

3 Big Lessons From 4th Circ.'s DMCA Ruling

By **Bill Donahue**

Law360 (February 1, 2018, 10:36 PM EST) -- The Fourth Circuit issued a major ruling in a closely watched copyright case Thursday, offering up important guidance on Digital Millennium Copyright Act and online piracy.

Here are the three big lessons you need to know.

Just Having a “Repeat Infringer” Policy Isn’t Enough

The Digital Millennium Copyright Act provides a “safe harbor” that shields ISPs like Cox Communications from the billions in potential liability they would otherwise face over infringing behavior by their subscribers, but that protection is conditioned on ISPs sticking to a number of rules.

One of those rules is that they must “adopt and reasonably implement” a “repeat infringer policy” that provides for the termination of users' accounts “in appropriate circumstances.” The rule has been on the books for years, but what exactly that requires has only been lightly explored in court.

BMG Rights Management, a music publisher, sued Cox in 2014 on the theory that the ISP had violated that rule, causing the company to lose the protection of the safe harbor. BMG said Cox had ignored millions of notices about users who repeatedly shared the publisher’s songs illegally.

In Thursday’s ruling siding with BMG, the Fourth Circuit’s message was clear: Cox created a “repeat infringer” policy, but simply having one isn’t enough.

“Cox failed to qualify for the DMCA safe harbor because it failed to implement its policy in any consistent or meaningful way — leaving it essentially with no policy,” the court wrote.



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The appeals court spent pages spelling out the shortcomings of Cox's policy. For years, the court wrote, Cox "made every effort" to avoid terminating subscribers. Until 2012, Cox never once terminated a subscriber without quickly reactivating them.

"An ISP cannot claim the protections of the DMCA safe harbor provisions merely by terminating customers as a symbolic gesture before indiscriminately reactivating them within a short timeframe," the court wrote.

For ISPs looking for guidance on how to comply with the DMCA, Thursday's ruling is something of a mixed bag. It certainly painted a detailed picture of what constitutes a violation, but was lacking in guidance on when less egregious conduct might cross a line.

"ISPs will struggle with exactly what they need to do to maintain their DMCA safe harbor," said J. Alexander Lawrence, a partner at Morrison & Foerster LLP. "They clearly must do more than what Cox did, [but] how much more is unclear."

"Repeat Infringer" Doesn't Mean "Adjudicated Infringer"

Thursday's ruling also offered an answer to a more direct question about the DMCA: Who exactly constitutes a "repeat infringer"?

According to Cox, the only "repeat infringers" that the DMCA requires ISPs to terminate are those who have been repeatedly "adjudicated" to have infringed, not merely those who have been repeatedly accused by a rights holder.

Holding otherwise, Cox argued, would "eviscerate" the safe harbor and force ISPs to terminate subscribers' internet access "based on the say-so of third parties."

On Thursday, the Fourth Circuit decisively rejected that argument. Cox had not cited a single case to support its position, the court said, and both the wording and the legislative history of the DMCA foreclosed the idea that "repeat infringers" only means people who have been found liable.

In particular, the court pointed to a passage in the legislative history saying that people who "abuse their access to the internet through disrespect for the intellectual property rights of others" should face a "realistic threat of losing" Internet access.

"The passage does not suggest that they should risk losing internet access only once they have been sued in court and found liable for multiple instances of infringement," the court wrote. "Indeed, the risk of losing one's internet access would hardly constitute a 'realistic threat' capable of deterring infringement if that punishment applied only to those already subject to civil penalties and legal fees as adjudicated infringers."

The ruling was another blow for Cox and ISPs, but not an entirely unexpected one for court watchers, who said the argument always faced an uphill battle.

"Requiring prior adjudications of infringement would set the bar too high for copyright owners," Lawrence said. "In practice, it is hard to imagine ISPs ever having to terminate anyone under that standard."

Like other aspects of Thursday's decision, the ruling on "repeat infringers" clearly answered one question — they don't have to be adjudicated to be "infringers" — but left plenty of lingering uncertainty about what exactly ISPs must do to comply with the DMCA's requirement.

"If there is credible evidence that a particular user has repeatedly infringed copyrights owned by a third party, the ISP will need to have a policy in place to ensure such customers are denied internet access," said J. Michael Keyes, a partner with Dorsey & Whitney LLP.

Even Without Safe Harbor, Contributory Liability Takes More Than Negligence

Without the protection of the DMCA's safe harbor, an ISP like Cox is subject to claims of contributory liability for the infringing conduct of its users. In Cox's case, when a trial judge sent that issue to trial, jurors didn't hold back, finding Cox liable for contributory infringement and awarding BMG \$25 million in infringement damages.

On Thursday, the Fourth Circuit vacated that verdict, offering clear guidance on what exactly copyright owners need to prove to bring those kinds of secondary infringement claims.

The jury instructions, the court ruled, essentially allowed jurors to find Cox liable for contributory infringement based on a theory of negligence — that Cox "should have known" its subscribers were infringing copyrights.

But that theory, the court said, is "difficult to reconcile" with the U.S. Supreme Court's landmark copyright ruling on the file sharing service Grokster, which said contributory infringement only occurs when one "intentionally" induces or encourages infringement.

The appeals court also looked to the Supreme Court's patent law decision in *Global-Tech v. SEB* and followup rulings, which said contributory infringement could not be based on "any lesser mental state" than actual knowledge or willful blindness.

"We are persuaded that the *Global-Tech* rule developed in the patent law context, which held that contributory liability can be based on willful blindness but not on recklessness or negligence, is a sensible one in the copyright context," the court wrote. "It appropriately targets culpable conduct without unduly burdening technological development."

Coming alongside two rejected DMCA arguments, the ruling was a bright spot for Cox and other ISPs, which now know that merely "should have known" won't cut it.

"In order for contributory liability to attach, copyright owners will arguably need to meet a higher threshold," Keyes says. "That could make contributory liability claims against ISPs a bit more difficult to establish as a factual matter."

--Editing by Amber McKinney and Pamela Wilkinson.