You Don’t Need a Weatherman to Know Which Way The Wind Blows: An Analysis of Red-Flag Knowledge Under the DMCA

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I. INTRODUCTION

The legendary songwriter of the 20th century, Bob Dylan once said: “you better start swimmin’ or you’ll sink like a stone [f]or the times they are a-changin’.”\(^1\) Since these words were recorded in 1963, and particularly in the age of the Internet of the last two decades, technology has advanced in such drastic and surprising ways that it has often been difficult to keep up with its growth.\(^2\) The pervasive and continuous expansion of technology seems to impact nearly every aspect of daily life, including copyright law and its enforcement. Predominantly with the invention and advancement of the Internet, the ways in which consumers are able to access copyrighted works have expanded and become much easier. For authors of copyrighted works, however, the battle of trying to protect their rights has become much more challenging in the digital and Internet age. With the enactment of the Digital Millennium Copyright Act of 1998 ("DMCA"), Congress provided protection via safe harbor provisions for Internet service providers ("ISP’s") against claims of secondary copyright infringement, unless the ISP’s had, what has become known as “red-flag knowledge” of infringing acts.\(^3\) Red-flag knowledge is defined statutorily as, “aware[ness] of facts or circumstances from which infringing activity is apparent.”\(^4\) The interpretation of what constitutes red-flag knowledge is the subject of this Comment.

The United States government has always placed great value on protecting the rights of authors in their works. However, the U.S. government, through copyright legislation, seeks to protect not only the interests of authors, but also innovation. The so-called Copyright Clause of the U.S. Constitution more broadly states that the purpose of copyright legislation is “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”\(^5\) However, the Internet and specifically, malignant infringers who use the Internet as their medium, are straining the boundaries of copyright legislation’s ability to secure the inherent rights of authors in their works while also encouraging the dissemination of such works as Congress intended. After all, what good is copyright protection if protected works cannot be distributed to the

\(^{1}\) BOB DYLAN, The Times They Are A-Changin’, on THE TIMES THEY ARE A-CHANGIN’ (Columbia Records 1964).
\(^{2}\) Id.
\(^{5}\) U.S. CONST. art I, § 8, cl. 8. (known as the Copyright Clause).
public to enjoy, be inspired by and learn from? The Third Circuit noted that “the purpose of the copyright law is to create the most efficient and productive balance between protection (incentive) and dissemination of information, to promote learning, culture and development.” However, without effective copyright protection, and thus a means by which to hold infringers liable, there can be no monetary nor legal incentive for authors to create new works in order “to promote learning, culture and development.”

In the modern digital Internet age, infringement has modernized as well, posing new legal issues that Congress and the courts have tried to address. Confronted with the growth of the Internet and use of digital technology, Congress updated the 1976 Copyright Act with several amendments known cumulatively as the DMCA. The focus of this Comment concerns the current circuit split that resulted when the Second Circuit’s decision in Capitol Records, LLC v. Vimeo, LLC defined the “red-flag knowledge” requirement much more narrowly than the Ninth Circuit did in Columbia Pictures Indus. v. Fung. This Comment proposes that Supreme Court and Congressional intervention is necessary in order to restore the intended balance established by the Copyright Act between the rights of authors to their works and the rights of the public to those works by adopting a modified version of the Ninth Circuit’s interpretation of “red-flag knowledge” under the DMCA.

In order to understand how the courts came to their respective decisions regarding “red-flag knowledge,” it is important to understand the history behind the development of copyright law, both through legislation and case law. The next section will focus on the legislative history of modern copyright law as it pertains to this circuit split.

II. LEGISLATIVE HISTORY

“There must be some kind of way out of here,’ said the joker to the thief. ‘There’s too much confusion, I can’t get no relief.’” In order to keep up with the changing times, Congress has updated and modified the copyright statutes periodically throughout U.S. history. The 1909 Copyright Act was the precursor to copyright protection as it stands today;

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6 Whelan Assocs. v. Jaslow Dental Lab., 797 F.2d 1222, 1235 (3d Cir. 1986).
7 Id.
9 826 F.3d 78 (2d Cir. 2016).
10 710 F.3d 1020 (9th Cir. 2013).
11 Id. (referencing §512(c)(1)(B) of the Digital Millennium Copyright Act, the provision known colloquially as the “red-flag knowledge” requirement).
12 BOB DYLAN, All Along the Watchtower, on JOHN WESLEY HARDING (Columbia Records 1967).
prior to 1909, copyright laws were based off of England’s Statute of Anne.\textsuperscript{13} Modern copyright law is codified in Title 17 of the U.S. Constitution, commonly referred to as the 1976 Copyright Act (“the Copyright Act”).\textsuperscript{14} There are two fundamental prerequisites for copyright protection that a copyright holder must satisfy in order for their work to be eligible for protection. “[C]opyright protection subsists . . . in \textit{original works} of authorship \textit{fixed in any tangible medium} of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”\textsuperscript{15} The Copyright Act also created six exclusive rights of copyright ownership that allow the author.

\begin{itemize}
\item To do and to authorize any of the following:
\item (1) to reproduce the copyrighted work in copies or phonorecords;
\item (2) to prepare derivative works based upon the copyrighted work;
\item (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
\item (4) in the case of literary, musical dramatic and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
\item (5) in the case of literary, musical dramatic, and choreographic works, pantomime, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
\item (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.\textsuperscript{16}
\end{itemize}

Through all of these protections and exclusive rights, the ultimate goal of the Copyright Act is “to promote learning, culture, and development” by way of the useful arts, for the betterment of society.\textsuperscript{17} However, in order to promote this stated goal, it is fundamentally necessary for the law and courts of this country to protect the rights of authors of copyrightable works in order to incentivize the innovation and creation of original works by authors.\textsuperscript{18} Otherwise, the public will begin to see a decline in the production of original works of authorship without legal guarantees that an author may reap the rewards from his original work and be protected from piracy and infringement.\textsuperscript{19}

\begin{flushright}
\begin{footnotesize}
\textsuperscript{13} The Copyright Act of 1909, Pub. L. No. 60-349 (1909) (amended by 17 U.S.C. §§ 101-810 (1976)) (referencing the Statute of Anne 1710, 8 Ann. c. 21 (Eng.)).
\textsuperscript{15} 17 U.S.C. § 102(a) (1990) (emphasis added).
\textsuperscript{17} \textit{Jaslow Dental Lab.}, 797 F.2d at 1235.
\textsuperscript{18} \textit{See} Viacom Int’l, Inc. v. YouTube, Inc., 676 F.3d 19, 19 (2d Cir. 2012).
\textsuperscript{19} \textit{See} id.
\end{footnotesize}
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III. THE DMCA

“Come Senators, Congressmen please heed the call. Don’t stand in the doorway, don’t block up the hall. For he that gets hurt, will be he who has stalled. The battle outside raging will soon shake your windows and rattle your walls. For the times they are a-changin’.”

The DMCA was enacted to “ensure[ ] that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand.” Recognizing that this new digital age presented new problems, Congress established additional protections for authors and safe harbors for service providers to strike a balance between the two competing interests. Section 512(c) of the DMCA provides several “safe harbor” provisions. Service providers can use these provisions as an affirmative defense to protect them from direct or secondary copyright infringement liability stemming from the infringing acts of their users.

Section 512(c) of the DMCA provides that:

(c) Information residing on systems or networks at direction of users.
   (1) In general. A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—
   (A) does not have actual knowledge that the material or an activity using the material or an activity using the material on the system or network is infringing;
   (i) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
   (ii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
   (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
   (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

The DMCA’s pronouncement that “[n]othing in this section shall be construed to condition the applicability of subsections (a) through (d) on . . . a service provider monitoring its service or affirmatively seeking facts indicating infringing activity . . . ” is important because it means that an Internet Service Provider (“ISP”) is under no affirmative duty to seek

20 Bob Dylan, supra note 2.
22 Id.
24 Id.
out infringers. However, the ISPs are required to maintain a notice-and-takedown system. This system affords copyright owners the ability to notify the ISP of infringing activity on their sites. In order to be eligible for the safe harbor provision, the ISP must act on the notice provided by the copyright owner by taking down or removing the infringing material from their site. Additionally, an ISP must be able to show that it qualifies as a “service provider” as defined by § 512(k)(1). The statute defines this term as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.”

Secondary liability, on the other hand, is different from direct liability and can occur in several different circumstances. As explained in MGM Studios Inc. v. Grokster, Ltd., “[o]ne infringes contributorily by intentionally inducing or encouraging direct infringement . . . and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.” While the Copyright Act does not specifically mention secondary liability, principles of secondary liability are rooted in common law doctrines and are well established in case law.

IV. HISTORY AND TIMELINE OF RELEVANT CASE LAW

A. MGM Studios Inc. v. Grokster, Ltd.

One of the first and most important cases to involve issues of secondary liability on the part of ISPs for the infringing acts of their users was MGM Studios Inc. v. Grokster, Ltd., decided by the United States Supreme Court in 2005. Grokster involved a suit initiated by various copyright holders, including movie studios, record companies, songwriters and music publishers (“MGM”) against a software distributor (“Grokster”). The Court was asked to decide “under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product.”

27 Id.
31 See id.
32 See id.
33 Id. at 918-19.
Grokster’s services were primarily used by individuals to share and disseminate copyrighted music and movie files without permission. Grokster “knowingly and intentionally distributed their software to enable users to reproduce and distribute the copyrighted in violation of the Copyright Act.” Grokster actively monitored and kept track of copyrighted songs that were available through its services, even so much as allowing users to search for obviously copyrighted songs listed on top charts. In fact, Grokster’s internal email suggested that they had actual knowledge of infringing activity. Specifically, that its business plan was intentionally targeted at servicing former Napster users to allow them to continue the copyright infringing activities that led to the shutdown of Napster.

The District Court in the initial proceeding granted summary judgement in favor of Grokster. The Court of Appeals affirmed, reading Sony Corp. of America v. Universal City Studios, Inc. as holding that “distribution of a commercial product capable of substantial non-infringing uses could not give rise to [secondary] liability for infringement unless the distributor had actual knowledge of specific instances of infringement and failed to act on that knowledge.” The Supreme Court identified the issue as causing a tension between “the respective [copyright] values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement.” The Court created what it called “the inducement rule,” ultimately holding that “one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.” The Court, in overturning the lower courts’ decisions, noted that simple knowledge on the part of a service provider of a potential infringing activity or even actual infringement taking place would be insufficient to impose liability.

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34 See id.
35 MGM Studios Inc., 545 U.S. at 921.
36 See id.
37 Id.
38 Id. (referencing “Napster”, a peer-to-peer sharing website that was a precursor to “Grokster” and was intended to allow users to share copyrighted works with each other on peer-to-peer networks without authorization from the copyright owners).
39 Id.
40 Id. at 927 (referencing Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984)).
41 MGM Studios Inc., 545 U.S. at 928.
42 Id. at 937.
43 See id. (short cite this)
The Court was persuaded by three factors in ultimately finding that the service provider in this case was secondarily liable for the infringing acts of its users.\textsuperscript{44} First, the fact that the service provider made it known that it was attempting to “satisfy a known source of demand for copyright infringement” was telling.\textsuperscript{45} Second, the service provider made no effort to develop tools or processes to monitor or reduce infringing activity on its servers.\textsuperscript{46} Finally, the Court noted that the service providers made money by selling advertisement space on its site; the more user traffic to the site, the more ad money the companies received, thus demonstrating an intent to promote use of its site without regard for illegal activity.\textsuperscript{47} The Court made it clear that, “if liability for inducing infringement is ultimately found . . . [it will be on the basis of] inferring a patently illegal objective from statements and actions showing what that objective was.”\textsuperscript{48} As a result, the stage was set and the standard was established for which activities would amount to secondary liability in the eyes of the Court.

\textbf{B. Viacom Int’l, Inc. v. YouTube, Inc.}

Next, the Viacom decision addressed the contours of the safe harbor provision codified in the DMCA under § 512(c).\textsuperscript{49} Viacom set the precedent (before Capitol Records, LLC v. Vimeo, LLC) in the Second Circuit for what has become known as red-flag knowledge on the part of service providers.\textsuperscript{50} The Second Circuit set out “to clarify the contours of the safe harbor provision of the [DMCA] that limits the liability of online service providers for copyright infringement that occurs ‘by reason of the storage at the direction of a user of materials on a system or network controlled or operated by the service provider.’”\textsuperscript{51} The Plaintiffs in the case were a group of film studios, music publishers, television networks, etc.\textsuperscript{52} The Plaintiffs (“Viacom”) alleged that the Defendant (“YouTube”) was both directly and secondarily liable for copyright infringement of their works due to the public performance, display, and reproduction of thousands of video clips containing copyrighted material.\textsuperscript{53}

\textsuperscript{44} Id.
\textsuperscript{45} Id. at 939.
\textsuperscript{46} See id.
\textsuperscript{47} MGM Studios Inc., 545 U.S. at 939.
\textsuperscript{48} Id. at 941.
\textsuperscript{49} Viacom, 676 F.3d at 19.
\textsuperscript{50} Id. at 32 (referencing Capitol Records, LLC v. Vimeo, LLC, 826 F.3d 78 (2d Cir. 2016)).
\textsuperscript{51} Id. at 25 (quoting 17 U.S.C. § 512(c) (2010).
\textsuperscript{52} See id.
\textsuperscript{53} Id.
The District Court reasoned that based upon the evidence submitted by Viacom, “a jury could find that the defendants not only were generally aware of, but welcomed, copyright-infringing material being placed on their website.”\textsuperscript{54} The Second Circuit applied a \textit{de novo} standard of review as to whether YouTube could be eligible for safe harbor protection under § 512(c)(1)(A) of the DMCA.\textsuperscript{55} As previously stated, § 512(c)(1)(A) affords safe harbor protection only if the service provider:

\begin{itemize}
  \item[(i)] does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
  \item[(ii)] in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
  \item[(iii)] upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material.\textsuperscript{56}
\end{itemize}

Specifically, upon acquiring actual or red-flag knowledge, the ISP must remove the infringing material.\textsuperscript{57} Therefore, there are specific threshold requirements an ISP must meet in order to be eligible for safe harbor protection from infringement liability. The vagueness of what constitutes “actual knowledge” and red-flag knowledge within the statute perpetuated the dispute in this case.\textsuperscript{58}

Viacom argued that Congress’s use of the phrase “facts and circumstances” in § 512(c)(1)(A)(ii) demonstrated that it did not intend to have a limited interpretation of red-flag knowledge as only being one defined type of knowledge.\textsuperscript{59} Viacom contended that an interpretation of red-flag knowledge that requires specific awareness of infringements effectively renders the provision superfluous “because that provision would be satisfied only when the ‘actual knowledge’ provision is also satisfied.”\textsuperscript{60} Thus, Viacom argued that this red-flag provision “requires less specificity than the actual knowledge provision[]” and thus allows for secondary liability when the “facts and circumstances” of the case do not amount to actual knowledge of infringing activity.\textsuperscript{61}

The court, in rejecting Viacom’s argument, stated that such a specific interpretation does not make the red-flag knowledge provision superfluous because historically actual knowledge denotes subjective belief.\textsuperscript{62} Alternatively, “courts often invoke the language of ‘facts or circumstances,’ which appears in [the red-flag provision], in discussing an

\begin{itemize}
  \item[^55] Viacom, 676 F.3d at 19 (referencing 17 U.S.C. § 512(c)(1)(A) (2010)).
  \item[^57] See id.
  \item[^58] Viacom, 676 F.3d 19.
  \item[^59] Id. (referencing, § 512(c)(1)(A)(ii) known as the “red-flag knowledge” requirement provision).
  \item[^60] Id. at 31.
  \item[^61] Id. (internal quotations omitted).
  \item[^62] See id.
objective reasonableness standard.”63 Thus, the standard adopted by the Viacom court was that, “the actual knowledge provision turns on whether the provider actually or ‘subjectively’ knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement ‘objectively’ obvious to a reasonable person.”64 The court, in support of its holding, referenced other court opinions with similar holdings stating, “[w]e do not place the burden of determining whether [materials] are actually illegal on a service provider” consequently emphasizing that only awareness of “specific and identifiable instances of infringement will disqualify a service provider from the safe harbor.”65

C. UMG Recordings, Inc. v. Shelter Capital Partners LLC

UMG Recordings also addressed the issue of red-flag knowledge under the DMCA’s safe harbor provision, in which the court affirmed the district court’s decision that the service providers could indeed avail themselves of the provision.66 The Plaintiffs (“UMG”), who are music publishing companies, record labels, and copyright owners, appealed from the grant of summary judgement in favor of the Defendants (“Veoh”) to the Ninth Circuit, which reviewed the case de novo.67

Veoh was a service provider that “operate[d] a publicly accessible website that enable[d] users to share videos with other users[]” that could be viewed on the website or through a standalone software application.68 While Veoh did not charge its users to access its content, the company derived its income from advertisements that were displayed along with the video.69 Veoh also required its users to read and agree to its “Publisher Terms and Conditions” which informs users that they were prohibited from uploading or submitting any infringing material that they did not have a license from the copyright owner to use.70 However, employees of Veoh “[d]id not review the user-submitted video, title or tags before the video [was] made available.”71

63 Id. at 31 (See, e.g., Maxwell v. City of New York, 380 F.3d 106, 108 (2d Cir. 2004)).
64 Viacom, 676 F.3d at 31.
65 Viacom, 676 at 32 (quoting UMG Recordings, Inc. v. Shelter Capital Partners LLC, 667 F.3d 1022, 1038 (9th Cir. 2011)).
66 UMG Recordings, Inc. v. Shelter Capital Partners LLC, 718 F.3d 1006 (9th Cir. 2013) (referencing 17 U.S.C. § 512(c)).
67 See id.
68 Id. at 1011.
69 Id. at 1006.
70 Id. at 1011.
71 Id. at 1012.
Veoh’s site contained millions of submitted videos, some of which had been found to infringe the copyrights of various copyright owners, including UMG and the other Plaintiffs.\textsuperscript{72} To combat the submissions of infringing materials by its users, Veoh employed two different technologies that worked to automatically stop copyright infringement from occurring on its service.\textsuperscript{73} One of these technologies was called “hash filtering” which “disable[d] access to an infringing video . . . [and] automatically disable[d] access to any identical videos and block[ed] any subsequently submitted duplicates.”\textsuperscript{74} The other automatic technology Veoh employed was a third-party filtering system that “[took] audio fingerprints from video files and compare[d] them to a database of copyrighted content . . . [when] a user attempt[ed] to upload a video that matche[d] a fingerprint from [the database], the video never [became] available for viewing.”\textsuperscript{75} In order to comply with copyright laws, Veoh also implemented a company policy of removing user accounts that repeatedly uploaded infringing material.\textsuperscript{76}

Despite these precautions, when Veoh applied the filter to its backlog, 60,000 videos had to be removed for containing infringing material.\textsuperscript{77} UMG alleged that Veoh was liable for “direct, vicarious and contributory copyright infringement, and for inducement of infringement . . . [and] that Veoh’s efforts to prevent copyright infringement on its system were too little too late.”\textsuperscript{78} UMG also alleged that Veoh “harbored infringing material for its own benefit” and took minimal efforts to prevent users from submitting, downloading and accessing infringing material.\textsuperscript{79} UMG argued that Veoh did not qualify for safe harbor protection because it failed to meet three of the statutory requirements under § 512(c), including both the actual knowledge and so-called red-flag knowledge requirements.\textsuperscript{80} Specifically, UMG contended that “genuine issues of fact remain about whether Veoh had actual knowledge of infringement, or was ‘aware of facts or circumstances from which infringing activity [wa]s apparent.’”\textsuperscript{81} Regarding the district court’s decision that Veoh did not have red-flag knowledge, UMG’s appeal

\textsuperscript{72} UMG Recordings, Inc., 718 F.3d 1006.
\textsuperscript{73} See id.
\textsuperscript{74} Id. at 1012.
\textsuperscript{75} Id.
\textsuperscript{76} Id. at 1006.
\textsuperscript{77} Id., at 1013.
\textsuperscript{78} UMG Recordings, Inc., 718 F.3d at 1013 (internal quotations omitted).
\textsuperscript{79} Id.
\textsuperscript{80} Id. at 1013 (referring to 17 U.S.C. § 512(c)(1)(A)(i)-(ii) (known as the actual knowledge requirement and so-called “red-flag” knowledge requirement)).
\textsuperscript{81} Id. at 1015 (quoting 17 U.S.C. § 512(c)(1)(A)(ii)).
claimed that the court erred by “setting too stringent a standard for what [the court] termed ‘red flag’ [knowledge].”\footnote{Id. at 1020. This is where the term “red-flag” comes from when referring to the knowledge needed under \S\ 512(c)(1)(A)(ii).}

Evidence presented at trial demonstrated that Veoh hosted a large amount of content for which it did not have a license, and therefore UMG argued that Veoh should have known “this content was unauthorized, given its general knowledge that its services could be used to post infringing material” and that constituted red-flag knowledge of infringement on Veoh’s behalf.\footnote{Id. at 1021.} However, the Court rejected UMG’s claim because there were in fact many videos with copyrightable content that could legally be displayed on Veoh’s site for which they had obtained the necessary license from the copyright owners.\footnote{UMG Recordings, Inc., 718 F.3d at 1021.} The court stated that if it were to accept that “merely hosting material that falls within a category of content capable of copyright protection, with general knowledge that one’s services could be used to share unauthorized [content], was sufficient to impute knowledge to service providers,” the safe harbor provision would be useless and no service provider could be eligible.\footnote{Id. at 1021.} In support of this finding, the court quoted its holding in \emph{A&M Records, Inc. v. Napster}, that “absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material.”\footnote{Id. (quoting A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1021 (9th Cir. 2001)).}

The court also reasoned that the district court’s holding that specific knowledge is needed to find a service provider ineligible for the safe harbor provision made sense “in the context of the DMCA, which Congress enacted to foster cooperation among copyright holders and service providers in dealing with infringement on the Internet.”\footnote{Id. (See, S. Rep. No. 105-190, at 20 (1998)).} In accordance with this stated legislative objective, the court found that because copyright owners know exactly which works they own, they are actually in a better position to pinpoint infringing copies on a service provider’s network.\footnote{Id. at 1022.} The court emphasized that “Congress made a considered policy determination that the ‘DMCA notification procedures [would] place the burden of policing copyright infringement – identifying the potentially infringing material and adequately documenting infringement – squarely on the owners of copyright,’” and the Court
declined to shift that burden to the service providers. The court ultimately held that Veoh’s general knowledge that copyrighted material was present on its servers and that those servers could be used for illicit infringing activity was insufficient for a finding of red-flag knowledge.

The UMG court did recognize and agreed with the premise from Viacom that there is a definitive distinction between what constitutes actual knowledge and red-flag knowledge. In addressing the sufficiency of UMG’s evidence that Veoh had been sent emails informing them of documented infringements, the court stated that “[i]f this notification had come from a third party, such as Veoh user, rather than from a copyright holder, it might meet the red flag test because it specified particular infringing material.” However, in order for a copyright holder to create a genuine issue of material fact, as is required to withstand summary judgment in a civil matter, the copyright holder must also produce evidence that the ISP failed to “expeditiously [] remove, or disable access to, the material.” In the end, UMG failed to establish that there was sufficient evidence to disqualify Veoh from DMCA safe harbor protection, in part because they were unable to meet the standard for a finding of red-flag knowledge.

V. THE CIRCUIT SPLIT AND ANALYSIS

A. The Ninth Circuit’s Opinion:

Finally, the circuit split at issue was created when the Ninth Circuit and the Second Circuit each took drastically different approaches to the question of what constitutes red-flag knowledge. At the outset, it is helpful to analyze the older of the two cases that comprise one side of the relevant circuit split. In 2013, the Ninth Circuit decided Columbia Pictures Indus. v. Fung. Defendant Gary Fung and his company isoHunt Web Technologies, Inc. (collectively “Fung”) appealed a district court decision in which the court granted the Plaintiff’s (“Columbia Pictures”) summary judgment motion and found Fung liable for contributory infringement and

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89 Id. (quoting Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1113 (9th Cir. 2007)).
90 UMG Recordings, Inc., 718 F.3d 1023.
91 Id. at 1025-26; see Viacom Int’l, Inc. v. YouTube, Inc., 676 F.3d 19 (2d Cir. 2012) (setting forth the original subjective and objective standards for a finding of both actual knowledge and “red-flag knowledge”).
92 Id. at 1025.
94 Id. at 1018.
95 710 F.3d 1020 (9th Cir. 2013).
inducing others to infringe Columbia Pictures’ copyrighted material.\(^96\) The district court also held that none of the safe harbors in section 512 of the DMCA were applicable in the case.\(^97\) The Plaintiffs were comprised of various film studios who owned the copyrights to many of the videos and movies that were provided for streaming purposes on Fung’s websites.\(^98\)

Columbia Pictures alleged in its amended complaint that “Fung was liable for vicarious and contributory copyright infringement, in violation of [The 1976 Copyright Act].”\(^99\) The district court granted summary judgment in favor of Columbia Pictures, holding that Fung was indeed liable for his role in inducing others to participate in the infringement of Columbia Pictures’ copyrighted works, thus constituting contributory copyright infringement.\(^100\) The district court found that Fung was ineligible to avail himself of the safe harbor provisions under § 512(c).\(^101\) The court subsequently issued a permanent injunction to prevent Fung from knowingly engaging in or fostering infringing activities of specific copyrighted works owned by Columbia Pictures.\(^102\) Fung was provided with a list of movie titles that the injunction applied to including several public domain works, such as *The Jungle Book* and *Miracle on 34th Street*.\(^103\)

In analyzing Fung’s affirmative defense as it relates to § 512(c), the Ninth Circuit explained that the statute “covers not just the storage of infringing material, but also infringing ‘activit[ies]’ that ‘us[es] the material [stored] on the system or network.’”\(^104\) In this case, the infringing activities associated with Fung – peer-to-peer exchanges of pirated materials – relied on the torrents that were stored, operated and maintained by Fung’s websites.\(^105\) The court explained that the “torrents [that were] collected for storage by Fung’s websites themselves [as opposed to ones uploaded by users] . . . would be at least facially eligible for the safe

\(^{96}\) *Id.* at 1023-24 (referencing Columbia Pictures Indus., Inc. v. Fung, 2009 U.S. Dist. LEXIS 122661, at *15 (C.D. Cal. Dec. 21, 2009)).

\(^{97}\) *Id.*

\(^{98}\) *Id.* at 1023-24.

\(^{99}\) *Id.* at 1029 (referencing 17 U.S.C. § 106).

\(^{100}\) *Columbia Pictures*, 710 F.3d at 1029.

\(^{101}\) *Id.* at 1029-30 (referencing 17 U.S.C. § 512(c))(2010).

\(^{102}\) *Id.* at 1030.

\(^{103}\) *Id.* (these titles were in the public domain, because, although at one point they were afforded copyright protection under the 1909 Copyright Act, the statutory copyright protection had since expired and consequently the works were placed in the public domain).

\(^{104}\) *Id.* at 1042 (quoting 17 U.S.C. § 512(c)(1)(A)(i)(2010); *Id.* at 1028 (The type of stored material on a system or network that this quote referenced is commonly known as “torrents,” as the court explains in the opinion).

\(^{105}\) *Id.* at 1024.
harbor,” that is assuming that the other § 512(c) knowledge and expeditious removal criteria were met.\textsuperscript{106}

In \textit{UMG Recordings}, the court restated its adoption of the Second Circuit’s interpretation of the knowledge requirement in § 512(c)(1)(A)(ii) for a finding of red-flag knowledge as, “turn[ing] on whether the provider was subjectively aware of the facts that would have made the specific infringement ‘objectively’ obvious to a reasonable person.”\textsuperscript{107} Fung argued that because Columbia Pictures did not provide him with statutorily required notice of infringing activities on his site, he lacked both actual knowledge and red-flag knowledge.\textsuperscript{108} The explicit language of the statute makes it clear that when notice of infringement provided to an ISP does not comply with the statutory requirements of § 512(c)(3)(A), it “shall not be considered . . . in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent[].”\textsuperscript{109} However, the court found that it did not need to determine the adequacy of the notice of infringing activities provided by Columbia Pictures to Fung based upon other factors.\textsuperscript{110}

Here, the court found that Fung indeed “had ‘red flag’ knowledge of a broad range of infringing activity for reasons independent of any notifications from Columbia, and therefore [was] ineligible for the § 512(c) safe harbor.”\textsuperscript{111} The record before the court contained numerous instances of explicit evidence proving that Fung encouraged the users of his site to upload and download certain copyrighted materials in an infringing manner, assisted his users in seeking copyrighted materials to view, and aided them in reproducing copyrighted works on DVDs.\textsuperscript{112} In finding that Fung’s knowledge of such activity was sufficient to meet the \textit{UMG Recordings} standard for red-flag knowledge, the court reasoned that:

\begin{quote}
[t]he material in question was sufficiently current and well-known that it would have been objectively obvious to a reasonable person that the material solicited and assisted was both copyrighted and not licensed to random members of the public, and that the induced use was therefore infringing.\textsuperscript{113}
\end{quote}

The standard used by the court in holding that Fung had red-flag knowledge assumes that the “objectively obvious to a reasonable person” standard can be met when someone is aware of material present on a server

\textsuperscript{106} \textit{Columbia Pictures}, 710 F.3d at 1042–43 (referencing 17 U.S.C. § 512(c)).

\textsuperscript{107} Viacom Int’l, Inc. v. YouTube, Inc., 676 F.3d 19, 31 (2d Cir. 2012) (referencing \textit{UMG Recordings}, Inc. v. Shelter Capital Partners LLC, 718 F.3d 1006 (9th Cir. 2013)).

\textsuperscript{108} \textit{Columbia Pictures}, 710 F.3d at 1043.


\textsuperscript{110} \textit{Columbia Pictures}, 710 F.3d at 1043.

\textsuperscript{111} \textit{Id.} (referencing 17 U.S.C. § 512(c)(1)(A)(ii)’s “red flag knowledge” requirement).

\textsuperscript{112} \textit{Id.} at 1035-36.

\textsuperscript{113} \textit{Id.} at 1043.
that is “sufficiently current and well-known.”114 By way of example, the court referred to the presence of movies on Fung’s sites with titles such as “Casino Royale,” concluding that it would be objectively obvious to a reasonable person that the movies were copyrighted material.115 Therefore, the Ninth Circuit adopted an “objectively obvious” standard for determining red-flag knowledge when an ISP is aware of “sufficiently current, well-known” or famous works on their site.116

B. Capitol Records, LLC v. Vimeo, LLC

In 2016, the Second Circuit took a position contrary to the Columbia Pictures decision, which created a circuit split regarding the standard for finding red-flag knowledge of infringing activity on the part of an ISP under § 512(c).117 The Defendant (“Vimeo”) was an ISP “which operate[d] a website on which members [could] post videos of their own creation, which [were] then accessible to the public at large.”118 The Plaintiffs (“Capitol Records”) were music publishing companies and record labels that held copyrights for sound recordings of musical performances.119 Capitol Records brought suit against Vimeo in the United States District Court for the Southern District of New York alleging “that Vimeo [was] liable . . . for copyright infringement by reason of 199 videos posted to the Vimeo website, which contained allegedly infringing musical recordings for which [Capitol Records] owned the rights.”120 In relevant part, the district court refused to grant summary judgment to either party with respect to certain videos because it concluded that there was “a question of material fact whether Vimeo possessed so-called ‘red-flag’ knowledge of circumstances that made infringement apparent.”121 The denial of summary judgement led to the interlocutory appeal.122

The relevant certified question on appeal was “[w]hether, under the holding of Viacom, a service provider’s viewing of a user-generated video containing all or virtually all of a recognizable, copyrighted song may establish ‘facts or circumstances’ giving rise to ‘red flag’ knowledge of infringement.”123 As of 2012, Vimeo’s website contained over 31 million

114 Id.
115 Id. at 1029 (referencing CASINO ROYALE (Columbia Pictures 2006), which is a recent, popular edition of the widely known James Bond 007 series).
116 Columbia Pictures, 710 F.3d at 1043.
117 Capitol Records, LLC v. Vimeo, LLC, 826 F.3d 78 (2d Cir. 2016).
118 Id. at 81.
119 Id.
120 Id.
121 Id. at 82.
122 Id.
123 Capitol Records, LLC, 826 F.3d at 87.
videos with over 12 million registered users from all over the world. Every Vimeo user was required to create an account with the site, and, depending on what type of account the user elects to sign up for, they may have had to pay a subscription fee. However, any Internet user, regardless of whether they had an account, could “view, download, and copy videos posted on the website for free.” Vimeo also derived revenue from advertisements that appeared on its site, and therefore it can be inferred that the more viewers that visited the site, the more revenue Vimeo received. This point is significant because “[u]nder § 512(c)(1)(B), a service provider loses protection under the safe harbor if . . . the provider ‘receive[s] a financial benefit directly attributable to the infringing activity” and accordingly courts have taken into account the fact that when an ISP derives money from site traffic, it is evidence of their willingness to allow infringing activity on the site.

Vimeo allowed its users to post videos on its website without “intervention or active involvement of Vimeo staff” and its employees “[did] not watch or prescreen videos before they [were] made available on the website.” However, every Vimeo user was required to read and accept the site’s Terms of Service, which, among other things, required users to possess the necessary rights and licenses for copyrighted works and prohibited them from uploading infringing materials. Nonetheless, users were able to upload infringing materials despite these rules. Vimeo had a “Community Team” that it employed to “curate content . . . occasionally prepare commentary on a video, offer technical assistance to users . . . and at times inspect videos suspected of violating Vimeo’s policies.” Several computer programs were also used by Vimeo to assist the team in finding and removing videos that violated Vimeo’s Terms of Service, and each selected video was then viewed by a Vimeo employee. Additionally, users had the ability to “flag” videos that they thought violated the Terms of Service. These flagged videos were then brought to the attention of the Vimeo staff.

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124 Id. at 84.
125 Id.
126 Id. at 85.
127 Id.
128 Columbia Pictures, 710 F.3d at 1043 (referencing 17 U.S.C. § 512(c)(1)(B)); see also Ellison v. Robertson, 357 F.3d 1072 (9th Cir. 2004).
129 Capitol Records, LLC, 826 F.3d at 84.
130 Id. at 84.
131 Id.
132 Id.
133 Id. at 85.
134 Id.
135 Capitol Records, LLC, 826 F.3d at 85.
Capitol Records argument was that there was sufficient evidence on the record for the district court to conclude on summary judgement that the Vimeo staff and employees had sufficient notice to satisfy the red-flag knowledge standard. While Capitol Records had previously sent Vimeo notices of infringing videos, which Vimeo removed “expeditiously,” the videos that were involved in this suit were never the subject of any of those notices. Capitol Records presented transcripts of emails and Vimeo user chats between users and Vimeo employees containing questions about posting infringing content. When asked about posting infringing materials, members of the Community Team said, “[w]e allow it” and “[o]ff the record . . . [g]o ahead and post it . . .” Capital Records argued that the evidence showing this pattern of behavior and complicity on the part of Vimeo should be sufficient to prove the awareness by Vimeo of “facts and circumstances” as is required to find red-flag knowledge, but the Second Circuit was not convinced.

In analyzing Capitol Records’ claim that the evidence was sufficient to show Vimeo had red-flag knowledge, the court relied on Viacom’s “objectively obvious to a reasonable person” standard. In interpreting this standard, the court stated that “[t]he hypothetical ‘reasonable person’ to whom infringement must be obvious is an ordinary person – not endowed with specialized knowledge or expertise concerning music or the laws of copyright.” The court applied this standard in determining whether evidence of an employee viewing a video with infringing material constituted red-flag knowledge. This court held that:

> [t]he mere fact that an employee of the service provider has viewed a video posted by a user (absent specific information regarding how much of the video the employee saw or the reason why it was viewed), and that the video contains all or nearly all of a copyrighted song that is ‘recognizable’ would be insufficient . . . to make infringement obvious to an ordinary reasonable person, who is not an expert in music or the law of copyright.

This narrow interpretation by the court is in direct conflict with the Ninth Circuit’s decision on the same issue, and thus creating the circuit

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136 Id.
137 Id.
138 Id. at 85-86.
139 Id.
140 Id. at 93.
141 Capitol Records, LLC, 826 F.3d at 93. (referencing the standard set by the court in Viacom Int’l, Inc. v. YouTube, Inc., 676 F.3d 19, 31 (2d Cir. 2012)).
142 Id.
143 See id. at 93-98.
144 Id. at 94 (emphasis in original).
split as to the appropriate standard for determining what constitutes red-flag knowledge. The court provided several reasons for its holding. First, the court explained that the burdens of proof that each party must bear in such a matter influenced the decision. Since an ISP’s entitlement to the safe harbor provision under § 512(c) is an affirmative defense, if the defendant raised the defense, it then established its eligibility. However, the court found that “whether a service provider should be disqualified based on the copyright owner’s accusation of misconduct . . . or [] acquiring actual or red flag knowledge – the burden of proof more appropriately shifts to the plaintiff.” The Second Circuit reasoned that to require a service provider to know every time an employee discovers potentially infringing material and expect that employee to be able to recognize infringing material would “largely destroy the benefit of the safe harbor Congress intended to create.”

The court found that an employee’s viewing of a video containing copyrightable material may be brief and alone should not be enough to find red-flag knowledge. The court also reasoned that “the fact that music is ‘recognizable . . . or even famous . . . is insufficient to demonstrate that the music was in fact recognized by a hypothetical ordinary individual who has no specialized knowledge of the field of music.” Finally, in a similar vein, the court explained that those who work for ISPs and who will encounter these materials, “cannot be assumed to have expertise in the laws of copyright . . . [n]or can every employee of a service provider be automatically expected to know how likely . . . the user who posted the material had authorization.” Therefore, the standard the court ultimately established for a finding of red-flag knowledge on the part of an ISP was that there must be “evidence sufficient to carry their burden of proving that Vimeo personnel . . . knew facts making that conclusion obvious to an ordinary person who had no specialized knowledge of music or the laws of copyright.” This standard set forth by the court effectively narrows down the circumstances in which a court may find red-flag knowledge significantly from the

145 Compare Capitol Records, LLC, 826 F.3d 78, with, Columbia Pictures, 710 F.3d 1020.
146 Capitol Records, LLC, 826 F.3d at 94.
147 Id.
148 Id.
149 Id.
150 Id. at 96 (emphasis in original).
151 Id. at 96 (emphasis in original).
152 Capitol Records, LLC, 826 F.3d at 96–97.
153 Id. at 98.
standard set by Columbia Pictures.\textsuperscript{154} “So let us stop talkin’ falsely now[,] the hour’s getting late”.\textsuperscript{155}

VI. THE SUPREME COURT SHOULD NOT ADOPT THE SECOND CIRCUIT’S STANDARD

The Supreme Court should adopt an interpretation of “red-flag” knowledge under § 512(c) of the DMCA in a way that comports with the Ninth Circuit’s standard.\textsuperscript{156} Such a ruling would provide copyright owners the realistic ability to protect their statutorily enumerated rights from infringement by users of “service providers” as the term is defined in the DMCA.\textsuperscript{157}

The biggest distinction between the Ninth and the Second Circuit’s opinions in this context is that the Second Circuit’s opinion limits what would constitute red-flag knowledge to such a fine set of circumstances.\textsuperscript{158} This interpretation effectively makes it impossible for any copyright owner to prove that an ISP had such knowledge.\textsuperscript{159} On the other hand, the Ninth Circuit’s opinion allows copyright owners the reasonable ability to hold the ISP’s liable.\textsuperscript{160} This section will analyze why the Second Circuit’s standard sets an unrealistically high bar for a copyright holder—as the plaintiff in an infringement claim—to satisfy in order to prevail on that claim.\textsuperscript{161} In addition, this section will set forth the reasons why the Supreme Court should look to common-law tort principles, such as negligence liability and respondeat superior to justify the broader interpretation of red-flag knowledge provided by the Ninth Circuit. Finally, a look at the interests of both copyright owners, whose works are typically transmitted across digital platforms, and those of Internet service providers, will demonstrate why the proper balance of these interests is met by adopting the Ninth Circuit’s red-flag knowledge standard.

A. The Second Circuit’s Standard Sets an Unrealistically High Bar

The Second Circuit’s interpretation of what constitutes “red-flag” knowledge under the DMCA sets a standard that is unrealistically high, a standard which essentially no copyright owner would be able to satisfy,

\begin{itemize}
\item \textsuperscript{154} See Columbia Pictures Indus. v. Gary Fung, 710 F.3d 1020 (9th Cir. 2013).
\item \textsuperscript{155} DYLAN, supra, note 13.
\item \textsuperscript{157} Id.
\item \textsuperscript{158} Compare Capitol Records, LLC, 826 F.3d 78, with, Columbia Pictures, 710 F.3d 1020.
\item \textsuperscript{159} See Capitol Records, LLC, 826 F.3d at 78.
\item \textsuperscript{160} See Columbia Pictures, 710 F.3d at 1020.
\item \textsuperscript{161} See Capitol Records, LLC, 826 F.3d at 78.
\end{itemize}
thus rendering the safe harbor provision a catch-all.\textsuperscript{162} The safe harbor provision under § 512(c) of the DMCA was intended to provide shelter from liability for ISPs whose platforms were being abused by copyright infringers against the wishes or without the knowledge of the ISP.\textsuperscript{163} Conversely, the requirements for safe harbor eligibility were intended to prevent malignant ISPs who knowingly allowed, or even encouraged copyright infringement on their platforms from availing themselves of the provision.\textsuperscript{164} Congress intended to provide a means of recovery for copyright owners and maintain the balance of interests between copyright owners and Internet Service Providers (“ISP’s”) through the implementation of the DMCA.\textsuperscript{165} However, the Second Circuit’s interpretation of “red-flag” knowledge denies many copyright owners the ability to obtain relief from infringement of their exclusive rights and destroys that intended balance.\textsuperscript{166}

Citing to Nimmer on Copyright, the Second Circuit in \textit{Capitol Records} stated that the burden of initially establishing entitlement to the safe harbor provision rests on the defendant ISP.\textsuperscript{167} Once established, however, the burden to prove actual or “red-flag” knowledge would then shift back to the plaintiff.\textsuperscript{168} The court reasoned that in order to satisfy this burden, it is not enough for a copyright owner to show that infringing material appeared on the ISP’s site, or even that an employee saw all of the copyrighted work.\textsuperscript{169} In order to satisfy the standard of proving that an ISP was subjectively aware of “facts and circumstances” that would make it objectively obvious to a reasonable person, the copyright owner must demonstrate that the employee who viewed the material was an expert in both the legal and music industries.\textsuperscript{170}

The likelihood of a copyright owner, who is an outsider to an ISP and likely has little to no knowledge about the employees of the ISP, would be able to identify the one employee who viewed the infringing material and has the expertise required to satisfy this burden is minimal at best. It defies logic to require a copyright owner to prove that a specific employee at an ISP had such extensive knowledge. In addition to being a very high standard to meet, this burden is also extremely vague. To be an expert in the legal field, must a person have gone to law school or have practiced as

\textsuperscript{162} Id. (referencing the DMCA’s safe harbor provision under §512(c)).
\textsuperscript{163} Nimmer on Copyright § 12B.04(A)(1)(b) (2015).
\textsuperscript{164} Id.
\textsuperscript{165} Id.
\textsuperscript{166} See Capitol Records, LLC, 826 F.3d at 99.
\textsuperscript{167} Id. at 94–95 (referencing Nimmer on Copyright § 12B.04(A)(1)(d) (2015)).
\textsuperscript{168} Id. at 95.
\textsuperscript{169} Id. at 94.
\textsuperscript{170} Id. at 93-94
an attorney for several years before joining the ISP? To be an expert in music, must a person have a graduate degree in music theory or do they qualify if they have played in a band for a few years? To hold copyright owners to this standard works a disservice to the intent of Congress in creating the safe harbor provision in the DMCA.¹⁷¹

Alternatively, the standard adopted by the Ninth Circuit in Columbia Pictures, though not without its flaws, establishes a more realistic burden for the copyright owner to prove their case.¹⁷² The Columbia Pictures Court found that the Viacom requirement of a showing of subjective awareness of “facts and circumstances” that would make it objectively obvious to a reasonable person could be satisfied by a showing that “[t]he material in question was sufficiently current and well-known” or famous.¹⁷³ This standard does not require or expect a “reasonable person” to have expertise in both music/media and in law in order to recognize a well-known, famous song or movie in an amateur video posted on an ISP’s server.¹⁷⁴ A less stringent standard such as the one enunciated by the Ninth Circuit would afford copyright owners greater potential to carry their burden in proving red-flag knowledge of infringing activity on the part of ISPs. In practice, this standard would also conform to the legislative intent in enacting the DMCA to strike a balance between the interests of copyright owners and those of unknowing ISPs.¹⁷⁵

Does an objectively reasonable person have to be an expert in either music/media or law for it to be objectively obvious when they hear Katy Perry’s song Firework or Eminem’s The Real Slim Shady that they are listening to a copyrighted song?¹⁷⁶ One would think that any objective fact-finder would determine that these songs are “famous” or “sufficiently current and well-known” if for no other reason than the fact that these songs have sold millions of copies and are featured regularly in pop culture.¹⁷⁷ However, the Ninth Circuit’s standard is not perfect either.¹⁷⁸ With a standard such as the one in Columbia Pictures, the question would inevitably be raised as to what “famous” means or what constitutes

¹⁷² See Columbia Pictures, 710 F.3d at 1020.
¹⁷³ Id. at 1043 (referencing Viacom Int’l, Inc. v. YouTube, Inc., 676 F.3d 19 (2d Cir. 2012), which established the “subjectively obvious to an objectively reasonable person” standard).
¹⁷⁴ Id.
¹⁷⁶ KATY PERRY, Firework, on TEENAGE DREAM (Capitol Records 2010); EMINEM, The Real Slim Shady, on THE MARSHALL MATHERS LP (Interscope Records 2000).
¹⁷⁷ See Columbia Pictures, 710 F.3d 1020.
¹⁷⁸ See id.
“sufficiently current and well-known” material. The word “famous” as defined by Merriam-Webster’s Dictionary means “widely known” or “honored for achievement.” Such a definition does not present a definitive test by which a fact-finder could determine that any piece of copyrighted material was famous, in that it is objectively obvious to a reasonable person. Therefore, a modified version of the Ninth Circuit standard would truly comport with the legislative intent underlying the DMCA.

Another consideration that must be accounted for by the Supreme Court is that of “fair use.” The principle of fair use is codified in the Copyright Act and states that “the fair use of copyrighted work, including such use by reproduction in copies or phonorecords or by any other means . . . for purposes such as criticism, comment, news reporting, teaching . . . or research, is not an infringement of copyright.” The purpose of fair use is to allow greater use of a copyrighted work that does not impinge on the purpose or nature of the original copyrighted work and does not use more of the work than is necessary. Therefore, if copyrighted works that are made available on ISP servers qualify as fair use, they are statutorily protected and must be given due recognition.

B. Common-Law Tort Principles of Negligence and Respondeat Superior May Provide the Necessary Guidance for a Modified Standard

Courts have applied common-law tort principles such as duty and breach of duty to non-tort cases, in an attempt to delineate bright-line rules or standards to be applicable when abstract or vague principles are the only guides. One test that may have application in determining the appropriate standard for a finding of “red-flag” knowledge is the “Learned Hand Test” or Cost-Benefit Analysis test outlined by Judge Learned Hand in United States v. Carroll Towing Co. In the tort context, the test operates as follows: if the burden of adequate precautions is greater or

179 Id.
181 See Columbia Pictures, 710 F.3d 1020 (referencing the explanation of Congressional intent as provided in the treatise, Nimmer on Copyright §§ 12B.04(A)(1)(b) (2015)).
183 Id.
185 See Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) (using the classic tort principle of “respondeat superior” to hold the swap-meet manager contributorily liable for the copyright infringing activities of one of the merchants under its control).
186 159 F.2d 169, 173-74 (2d Cir. 1947).
equal to the probability of an accident, times the gravity (cost) of liability, then the necessary precautions to prevent such an injury are not required.\textsuperscript{187} What this comment is suggesting is that the potential application of a modified “Learned Hand Test” to determine the threshold for red-flag knowledge under the DMCA.\textsuperscript{188} A modified “Learned Hand Test” could look something like this: if the cost (either temporal or money) of determining whether material posted on an ISP’s server infringes a copyright is greater than or equal to the percentage (probability) of works that are being infringed on the site, times the cost of liability on the ISP, then a finding of red-flag knowledge cannot be made.\textsuperscript{189} Of course, some alterations to this classic tort principle would be necessary in order for it to be applicable in copyright infringement cases, but such a test may provide the bright-line test that copyright law needs.

Another common-law tort principle that may provide clarity in determining the existence of red-flag knowledge on the part of ISPs is \textit{respondeat superior}. The principle of \textit{respondeat superior} is a way of holding an actor vicariously or contributorily liable for the tortious acts of another, specifically in the context of an employer-employee relationship.\textsuperscript{190} Under this principle, a master (employer) can be held responsible for the acts of their servant (employee) if such acts are committed in the course of their employment.\textsuperscript{191} While this principle is usually limited to the employer-employee context, once again a modified version of this principle could be made applicable in the DMCA copyright context. A modified version would need to provide courts with the ability to justify holding ISPs liable for the acts of their employees who either encourage or willfully ignore infringing activities. Under such a principle, the courts, when confronted with evidence that an ISP’s employees or users that are paid for their content uploads (which is common practice on platforms such as YouTube and Vimeo) are uploading or permitting knowing copyright violations, could use \textit{respondeat superior} to find that the ISP itself had red-flag knowledge.

\textbf{C. The Balance of Interests Favor the Ninth Circuit’s Interpretation}

As previously stated, in enacting the DMCA, Congress intended to strike a balance between the interests of copyright owners in protecting their rights and the interests of ISPs in disseminating information to the

\textsuperscript{187} \textit{Id.}
\textsuperscript{188} See \textit{id.} (author referring to the “red-flag” knowledge requirement codified in \textsection \textbf{512(c)}).
\textsuperscript{189} See \textit{id.}
\textsuperscript{190} Fonovisa, Inc., 76 F.3d at 262-63.
\textsuperscript{191} See \textit{id.}
There are various trends in the Internet and copyright industries, such as the proliferation of Internet piracy, which favors the necessity of the adoption of a standard of “red-flag” knowledge that is similar to the Ninth Circuit’s interpretation, rather than that of the Second Circuit.

Copyright laws have been routinely altered and amended throughout the Copyright Act’s history to keep up with the changing times and development of technology. Evidence of these changes is clear from the transformation of U.S. copyright law, which was inspired by England’s Statute of Anne incorporated into the 1909 Copyright Act, then into the 1976 Copyright Act, and eventually the amendment to the 1976 Act including the DMCA was crafted. Perhaps the time has come once again for legislative intervention to add a provision to the DMCA that states a bright-line rule for determining what constitutes “red-flag” knowledge of infringing activity.

Another trend facing copyright jurisprudence and copyright ownership in general is the fact that many of these ISP platforms’ content consists primarily of infringing material, as explained by the Grokster Court. There is blatant statistical evidence of the pervasiveness of this issue. However, under the Second Circuit’s interpretation of red-flag knowledge, essentially no ISP would be found to have such knowledge, depriving copyright owners of the relief they deserve. This is yet another reason why a more moderate interpretation of red-flag knowledge, such as the one set forth in the Ninth Circuit, is needed in order to provide relief and comply with Congressional intent.

Finally, the development of the digital media market, and hence the development of Internet piracy almost brought the music industry to its knees at the turn of the century. If nothing is legally done to dissuade piracy from growing and threatening the rights of copyright owners in all industries, the same catastrophe could occur again. The Ninth Circuit’s interpretation of red-flag knowledge provides a defense for copyright owners to combat such threats, whereas the Second Circuit’s interpretation leaves copyright owners defenseless against pervasive copyright infringement on ISP servers. Increasingly, copyrighted works are being

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194 Grokster, Ltd., 545 U.S. 913.
195 Capitol Records, LLC, 826 F.3d 78.
196 Columbia Pictures Indus., 710 F.3d 1020.
197 Compare Columbia Pictures Indus., 710 F.3d 1020, with, Capitol Records, LLC, 826 F.3d 78.
created and disseminated both legally and illegally via ISP servers. If copyright piracy is allowed to go unchecked under the DMCA, it could have a disastrous impact not only on the ability of copyright owners to protect their exclusive rights, but it could challenge the very purpose of the Copyright Act: to disseminate useful knowledge to the public. In order to prevent this from occurring, a less stringent interpretation of what constitutes red-flag knowledge is needed than the one set forth by the Second Circuit. The Supreme Court of the United States should grant certiorari on an appropriate case that raises a question as to what constitutes red-flag knowledge and make a ruling on the matter that adopts some variation of the Ninth Circuit’s standard.

VII. CONCLUSION

Modern U.S. copyright law principles were established to allow those authors that create an original work in a fixed medium to be able to secure their rights in that work. In order to protect an author’s rights to reproduce (copy) their work, create derivative works, distribute copies to make a profit, perform the work publicly, display the work publicly, and (in the case of a sound recording) perform a sound recording by means of digital audio, enforcement in the appropriate cases must be a realistic possibility.

On the other hand, as the world continues to evolve into the digital Internet age, increasingly more ISPs are going to emerge with legitimate business aims, but which are easily exploited by copyright infringers. The ability of these ISPs to shield themselves from undue liability is an important interest that must be taken into account by the Supreme Court as well. The Supreme Court should strike a balance between the interests of copyright owners and those of service providers, which serves to also promote the intent of Congress in enacting The Copyright Act of 1976 and the Digital Millennium Copyright Act. The most effective way of analyzing red-flag knowledge is by adopting a standard that enables copyright holders to realistically hold liable ISPs that knowingly harbor copyright infringers, without requiring copyright owners to show that the ISP’s employees actually had expert knowledge of the legal field and music/media industry. Copyright owners need protection and shelter from the modern storm of increasingly pervasive infringers on the Internet; it is

198 Capitol Records, LLC, 826 F.3d 78.
time for the Supreme Court and Congress to listen to Bob Dylan and say to copyright owners: “Come in . . . I’ll give ya shelter from the storm.”  

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202 Bob Dylan, Shelter From The Storm, on Blood On The Tracks (Columbia Pictures 1975).