tort-like contexts - and at best, may devolve into a battle of the experts over where the value proposition lays in YouTube's service. And Viacom's position - that the "wide number of content-based restrictions" YouTube places on the types of videos uploaded to the site, as well as the right it reserves in its terms of use, and exercises, to block or remove any video that it deems "inappropriate" or pornographic constitutes the "right and ability to control" infringing activity - runs contrary to every other reported decision that has considered the issue, as well as legislative history and most legal commentary. It is arguably a stretch even of the reasoning in *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002), where Viacom might find some support for this view.

Viacom may yet prevail on these issues. Recently, word leaked of a series of "smoking gun" documents turned over by YouTube in discovery that might effect YouTube's ability to invoke the Digital Millennium Copyright Act's safe harbors. (That word apparently first leaked to CBS Interactive, a former Viacom subsidiary.) Barring a timely business resolution, these and other legal battles remain to be fought in *Viacom v. YouTube*. But in many respects, while the battle continues, the war is arguably over.

Despite the heft of these two industry titans and the considerable resources they bring to bear in this case, developments in technology (including the introduction of filtering and content identification systems) and in the marketplace (including the launch of the content owners' own competing Web site, hulu.com) have far outpaced the parties' precise legal dispute. Lately, both Google and YouTube have leveraged their work in developing and deploying these filtering and other technologies to foster relationships with major content owners, leading to the licensing of their copyrighted content.

These developments are likely to continue, with one ironic twist: As pure on-demand television viewing migrates

back from the computer to the television, Viacom may yet be on the winning side of things. But that battle will more likely be fought, and victory won, in the marketplace - where technological developments, and not rear-guard legal actions - will determine the outcome. Stay tuned viewers.

David M. Given is a co-founder of the San Francisco law firm of Phillips, Erlewine & Given, specializing in entertainment, technology and intellectual property law. The ABA recently chose him to present its annual Presidential Showcase Program, entitled “Privacy, Copyright and Parental Control in the Age of YouTube, MySpace and Beyond.” He can be reached at dmg@phillaw.com.

****