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UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

VIACOM INTERNATIONAL INC., COMEDY PARTNERS, COUNTRY MUSIC TELEVISION, INC., PARAMOUNT PICTURES CORPORATION, and BLACK ENTERTAINMENT TELEVISION LLC, Plaintiffs, v. YOUTUBE INC., YOUTUBE, LLC, and GOOGLE, INC., Defendants.	Case No. 1:07-cv-02103 (LLS) (Related Case No. 1:07-cv-03582 (LLS)

VIACOM'S MEMORANDUM OF LAW IN OPPOSITION TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

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PRELIMINARY STATEMENT

Google's and YouTube's motion for summary judgment on Viacom's *Grokster* claim and Defendants' DMCA defense should be denied in its entirety. As Viacom showed in its motion for summary judgment, summary judgment should be entered for Viacom – not Defendants – on these (and other) liability issues. Defendants' summary judgment motion rests on a three-prong approach, with each prong being wholly untenable.

First, consider Defendants' use of record evidence. They do not even attempt to address or mitigate volumes of evidence – almost all from Defendants' own files – that flatly contradict their assertions. Instead, their motion simply ignores all of the evidence that runs contrary to their position. For example, their motion for judgment under *Grokster* does not so much as mention evidence demonstrating their *Grokster* intent, which Viacom summarized over almost twenty pages in its own opening brief. Similarly, it is a mystery how Defendants can claim that they complied with the DMCA by deploying available anti-piracy tools in good faith, while altogether ignoring the reams of documentary proof showing that they intentionally stripped their site of protections previously afforded to copyright owners and, in the absence of revenue-sharing agreements, refused to use YouTube's filtering and fingerprinting technology on behalf of Viacom and its MPAA peers. After three years of intensive discovery, it is difficult to fathom Defendants' approach to this copious evidentiary record.

Second, Defendants' extreme approach to the evidence is mirrored by the excessive legal positions they espouse in their motions. Defendants' *Grokster* motion asks the Court to accept numerous legal arguments that were literally rejected in the text of the Supreme Court's decision in *Grokster* itself. This practice continues when Defendants turn to the DMCA, which they cast as the core of their motion and their legal defense in this case. Time and again, in seeking to avoid a finding of liability, Defendants must ask the Court to adopt the most extreme legal

positions possible on the meaning and scope of the DMCA. The Act can and should be interpreted as the carefully balanced statute Congress enacted, a law calling for cooperation and shared responsibility on the part of content owners and service providers to take reasonably available steps to stem piracy on the Internet. Properly read, the DMCA is fully compatible with *Grokster*, as well as with decades of judicial decisions on key copyright doctrines such as the prohibition against willful blindness, the scope of contributory infringement, and the meaning of direct financial benefit and the right and ability to control under principles of vicarious liability. This approach is, however, wholly unacceptable to Defendants, who chose to benefit from and close their eyes to infringing activity on YouTube. Thus, they must read the DMCA to countenance willful blindness, to place the entire responsibility for copyright compliance on injured content owners, to excuse service providers from taking even reasonable steps in furtherance of copyright compliance other than responding to takedown notices, and to reverse the law of vicarious liability.

Defendants' extreme positions on the DMCA start with their argument that the defense trumps *Grokster* itself – rather than that *Grokster* intent excludes a defendant from the protection of the DMCA. Next, they view the DMCA as placing form over substance. So long as Defendants claim to follow procedures set forth in one part of the statute concerning takedown notices,[1] they argue that they are exempt from other DMCA requirements and free to remain willfully blind to the substance of what they knew was actually happening on the site. Even though the DMCA by its terms prohibits willful blindness, Defendants would have the Court interpret it as authorizing intentional ignorance and freeing service providers of any responsibility to use reasonably available tools to block infringing activity they know is

[1] We show *infra* at Section II.D that even procedurally Defendants fell short of complying with the DMCA's requirements.

occurring on the site. Only through this distorted reading of the Act can they hope to defend their policies of dismantling preexisting copyright protections and withholding from Viacom filtering technologies they already had in hand.

So, too, the DMCA's language closely tracks long-standing common law rules of vicarious copyright liability and incorporates its elements of direct financial benefit and right and ability to control. Not so, according to Defendants. They argue instead that the DMCA rejects rather than embraces this long history of vicarious liability law. Only through this aggressive interpretation of the statute can they seek to avoid disqualification from the DMCA safe harbor.

Defendants follow a similar approach when they turn to the provision of the DMCA that the safe harbor protects only activity "by reason of . . . storage at the direction of . . . user[s]." According to Defendants, in actual practice this limitation is no limitation at all. They claim that any infringing activity they engage in after a user uploads (or stores) a video on the site is "by reason of storage." In other words, they fatally confuse the concepts of "but for" and proximate causation. In addition, according to Defendants, all their subsequent acts of infringement, such as entering into distribution contracts, also should be construed as being "at the direction of users," even when the infringing acts occur years after the users uploaded their clips, even when the users had no knowledge of the subsequent activity, and even when the Defendants alone retained all the financial rewards flowing from infringement.

Third, Defendants erect their summary judgment motion on a foundation of irrelevancies and side shows – and, indeed, side shows of their own making. They spent the bulk of their discovery time and much of their opening brief arguing that they really could not be expected to do anything about the blatant rampant piracy on YouTube because Viacom employees allegedly confused Defendants by engaging in promotional marketing activities. Never mind, as shall be

shown, that this promotional activity occurred almost exclusively through established accounts of Viacom and authorized marketers known well to Defendants, with the cooperation and even solicitation of YouTube employees. More importantly, Defendants' feigned "confusion" results entirely from their steadfast refusal to cooperate with Viacom and other content owners or to use fingerprinting and filtering technology to automatically distinguish authorized promotional clips from unauthorized infringing clips so as to filter out the latter. Their argument thus is entirely circular. When Viacom and the MPAA offered cooperation to Defendants, Defendants refused and chose inaction and willful ignorance instead. They now hide behind their resulting "confusion" to justify inaction and their policy of intentional blindness.

In a similar vein, Defendants argue that Viacom's decision to leave clips on YouTube while negotiating with Defendants for redress should be construed as "authorizing" piracy – a position so weak that they do not even refer to the controlling decisions in this Circuit governing the doctrine of implied license.

In sum, to survive summary judgment, Defendants must ask this Court to ignore the discovery record, to place emphasis on irrelevant diversions of Defendants' own making, to disregard *Grokster*'s language, and to accept in virtually every area the most extreme interpretations possible of the DMCA safe harbor. Defendants' position on liability is thus doomed to fail, unless this Court is prepared to accept a copyright compliance regime of intentional ignorance, non-cooperation, and placement of the entire burden of compliance on the victim rather than the beneficiaries of piracy.

ARGUMENT

I. SUMMARY JUDGMENT SHOULD BE ENTERED FOR VIACOM – NOT DEFENDANTS – UNDER *GROKSTER*.

We start with Google's and YouTube's liability under *Grokster*. Defendants, by their motion, effectively acknowledge that the issue is resolvable by way of summary judgment. Yet they proceed as if three years of discovery never happened.

A. Defendants Ignore a Mountain of Evidence Showing Their Wrongful Intent to Use Infringement to Build YouTube's Business.

Grokster liability exists where (1) the defendant offers a service or product that is used to commit copyright infringement, and (2) the defendant offers that service or product with the intent, object, or purpose of facilitating such infringement. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 934-41 (2005); Viacom Opening Mem. 23-26. Here, it is undisputed that the YouTube website facilitates massive infringement of the copyrights of Viacom and other copyright owners, which satisfies the first *Grokster* element of enabling infringement. Thus, as Defendants appear to acknowledge, this case turns on the second element: whether Google and YouTube operated the YouTube website with the intent that it would be used for infringement. *See* Defs. Opening Mem. 80.[2] Such intent can be decided on Rule 56 motions based on undisputed facts, as Defendants also effectively concede by moving for summary judgment on it. Indeed, the Supreme Court in *Grokster* itself invited summary judgment on a written evidentiary record, and district courts have not hesitated to find *Grokster*

[2] Similarly, on remand in *Grokster*, the district court explained: "Since there is no dispute that [the defendant peer-to-peer service] StreamCast did distribute an infringement-enabling technology, the inquiry focuses on the defendant's intent, which can be shown by evidence of the defendant's expression or conduct." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 454 F. Supp. 2d 966, 985 (C.D. Cal. 2006).

intent on summary judgment based on documentary evidence like that here. *See* Viacom Opening Mem. 26 (citing cases).

Yet, in moving for summary judgment, Defendants simply ignore a mountain of evidence establishing their specific intent to grow their user base through pirated videos. Viacom set forth this evidence over nearly twenty pages in its own motion for summary judgment. *See* Viacom Opening Mem. 5-23. Rather than repeat that presentation, we incorporate it here, and offer a summary. The facts are unmistakable, compelling, and based on the contemporaneous written admissions of YouTube's founders and Google's highest executives.[3]

- For the founders and venture capitalists who started YouTube, the path to a quick and lucrative flip of the business was to grow dramatically and quickly become the dominant video site on the Internet. Viacom Opening Mem. 5. User growth required views, and piracy drew viewers. Shortly after the site began operation, YouTube's founders knew that "the site [was] starting to get out of control with copyrighted material." *Id.* at 7. But they rejected all efforts to remove even "the obviously copyright infringing stuff," for to do so would reduce their site traffic by as much as 80%. *Id*. at 8. They decided to close their eyes and hide behind the fiction that the uploading users owned all the premium media content posted to the site, so that "we can presumably claim that we don't know who owns the rights." *Id*. at 9.

- Hence, starting as early as mid-2005, willful blindness became the cornerstone of YouTube's copyright policy and defense. This led YouTube to ignore and even disable the use of copyright compliance tools such as community flagging or keyword filtering,

[3] We cite the relevant pages of our moving brief, which in turn provide cross-references to the pertinent SUF paragraphs and supporting evidence.

since their deployment would provide notice of infringement and foil efforts to grow the site and remain willfully blind to illicit clips. *Id*. at 8-10.

- YouTube therefore adopted the policy to leave all infringing videos on the site unless and until the copyright owner detected the infringement and sent a takedown notice identifying specific infringing clips by URL. *Id*. at 7-8.

- Of course, YouTube's willful blindness did not negate its knowledge that its growth was fueled by infringing videos – exactly as intended. YouTube executives contemporaneously wrote that 70% of their most popular content consisted of copyrighted materials and that "the truth of the matter is, probably 75-80% of our views come from copyrighted material." *Id.* at 10. One founder, Jawed Karim, prepared and distributed to the entire YouTube board a presentation that acknowledged on the cover page that YouTube was filled with "blatantly illegal" "copyrighted content," and gave as examples "episodes and clips of the following [six] well-known shows" – five of them owned by Viacom. *Id*. at 11-12. The founders even accused each other, in writing, of "putting stolen videos on the site." *Id*. at 7.

- As for Google, it originally tried to do the right thing on its own Google Video service by prescreening videos at upload and blocking infringing media content. *Id*. at 12-13. But precisely for that reason, YouTube was winning the race to build up a user base because so many users were attracted to the infringing videos that YouTube welcomed but Google Video did not. *Id*. at 13.

- Google Video executives recognized that YouTube was winning because it was a "'rogue enabler' of content theft," a "video Grokster," "trafficking mostly illegal content," whose

"business model is completely sustained by pirated content," with a "large part of their traffic . . . from pirated content." *Id.* at 14-15. Google's top management, including CEO Eric Schmidt and founder Sergey Brin, were informed of these facts in high-level meetings focusing on Google Video's strategy. *Id*. at 13-14. And Google's pre-acquisition due diligence (reported to its entire board) confirmed that at least 60% of YouTube video views were of premium copyrighted content, and at most 10% of those premium views were of authorized videos. *Id*. at 15-16.

- Having just paid $1.8 billion to buy YouTube, and fully apprised that infringement attracted the majority of YouTube site traffic, Google adopted YouTube's willful blindness policy and dismantled copyright protections previously utilized on the Google Video site. *Id*. at 16-18.

- Defendants' reliance on infringement is also manifest in their refusal to cooperate with major content owners and their selective deployment of fingerprinting technology. *Id*. at 18-20. Beginning in the fall of 2006, YouTube had in hand an inexpensive license to utilize the fingerprint technology of a popular and respected company, Audible Magic. And YouTube and Google (after the acquisition in October 2006) offered to deploy Audible Magic to prevent infringement of unauthorized content in connection with revenue-sharing deals with numerous large copyright owners – including Viacom. *Id*. at 18. But when Viacom and other copyright owners like NBC Universal declined to grant YouTube revenue-sharing licenses, Google and YouTube refused to use that very same Audible Magic technology to prevent infringement of those owners' copyrights. *Id*. at 18-19. Google's General Counsel formally put it in writing to the General Counsels of Viacom and NBC, stating that YouTube would make "audio fingerprinting technology

services" available only to a "handful of partners," and would not cooperate by providing audio fingerprinting to Viacom or NBC. *Id*. at 19. Defendants simultaneously even rejected proposals to test fingerprinting and cooperate with the MPAA – cooperation that would have cost Defendants nothing. *Id*. at 19-20. This suit followed.

- Thus, from its founding in 2005 through May 2008 (when it finally instituted filtering for Viacom), You Tube made no efforts to block the uploading of stolen Viacom content on the site. Google well understood the value of Viacom's content: in late 2006 it offered to pay Viacom at least $590 million for its content as part of a revenue sharing deal. When the deal was not forthcoming, Defendants refused to deploy Audible Magic to protect Viacom. Instead, it freely permitted uploading of that same Viacom content for free, effectively stealing hundreds of millions of dollars in value. *Id*. at 18-19.

Given this contemporaneous written record, Defendants' assertion that they are entitled to summary judgment on Viacom's *Grokster* claim is frivolous. Defendants do not even try to explain – because no explanation is possible – how the undisputed historical facts set out above could possibly be squared with the innocent intent they profess in order to escape *Grokster* liability. Instead, their motion ignores the facts.[4]

In pleading innocence, Defendants rely almost exclusively on a new Declaration from Chad Hurley and a few internal emails from around the time YouTube was founded stating that the founders intended the site to be used for "personal video clips." Hurley Decl. ¶ 6 & Ex. 6; *see also id.* ¶¶ 7-10. This does not help them at all. At most, this evidence might suggest that right when YouTube was launched, the founders envisioned it would be used primarily for

[4] And, of course, we will never know what other evidence was "lost." *See* Viacom Opening Mem. 22-23.

personal videos. But as the facts summarized above show beyond doubt, almost immediately thereafter, by mid 2005, Defendants both knew and embraced the fact that a huge percentage of the videos actually drawing viewers to the site were infringing media clips, not personal videos. When that became clear, the founders – and, after the acquisition, Google – made the deliberate decision to keep the infringing videos to the maximum extent possible in order to fuel YouTube's meteoric growth in site traffic (and enterprise value).

Given the undisputed facts, conclusory assertions by Defendants that their motives were pure are meaningless. Defendants in other *Grokster*-intent cases, including *Grokster* itself, have made similar protestations of innocence in opposing summary judgment, to no avail. *E.g.*, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 454 F. Supp. 2d 966, 992 (C.D. Cal. 2006) (finding defendant's protestation of innocence and ignorance of infringement "implausible"); *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 154 (S.D.N.Y. 2009) ("Here, Defendants have submitted testimony denying wrongful intent; yet, the facts speak for themselves, and paint a clear picture of Defendants' intent to foster infringement by their users"). Those self-serving professions of innocence were not enough to create a material dispute of fact to avoid entry of summary judgment against the defendants in those cases. *A fortiori*, Google and YouTube obviously cannot rely on similar statements, contradicted by the contemporaneous facts in the record, in order to obtain summary judgment in their favor.

Equally insubstantial is the assertion by Roelof Botha, a long-time YouTube board member and partner in YouTube's first investor, Sequoia Capital, that "[a]t no time during our pre-investment meetings with the YouTube founders did any of the founders express any interest in profiting from the sharing of unauthorized copyrighted material through the service or in having the service grow by virtue of the presence of such content." Botha Decl. ¶ 6. This

Declaration prepared for purposes of this litigation is worthless when compared with the indisputable contemporaneous record, which shows that founder Chen expressly wrote to Botha that YouTube would take steps to create the "perception" of copyright compliance, but that the "actual removal" of "copyrighted" content would be "in varying degrees" so that "you can find truckloads of adult and copyrighted content" if you are "actively searching for it." Viacom Opening Mem. 6-7.

In claiming innocent intent, Defendants also contend that "[t]he only evidence in the record here bearing on the alleged scope of infringement on YouTube is that plaintiffs collectively have identified approximately 79,000 video clips in suit." Defs. Opening Mem. 90. In reality, the evidence shows that Defendants deliberately built a business on hosting a mountain of infringing material, not merely the subset of infringement involving the specific clips in suit in this case.[5] Defendants' contemporaneous recognition that piracy accounted for 54-80% of the traffic on the site, and their deliberate decisions to permit and blind themselves to that infringement in an effort to stimulate site traffic, are the critical indicia of illegal intent under *Grokster*.[6]

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[5] Moreover, the clips in suit do not include clips that infringe Viacom's unregistered works. *See Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237, 1241-42, 1249 (2010); Viacom Opening Mem. 28 n.16.

[6] Defendants also contend that the proportions of infringement in other *Grokster* cases were higher than here. That might matter if *Grokster* required some numerical cutoff. But a numerical comparison would not change the fact that the amount of infringement on YouTube was still staggering and fully known to Defendants. Moreover, the overall level of infringement in *Usenet* as reported in the decision in that case appears to have been lower than here. While 94% of the files on a subset of "newsgroups" (those devoted to music) available through Usenet.com were shown to be infringing, those newsgroups accounted for only some of the material available on the site. *See Usenet*, 633 F. Supp. 2d at 131-32. A more relevant measure of the scope of infringing content on Usenet was that "infringing music content" was "at least a 'primary' reason for the subscriptions of" only "approximately 42% of [the defendants'] subscribers." *Id.* at 153. That is far less than the percentage of traffic generated by infringing uses here.

Finally, Defendants refer in passing to advice they purportedly obtained from outside and in-house counsel. Defs. Opening Mem. 95-96; *see also* Hurley Decl. ¶ 21; Levine Decl. ¶¶ 3, 4, 13. All these references should be disregarded, because Defendants cannot deploy attorney-client privilege as both a sword and shield. They expressly waived any advice-of-counsel defense in this action, thereby blocking discovery into the advice their in-house and outside counsel actually provided and what Defendants truly believed. Kohlmann Decl. ¶ 102 & Ex. 93 (June 9, 2009 Letter From A. Schapiro to Court). As a result, Defendants may not now rely on advice they claim to have received from counsel in order to negate the clear evidence of their wrongful intent. *E.g., Computer Assoc. Int'l, Inc. v. Simple.com, Inc.*, No. 02 Civ. 2748, 2006 WL 3050883, at *3 (E.D.N.Y. Oct. 23, 2006) ("The client can waive the privilege when it invokes the advice of counsel defense or decline to assert the advice of counsel defense and maintain the attorney-client privilege. What a client cannot do is use the privilege as both a sword and a shield . . .").

B. Defendants' Legal Arguments Are Directly Contrary to the Supreme Court's Decision in *Grokster*.

In addition to ignoring the undisputed facts evidencing their unlawful intent, Defendants offer a series of legal arguments challenging their liability under *Grokster*. But each of these arguments is actually foreclosed by the Supreme Court's decision in *Grokster* itself.

1. *Grokster* Liability Turns on Intent to Profit from Infringement, Regardless of Whether Messages Encouraging Infringement Were Sent to Users.

First, Defendants contend that they are immune from *Grokster* liability because they assertedly "never encouraged third parties to infringe." Defs. Opening Mem. 85. As an initial matter, this statement is factually incorrect. There is substantial evidence that YouTube's co-founders and employees uploaded infringing videos to YouTube, shared infringing YouTube videos with others, and encouraged users to leave infringing videos on YouTube. *See* Viacom's

Counter-Statement In Response To Defendants' Local Rule 56.1 Statement In Support Of Defendants' Motion For Summary Judgment ("CSUF") ¶ 58 (citing record evidence).

More importantly, even absent such evidence, communications encouraging third parties to infringe are not necessary for *Grokster* liability. As Viacom explained in its motion for summary judgment, and Defendants appear to concede, liability under *Grokster* turns on whether the defendant operates a service where infringement occurs with the intent, objective, or purpose of facilitating and capitalizing on that infringement to build its business. *See* Viacom Opening Mem. 25; Defs. Opening Mem. 80. The issue is therefore whether the defendant site operator's "unlawful purpose disqualifies him from claiming protection." *Grokster*, 545 U.S. at 938. (emphasis added). Openly encouraging third parties to infringe is, of course, one way – but not the only way – that such tortious intent can be shown.

Thus, as the Supreme Court explained, "inducing commission of infringement by another, or 'entic[ing] or persuad[ing] another' to infringe, as by advertising," is merely "[t]he classic case of direct evidence of unlawful purpose. *Id.* at 935 (emphasis added; citation omitted). But there can of course be other evidence – both direct and indirect – of such an "unlawful purpose." For example, the Supreme Court itself inferred the unlawful purpose of one of the *Grokster* defendants, StreamCast, from "indications of unlawful purpose in [its] internal communications and advertising designs" – communications and designs that were never communicated to third parties at all. *Id*. at 938. As the Court explained, liability could be imposed based on those internal communications because they showed the wrongful intent to profit from infringement on their service, which is all that matters under *Grokster*:

> Whether the messages were communicated is not to the point on this record. The function of the message in the theory of inducement is to prove by a defendant's own statements that his unlawful purpose disqualifies him from claiming protection . . . . Proving that a message was sent out, then, is the preeminent but

> not exclusive way of showing that active steps were taken with the purpose of bringing about infringing acts.

Id. (emphasis added); *accord id.* at 940 n.13.

Lower courts applying *Grokster* have emphasized this point. As the district court explained on remand in *Grokster* itself: "In StreamCast's view, even if it distributed peer-to-peer software with the intent for it to be used for infringement, liability does not attach unless it took further actions, such as offering instructions on infringing use, that actually caused specific acts of infringement. . . . However, StreamCast's legal theory is plainly contrary to the Supreme Court's holding in *Grokster*." *Grokster*, 454 F. Supp. 2d at 984. Thus, "Plaintiffs need not prove that [the defendant] undertook specific actions, beyond product distribution, that caused specific acts of infringement." *Id.* at 985. And in *Fung* the court stated: "Importantly, liability may attach [under *Grokster*] even if the defendant does not induce specific acts of infringement. Instead, the court may 'infer[] a patently illegal objective from statements and actions showing what [the defendant's] objective was.'" *Columbia Pictures Indus., Inc. v. Fung*, No. CV 06-5578, 2009 WL 6355911, at *10 (C.D. Cal. Dec. 21, 2009) (internal citation and footnote omitted) (quoting *Grokster*, 545 U.S. at 941) (Hohengarten Decl. ¶ 2 & Ex. 1).

As we have shown, the direct and indirect evidence of Defendants' unlawful purpose is indisputable here. Google and YouTube are liable under *Grokster* because they operated YouTube with the unlawful purpose of building its traffic and user base with infringing videos, even if they had not communicated encouragement to third parties to infringe. On this record especially, forgoing encouragement would not signal innocent intent. It reflects the fact that YouTube provided a ready platform for uploading pirate clips, intentionally devoid of available antipiracy protections, so that additional encouragement was unnecessary for YouTube to "get out of control with copyrighted material." Viacom Opening Mem. 7. Even without more

encouragement, "the summary judgment record is replete with other evidence that [Google and YouTube] . . . acted with a purpose to cause copyright violations by use of [their service]." *Grokster*, 545 U.S. at 938. Indeed, the contemporaneous written documents in this case, summarized over the course of 18 pages, constitute the most compelling party admissions imaginable evidencing illegal intent. Viacom Opening Mem. 5-23; *see Grokster*, 545 U.S. at 941 ("inferring a patently illegal objective from [Defendants' own] statements and actions showing what that objective was" provides basis for "liability for inducing infringement").

For the same reason, the warnings and terms of use on the YouTube site admonishing users not to upload infringing material, which Defendants tout in their motion, are meaningless form, not substance. In *Usenet*, the defendant service likewise required its users to "accept certain 'Terms of Use'" which included the defendants' "official policy prohibiting the upload of unauthorized, including copyrighted, content without the permission of the rights owner." *Usenet*, 633 F. Supp. 2d at 131; *see also Grokster*, 454 F. Supp. 2d at 980 (defendant's "Terms of Service agreements with its users also demanded 'you must agree that you will not use MusicCity Networks to infringe the intellectual property or other rights of others in any way'"). Nonetheless, "the Defendants' intent to induce or foster infringement by its users on its services was unmistakable, and no reasonable factfinder could conclude otherwise." *Usenet*, 633 F. Supp. 2d at 154. The same is true here: Defendants' reliance upon a formalistic disclaimer that they knew was routinely being ignored only serves to highlight the weakness of their summary judgment motion.[7]

[7] Moreover, the record is filled with admissions by Defendants' own executives that they adopted these formalistic measures not for the purpose of actually stemming the floodtide of infringement, but because (in their words) "we're just trying to cover our asses so we don't get sued." SUF ¶¶ 34, 107, 114.

2. YouTube's Noninfringing Uses Are Not a Defense to *Grokster* Liability.

Grokster also forecloses Defendants' argument that they are shielded from liability because many of the videos on the site are noninfringing, such as presidential debates or authorized premium content. *See* Defs. Opening Mem. 89-91. These authorized uses are a side show. Viacom takes no issue with YouTube when it displays videos with proper authorization. But the presence of noninfringing material is no defense to copyright liability for the array of infringing videos on the site. Consider the rules that apply to traditional media outlets like Viacom's own cable channels. MTV hosted presidential debates long before YouTube existed. And, of course, the other programs exhibited on MTV are fully licensed and authorized. Yet it goes without saying that MTV's broadcast of such authorized and public service programs does not confer on Viacom the right to infringe copyrights in other shows, for instance to air a Fox show without a license. YouTube may like to, but it cannot play by its own set of rules.

The Supreme Court made that very clear in *Grokster*. The central question in that case was whether the defendant peer-to-peer services were immune from liability under the *Sony* rule because they had "substantial noninfringing uses." The lower courts had ruled for the defendants on this issue because the peer-to-peer services allowed access to a wide range of authorized or public domain works – just like YouTube. In the Supreme Court, the copyright owners argued that the peer-to-peer services' noninfringing uses were not "substantial," but the Supreme Court found it unnecessary to address that issue, precisely because the existence of substantial noninfringing uses is not a defense to intentional facilitation of copyright infringement. *See Grokster*, 545 U.S. at 931-34.[8] Thus, when Google and YouTube argue that they cannot be held

[8] Hence, Defendants mischaracterize the facts of *Grokster* when they assert that the peer-to-peer services there had no socially valuable uses and argue on that basis that the *Grokster* decision should not apply to YouTube. In reality, the Ninth Circuit had held that there was "no genuine issue of material fact as to non-infringing uses[s]" of the Grokster and StreamCast services,

liable for their intentional infringement because noninfringing valuable material exists on the site, they are asking this Court to follow the Ninth Circuit's decision in *Grokster* treating substantial noninfringing use as a defense to intentional infringement, rather than the Supreme Court's ruling reversing that decision on that very point.

3. Defendants Deliberately Withheld Readily Available Copyright Protection for Three Years in Order to Facilitate Infringement.

Defendants' contention that their wrongful intent is negated by their efforts allegedly directed to protecting copyrights also flies in the face of the law and facts. In *Grokster*, the Supreme Court held that the peer-to-peer services' failure to "develop filtering tools or other mechanisms to diminish the infringing activity using their software. . . . underscore[d] [the defendants'] intentional facilitation of their users' infringement." *Grokster*, 545 U.S. at 939. To be sure, the Court also said that failure to implement mechanisms to diminish infringing activity, standing alone, would not ordinarily warrant *Grokster* liability. *Id.* at 939 & n.12. But YouTube's and Google's failure to implement or use anti-infringement mechanisms that were easily affordable and readily available to them reinforces the other evidence of their "intentional facilitation of their users' infringement." *Id.* Thus, "the ability of a service provider to prevent its customers from infringing is a factor to be considered in determining whether the provider is a contributory infringer." *In re Aimster Copyright Litig.*, 334 F.3d 643, 648 (7th Cir. 2003). In this case, Defendants went even further and actually disabled community flagging of infringing

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noting that many people had permitted their music or other works to be distributed, and many public domain literary works and historic films likewise had been distributed, over the defendants' services. *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1161 (9th Cir. 2004), *rev'd on other grounds*, 545 U.S. 913 (2005). Although the Supreme Court reversed the Ninth Circuit, its opinion did not disturb this factual determination. Rather, as explained above, the Supreme Court ruled that noninfringing uses, even when substantial, are not a defense and are irrelevant when a service intentionally facilitates infringement by its users. That ruling applies to YouTube in equal measure.

clips, an effective anti-infringement mechanism that they previously had implemented, and only used Audible Magic fingerprinting selectively for favored partners even after implementing it. By using these tools for all copyright owners, Defendants could have prevented an enormous quantity of infringement on YouTube, while still preserving the noninfringing uses they tout as valuable.

Recognizing their vulnerability on this score, Defendants anticipate that "plaintiffs will undoubtedly try to second-guess each and every decision that YouTube made related to copyright." Defs. Opening Mem. 95. But the issue is intent, and on this record, there is no need for anyone to second-guess anything. Defendants' internal communications make clear that they repeatedly chose not to implement, or to disable outright, readily available and effective copyright infringement mechanisms precisely because they wanted to remain willfully blind and did not want to stop infringement.[9] For example:

- When the site was "starting to get out of control with copyrighted materials" in September 2005, the founders deliberately decided not to remove even the "obviously copyright infringing stuff," precisely because if they "remove[d] all that content[,] [they would] go from 100,000 views a day down to about 20,000 views or maybe even lower." Viacom Opening Mem. 8.

- Less than two weeks after hooking up community flagging for copyright infringement and other inappropriate content, the founders aborted use of this tool to identify copyright violations (but not other inappropriate content), precisely because they wanted to blind themselves to infringing activity and shift the burden to copyright owners. *Id.* at 9-10.

- Although it would have taken only a day or weekend to set up a planned keyword notification tool for potentially infringing material, longtime YouTube employee Maryrose Dunton instructed the engineer working on the project to "forget about the email alerts stuff" precisely because "I hate making it easier for these a-holes" – referring

[9] Affordability is not a factor since Google's available cash, amounting to billions of dollars, rendered it one of the richest companies on Earth and the cost of these anti-piracy technologies was trivial. Viacom Opening Mem. 20. Likewise, even before Google's acquisition, YouTube had access to venture capital firms like Sequoia – which made a [redacted] profit on a [redacted] investment in YouTube. SUF ¶¶ 9, 24. In contrast, the cost of copyright protection technology was miniscule, in the range of [redacted] per year. SUF ¶¶ 311-312.

to copyright owners – and "we're just trying to cover our asses so we don't get sued." *Id.* at 11.

- At the time it purchased YouTube and adopted its policies freely allowing infringement, Google opted, after a vigorous internal debate, to "relax enforcement of our copyright policies in an effort to stimulate traffic growth" and "[t]o increase traffic knowing beforehand that we'll profit from illegal [d]ownloads." *Id.* at 13-14. Thus, prior practices effectively deployed at Google Video, such as pre-screening for copyright violations, were discontinued. *Id.* at 17-18.

- Google and YouTube offered all major copyright owners use of Audible Magic fingerprinting to prevent infringement in connection with revenue-sharing agreements, but they refused to use the very same Audible Magic technology to prevent infringement for the very same copyright owners once those copyright owners declined to grant the content licenses, precisely because Defendants made the decision "[t]o play faster and looser and be aggressive until either a court says ['']no' or a deal gets struck," and to "**Threaten** a change in copyright policy" and "use threat to get deal sign-up." *Id.* at 20; Viacom Statement of Undisputed Facts ("SUF") ¶ 161.

Defendants' unmistakable intent is driven home by the half-hearted tools Defendants now tout. *See* Defs. Opening Mem. 92-94. They first point to steps they claim to have undertaken to comply with the DMCA. But those steps are intended to immunize Defendants from liability for the infringement in fact occurring on YouTube, not to prevent infringement in the first place.[10] The same is true of the warnings against infringement posted on the YouTube site, which, as we showed above, were mere formalities and fig leafs which Defendants knew did nothing to stop YouTube from being "out of control" with infringing material. *Supra* at 15. So too, Defendants knew that their ten-minute limit for video clips did nothing to stop infringement of full-length shows and movies, because users easily circumvented the limits by posting entire shows in sequentially labeled ten-minute segments – a violation easily identified but which Defendants did

[10] YouTube's hashing and mechanized takedown notice tools (*see* Defs. Opening Mem. 93) are simply refinements providing some office automation to the takedown notice process already required by § 512(c)(1)(C). A rights holder using these tools must still search for infringing videos after the fact and identify each instance of infringement. The tools merely obviate the need to send notices by post or email, and only block subsequent uploads of files that are exactly identical in every respect to a clip that was previously removed by takedown notice. *See* Viacom Opening Mem. 33; SUF ¶¶ 214-215, 274-276.

nothing to stop. SUF ¶ 125. And Defendants cannot escape liability because YouTube is primarily used to stream rather than download videos. Publicly performing videos without authorization is just as much infringement as distributing copies of them. 17 U.S.C. § 106. On top of that, YouTube does in fact distribute copies of infringing videos, because it leaves an essentially permanent (and accessible) copy of a video on the user's computer whenever that video is streamed. SUF ¶ 323; *see also id.* ¶¶ 329-330 (explaining that Defendants make and provide copies of videos in preferred formats to partners like Verizon and Apple).

Lastly, Defendants point to their implementation of Google's proprietary video fingerprinting technology. Viacom readily acknowledges that Google's decision ultimately to deploy filtering technology was a positive step, and as noted in its opening brief, Viacom is not seeking summary judgment for post-May 2008 infringement, the date when Google's filtering was first used to protect Viacom's copyrights. But the problem is the three-year delay prior to May 2008. During the time Google was developing its own proprietary filtering technology, Defendants were already using a readily available and popular filtering technology by Audible Magic. But they refused to implement that technology from 2005 to 2008 to protect Viacom. This refusal was not inadvertent; there was a business reason for that delay. Until mid-2008, YouTube's core strategy was user growth, and the "truckloads" of illegal content on the site lured users. Viacom Opening Mem. 6-7. That is why in late 2006 and 2007 Defendants rebuffed cooperation with all major content owners such as Viacom, all movie studios, and the MPAA, and refused to use Audible Magic in the absence of a revenue-sharing agreement. *Id.* at 18-20. Finally in the spring of 2008, Google CEO Schmidt "shifted his thinking on YouTube's focus. So, since that time [YouTube has] rapidly been redirecting [its] efforts from user growth to monetization." *Id.* at 17. Only then was Viacom offered filtering absent a revenue-sharing

agreement. Google's and YouTube's belated change of heart – following three years of deliberately using infringement to lure users and become the dominant video site on the Internet – does not undo their *Grokster* intent from 2005 to May 2008.

4. YouTube's Advertising Revenue Model Is Further Evidence of *Grokster* Intent.

In *Grokster*, the Supreme Court pointed to the peer-to-peer services' advertising revenue models as additional evidence of wrongful intent. *Grokster*, 545 U.S. at 939-40. Like the failure to implement anti-infringement mechanisms, an advertising revenue model by itself is not sufficient to find *Grokster* intent. *Id.* at 940. But "viewed in the context of the entire record its import is clear." *Id.* As with a TV station, the peer-to-peer services' ad revenue was a direct function of the number of users and resulting traffic they attracted to their services. *Id.* ("the more ads are sent out and the greater the advertising revenue becomes"). Precisely the same point applies to YouTube. It obtains its revenue from advertising, and thus "the commercial sense of [its] enterprise turns on high-volume use, which the record shows is [largely] infringing." *Id.*

Defendants plead for this Court simply to ignore the Supreme Court's unequivocal discussion of advertising in *Grokster*. They argue that this factor cannot weigh against them, because "free public access supported by advertising" is "the dominant revenue model for today's Internet." Defs. Opening Mem. 96. That might be true, but is again wholly beside the point. The websites of other businesses like the *New York Times* and CNN may earn revenue from advertising. But those companies will never be held liable under *Grokster* on that basis, because, as noted, "[t]his evidence alone would not justify an inference of unlawful intent." *Grokster*, 545 U.S. at 940. The websites of the *New York Times* and CNN are not "out of

control" with infringing copyrighted materials. Nor is it likely that their internal communications would reveal an intent to use infringement to fuel growth.

The opposite is true of YouTube and Google. On this record, no inferential leap is needed between YouTube's advertising revenue model and Defendants' intention to facilitate infringement and profit from it. Defendants' internal communications draw the connection directly: as we have detailed, from the beginning Defendants intended to use infringement to grow their user base as aggressively as possible to become the dominant Internet video site and, once they succeeded in doing so, to "monetize" its site traffic through advertising. Viacom Opening Mem. 5-12. That was the very business case provided to Google's board when it authorized YouTube's acquisition. *Id.* at 16-17. This advertising model standing alone may not constitute wrongful intent, but as in *Grokster*, "viewed in the context of the entire record, its import is clear." *Grokster*, 545 U.S. at 940.[11]

In sum, the "evidence of the [Google's and YouTube's] words and deeds . . . shows a purpose to cause and profit from third-party acts of copyright infringement." *Grokster*, 545 U.S. at 941. Their *Grokster* "liability for inducing infringement" arises from operating YouTube with a "patently illegal objective," as demonstrated by their "statements and actions showing what that objective was." *Id.* "The unlawful objective is unmistakable."[12] *Id.* at 940.

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[11] Nor can Defendants escape that conclusion – much less obtain summary judgment in their own favor – merely because some legitimate businesses have chosen to advertise on YouTube. Defs. Opening Mem. 97. Users were lured to the site by piracy under YouTube's business model. Once the user base became entrenched, it was attractive to advertisers – which is the reason Google paid $1.8 billion.

[12] As shown in Viacom's motion for summary judgment, summary judgment should also be entered imposing liability on Defendants under Viacom's separate vicarious liability and direct infringement claims. Viacom Opening Mem. 29-46. But because Defendants did not cross-move for summary judgment on these claims, we do not address them in this opposition.

* * *

A finding of *Grokster* intent settles the issue of liability. Defendants (backed by their amici, who also defended Grokster in the Supreme Court)[13] embrace the extremist position that even if they are liable as intentional infringers under *Grokster*, the DMCA would still immunize that intentional wrongful conduct. Defs. Opening Mem. 79. But the law (not to mention common sense and sound policy) does not permit Defendants to indirectly circumvent *Grokster* and reap the benefits of their intentional wrongdoing on the basis of an extreme and one-sided reading of the DMCA. Not surprisingly, then, the courts that have considered the issue have had no trouble concluding that *Grokster* liability vitiates use of the DMCA defense:

> [I]nducement liability [under *Grokster*] and the Digital Millennium Copyright Act safe harbors are inherently contradictory. Inducement liability is based on active bad faith conduct aimed at promoting infringement; the statutory safe harbors are based on passive good faith conduct aimed at operating a legitimate internet business. Here, as discussed *supra*, Defendants are liable for inducement [under *Grokster*]. There is no safe harbor for such conduct.

Fung, 2009 WL 6355911, at *18; *accord Usenet*, 633 F. Supp. 2d at 142 ("if Defendants . . . encouraged or fostered . . . infringement, they would be ineligible for the DMCA's safe harbor provisions"). Or, as Judge Richard Posner succinctly put it for the Seventh Circuit, "[t]he Act does not abolish contributory infringement." *Aimster*, 334 F.3d at 655.

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[13] The amici supporting Defendants here also filed briefs in *Grokster* arguing that the file-sharing services should not be held liable for their intentional infringement, and similarly predicting doom to the Internet if they were. Amicus Electronic Frontier Foundation even served as the infringing services' counsel in *Grokster* and has been particularly vocal in its efforts to shield intentional infringers from legal responsibility. Indeed, EFF has published a "Primer for Developers" who face potential copyright liability, which candidly advises service providers to "buil[d] a level of 'plausible deniability' into [their] product architecture and business model" in order to be able to "convince a judge that . . . monitoring and control is impossible." Kohlmann Decl. ¶ 101 & Ex. 92 (Electronic Freedom Foundation, *Peer-to-Peer File Sharing and Copyright Law: A Primer for Developers*) at 5-6 (emphasis added). Defendants' strategy of willful blindness is a page right out of the EFF's *Primer*.

Grokster thus is entirely dispositive on the issue of liability. Moreover, as we next show, even leaving aside *Grokster* liability, summary judgment should be denied to Defendants and granted to Viacom on the DMCA defense.

II. SUMMARY JUDGMENT SHOULD BE ENTERED FOR VIACOM – NOT DEFENDANTS – ON THE DMCA DEFENSE.

As Viacom demonstrated in its motion for summary judgment, Defendants are not entitled to the DMCA defense. Viacom Opening Mem. 46-64. Because the DMCA is an affirmative defense, the burden is on Defendants to establish each of the defense's preconditions and elements. *E.g.*, *Tur v. YouTube, Inc.*, No. 06-cv-4436, 2007 WL 1893635, at *2-*3 (C.D. Cal. June 20, 2007). Defendants not only fail to satisfy their burden, but summary judgment must be entered against Defendants on this issue, because the undisputed facts negate their eligibility for the safe harbor under multiple independent prongs of the defense.

A. Defendants Are Outside the Safe Harbor Due to Their Knowledge and Awareness of Infringement on YouTube.

The same evidence that demonstrates Defendants' liability under *Grokster* also more than suffices to establish their ineligibility for the DMCA safe harbor under the knowledge and awareness prong of § 512(c). *Grokster* liability turns on operating a site with an intent to facilitate infringement, based in this case on a massive contemporaneous written record. As *Fung* and *Usenet* held, such intent is a sufficient basis for rejecting the DMCA defense. But such intent is not necessary to negate the defense. Disqualification from the DMCA defense requires a lesser showing than actual intent: Defendants are disqualified if they merely have knowledge or awareness of "infringing activity" or infringing "material" on their site. 17 U.S.C. § 512(c)(1)(A). Once possessed with such knowledge, as the Fourth Circuit has stated, "the service provider loses its innocence. . . . At that point, the [DMCA] shifts responsibility to the

service provider to disable the infringing matter." *ALS Scan Inc. v. RemarQ Commc'ns, Inc.*, 239 F.3d 619, 625 (4th Cir. 2001).

How then do Defendants seek to overcome the overwhelming proof that they knew that YouTube was overrun with copyrighted material, yet chose a strategy of inaction and willful ignorance to keep infringing clips? Even though it is well settled, as Judge Posner wrote for the Seventh Circuit, that "[w]illful blindness is knowledge, in copyright law . . . as it is in the law generally," *Aimster*, 334 F.3d at 650, Defendants in their motion seek to change the law and to use the DMCA to legitimize willful blindness in copyright law. They do so in two steps.

First, they argue that the only knowledge that matters is knowledge of infringement of a specific clip in suit. Defs. Opening Mem. 31. They contend that even if they knew that YouTube became a dumping ground for Viacom's pirated content, they still were not on notice of "infringing activity" (the term used in § 512(c)(1)(A)) – and thus had no duty to cooperate, to inquire further, or to filter and remove offending Viacom videos – since they assertedly lacked express knowledge of infringement of specific works in suit.

Second, they also read the DMCA as eliminating any obligation on the part of service providers to avoid willful ignorance or to take reasonable steps to identify and remove offending clips. Under the doctrine of willful blindness followed in this Circuit for decades, a party who knows of or even suspects illegal activity cannot simply bury its head in the sand; instead, it has a corresponding duty to inquire further in order to remedy the illegal activity. The DMCA fully embraces this long-standing principle. Defendants argue instead that they were free to close their eyes and choose the path of inaction and intentional ignorance, with the burden of copyright compliance solely borne by content owners. Defs. Opening Mem. 36 ("a service provider has

no investigative duties"; "the burden is on the copyright holder, not the service provider, to identify copyright infringement").

Defendants' view of the DMCA's knowledge requirement is entirely incompatible with the law in this Circuit, which has always treated willful blindness as knowledge both in civil and criminal cases. Indeed, the Second Circuit reaffirmed that very principle just a few weeks ago in *Tiffany (NJ) Inc. v. eBay Inc.*, No. 08-3947-CV, --- F.3d ---, 2010 WL 1236315 (2d Cir. Apr. 1, 2010). And, as this case amply demonstrates, Defendants' position that the DMCA imposes no duty on them to investigate or remedy piracy on their site not only is legally wrong, it is unnecessary and counterproductive, since they had at their disposal readily available and inexpensive techniques to investigate, identify and block illegal clips. They simply chose not to cooperate and deploy these tools in order to remain intentionally blind and grow the site. That willful blindness policy disqualifies them from the DMCA's safe harbor.

1. Defendants Are Incorrect That They Lacked Knowledge Unless They Knew of Infringement of Specific Viacom Clips.

There are two alternative forms of knowledge that close the safe harbor under 17 U.S.C. § 512(c)(1)(A). First, there is "actual knowledge that the material or an activity using the material on the system or network is infringing." *Id.* And second, knowledge exists where a provider has "awareness of facts or circumstances from which infringing activity is apparent." *Id.* Whether it acquires actual knowledge or mere awareness of infringing activity, the provider must "act expeditiously to remove or disable access to the material" or it forfeits entitlement to the DMCA defense. *Id.* Thus, the awareness clause constitutes a clear statutory call to action, which triggers a "proactive obligation" for a service provider to inquire further as is reasonable to "block access in order to qualify for the statutory immunity." Jane C. Ginsburg, *Separating the* Sony *Sheep from the* Grokster *Goats*, 50 Ariz. L. Rev. 577, 596 (2008); *see also* II Paul

Goldstein, *Goldstein on Copyright* § 8.3.2, at 8:41 (3d ed. 2009) (explaining that § 512(c)(1)(A) acts as an "inquiry notice" provision). Accordingly, once a defendant "becomes aware of a red flag, [and] takes no action," it loses the safe harbor. H.R. Rep. No. 105-551(II), at 53 (1998). Thus, by its plain text requiring action even without actual knowledge, the DMCA does not condone but prohibits "willful ignorance" or willful blindness in the face of apparent infringing activity. *Fung*, 2009 WL 6355911, at *16-*17.

Defendants seek to undo any proactive obligation to inquire further and block access by arguing that they lacked knowledge with respect to any particular work in suit. Defs. Opening Mem. 31. Initially, Defendants' assertion is false as a factual matter. There is substantial evidence that they knew of numerous specific infringing clips pirated from Viacom's copyrighted content, but did nothing about that specific infringement.[14]

More importantly, as explained in Point I above and in Viacom's opening motion papers, the Supreme Court in *Grokster* specifically rejected any requirement that violation of the copyright laws requires "specific knowledge of infringement" of a particular work. *Grokster*, 545 U.S. at 934. Indeed, in *Grokster* the infringing files were sent directly from one user's computer to another's, such that the defendant peer-to-peer services never obtained specific knowledge of specific infringing file transfers at a time when the services could block them. *Id*.

[14] As one powerful example, in his memorandum distributed to the entire YouTube board, Karim observed that there were blatantly infringing clips taken from five named Viacom shows readily available on YouTube – yet YouTube and the board did not nothing to remove those clips. Viacom Opening Mem. 11-12. Although Karim did not list specific infringing clips in his memo to the board, he obviously had to have found specific infringing clips pirated from the listed Viacom programs to make the statements he made in the memorandum. Further evidence of specific clips that were viewed by YouTube's founders and other key personnel should exist in YouTube's nonanonymized watch data relating to business accounts, which Viacom has been trying to obtain from Defendants for more than two years. A few days before the filing of this opposition, Defendants made a partial (but inadequate) production of some such data. However, Viacom has not yet been able to access and analyze that data. *See* Wilkens Decl. ¶ 20.

Still, the Supreme Court rejected as "error" the legal conclusion that "specific knowledge of infringement" is required for liability. *Id.* The Seventh Circuit in *Aimster* came to the same conclusion. 334 F.3d at 650.

Google and YouTube now want to resuscitate the Ninth Circuit's legal "error" in *Grokster* through the backdoor by arguing that the DMCA dictates the same result that was rejected by the Supreme Court and the *Aimster* Court.[15] That is wrong.

Defendants' argument rests on a tortured reading of the statute. Defendants ignore the fact that the language of § 512(c) on its face does not speak in terms of "specific infringing activity" or "specific clips": the actual knowledge prong of 512(c) is invoked by knowledge that "material" or "activity" on the site is infringing, and the inquiry notice or awareness prong likewise is triggered by "facts or circumstances from which infringing activity is apparent." 17 U.S.C. § 512(c)(1)(A). Thus, actual or apparent notice of infringing "material" or "activity," not just specific clips, triggers the proactive obligation to take reasonable steps to identify and remedy infringement. That proactive obligation was particularly easy to implement in this case because many clips were "obviously copyright infringing." Viacom Opening Mem. 7-8. More importantly, Viacom and the MPAA proffered their cooperation and Defendants had the technology in place to identify and block illegal clips with their help. Defendants simply elected not to use – or to dismantle – the tools at hand. But remaining intentionally blind to illegal clips in this way was not a legally permissible option.

Just weeks ago, the Second Circuit reiterated this very point in the parallel context of contributory trademark infringement. *See Tiffany (NJ) Inc.*, 2010 WL 1236315. In *Tiffany*, the

[15] Defendants contend that specific knowledge can only come from "a proper DMCA takedown notice," Defs. Opening Mem. 30, consistent with their position that the DMCA is only a takedown notice statute and much of the statute effectively is surplusage.

Second Circuit concluded that a defendant must know or have reason to know of specific instances of infringement to be liable for non-inducement contributory trademark infringement. *Id.* at *11. This specific knowledge standard does not apply in this case, both because *Tiffany* did not involve intentional infringement, and because the Court recognized that contributory trademark claims and contributory copyright claims are governed by different knowledge requirements. *Id*. at *12; *see also id.* at *9 (noting that no allegations of inducement were at issue). But although *Tiffany*'s requirement of specific knowledge does not apply to intentional facilitation of copyright infringement, *Tiffany*'s discussion of the interplay between a specific knowledge requirement and willful blindness is directly on point. The Second Circuit explained that even where a specific knowledge requirement does apply,

> [a] service provider is not . . . permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. *See, e.g., Hard Rock Café* [*Licensing Corp. v. Concession Servs., Inc.*], 955 F.2d [1143,] 1149 [(7th Cir. 1992)] ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate."); *Fonovisa*[*, Inc. v. Cherry Auction, Inc.*], 76 F.3d [259,] 265 [(9th Cir. 1996)] (applying Hard Rock Café's reasoning to conclude that "a swap meet can not disregard its vendors' blatant trademark infringements with impunity"). In the words of the Seventh Circuit, "willful blindness is equivalent to actual knowledge for purposes of the Lanham Act." *Hard Rock Café*, 955 F.2d at 1149.

Tiffany, 2010 WL 1236315, at *13 (footnote omitted); *see also id.* (specific knowledge test would be met "if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings") (emphases added).

Thus, even were a specific knowledge standard applicable here, Defendants cannot assert lack of specific knowledge by electing to remain willfully blind, *i.e.*, "suspect[ing] wrongdoing and deliberately fail[ing] to investigate." *Id*. Google and YouTube suspected (indeed, intended) "infringing activity" but deliberately failed to cooperate with Viacom and the MPAA in

identifying and blocking specific illegal clips.[16] Under *Tiffany* and *Aimster* their willful blindness policy means that they are legally charged with knowledge of illegal activity as required under § 512(c). *Aimster*, 334 F.3d at 650 (copyright defendant cannot "prevent himself from learning what surely he strongly suspects to be the case"); *Hard Rock Café Licensing Corp. v. Concession Serv., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate").

2. The DMCA Does Not Place the Entire Compliance Burden on Content Owners.

Defendants also argue that actual but generalized knowledge of rampant infringement should not matter because some copyrighted content was authorized. They therefore say that the DMCA places the entire burden of copyright identification and removal on content owners and not the service provider who reaps the financial benefit from the infringement. Defs. Opening Mem. 35-36.

This is just another way of saying that Defendants should be excused for their policy of inaction and willful ignorance. That some clips of copyrighted material were posted lawfully does not mean that copyright infringement, however obvious and apparent, is excused. A proper reading of the DMCA requires that service providers take reasonable steps to identify and block illegal clips. Responsibility does not reside solely with the victim.

As discussed in Viacom's Opening Mem. at 5-23, Viacom and the MPAA offered to work in cooperation with the Defendants to identify infringing clips for filtering and removal.[17]

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[16] Defendants claim they were not on notice unless a red flag was "blatant," a word nowhere found in the statutory language. But even if "blatant" were the standard, it is more than met here. Indeed, no case cited by Defendants in their moving brief provided a record of party admissions of widespread copyright infringement comparable to this case.

[17] We address in Section III.A *infra* Defendants' argument that their policy of willful blindness should be excused because Viacom employees posted promotional videos.

No one sought to impose an unreasonable obligation on Defendants to monitor or investigate the site.[18] Identifying and blocking particular illegal videos would have been done automatically at upload, using the same Audible Magic fingerprinting technology that Defendants already had implemented, was deploying with content partners, but refused to use with Viacom or the other studios. The MPAA even agreed to pay for a pilot filtering and fingerprinting program. *Id.* at 20. Neither Viacom nor the MPAA demanded or expected perfection from Defendants. What was sought was a good faith effort at shared responsibility, to use the tools that YouTube admittedly had in place already.

This is not a case, in other words, where a service provider in good faith used anti-piracy tools "to the fullest extent permitted by its architecture." *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132, 1153 (N.D. Cal. 2008); *see also A&M Records Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001) ("[T]he reserved right to police must be exercised to its fullest extent."). Rather, this case is the reverse: the Defendants rebuffed cooperation and refused filtering and fingerprinting tools that they already had available, so as to continue to allow uploading while claiming blindness as to specific infringing clips on their site. Their decision to remain ignorant about specific infringing clips and the failure to use readily available technology constitute powerful evidence of illegal intent for purposes of contributory infringement. *Grokster*, 545 U.S. at 939; *Aimster*, 334 F.3d at 648. There is no reason to circumvent *Grokster* and *Aimster* by construing the DMCA in a diametrically inconsistent manner so as to permit Defendants to place all responsibility on content owners and to adopt an "ostrich-like refusal to

[18] Thus, Defendants' argument that they had no duty to monitor the site is another red herring. Defs. Opening Mem. 61-63. As noted in Viacom's Opening Mem. at 60-61, the DMCA's limitation on monitoring is designed to protect the privacy of users. No one was seeking to have Defendants manually pry into the private information of users. Once Viacom's fingerprints were loaded into the filter, the technology would work to identify and block illegally posted clips. *Id.* at 35.

discover the extent to which [their] system[s] w[ere] being used to infringe copyright." *Fung*, 2010 WL 6355911, at *18 (citing *Aimster*, 334 F.3d at 655).

Moreover, even if there were no perfect solution for distinguishing infringing from noninfringing uploads with perfect accuracy one-hundred percent of the time, that is not an excuse for doing nothing. Yet that is Defendants' position. They could profit from massive infringement and do nothing whatsoever to stop it, as long as there remained any shadow of a doubt in some marginal cases whether a clip was infringing or noninfringing.

Defendants cite two cases, *Perfect 10, Inc. v. CCBill, LLC*, 488 F.3d 1102 (9th Cir. 2007), and *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1111-12 (C.D. Cal. 2009), in support of their "ostrich like" approach of placing all responsibility on content owners and freeing Defendants from any proactive obligation to cooperate, investigate or remove offending videos.

These cases do not justify Defendants' willful blindness policy. Neither court was presented with a stream of defendant admissions acknowledging their knowledge of widespread copyright infringement on the sites. Neither dealt with a compelling record of *Grokster* intent to facilitate and benefit from infringement. And perhaps most importantly, in neither case did the defendants refuse to use technology that they already had in place, technology that would have filtered and blocked Viacom's illegal videos without imposing undue burden on the service provider, nor did they disable a mechanism to diminish infringement like community flagging which they previously had implemented.

For example, the court in *CCBill* refused to impose on the service provider what it perceived as an unreasonable obligation to investigate other third-party websites or businesses in order to determine whether posted material was infringing. *CCBill*, 488 F.3d at 1114-15. But

this case involves obvious infringement on Defendants' own website, not elsewhere on the Internet, and the steps sought by Viacom were readily available to Defendants and eminently reasonable. In the face of obvious infringement, Defendants opted for willful blindness and squarely violated the requirement that, upon developing awareness of infringing activity on the site, they must "act expeditiously to remove, or disable access, to the [infringing] material." 17 U.S.C. § 512(c)(1)(A)(iii). For this reason alone, Defendants' policy of willful blindness and inaction cost them the DMCA safe harbor.[19]

Ultimately, *Grokster*/*Aimster* and the knowledge prong of the DMCA can and should be read compatibly – not in a way that (according to Defendants and their amici) would create a giant loophole to permit infringing activity, including intentionally infringing activity. There is no policy or social justification for reading the DMCA as discouraging good-faith cooperation and dual responsibility for copyright compliance or to place the entire compliance burden on content-owner victims while service providers reap the economic rewards. The Internet would not have been diminished if Defendants (like many responsible websites) had cooperated and willingly used the anti-piracy tools they already had in hand, to run a clean site from 2005-2008. After they started to filter for all copyright owners in mid-2008, the Internet has continued to flourish. Defendants' self-serving dire warnings are no excuse for their policy of deliberate inaction and willful ignorance in addressing the flood of piracy they well knew existed on their site.

[19] *UMG*, which is now on appeal, concluded that the service provider there had used good-faith efforts to filter illegal content based on the technology it had on hand or was trying to develop and that a delay in implementing the Audible Magic system was in good faith. *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1111-12 (C.D. Cal. 2009). The opposite happened here, where Defendants had an Audible Magic license and were deploying the technology, but only to pressure a revenue-sharing deal rather than to protect an innocent company's copyrights.

B. Defendants Do Not Qualify for The DMCA Defense Because They Had the Right and Ability to Control Infringement and Derived a Direct Financial Benefit from It.

There is a second, independent reason Defendants do not quality for the DMCA safe harbor. As Viacom demonstrated in its motion for summary judgment, Defendants are outside the DMCA because they had the right and ability to control infringing activity on the YouTube website and received a direct financial benefit from such activity. *See* Viacom Opening Mem. 55-60; *see also id.* at 29-41 (showing that Defendants are liable under the parallel common law doctrine of vicarious liability). In making the contrary claim, Defendants stake out extreme positions on the law, asking the Court to overrule decades of interpretation of the same language under the law of vicarious copyright liability and render the financial benefit and control prong of the DMCA a dead letter.

1. Defendants Received a Direct Financial Benefit from the Rampant Infringement on YouTube.

Google and YouTube "receive[d] a financial benefit directly attributable to the infringing activity" under § 512(c)(1)(B). The case law under the DMCA unanimously recognizes that this element codifies the standards applicable to common law vicarious liability. *E.g. CCBill*, 488 F.3d at 1117; *Fung*, 2009 WL 6355911, at *15. Even the *UMG v. Veoh* case that defendants rely on elsewhere recognizes that "[a]s to the phrase 'direct financial benefit,' the DMCA does not dictate a departure from the common law standard." *UMG*, 665 F. Supp. 2d at 1116.

Case law is equally clear that the common law standard is satisfied if infringing material "draws" customers from whom the defendant derives revenue. *CCBill*, 488 F.3d at 1117 (because the DMCA parallels the common law, "the relevant inquiry is whether the infringing activity constitutes a draw for subscribers") (internal quotation marks omitted); Viacom Opening Mem. 37-39 (citing numerous other cases).

Infringing material on YouTube was indisputably a draw to users, and Defendants do not even try to argue otherwise. It is indisputable that a flood of infringing material was available on the site from 2005 to 2008, including thousands of clips pirated from Viacom's copyrighted works. And Defendants' own statements recognized that the infringing material was a powerful draw to users. *See* Viacom Opening Mem. 5-17. From the beginning, moreover, Defendants' business plan was to "monetize" the resulting user base through advertising, which they have in fact done. *See id.* Under the case law, that is the classic example of a direct financial benefit from infringement.

In light of this, Defendants are forced to stake out another extreme position that has never been accepted by any court. They contend that under the DMCA (unlike the common law of vicarious copyright liability), a service provider obtains a "financial benefit directly attributable to infringing activity" only if it receives revenue for posting infringing content that is greater than or different in kind from the revenue it obtains for posting noninfringing content. Defs. Opening Mem. 72-78. Under this theory, a service provider is exempt no matter how much infringing material it hosts, how many viewers are attracted by piracy, and how much revenue it derives from that infringement, as long as it does not take the extra step (which would probably never occur in the real world) of charging more for advertisements placed next to infringing material.

That theory is contrary to the established "draw" standard for a direct financial interest, which, as explained, depends on whether infringement draws customers from whom the defendant derives revenue – not on how such revenue from infringement compares to the revenue derived from noninfringing conduct. Defendants' theory is also contrary to the plain language of the statute, which requires only a "financial benefit directly attributable to infringing

activity." A service provider that uses infringing material to generate revenue plainly obtains a "financial benefit directly attributable to infringing activity," even if the provider also derives similar revenue from noninfringing activity. Defendants' contemporaneous internal communications repeatedly document that without infringing videos, YouTube would have had substantially less site traffic, and therefore substantially less revenue. *E.g.*, Viacom Opening Mem. 8 (Chen: "if you remove the potential copyright infringements . . . site traffic and virality will drop to maybe 20% of what it is"); *id.* at 15-16 (Google board book showing 60% of YouTube views are of "premium" copyrighted content, only 10% of which is licensed). On that basis, Google's board authorized the purchase of YouTube, a start-up business, for an astounding $1.8 billion. SUF ¶ 19. To claim that is not a "financial interest directly attributable to infringing activity" defies reality.

Finding no support for their implausible theory in the language of the statute or the case law, Defendants seek support in the legislative history. But even if the canons of statutory construction were reversed so that legislative history could override the statutory language, it does not help Defendants here. The committee reports make clear that the financial interest standard reflects a "common sense, fact-based approach, not a formalistic one." H.R. Rep. 105-551(II), at 54; S. Rep. No. 105-190, at 44 (1998). As already explained, the "draw" standard has been applied for decades and reflects "common sense," while Defendants' "formalistic" theory does not. *See Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002) (applying "draw" standard as common sense, fact-based approach under DMCA).

Defendants also point to an inapposite passage from the legislative history, stating:

> In general, a service provider conducting a legitimate business would not be considered to receive a "financial benefit directly attributable to the infringing activity" where the infringer makes the same kind of payment as non-infringing users of the provider's service. Thus, receiving a one-time set-up fee and flat

> periodic payments for service from a person engaging in infringing activities would not constitute receiving a "financial benefit directly attributable to the infringing activity." Nor is subparagraph (B) intended to cover fees based on the length of the message (per number of bytes, for example) or by connect time. It would however, include any such fees where the value of the service lies in providing access to infringing material.

H.R. Rep. 105-551(II), at 54 (emphases added). That passage has nothing to do with websites that obtain their revenues from advertising and use infringing material to attract viewers – the classic application of the long-established "draw" standard. Rather, this legislative history is addressing one-time fees where a service provider sells a service that an infringer purchases. That is not what YouTube does. As Defendants themselves emphasize, YouTube sells nothing, and it is not paid by its infringing users. Rather, as Judge Connor has noted, "YouTube is supported entirely by advertising revenues" and its "unique drawing power . . . is almost wholly attributable to its broad and varied store of streaming videos," *United States v. ASCAP (In re Application of YouTube, LLC)*, 616 F. Supp. 2d 447, 449 (S.D.N.Y. 2009) – most of which are infringing. That is the paradigmatic direct financial interest. Indeed, the last sentence in the committee report quoted above observes that the concept of direct financial benefit would include "any such fees where the value of the service lies in providing access to infringing material." Put differently, a service provider gains directly when it uses infringing content to draw revenue-generating users. That fully covers a website that uses infringing content to draw users who in turn generate ad revenue. Defendants have a direct financial interest.

2. Defendants Have Always Had the Right and Ability to Control the Infringement on YouTube.

Defendants also have always had the "right and ability to control" infringing activity within the meaning of § 512(c)(1)(B). As with the financial benefit prong, the control prong of § 512(c)(1)(B) codifies the control standard for common law vicarious liability. *See* Viacom

Opening Mem. 56-57; *CCBill*, 488 F.3d at 1117; *Fung*, 2009 WL 6355911, at *16; *Io*, 586 F. Supp. 2d at 1150; *see generally Neder v. United States*, 527 U.S. 1, 21 (1999).

As we have shown, that standard is satisfied here, both because Defendants have always exercised the absolute legal right to control the content on YouTube by removing any video at their complete discretion, and because Defendants have also always had the practical ability to identify infringing videos using reasonable methods and tools, ranging from human review through filtering and fingerprinting. Viacom Opening Mem. 32-35; *see also Tur v. YouTube*, 2007 WL 1893635, at *3 (YouTube would have the "right and ability to control" infringing activity for DMCA purposes if shown to have "the technical capabilities needed to detect and prescreen allegedly infringing videotapes"). Defendants used and offered many of these very tools for favored partners when they wanted to – but refused to do so to prevent infringement of Viacom's copyrights until at least May 2008. *Supra* at 20-21 (discussing Defendants' deliberate refusal to use these tools to stop infringement under *Grokster*).

This point is fatal to Defendants' contention that they lacked the right and ability to control infringement. They in fact possessed and used practical and inexpensive anti-piracy tools, including Audible Magic fingerprinting – but refused to fully deploy them under their policy of willful blindness. Content owners, including Viacom, NBC-Universal, and other film studios through the MPAA, specifically requested these tools to curtail infringement of their copyrights. And Defendants broadly offered them in exchange for revenue-sharing, confirming their efficacy and practicality. But Defendants chose instead to manipulate these tools as a carrot and a stick. A content owner was offered the carrot (protection of its intellectual property) if it agreed to share revenue with the Defendants, and received instead the stick of no protection if it declined. Since Viacom declined, Defendants now argue that they never really could have

controlled their site in the first place. They argue that the tools readily at their disposal suddenly should be disregarded as ineffective frivolities.

Defendants ignore their selective use of automated tools and instead argue that the volume of videos posted to YouTube made it impossible to review each of them manually. Defs. Opening Mem. 62-63. But that is not true. The evidence shows that Google Video effectively deployed manual screening; and until November 2005, YouTube also had screeners who manually reviewed each video as it was posted; they, however, were expressly instructed not to exclude videos on the ground that they constituted copyrighted material. *See* Viacom Opening Mem. 32. And Defendants further admit that YouTube used a modified form of proactive manual review to prevent copyright infringement into 2006 – but only for selected owners, not Viacom.[20] Thus, as YouTube was building its user base and igniting its explosive growth, it could have used manual screening to prevent infringement – but declined to do so.

YouTube was thus flooded by a torrent of infringing uploads, a fact that Defendants ironically now cite as an excuse for doing nothing. But even as manual screening became less practical, Defendants still had myriad other tools at hand, including community flagging, key word filters, and fingerprinting. Viacom Opening Mem. 33-35. That they chose not to use these tools (and in fact disabled community flagging) does not create a dispute of material fact about their ability to control infringement, much less entitle Defendants to summary judgment.

[20] As one of Defendants' own employees states under penalty of perjury in a submission to the Court: "While YouTube did not ever manually screen all of the videos uploaded by its users during my time at the company, in 2006, we sometimes spot checked videos after they had been uploaded and removed content on behalf of companies such as the Cartoon Network, NBC, Fox Television, World Wrestling Entertainment, Lucasfilm and the Recording Industry Association of America ("RIAA"). These reviews ordinarily took place in consultation with those companies and were usually targeted to particular programs or music groups based on our communications with the rights holders." Schaffer Decl. ¶ 11.

Indeed, even after acknowledging that fingerprinting is effective at controlling infringement, *see* Defs. Opening Mem. 70-71, 93-95, Defendants assert that "[t]there is no evidence that YouTube overrode those filtering systems to allow any of the clips at issue here to be posted or remain on the service." *Id.* at 71. The undisputed evidence shows otherwise. As we have shown in detail, Defendants deliberately decided to use filtering only for favored business partners. Viacom Opening Mem. 35-36. They offered to do so for Viacom only on condition that Viacom entered into a licensing deal. When that deal was not forthcoming, Defendants "overrode" the offer and refused to use fingerprinting for Viacom, thus allowing thousands of additional infringing clips to be upload to the site. *Id.* at 36-37.

Fingerprinting also fully answers Defendants' claim that they could not control infringement because Viacom employees uploaded some clips, which assertedly prevented Defendants from distinguishing the enormous number of infringing clips from the noninfringing authorized uploads. As we show *infra* at 54-57, Defendants' contention that they were in the dark about authorized clips uploaded by Viacom or its agents for promotional purposes is false as a factual matter. But even if Defendants' actual knowledge of authorized promotional clips were in doubt, any such factual dispute is irrelevant to their ability to control infringement. Viacom and the MPAA offered to cooperate, and specifically pointed to YouTube's Audible Magic fingerprinting technology as a way to do so. As Defendants themselves explain, fingerprinting provided a way to automate the process of "asking" copyright owners whether a particular clip is authorized. When the fingerprinting technology identifies a clip as being a copyrighted work, the technology is capable of implementing a variety of automated instructions that the copyright owner has provided, including blocking the upload (for unauthorized clips), or

tracking or monetizing the upload (for authorized clips).[21] *See* King Decl. ¶¶ 23-24 (attached to Defendants' Motion for Summary Judgment); Hohengarten Decl. ¶ 367 & Ex. 333 at 18:2-19:12.

Stated differently, Defendants themselves created the problem of their alleged failure to differentiate between permissible and forbidden clips through their rejection of cooperation or use of Audible Magic technology absent a revenue-sharing license. Having created the issue, they now hide behind it as an excuse for inaction and intentional ignorance.

Moreover, as previously discussed, *supra* at 30-32, even if Defendants' tools were not perfect, that is no excuse for refusing to do anything to control infringement. Defendants' "reserved right to police" still had to "be exercised to its fullest extent." *Napster*, 239 F.3d at 1023. As the Second Circuit held in an important case four decades ago, the right and ability to control standard of vicarious liability "plac[es] responsibility where it can and should be effectively exercised." *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963).

Defendants' contrary reading of § 512(c) as effectively granting them permission to cast a blind eye and tolerate widespread piracy is both legally and socially objectionable. It is contrary to the statutory text, the common law standard, and common sense. The statute does not say that only a site operator who profits from infringement and has "complete control" or "perfect control" may be held liable. Defendants cite the *UMG v. Veoh* decision for the contrary position. That decision, now on appeal, misreads the DMCA and the history of vicarious

[21] It further follows that defendants' reliance on *Io Group, Inc. v. Veoh Network, Inc.*, 586 F. Supp. 2d 1132 (N.D. Cal. 2008), for support is misplaced. That case neither discusses nor acknowledges the existence of audio or video fingerprint-based filtering as a solution to any problem of identifying infringing content. The only mention of "fingerprint technology" in the opinion is a sentence referring to Veoh's use of filtering to "prevent[] the same infringing content from ever being uploaded again." 586 F. Supp. 2d at 1154. That is clearly a reference to "hash" technology, which comes into play after an infringing file has been taken down, blocking the identical video file from being reposted. *See* King Decl. ¶ 4.

copyright law in virtually every respect. Viacom Opening Mem. 53-55. And in any event, *Veoh* is flatly distinguishable, as there was no showing in that case that the defendant actually implemented copyright protection mechanisms but then refused to use those mechanisms on a selective basis. Google and YouTube did exactly that, demonstrating their "right and ability to control infringing activity" under any standard. *Id.* at 32-37.

C. Defendants Do Not Qualify for the DMCA Defense Because Their Direct and Secondarily Infringing Conduct Is Not Limited to Storage at the Direction of Users.

Defendants also do not qualify for the DMCA defense because their infringing conduct does not occur solely "by reason of the storage at the direction of the user." 17 U.S.C. § 512(c). As Viacom showed in its motion for summary judgment, each of the § 512 safe harbors is tailored to a specific, enumerated core Internet function. Viacom Opening Mem. 61-64.[22] Hence, the DMCA is not a catch-all defense for any and every function offered by service providers who operate on the Internet. The statutory language and legislative history of § 512(c), and the overall structure of § 512, demonstrate that § 512(c) is available only when service providers act as passive storage providers (such as web-hosting services for websites operated by others), not when service providers themselves actively operate a website as an entertainment destination with copyrighted material to draw an audience. In addition, the defense applies only to infringing conduct carried out "at the direction of the user," not infringement carried out on the defendant's own initiative. Google and YouTube do not meet these preconditions for the safe harbor, because they actively operated YouTube as an entertainment destination that used infringing content to attract viewers, rather than as a passive storage vessel for others. In

[22] Defendants do not claim that they qualify for the safe harbors for the three functions other than storage under § 512 subsections (a), (b), or (d).

addition, Defendants carried out most of their direct and secondarily infringing conduct on their own initiative, not "at the direction of the user" as required by § 512(c). *Id.* at 62-64.

Nonetheless, Defendants argue that they meet this threshold condition for the § 512(c) defense on the theory that it covers anything they might want to do with video clips after the videos have been uploaded by a user. Defendants rely almost exclusively on two California district court decisions involving the Veoh video website, *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 620 F. Supp. 2d 1081 (C.D. Cal. 2008), and *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F. Supp. 2d 1132 (N.D. Cal. 2008). But as shown in Viacom's motion for summary judgment, those two decisions ignore the language, structure, and legislative history of the statute, under which § 512(c) applies only to infringement proximately (not "but for") caused "by reason of" the discrete function of providing "storage," not "by reason of" other functions a service provider may carry out thereafter. Viacom Opening Mem. 64. The *UMG* court further erroneously reasoned that any conduct by a service provider to make user-uploaded content publicly accessible qualifies as "storage," merely because storage services can sometimes include providing public access to stored material. *UMG*, 620 F. Supp. 2d at 1089.

But just because "storage" may encompass some acts of providing public access to stored material, it does not mean that it encompasses every act of the service provider subsequent to the user uploading content for storage. As Viacom showed in its motion, "storage" under § 512(c) encompasses passive services like hosting websites operated by others, which makes those sites publicly accessible; but it does not include the active use and manipulation of user-uploaded

material by the service provider in operating its own website so as to create an entertainment destination. Viacom Opening Mem. 61-63.[23]

Defendants also baldly assert that all the acts of "replication, transmittal, and display of videos on YouTube – the actions that are the subject of plaintiffs' infringement claims – occur through the operation of automated computer processes in response to the direction of users." Defs. Opening Mem. 27-28. In fact, multiple infringing acts were carried out by Defendants on their own initiative without any input by users, rather than as an automatic process undertaken during the upload process initiated by users. Viacom Opening Mem. 41-43. For example, it is undisputed that Defendants made new infringing copies of every video on YouTube's system months and even years after the videos were first uploaded in order to distribute the videos over third-party platforms like cell phones and televisions pursuant to commercial syndication agreements negotiated by Defendants, not their users. Users were never consulted on these syndication arrangements, and Defendants, not their users, derived all financial benefit from them. *See id.* at 42-43. Distribution is not storage, and these commercial arrangements did not follow automatically from the push of a computer button by users. They do not qualify as infringement "by reason of the storage at the direction of the user" under any conceivable definition of the term.

[23] To take but one example, indexing material submitted by users increases public accessibility, and would therefore count as "storage" under the *Veoh* decisions. Yet, § 512 makes crystal clear that indexing and storage are two separate and discrete functions that do not overlap. Section 512(d) – not § 512(c) – applies to indexing. *See* 17 U.S.C. § 512(d). And the statute itself states that "Subsections (a), (b), (c), and (d) describe separate and distinct functions for purposes of applying this section." *Id.* § 512(n) (emphasis). This refutes the misguided notion that "storage" includes any means of providing access to user-uploaded material.

D. Defendants Have Also Failed to Show That They Have Satisfied Several Other Preconditions of the DMCA Defense.

In addition to the foregoing DMCA requirements, which Viacom addressed in its own summary judgment motion, Defendants have failed to establish as a matter of law that they meet several other preconditions of the DMCA. Most notably, they have not carried their summary judgment burden of establishing that (1) their implementation of a repeat infringer policy satisfied the requirements of § 512(i), and (2) that their response to takedown notices satisfied the requirements of § 512(c)(1)(C). Although Viacom did not move for summary judgment on these issues, the burden is on Defendants to establish that they meet all of the preconditions of the DMCA to qualify for the defense. Therefore, these issues are independent reasons why Defendants' motion for summary judgment on their DMCA defense must be denied.[24]

Defendants' inadequate implementation of a repeat infringer policy and inadequate response to takedown notices are also germane for an additional reason: they represent further manifestations of Defendants' intent to facilitate infringement when operating the YouTube site, and therefore are relevant under *Grokster* and the knowledge and awareness prong of the

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[24] On top of these requirements, Defendants also essentially concede that for the period before October 21, 2005, they did not meet the DMCA's requirement that they register their designated agent to receive takedown notices with the Copyright Office. Section 512(c)(2) provides: "The limitations on liability established in this subsection apply to a service provider only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), . . . by providing to the Copyright Office, substantially the following information: (A) the name, address, phone number, and electronic mail address of the agent." 17 U.S.C. § 512(c)(2) (emphasis added). Defendants provide no evidence that they complied with this requirement before October 21, 2005. *See* Hurley Decl. ¶ 21 & Ex. 26. Moreover, § 512(c)(2) unambiguously provides that the safe harbor applies to a service provider "only if" it registers its designated agent with the Copyright Office. Therefore, Defendants are not entitled to the DMCA defense for the period before October 21, 2005. *See Ellison v. Robertson*, 357 F.3d 1072, 1077 (9th Cir. 2004) (denying service provider AOL's motion for summary judgment on DMCA defense in part because "AOL changed its contact e-mail address from 'copyright@aol.com' to 'aolcopyright@aol.com' in the fall of 1999, but waited until April 2000 to register the change with the U.S. Copyright Office").

DMCA. At every juncture Defendants opted to follow the path that placed the greatest burden on copyright owners, and provided the widest berth for infringement to thrive on YouTube. They are not innocent service providers entitled to the DMCA defense.

1. Defendants' Implementation of YouTube's Repeat Infringer Policy Was Not Reasonable.

Defendants concede that in order to qualify for the § 512(c) safe harbor, they must first establish that they "(1) adopt[ed] a policy that provides for the termination of service access for repeat copyright infringers in appropriate circumstances; (2) implement[ed] that policy in a reasonable manner; and (3) inform[ed] [their] subscribers of the policy." *Ellison v. Robertson*, 357 F.3d 1072, 1080 (9th Cir. 2004) (citing 17 U.S.C. § Section 512(i)); Defs. Opening Mem. 23 (paraphrasing and citing *Ellison*). Defendants have not established that they meet this "threshold requirement," so they are "not entitled to invoke [the DMCA's] safe harbor limitations on liability." *Ellison*, 357 F.3d at 1080; *accord Aimster*, 334 F.3d at 655.

First, Defendants' own evidence shows that YouTube did not adopt any repeat infringer policy at all before some unspecified time late in 2005; did not inform subscribers of the policy until December 2005; and did not implement it in any way until early 2006 – almost a year after the YouTube website first launched. *See* Defs. Opening Mem. 23; Levine Decl. ¶¶ 4, 27; Hurley Decl. ¶ 21; CSUF ¶ 76. And other documentary evidence produced by Defendants further corroborates the conclusion that YouTube did not adopt a repeat infringer policy at all prior to early 2006. CSUF ¶ 76.

Second, even after YouTube adopted its so-called "three strikes" repeat infringer policy long after beginning operations, Defendants failed to reasonably implement that policy because – as they concede – they insisted on counting multiple infringing clips uploaded by the same user as a single "strike" against that user in at least two situations: (a) where multiple infringing clips

uploaded by the same user were all identified in the same notice of infringement, and (b) where multiple infringing clips uploaded by the same user are identified in different notices of infringement, but those notices are all received by YouTube within the same two-hour period.[25] Levine Decl. ¶ 28; Hohengarten Ex. 382. Defendants assert that they treated multiple infringements by the same user as a single strike in order "[t]o help educate these users and to give them an opportunity to correct their behavior before suffering the loss of their account." Levine Decl. ¶ 28. But nowhere does the statute confer on YouTube the right to treat multiple infringements as a single infraction, and it was patently unreasonable to do so in situations where a user has uploaded scores or even hundreds of infringements over an extended period of time, but those infringements are brought to Defendants' attention in a single notice, or in multiple notices received in the same two hour period.

Third, for approximately six months in 2007, Defendants secretly implemented a policy of not assigning any copyright strikes to users who uploaded tens of thousands of infringing clips that were blocked by YouTube's Claim Your Content fingerprinting tool. CSUF ¶ 83; Kohlmann Decl. ¶¶ 17, 33 & Exs. 14, 30. As a result, the many thousands of users who uploaded these infringing clips would not have been assigned strikes for infringement, and they would not have been terminated from the YouTube website. Even worse, Defendants actively concealed this policy – demonstrating that they knew it would be anathema to copyright owners. *See id.* ¶¶ 52, 53 & Exs. 49, 50.

[25] Defendants applied these policies to notices of infringement that fully complied with the requirements of § 512(c)(3). Thus, cases addressing the implementation of a service provider's repeat infringer policy when notices of infringement are defective, are simply inapposite. *E.g.*, *CCBill*, 488 F.3d at 1112-13 (holding that inadequate notices are irrelevant to reasonable implementation of repeat infringer policy).

In light of the foregoing, Defendants have not met their summary judgment burden of showing that there is no genuine dispute of material fact that they adopted, reasonably implemented, and informed users about a policy for terminating repeat infringers. Their summary judgment motion must be denied on this basis alone. *See Ellison*, 357 F.3d at 1080; *A&M Records, Inc. v. Napster, Inc.*, No. C 99-05183 MHP, 2000 WL 573136, at *9 (N.D. Cal. May 12, 2000) (failure to establish existence of repeat infringer policy during relevant time period precluded entry of summary judgment); *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688, 704 (D. Md. 2001) (factual disputes regarding the defendant's repeat infringer policy precluded summary judgment), *aff'd*, 373 F.3d 544 (4th Cir. 2004).

2. Defendants Inadequately Responded to Takedown Notices.

Defendants also have not shown that they satisfy another precondition of the DMCA defense: adequately removing infringing material in response to takedown notices. As previously explained, Defendants' strategy was to sit back and do nothing about the rampant infringement on YouTube unless and until they received a takedown notice from a copyright owner. Yet Defendants were deficient even in responding to takedown notices, because they declared that they would remove only the specific infringing clips identified by URL in a notice, but not other clips infringing the same works or series. Thus, although Defendants removed the specific videos identified by Viacom in takedown notices, afterwards Defendants did nothing about the flood of Viacom-infringing clips that continued to be uploaded to YouTube every day – clips that Defendants were fully capable of recognizing as infringing in light of the extensive takedown notices Viacom had already sent them.

Defendants' inaction forced Viacom (and other copyright owners) to search the YouTube website constantly and send takedown notice after takedown notice as new infringing videos were uploaded, despite the notice given to Defendants through prior takedown notices. And

even having shouldered this burden, Viacom was only able to obtain removal of a video after it had gone live on YouTube and Defendants profited from it, whereas Defendants were uniquely situated to block such videos at upload.

Under the DMCA, a copyright owner has the option of sending a takedown notice to inform a service provider of infringement on its network,[26] and the service provider must expeditiously remove or disable access to "the material that is claimed to be infringing." 17 U.S.C. § 512(c)(3). The takedown notice must be a "written communication provided to the designated agent of a service provider that includes the following":

> (ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site;
>
> (iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

17 U.S.C. § 512(c)(3)(A)(ii), (iii) (emphasis added).

As these requirements show, Congress provided for situations where infringement on a website is sufficiently widespread that it would be impracticable for a copyright owner to identify each infringed work and each instance of infringement in a takedown notice. In such circumstances, the copyright owner need only provide a "representative list" of infringed works. Although the provision is clear on its face, the legislative history elaborates:

> Where multiple works at a single on-line site are covered by a single notification, a representative list of such works at that site is sufficient. Thus, for example,

[26] Even so, as previously noted, copyright owners are *not* required to send takedown notices "in order to enforce their rights." H.R. Rep. 105-551(II) at 54. "[A] service provider wishing to benefit from the [safe harbor] must 'take down' …infringing material … where it has actual knowledge or [awareness] even if the copyright owner … does not notify it of a claimed infringement." *Id.* (emphasis added). Thus, Defendants' preferred takedown notice-only regime is inconsistent with congressional intent.

> where a party is operating an unauthorized Internet jukebox from a particular site, it is not necessary that the notification list every musical composition or sound recording that has been, may have been, or could be infringed at that site. Instead, it is sufficient for the copyright owner to provide the service provider with a representative list of those compositions or recordings in order that the service provider can understand the nature and scope of the infringement being claimed.

H.R. Rep. No. 105-551(II), at 55 (emphasis added); *see also* S. Rep. No. 105-190, at 46 (same). As the Fourth Circuit has recognized, this representative list provision is designed to "reduce the burden of holders of multiple copyrights who face extensive infringement of their works," and they relieve copyright owners of the "responsibility of identifying every infringing work – or even most of them." *ALS Scan*, 239 F.3d at 625.

YouTube is exactly the sort of service contemplated by the DMCA's "representative list" provision. In February 2007, Viacom sent Defendants a takedown notice that identified more than 100,000 infringing clips on YouTube identified by name, URL, and posting user. Viacom also specifically demanded that Defendants treat this information as a representative list within the meaning of § 512(c)(1)(3), and remove all other videos that infringed copyrights identified by Viacom. Hohengarten Decl. ¶ 270 & Ex. 244. Defendants refused, taking the position that they were not obligated to remove any infringing video unless it was specifically identified by its individual URL on the YouTube website in the takedown notice. Hohengarten Decl. ¶ 201 & Ex. 382. As a result, additional clips infringing the same work or series at issue in the February 2007 and subsequent takedown notices have been continually uploaded to YouTube over the ensuing years, with Defendants failing to do anything about it (until May 2008). SUF ¶¶ 219-220.[27]

[27] The only exception was the rare case where a user tried to upload a video file that was exactly the same as a removed clip; Defendants would block such uploads through their "hash-based" identification. SUF ¶ 274. But hash identification does not work if a video file differs in any way from the identified file. Different files carrying precisely the same content will not be recognized as being the same. SUF ¶ 275.

Defendants' insistence on a URL identifying every infringing clip on their site is contradicted by the DMCA's express authorization of "representative lists." § 512(c)(3)(A)(ii). Defendants' interpretation turns the DMCA on its head because the core idea behind allowing a representative list is that copyright owners should not bear the "responsibility of identifying every infringing work – or even most of them" in the face of multiple infringements. *ALS Scan*, 239 F.3d at 625. If Defendants' position were accepted, every copyright owner would be required to specify every last infringing copy on a pirate site. Moreover, since multiple clips can infringe a single work, Defendants' demand that each infringing clip be separately identified multiplies the burden on copyright owners many times over.[28]

That is not the way the DMCA takedown process is supposed to work. Instead, once a copyright owner has alerted a service provider to a representative list of infringing materials, "the Act shifts responsibility to the service provider to disable the infringing matter." *Id.* (emphasis added). The treatment of the representative list requirement in *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002), is instructive. There the defendant controlled adult websites containing infringing images. *Id.* at 1174. It accepted takedown notices, but only those that identified "the specific web page at which a given work is located, rather than the site." *Id.* at 1180, 1161. The court held that the provider's actions "upset the Congressionally apportioned burden between copyright holder and service provider by placing the entire burden on the copyright owner" because the provider would not take down material except on a page-by-page basis. *Id.* at 1180. Defendants' takedown procedure here is

[28] The Ninth Circuit has stated that the "DMCA notification procedures place the burden of policing copyright infringement – identifying the potentially infringing material and adequately documenting infringement – squarely on the owners of the copyright." *CCBill*, 488 F.3d at 1113. However, the court did not even address the provision allowing for a "representative list" in § 512(c)(3)(A)(ii). The Fourth Circuit addressed that language in *ALS Scan*, and its analysis is persuasive.

equally flawed because they respond on a clip-by-clip basis, instead of by taking down all of the clips identifiable from Viacom's representative list.

Defendants' posited URL requirement is also refuted by the plain text of § 512(c)(3)(A)(iii), which requires the service provider to take action so long as it has information "reasonably sufficient to permit the service provider to locate the [infringing] material." Having received extensive takedown notices identifying infringements of Viacom's work, Defendants were in a position to locate the additional clips that infringed Viacom's works just as easily as or better than Viacom itself could, using search terms of the works and series covered by the takedown notices. For example, having been notified that YouTube was filled with infringing videos of "The Daily Show," Defendants were fully capable of using YouTube's search function – or other automated tools like fingerprinting – to find additional "Daily Show" clips. That information is "reasonably sufficient" to locate infringing material since Viacom had used it to find the infringing clips in the first instance. Indeed, in indistinguishable circumstances, the Ninth Circuit held that Napster, like its users, could readily find infringing songs by searching through its index. *Napster*, 239 F.3d at 1024.

In practice, Defendants are far better positioned than copyright owners like Viacom to use their search tools to identify infringing works. Only Defendants are capable of searching for and blocking infringing works during the process of uploading the videos, thereby preventing infringing clips from ever going live on the site. And, as Defendants understood and intended, a copyright owner cannot find the video until it has been made accessible to the world on YouTube and Defendants have profited from it. Viacom Opening Mem. 42. Because Defendants failed to remove clips they could identify as infringing based on Viacom's notification, they are not entitled to summary judgment on their § 512(c) defense.

* * *

For all the foregoing reasons – any one of which is sufficient – Defendants' motion for summary judgment on the DMCA defense must be denied.

III. DEFENDANTS' MOTION RAISES IRRELEVANT MATTERS THAT DO NOT AFFECT THE LEGAL ISSUES BEFORE THE COURT.

Defendants have devoted a vast amount of their brief and discovery efforts pursuing side-show issues with no relevance under copyright law. Thus, though we correct Defendants' factual distortions below, there is no need for the Court to unravel any factual disputes about these irrelevant issues in order to deny Defendants' summary judgment motion and grant Viacom's.

A. Viacom's Promotional Use of YouTube Does Not Excuse Defendants' Infringement.

First, Defendants seek to excuse their knowing and intentional misconduct by pointing to the limited and lawful use of YouTube by Viacom marketing employees for targeted promotional purposes as a reason to avoid liability. Defs. Opening Mem. 48.[29] Of course, Viacom, as the copyright owner, has the exclusive right to determine when and where clips of its content will appear online and in other media. *See* 17 U.S.C. § 106 ("the owner of copyright . . . has the exclusive rights to do and to authorize any of the following: . . . to reproduce . . ., to distribute copies of . . . , or to perform . . . publicly" the copyrighted work). Posting promotional

[29] Viacom is not suing for infringement relating to any clip that was uploaded to YouTube by authorized Viacom employees or agents. Defendants in their motion point to five – out of 63,000 – clips that Viacom erroneously included on its "clips in suit" list that were uploaded by authorized Viacom employees or agents. Defs. Opening Mem. 15. Notably, Defendants were able to identify these uploads as authorized by examining YouTube's own extensive databases containing information about each uploaded clip – databases that are ordinarily available only to Defendants and no one else. Rubin Decl. ¶ 14. This also demonstrates their ability to control their site when they wish to. As Viacom has consistently stated, in accordance with the Court's orders on this subject, prior to trial on damages, Viacom will remove any remaining authorized clips that were mistakenly included on its clips in suit list.

videos is commonplace in the industry, and once YouTube grew into the dominant video website, it necessarily became a destination of such postings. [30]

That in no way excuses Defendants' infringing practices. Differentiating between legally uploaded (including promotional) and illegal videos was entirely feasible, if Defendants wanted to make that differentiation. The whole purpose behind Viacom's and the MPAA's proposal to cooperate and assist Defendants in filtering was to identify and remove illicit videos (through, for example, black lists), while retaining on YouTube the videos that the copyright owners wished to be there (white lists). Defendants did not want to know the difference, preferring to intentionally blindfold themselves and to be able to claim an inability to separate the wheat from the chaff. Indeed, they were entirely candid about this when they rejected cooperation with the MPAA. Viacom Opening Mem. 19-20.

Hence, the promotional marketing issue is a circular "problem" of Defendants' own making. Having created the issue so as to remain willfully blind, they now perversely dwell on it in order to justify their willful blindness.

Beyond its irrelevance and self-creation, Defendants factual presentation egregiously distorts the record, which amply shows that except in the rarest of circumstances, YouTube and Google well knew which clips were lawfully posted for promotional reasons. Defendants broadly assert that Viacom "frequently" uploads clips to YouTube in an "opaque manner," and that "much of [Viacom's] marketing activity [on YouTube] takes place covertly." Defs. Opening Mem. 39, 40. Yet, even after Defendants' exhaustive discovery into Viacom's online marketing practices – including hundreds of thousands of documents produced by Viacom and third-party marketing agencies, and dozens of hours of depositions of Viacom and third-party

[30] In the industry, the term "viral marketing" is often used to describe promotional uses over the Internet where the promotion seeks to create "buzz." It does not have a pejorative meaning.

marketing personnel – and after Defendants' mining of their own enormous repository of data for every YouTube account and clip – Defendants point to only six YouTube accounts that were ostensibly used to upload authorized Viacom content and that Defendants claim "lack[ed] any discernable connection to Viacom." Defs. Opening Mem. 41.[31] Moreover Defendants fail to mention that only 25 clips of Viacom content were uploaded to these six accounts, Wilkens Decl. ¶ 19(b) – compared to 63,000 clips pirated from Viacom's works in suit.

In reality, virtually all authorized clips submitted by Viacom employees to YouTube were uploaded to so-called YouTube "director accounts" – special accounts that are vetted, approved, and carefully tracked by YouTube – or to branded channels created by YouTube working closely with Viacom. Hohengarten Decl. ¶¶ 132-134, Exs. 129-131. In aggregate, approximately 600 Viacom clips were uploaded to such accounts through May 2008. Wilkens Decl. ¶ 19(a). Viacom typically opened these accounts at YouTube's invitation. For example, YouTube's Vice President of Content, Kevin Donahue, suggested that Viacom set up the account with the username "MTV2" so that "you would then have a profile that you could use to promote new videos and photos in an ongoing way." *Id.* ¶ 8 & Ex. 36, at GOO001-01855934. Defendants not only knew about Viacom's use of these accounts and channels, Defendants actively solicited that authorized use.

Defendants also insinuate that Viacom used third-party marketing agencies to "conceal[]" Viacom's uploading activities from YouTube. Defs. Opening Mem. 41. That claim is refuted by YouTube's own communications with the third-party marketers, which show that YouTube was intimately familiar with the fact that these well-known companies were being used by media companies including Viacom for the purpose of promotional marketing. For example, the

[31] Even then, Defendants conspicuously do not state whether they in fact were unaware that the Viacom content uploaded to these accounts was authorized by Viacom.

marketing agency Wiredset used the YouTube account "wiredset" to upload Viacom content. YouTube not only was aware of that, but suggested that Wiredset apply for a "director account" to facilitate Wiredset's marketing activities. Kohlmann Decl. ¶ 30 & Ex. 27; *see also, e.g., id.* ¶ 72 & Ex. 64 (similar point for third-party marketing agent Fanscape). The relationship between YouTube and Palisades Media Group ("PMG"), which submitted a declaration in support of Defendants' motion, is similarly instructive. During discovery, Defendants produced hundreds of email communications between YouTube and PMG and its declarant, Arthur Chan. *Id.* ¶ 54. These emails evidence the close cooperation and coordination between YouTube and PMG. *See, e.g., id.* ¶¶ 26-29 & Exs. 23-26. Defendants were fully capable of recognizing uploads by these third-party marketers with whom Defendants maintained close relationships.

Defendants' motion similarly misrepresents Defendants' knowledge of and involvement with purported "stealth" marketing efforts. Without making clear that they are talking about one account involving one authorized video, Defendants' motion repeatedly recites evidence concerning the account "mysticalgirl8" to leave the false impression that the way in which the "mysticalgirl8" account was set up constituted a regular occurrence. *See* Defs. Opening Mem. 41-42 (series of bullet points implying that Viacom employees regularly uploaded videos to YouTube from computers not traceable to Viacom, but all involving this one account). In fact, this account was used only one time, and Defendants knew about it at the time. A Paramount employee set up the account offsite using a Yahoo! email address rather than a work email address. *See* Viacom's Supplemental Counter-Statement In Response To Defendants' Local Rule 56.1 Statement In Support Of Defendants' Motion For Summary Judgment ("SCSUF") ¶ 1.60. But the critical point – which Defendants failed to tell the Court – is that Paramount contacted Defendants the following day and informed them that the clip uploaded to the

mysticalgirl8 account was authorized.[32] CSUF ¶ 125; *see also* Rubin Decl. Ex. 10 (same point for another purported "stealth" account).

In reality, Viacom's limited use of YouTube for promotional purposes provides no excuse for Defendants' failure to stop the rampant infringement of 3000 Viacom works in suit through 63,000 pirated clips on YouTube. There is no basis for Defendants' misleading claim that "stealth" marketing "significantly complicate[d] the task of distinguishing between authorized and unauthorized uploads." Defs. Opening Mem. 39, 40.

And most important, as a legal matter, this argument is irrelevant since the entire issue is one wholly of Defendants' making and their cooperation with Viacom and the MPAA would have completely resolved the issue. Defendants unfortunately did not want it resolved.

B. Viacom's Decision Not to Send Takedown Notices During the Parties' Licensing Negotiations is Irrelevant.

Even further removed from the actual issues here is Defendants' extended discussion of Viacom's internal decisionmaking about when and how to enforce its copyrights against infringing clips that (unlike the authorized promotional clips discussed in the previous section) were pirated from Viacom's works by third parties – which Defendants dub Viacom's "leave up policies." Defendants suggest that Viacom's forbearance in enforcing its rights during negotiations is the same thing as authorizing infringing clips after the fact so that they were no longer infringing. *See* Defs. Opening Mem. 48 (asserting that when "Viacom deliberately refrained from sending takedown notices for certain videos," that was equivalent to "Viacom's decision to authorize clips of all shapes and sizes on YouTube"); *id.* at 45, 47 (asserting that by

[32] In the same vein, Defendants distort the facts in claiming that Viacom regularly "has altered its own videos to make them appear stolen." Defs. Opening Mem. 42. The documents Defendants cite refer to ordinary marketing activities. In all events, for the reasons set out in the main text, Defendants were entirely capable of determining the origins of any such clips given their extensive communications with Viacom and its agents about promotional efforts.

not immediately sending takedown notices, Viacom "authorize[d] broad categories of its content to remain on YouTube" and "expand[ed] its approval of clips on YouTube").

As we show below, the law is perfectly clear that forbearance in enforcing copyrights against infringement does not result in authorization. Thus, regardless of Viacom's enforcement policies, clips that were infringing at upload remained infringing, unless and until Viacom actually granted Defendants a license to display those clips – something that never occurred. Viacom's enforcement policies are therefore completely irrelevant to the infringing character of the tens of thousands of clips on YouTube that were pirated from Viacom's works without authorization. As a corollary, those internal enforcement policies – and Defendants' asserted ignorance of them – are equally irrelevant to Defendants' knowledge of infringement and right and ability to control their own site, which are the actual issues before the Court.

Although Viacom's motives for forbearing from enforcing its rights against some infringing clips are irrelevant, we feel obliged to provide a more accurate description of Viacom's decisions than provided by Defendants. From the summer of 2006 through January 2007, Viacom and Defendants engaged in negotiations as to a possible license that would have allowed Defendants to exploit Viacom's content on YouTube. Hohengarten Decl. ¶¶ 91-94, 271 & Exs. 88-91, 245. Defendants sought a license – and offered hundreds of millions of dollars for it – precisely because they knew that Viacom's content on YouTube was unauthorized, and equally well knew that the content was immensely valuable to YouTube as a draw to users and as a generator of advertising revenue. *Id.* On its side, Viacom insisted that any deal must include compensation from Defendants to Viacom for all infringement occurring before the license took effect – thus confirming that uploads without authorization were infringing. Hohengarten Decl. ¶ 92 & Ex. 89, at GOO001-05942431.

Given the real possibility that the parties would enter into a forward-looking license and settle Viacom's claims for past infringement, Viacom did not remove all of the infringing clips it located on YouTube during the pendency of the negotiations. Rather, Viacom enforced its rights during this period only for the most egregious instances of infringement – for example, entire shows that would not be covered by a subsequent license – and it worked with its takedown agent Bay TSP to implement its enforcement priorities in this regard. *See* CSUF ¶ 128. During December 2006 and January 2007, as negotiations between Viacom and Defendants progressed, Viacom continued working to identify infringing content on YouTube, but abstained from issuing takedown notices in the expectation that a license deal would be attained and Viacom's infringement claims would be settled. *Id.* But in late January 2007, the license negotiations between Viacom and Defendants reached an impasse. Shortly thereafter, on February 2, 2007, Viacom sent Defendants a very large takedown notice for all of the infringing content that Viacom had identified on YouTube. After that, Viacom sent takedown notices to Defendants on a rolling basis to cover all infringements that Viacom was able to detect on YouTube. And after the offers of cooperation by Viacom's General Counsel and the MPAA were rebuffed by Defendants, Viacom filed this lawsuit on March 12, 2007.

Plainly, it is fanciful to claim that by negotiating a potential license and deferring takedown during negotiations to avoid litigation, Viacom "authorize[d] clips of all shapes and sizes on YouTube," Defs. Opening Mem. 48 (emphasis added). Just the opposite is true. Defendants do not claim Viacom ever actually gave them an express license authorizing these clips. Thus, although Defendants do not use the term, their assertion that user-uploaded clips became "authorized" when Viacom deferred sending takedown notices must rest on the unstated premise that they obtained authorization through an implied license. *See Weinstein Co. v.*

Smokewood Entertainment Group, LLC, 664 F. Supp. 2d 332, 344 (S.D.N.Y. 2009) (nonexclusive licenses "can be granted orally or, in certain cases, implied by conduct"). An implied license is an affirmative defense to an infringement claim, for which Defendants bear the burden of proof. *Design Options, Inc. v. BellePointe, Inc.*, 940 F. Supp. 86, 91 (S.D.N.Y. 1996).

No implied license could possibly have arisen here. "The Second Circuit has cautioned that an implied license will be found 'only in narrow circumstances where one party created a work at the [other's] request and handed it over, intending that [the other] copy and distribute it.'" *Ulloa v. Universal Music Video and Distribution Corp.*, 303 F. Supp. 2d 409, 416 (S.D.N.Y. 2004) (quoting *Smithkline Beecham Consumer Healthcare, L.P., v. Watson Pharmaceuticals, Inc*., 211 F.3d 21, 24 (2d Cir. 2000) (internal quotation marks omitted) (emphasis added)); *accord SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301, 317 (S.D.N.Y. 2000) (adopting *Smithkline* factors); *Viacom Int'l Inc v. Fanzine Int'l Inc.*, No. 98 CIV. 7448(KMW), 2000 WL 1854903, at *3 (S.D.N.Y. July 12, 2000) (same); *Pavlica v. Behr*, 397 F. Supp. 2d 519, 526 (S.D.N.Y. 2005) (same); *Weinstein Co.*, 664 F. Supp. 2d at 344 ("[O]ur Circuit has followed the lead of other appeals courts and cautioned that implied non-exclusive licenses should be found [only where the *Smithkline* factors are present].").

It is obvious that Viacom did not grant Defendants an implied license to exploit Viacom's works on YouTube under *SmithKline*, which may be why Defendants refrain from using the term or explaining the basis for their assertion that "left up" clips became authorized. First, Defendants have offered no evidence that Viacom created the works at issue – popular entertainment such as the "Godfather" movies and the "South Park" and "Daily Show" television programs – at Google's and YouTube's request, as required for an implied license under *SmithKline*; the works were plainly created by Viacom on its own initiative, not for Defendants.

See Viacom, 2000 WL 1854903, at *4 (no implied license to use Nickelodeon characters that were not "created at the request of the licensor"). Second, Defendants have offered no evidence that Viacom "handed over" the clips in suit to YouTube, as required by *SmithKline*. The reality is that unauthorized third-party users, not Viacom or its authorized agents, pirated the clips in suit, *see* Solow Decl. ¶¶ 16, 26, *see also supra* note 29, and no license exists under those circumstances. Third, and finally, Defendants have not shown that Viacom intended to authorize Defendants to copy and distribute the clips in suit in the absence of an express written license, which the parties were in the process of negotiating. Viacom made clear that clips uploaded by third parties to YouTube were infringing in the absence of an express license agreement, and that Viacom required compensation for infringement predating any license agreement. Viacom Opening Mem. 18.

No case has ever suggested that an implied license could magically spring into being in these circumstances. While failing to object to copying after handing over a specially commissioned work could objectively be understood as licensing a defendant's reproduction, no such approval can be inferred where the defendant simply misappropriates the owner's works and begins copying or displaying them. *E.g.*, *Ulloa*, 303 F. Supp. 2d at 417 (emphasizing that an implied license requires "'manifestation of mutual assent sufficiently definite to assure that the parties are truly in agreement with respect to all material terms'") (quoting *Express Indus. and Terminal Corp. v. New York State Dep't of Transp.*, 715 N.E.2d 1050, 1053 (N.Y. 1999).[33]

[33] Likewise, *Keane Dealer Services, Inc. v. Harts*, 968 F. Supp. 944, 946-47 (S.D.N.Y. 1997), found an implied license that the copyright owner had remained silent during the defendant's use of the copyrighted material, but only where the plaintiff had created the work in question for the business acquired by the defendant and also delivered the work to the defendant when the business was sold. *Id.* *Keane* thus tracks the approach adopted by the Second Circuit's later opinion in *SmithKline* (and is superseded by the latter opinion to the extent it diverges from it).

In sum, any contention that clips uploaded by unaffiliated third parties were licensed or authorized to appear on YouTube because Viacom did not immediately send takedown notices is frivolous. Viacom's temporary enforcement forbearance is completely irrelevant to the issues in this case.

C. Defendants' References To Fair Use Are Equally Irrelevant.

Defendants' passing reference to the fair use defense is also irrelevant to the infringement of Viacom's clips in suit. Defendants in fact fail to cite a single Viacom clip in suit that they claim is subject to fair use.[34] For good reason: every one of Viacom's clips in suit was a straight steal; that is, an untransformed duplication of the underlying work.[35] The law is clear that such nontransformative uses are no more fair use on the Internet than in other contexts. *See, e.g., UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) (not fair use to stream unlicensed versions of music on the web); *Video Pipeline Inc. v. Buena Vista Home Entm't Inc.*, 342 F.3d 191, 203 (3d Cir. 2003) (not fair use to offer unlicensed previews of films on the web); *United States v. ASCAP*, 599 F. Supp. 2d 415, 428 (S.D.N.Y. 2009) (not fair use to provide unlicensed previews of music on the web); *Napster*, 239 F.3d at 1014-15 (not fair use to allow users to obtain unlicensed "temporary copies of a [musical] work").

While there might well be <u>other</u> videos on YouTube that present potential fair use issues, Viacom's clips in suit are not among them.

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[34] The purported examples of fair use cited by Defendants are all clips in suit claimed by plaintiffs in the separate class action, not by Viacom. *See* Defs. Opening Mem. 54.

[35] Viacom has provided the Court with a selection of infringing clips in suit to illustrate their "straight steal" quality. *See* Wilkens Decl. ¶¶ 2, 4 & Exs. 1-31. We also note that Defendants' assertion that certain Viacom clips identified by Defendants were extraordinarily short is simply false as a factual matter – as the data produced by Defendants themselves confirms. *See id*. ¶ 6.

D. Viacom's Consideration Whether to Make a Bid for YouTube Does Not Excuse Defendants' Infringement.

Finally, that fact that some Viacom personnel discussed the possibility of making a bid to buy YouTube is obviously completely irrelevant to Defendants' liability for the infringement on the site. Here again, Defendants distort the facts when they assert that "Viacom even sought to purchase YouTube," Defs. Opening Mem. 12. In reality, while Viacom personnel gave consideration to the possibility of buying YouTube in the summer of 2006, they quickly abandoned the idea. No due diligence was ever performed, no price was ever determined, and no offer was ever made. CSUF ¶ 46.

Defendants fail to explain how a possible acquisition by Viacom in 2006 in any way alters their liability as the actual owners and operators of the site. In the end, it was Google who performed the due diligence, determined the price, and made the winning offer to buy YouTube – and with that, succeeded to YouTube's liability for its direct and contributory infringement and became responsible for its own post-acquisition conduct.

CONCLUSION

Defendants' motion for summary judgment should be denied, and Viacom's motion for partial summary judgment should be granted.

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