

*In the Supreme Court of the
United States*

**MYVIDEO, Inc., a Calidine Corporation,
and the MIX, Inc., a Calidine Corporation,
*Petitioners,***

v.

**Rebecca GRAY,
*Respondent.***

ORDER

The petition for writ of certiorari is granted and limited to the following questions:

- 1. Did the use of Gray's copyrighted material in Mix's internet program constitute fair use?**
- 2. Is MyVideo protected from secondary copyright infringement by the safe harbor provisions of the Digital Millennium Copyright Act?**

1000 F.3d 910
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October Term, 2012

United States Court of Appeals,
Thirteenth Circuit.

MYVIDEO, Inc., a Calidine Corporation,
and The MIX, Inc., a Calidine
Corporation, Defendants, Appellants,
v.

Rebecca GRAY, Plaintiff, Appellee.

No. 90210-2012

Argued and Submitted: May 17, 2012

Decided: June 6, 2012

Appeal from the United States District
Court for the Eastern District of Calidine;
Karissa Hurst, District Judge, Presiding,
No. CV-162341

Before: J. JOHNSON, Chief Judge, K.
GAMBOA, and J. FORD, Circuit Judges.

Opinion by Chief Judge JOHNSON;
Dissent by Judge GAMBOA.

JOHNSON, Chief Judge:

In this appeal, we consider two issues of first impression in this circuit. First, does the use of a web-based music video in a web-based comedic commentary show constitute fair use? Second, is a video hosting website protected by the safe harbor provisions of Digital Millennium Copyright Act? The parties do not dispute the facts before this court. Rather, the parties' disagreement is limited to the interpretation of constitutional and statutory authority and applicable case law.

I. Factual Background

On November 24, 2010, Rachel Gray ("Gray") composed an original song entitled "Tuesday Afternoon," and recorded herself performing it. She then uploaded this video to her blog, which was publically available via the Internet. The video became a viral sensation, and her blog received over a million visits within a week.

The Mix ("Mix") is the creator of a weekly web based show called "Let's Get Musical," which features clips of internet musical performances followed * 911 by the show's host providing comments, often mocking the performance. On December 12, 2010, Mix posted a new episode, which included a segment that showed a 30 second clip of Gray's video featuring the chorus of the song. Like many other editions of "Let's Get Musical," this episode was viewed more than 5 million times via Mix's MyVideo page.

MyVideo, Inc. ("MyVideo") is a video hosting website that allows users to upload videos, which are then made available to the public. Each video on MyVideo features a view counter that keeps track of the number of times a video is watched. Many MyVideo users post numerous videos, and often have followers who regularly check for new videos. MyVideo users may also elect to feature advertisements before their videos that generate revenue based on the number of views. MyVideo does not receive any revenue from

(Cite as: 1000 F.3d 910)

advertisements that users elect to feature.

II. Procedural Background

On October 3, 2011, Gray filed a complaint against Mix and MyVideo in the United States District Court for the Eastern District of Calidine alleging violations of the rights granted to her as a copyright holder under 17 U.S.C. § 101 (2006) (“Copyright Act”). On October 15, 2011, Mix and MyVideo filed a motion to dismiss under rule 12(b)(6) of the Federal Rules of Civil Procedure (“FRCP”). The district court denied the motion stating that Gray did have valid copyright ownership over the music videos she had posted on MyVideo. On October 24, 2011, Mix and MyVideo filed answers putting forth defenses against Gray’s claim of infringement. Mix claimed that it had not infringed upon Gray’s rights per the fair use exception found in 17 U.S.C. § 107 (2006). MyVideo claimed that it could not be held liable as a secondary copyright infringer given that Mix’s use of Gray’s work was not an infringement, * 912 and further, even if Mix had infringed, MyVideo was protected by the safe harbor provision of the DMCA granted to hosting services found in 17 U.S.C. § 512(c) (2006). Gray filed a motion for summary judgment under Rule 56 of the FRCP.

The district court granted Gray’s motion for summary judgment finding that the fair use factors weighed against the defense of fair use, and that MyVideo

had actual knowledge of the infringement and failed to remove the video from its website in a timely manner.

Now, Mix and MyVideo appeal the district court’s ruling, claiming that the district court erred in applying the fair use factors and in finding that MyVideo had knowledge of the infringement.

III. Discussion

A. Fair Use

This court has long upheld the four factors for determining fair use found in 17 U.S.C. § 107. See generally, *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). We recognize that each case presents unique facts, and thus, no factor is dispositive. The factors that we consider when evaluating a defense of fair use are: (1) purpose of the use, (2) nature of the copyrighted work, (3) amount and substantiality of the portion used, and (4) effect on the market. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 561–67 (1985).

As to the first factor, purpose of the use, § 107(1) declares that determination of the purpose and character of the use shall include whether the use is of a commercial nature or for non-profit educational uses. *Id.* In the facts before us today, there is clearly no indication of educational uses; however, the facts are not contested as to the Mix’s ability to generate revenue from advertisements placed before its program. To * 913 this court, the ability

1000 F.3d 910

(Cite as: 1000 F.3d 910)

to generate revenue falls within the concept of “commercial nature.” The district court followed a different mode of thinking on this factor, and ignored the commercial tendencies of Mix’s program, instead focusing on its function as critical commentary. Though this court does not suggest that newsworthiness and critical commentary are not components to be considered under this factor, we do not believe that a program that makes joking comments regarding music videos is the type of scholarly criticism that fair use is designed to protect. *Id.* at 557. Thus, this court finds that the first factor weighs against a finding of fair use.

As to the second factor, nature of the copyrighted work, Gray’s music video was published via the Internet and seemingly intended for consumption. *Id.* at 551–57. However, this court is sympathetic to Gray’s claim that the video was uploaded as a means of attracting fans before launching a musical career through more professional mediums. Given that the video was published, though not in its intended final format, this factor weighs slightly in favor of fair use.

As to the third factor, amount and substantiality of the portion used, the district court’s findings were that Mix’s use of Gray’s music video amounted to approximately fifteen seconds of a nearly three minute video. *Id.* The district court was quick to note that this was a small portion, quantitatively, of the song sampled. However, the district court failed to consider the qualitative impact of these fifteen seconds. The

portion used consisted of the catchy chorus of the song. This court has found that a small quantitative portion can still be a significant qualitative portion if it is the “heart of the matter.” *Id.* at 565 (quoting the district court). This court is convinced that the chorus is as close to the heart of a pop song as one will find. Thus, this factor weighs against a finding of fair use.

As to the fourth factor, * 914 effect on the market, this court has looked to both actual effects and potential effects. See, e.g., *Stewart v. Abend*, 495 U.S. 207, 229 (1990); *Sony v. Universal*, 464 U.S. at 451. The inclusion of Gray’s music video in Mix’s program could deter potential fans from visiting Gray’s MyVideo page to view her video, as they have already seen it via Mix’s program. My learned colleague Justice Gamboa attempts to correlate an increase in views of Gray’s video after Mix’s program was released. However, Justice Gamboa fails to consider that correlation is not necessarily indicative of causation; thus, the increase in views of Gray’s video is just as easily attributable to Gray’s viral marketing campaign as it is to Mix’s program. We believe that the disparaging comments that Mix’s program made about Gray’s video more likely serve to deter viewers from visiting Gray’s page, which would have a negative effect on the potential markets for Gray’s music video. Therefore, this factor weighs against a finding of fair use.

(Cite as: 1000 F.3d 910)

Thus, three of the four factors weigh against a finding of fair use. Upon balancing these conclusions, we hold that the use of the clip of Gray's video in Mix's program was not fair use, and did constitute primary copyright infringement. Thus, the district court's granting of summary judgment against Mix was correct. Therefore, MyVideo's claim that they are not liable for secondary copyright infringement due to the absence of primary infringement also fails. We now consider MyVideo's alternative defense.

B. DMCA § 512(c) Safe Harbor

Under 17 U.S.C. § 512(c) (2006), a service provider is not liable for copyright infringement "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 . . ." provided that the * 915 service providers meets the following three requirements: (1) lack of knowledge of the infringing activity, (2) no financial benefit attributable to the infringing activity, and (3) expeditious response to remove infringing material upon notification.

As to the issue of knowledge of the infringing activity, § 512(c) provides for three scenarios of knowledge. A service provider meets this requirement if (1) it does not have actual knowledge of the infringing activity, or (2) is not aware of facts or circumstances from which infringing activity is apparent, or (3) upon obtaining such knowledge or

awareness, acts expeditiously to remove or disable access to the infringing material. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012). MyVideo maintains that prior to notification of this lawsuit for copyright infringement it had no knowledge or awareness of the infringement in question. However, Gray contends that she had notified MyVideo through its flag for questionable content feature. Beneath each video on MyVideo, the service provider has offered a button that users may click to notify MyVideo of questionable content. Upon clicking the button, users are directed to select the reason for questionable content from options including "indecent content," "encourages violence," * 916 "promotes hate," and "contains infringing material." The facts are undisputed that Gray clicked the questionable content button and selected the infringing material option. We conclude that this is sufficient notification that MyVideo was aware or should have been aware of the infringing content. Thus, MyVideo has not satisfied the requirements to receive the safe harbor protection afforded by § 512(c).

Non-compliance with the first criterion renders moot the necessity of evaluating the other criteria. However, we will comment briefly on their application to this case. There is no evidence that MyVideo exerted any amount of creative control over Mix's program. See *Blumenthal v. Drudge*, 992 F. Supp. 44, (D.D.C. 1998). MyVideo has never sought to modify the content of any videos posted on its website; thus, it is in compliance with this requirement.

1000 F.3d 910

(Cite as: 1000 F.3d 910)

Though MyVideo failed to remove the video upon the notification from the questionable content button selection, the service provider did remove the infringing video upon receipt of notification of the commencement of the copyright infringement suit. *Cf. UMG Recordings, Inc. v. Veoh Networks Inc.*, 665 F. Supp. 2d 1099 (C.D. Cal. 2009) *aff'd sub nom. UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022 (9th Cir. 2011). Thus, compliance with the third requirement has been achieved.

Despite compliance with two of the three requirements for safe harbor under § 512(c), MyVideo failed to remove the content upon gaining knowledge of the infringing activity through its own flagging system; thus, MyVideo has not provided a satisfactory defense to Gray's claim of secondary copyright infringement.

IV. Conclusion

Upon weighing the factors determinative of fair use, this court has found that Mix's use of Gray's video did constitute primary copyright infringement. Further, MyVideo has not satisfied the requirements for safe harbor under 17 U.S.C. § 512(c).

On Mix and MyVideo's appeal, the judgment of the district court is **AFFIRMED**.

GAMBOA, Circuit Judge, dissenting:

I respectfully dissent from the majority's holding that neither the fair use defense

nor the 17 U.S.C. § 512(c) safe harbor provision applies.

Turning * 917 to the fair use issue, the majority incorrectly evaluates the factors of the fair use defense.

The majority seems to be an expert in deciding what is newsworthy because it disregards the Mix program as a program that makes joking comments about music videos. However, who is the majority to decide what is considered newsworthy? Public interest for the Mix program is very high with the episode being viewed over 5 million times. Further, young people today seem to be far more interested in popular culture news than other traditional news, which makes programs like that of the Mix particularly newsworthy. *New Era Pub'ns Int'l, ApS v. Henry Holt & Co., Inc.*, 873 F.2d 576 (2d Cir. 1989).

The majority also seems to be pop-music experts, being convinced that the catchy chorus of a pop song is as close to the heart of a pop song as one will find. What about the opening verse that reels in the listener, or the tune of the song that gets stuck in listener's head? What is at the heart of the pop song is not for a group of tone-deaf judges to decide.

The majority seems to think that a teenager's viral marketing campaign rather than a nationally viewed internet program increased the views of Gray's video. Although the Mix program does make fun of Gray's video, I have more faith in the Mix program's audience who

1000 F.3d 910

(Cite as: 1000 F.3d 910)

likely would take the Mix program's comments with a grain of salt. The public could have been moved to check out Gray's page to see * **918** more of the video.

Thus, the factors do not weigh against a finding of fair use.

However, even if we did have a scenario of fair use here, MyVideo has clearly complied with the requirements of 17 U.S.C. § 512(c), and should be afforded the protections of the safe harbor provision.

The majority makes it clear that MyVideo has complied with two of the three requirements. Thus, the applicability of the safe harbor provision rests upon whether MyVideo had knowledge of the infringing activity. It seems rather far-fetched for the majority to honestly believe that MyVideo could be notified of infringement based on one user out of millions clicking a button once. Further, MyVideo has a protocol listed on its website in accordance with the DMCA. This listed protocol gives the name of an individual within the MyVideo corporation that is to be notified via mail of any infringing activity. * **919** There is no evidence that Ms. Gray followed these steps to notify MyVideo prior to commencing this lawsuit. Thus, I do not see how the majority has come to the conclusion that MyVideo had notice or knowledge of this alleged infringement, which I believe is not an infringement at all.

For the foregoing reasons, I respectfully dissent.

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