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Intellectual Property

Court Denies ISP Declaratory Relief on DMCA Protection

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The Internet has become central to the lives of billions of people and is essential to the way the world does business. But at its heart, it is nothing more than a network for digital communication. Its value comes from its ability to connect users: to one another, to the services they want, and to the content they consume, create, and share. Facebook, Twitter, Instagram, and thousands of other services are described as "social" media because they are fundamentally designed to permit their users to communicate and share content. Even the crusty old Web gets its name from the "web" of hypertext links that interconnect content on servers around the world.

With this new environment come new legal and policy challenges, not the least of which is finding a balance between open access to information and the protection of privacy, intellectual property and other rights of users and content creators. As a practical matter, the issue often comes down to who should bear the burden of policing and protecting those rights.

Consider Internet service providers, or ISPs. These are companies like Comcast, Charter and AT&T that provide users with access to the Internet. What users do with that access is largely their own business. But what happens when someone uses the Internet—through an ISP—to do something illegal? Allocating culpability can be complicated. The user is culpable, certainly. But perhaps the ISP should be as well, depending on what role it played and what it knew or should have known. Drawing that line is a complex policy question that requires a careful balance—one that Congress has tried to strike with certain provisions of the Digital Millennium Copyright Act (DMCA).

The DMCA provides statutory protections for ISPs and other online service providers (OSPs, a category broader than ISPs). Among these are "safe-harbor" provisions that insulate them from liability for claims of copyright infringement if they fit certain statutory requirements. In a recent case, an ISP sought protection under two of these provisions, found in §§512(a) and (c).¹ But in doing so, the ISP essentially asked the court to give it legal advice: whether the statute applied to it, and whether it was required to respond to certain kinds of DMCA take-down notices. See 17 U.S.C. §512(c)(1)(C). The court grappled with the question of whether

it had the power to grant this kind of relief, and its carefully considered opinion provides some interesting insight into the current landscape of copyright protection under the DMCA.

'Windstream v. BMG'

For years, BMG Rights Management (US) and Windstream Services have been involved in a dispute that will feel familiar to anyone who follows intellectual property law. Windstream is an ISP; BMG owns, administers and licenses copyrights in musical compositions. (You can probably guess where this is going.) Some of Windstream's subscribers use their Internet connections to improperly share BMG's copyrighted music through peer-to-peer services like BitTorrent.

To protect itself, BMG hired a company called Rightscorp to monitor these services. When Rightscorp detected potential infringement, it would send an automated notice of infringement to the ISP. The notices would begin with a message directing the ISP to "forward the entire notice" to the user who was being accused of infringement. They would then set out the filename at issue and the time and date of the alleged infringement, state that BMG was the exclusive owner of copyrights for that artist, and identify the IP address of the accused infringer's computer. The notices also warned the user of potential liability of "up to \$ 150,000 per infringement," then directed the recipient to Rightscorp's "automated settlement system," where a legal release was available for a fee of \$30 per infringement.

The dispute came to a head in 2016. BMG wrote to Windstream and accused it of knowingly providing service to repeat infringers after being notified of their infringements. In its letter, BMG asserted that Windstream could be liable for damages arising from millions of infringements. In response, Windstream filed suit against BMG and Rightscorp, seeking declaratory relief in the Southern District of New York. *Am. Cmplt., Windstream Service v. BMG Rights Mgt. (US)*, No. 16 Civ. 5015 (KMW) (RLE) (S.D.N.Y. Oct. 18, 2016), ECF No. 38. (Windstream also asserted a claim for intentional interference with contractual relations, not discussed here.)

Windstream asked the court for a total of 13 declarations ranging from the specific (for example, that Windstream was "not subject to the §512(c) take-down notice provisions of the DMCA" and that BMG's take-down notices failed to satisfy the requirements for such notices or failed to provide Windstream with actual knowledge of infringement), to the sprawling (for example, that Windstream "as a mere conduit for the transmission of Internet services" was not liable for direct, contributory, or vicarious copyright infringement). Windstream also asked the court to declare that it had not willfully violated any copyright laws and that BMG was "not entitled to any compensation or damages from Windstream for any alleged infringement of BMG's copyrights". *Windstream Services v. BMG Rights Mgt. (US)*, No. 16 Civ. 5015 (KMW) (RLE), 2017 WL 1386357, at *3 (S.D.N.Y. April 17, 2017). In short, Windstream asked the court not only to bless its conduct with respect to BMG's notices, but also to hold as a matter of law that its business was generally protected by the DMCA.

BMG and Rightscorp moved to dismiss for lack of subject-matter jurisdiction and for failure to state a claim.

The Court's Opinion

The two key questions to be addressed by the court were whether the case presented an actual case or controversy sufficient to give it jurisdiction, and, if so, whether the court should exercise its discretion to decline the declaratory-judgment action.

The Declaratory Judgment Act, or DJA, empowers federal courts to "declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." 28 U.S.C. §2201. But this power is limited, provided only "[i]n a case of actual controversy within its jurisdiction . . ." *Id.* The Supreme Court has interpreted this to mean that "[t]here must be 'a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" *Windstream*, 2017 WL 1386357, at *4 (quoting *MedImmune v. Genentech*, 549 U.S. 118, 127 (2007)). The DJA does not give courts the power to render advisory opinions based on hypothetical facts.

The court observed that this standard had been lowered for intellectual property cases by the Supreme Court's 2007 opinion in *MedImmune v. Genentech*. In that case, the court "found an actual controversy, even though plaintiff had complied with the defendants' demands by paying royalties under protest, had not infringed any of defendants' rights, and therefore had no reasonable fear of imminent suit." *AARP v. 200 Kelsey Assocs.*, No. 06 Civ. 81, 2009 WL 47499, at *6 (S.D.N.Y. Jan. 8, 2009). After *MedImmune*, jurisdiction is not necessarily defeated by a party's decision to "refrain from taking some action and thus 'make [] what would otherwise be an imminent threat [of suit] at least remote, if not nonexistent.'" *Id.* (quoting *MedImmune*, 549 U.S. at 128, 137).

Here, however, the court held that it lacked jurisdiction because *Windstream's* complaint presented no actual case or controversy. The court noted that *Windstream* was not seeking declarations about existing or foreseeable disputes relating to "specific copyrights and instances of infringement." Rather, *Windstream's* application was "untethered from any actual instances of copyright infringement or any mention of a specific copyrighted work." It sought "a blanket approval of its business model, without reference to any specific copyright held by BMG or any specific act of direct infringement by any *Windstream* subscriber." In fact, *Windstream* pleaded that there was "no direct evidence that any *Windstream* subscriber engaged in direct copyright infringement"—which if true would make the question of *Windstream's* liability as an ISP purely hypothetical, and thus beyond the scope of permissible declaratory relief. *Windstream*, 2017 WL 1386357, at *7-*9.

The court thus held that the declarations *Windstream* sought were both too broad—"about every possibly conflict that has occurred or could occur in the future"—and too fact dependent—requiring "a variety of specific factual determinations that simply cannot be made in broad strokes in a declaratory judgment." *Id.* at *8. In support of its decision, the court relied on substantial case law from other courts reaching similar conclusions. For instance, the court noted that *Veoh Networks v. UMG Recordings* presented a "nearly identical lawsuit" in which the plaintiff's complaint failed to "reference any specific copyright." That court held it could not "determine whether a safe harbor for copyright infringement exists without knowing which rights are at stake." *Veoh Networks*, 522 F. Supp. 2d 1265, 1268, 1269-70 (S.D. Cal. 2007). Other courts have ruled similarly. *Windstream*, 2017 WL 1386357, at *8 (citing analogous cases).

The court concluded by noting that, even if it had jurisdiction, it would exercise its discretion to dismiss the claims for declaratory relief. It reasoned that Windstream's declarations would not clarify or settle legal issues, nor finalize the controversy, largely because the request for prospective relief was based on facts that were not yet established.

Declaratory Judgment and IP Law

This case presents a difficult factual circumstance. The DMCA's take-down and safe-harbor provisions strike a considered balance and function well in many cases. But the system is beginning to show its age, unsurprisingly. How many things survive 20 years on the Internet? As the amount of shared content explodes online, and as automated monitoring tools improve, the sheer volume of complaints threatens to become unmanageable and the system is susceptible to potential abuse from all sides.

Against that backdrop, it is not surprising that ISPs have sought an additional layer of protection, essentially asking the courts to bless their procedures under the complex statutory requirements of the DMCA. But while such requests are understandable, and might even be desirable from a policy and cost standpoint, courts have routinely denied these litigants such sweeping declaratory relief.

Endnotes:

1. Respectively, these provisions state that ISPs are not liable "for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections," 17 U.S.C §512(a), and online service providers (a broader class than just ISPs) are not liable "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." 17 U.S.C §512(c).

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