

## **Flava Works, Inc. v. Gunter** **689 F.3d 754 (7th Cir. 2012)**

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### BACKGROUND

Plaintiff Flava Works, Inc. (“Flava”) produces and distributes a website with adult entertainment streaming videos on the Internet. Flava’s videos are available to users only upon payment. To access the videos on Flava’s website a user must submit the requisite payment; agree not to copy, transmit or sell the videos; and agree to limit downloading to personal, noncommercial use.

Defendant Marques Rondale Gunter created, owns, and operates myVidster (“myVidster”). myVidster is a publicly accessible online social bookmarking website that allows Internet patrons to provide access to online videos for other Internet users with similar interests. myVidster patrons that wish to make an online video available to others on the Internet simply “bookmark” the video on the myVidster website. After a patron has bookmarked a desired video, “myVidster automatically requests the video’s embed code from the “server” that hosts or stores the video.” Upon receiving the embed code, myVidster creates a webpage with a thumbnail of the video creating the impression that the video is on the website. A patron may then click on the thumbnail and watch the video. Although it may appear to the patron that the video is playing on the myVidster website, in actuality, the video is being transmitted directly from the host server to the patron’s computer.

A Flava user uploaded a video from the Flava website to a host server which was subsequently bookmarked by a myVidster patron. This bookmark automatically led to the creation of a webpage on the myVidster website with the video’s embedded code from the host server. The webpage featured a thumbnail of the bookmarked video that connects anyone who visits the myVidster website to the host server to watch the Flava video. Consequently, Flava brought an action against myVidster alleging contributory copyright infringement.

The United States District Court for the Northern District of Illinois granted Flava a preliminary injunction to prevent myVidster from allowing individuals to view Flava’s videos on the myVidster website. In July 2011, the district court judge granted the injunction based on its findings that Flava demonstrated a likelihood of success on its claim for contributory copyright infringement. Flava established contributory copyright

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infringement by convincing the judge that myVidster directly infringed upon its work, the defendant knew about infringement and the defendant materially contributed to copyright infringement.<sup>1</sup>

Following the district court's decision the myVidster filed a motion for reconsideration in light of the Ninth Circuit's holding in *Perfect 10, Inc. v. Amazon.com, Inc.*<sup>2</sup> However in September 2011 the district court denied the motion holding the decision in *Perfect 10* inapplicable. myVidster appealed the district courts' order of preliminary injunction for contributory copyright infringement in favor of Flava.

#### ISSUE

The United States Court of Appeals for the Seventh Circuit addressed whether the district court erred in granting Flava a preliminary injunction against myVidster for contributory copyright infringement.

#### DECISION

The court of appeals held that the district court erred in granting a preliminary injunction because Flava's contributory infringement claim failed to establish a substantial likelihood of success on the merits.

#### REASONING

To determine if the district court erred in granting a preliminary injunction for contributory copyright infringement, the court looked at whether myVidster's conduct encourages or assists unauthorized copying and/or public performance of Flava's copyrighted works. The court defines contributory infringement as "personal conduct that encourages or assists the infringement." The court therefore held that Flava failed to establish that myVidster was a contributory infringer absent evidence that myVidster encouraged or assisted in the infringement of Flava's copyrighted work.

The court first examines whether myVidster infringed on Flava's right to prevent copying of their copyrighted work by becoming the copiers' accomplice. The court concluded that myVidster does nothing more than display lists of names and addresses of videos that are located on the host server's webpage. MyVidster does not upload the infringing videos onto the Internet; instead the Flava users that download the videos, to later upload them to a server, are the infringers. In addition, the court found that unless the myVidster patrons are copying the bookmarked videos they are watching on the host servers' website, myVidster is not contributing to or increasing the copyright infringement of Flava's works.

The court asserted that the safe harbor provision set forth in the Digital Millennium Copyright Act of 1998 ("DMCA") is irrelevant here

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1. *Monotype Imaging, Inc. v. Bitstream Inc.*, 376 F.Supp.2d 877, 833 (N.D. Ill. 2005).

2. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007)

because a non-infringer does not need the safe harbor provision and the court found that myVidster is a non-infringer in terms of copying. In addition, the court concluded that the DMCA does not expand the concept of contributory infringement to include any reference or link “in the sense of facilitating access to copyrighted” protected materials.

Additionally, the court found that although myVidster knows that some of the videos bookmarked on their site may infringe on valid copyrights, this does not make myVidster a facilitator of copying. The court found no evidence that patrons viewing the videos on myVidster or myVidster in general encouraged uploading of any unauthorized copies of videos. The patrons of the social bookmarking website are not paying for the website’s services, which, therefore, eliminates any encouragement to post more unauthorized videos. Furthermore, there is no evidence that myVidster contributes to the user’s decision to upload a Flava video to the Internet where it in turn can be bookmarked by a myVidster patron. Users uploading Flava videos are not encouraged or given recognition, credit or gratitude by patrons of myVidster or myVidster itself. The court did, however, note that “if myVidster invited people to post or bookmark copyrighted videos” on the Internet, then myVidster would be inducing infringement and in violation of copyright law. However, there is no evidence of inducement in this situation and the court declined to comment on the issue because it was not the basis for granting the preliminary injunction.

There is no material contribution to copyright infringement by myVidster or its owners. The absence of evidence of myVidster’s effect on the amount of infringement of Flava’s video led the court to conclude that the district court erred in granting a preliminary injunction. Over 1.2 million bookmarks have been created on the myVidster website, however, Flava could only identify 300 of them as being their own videos. In addition, there is no evidence that patrons of myVidster actually click on the Flava videos and view them. Therefore, although Flava claims that their sales have dropped drastically by 30 to 35 percent, translating into more than \$100,000 in revenue loss, Flava fails to pinpoint the period of time of decline or identify what portion of the revenue lost are directly related to the myVidster’s website. Flava acknowledges the existences of many, at least a dozen, of other websites that provide connections to unauthorized copies of Flava’s work. Therefore, myVidster may have nothing or only a miniscule part in the drop of Flava’s sales.

After the court concluded that myVidster was not a contributory infringer through copying, the court then looked at whether myVidster unlawfully publicly performed the copyrighted work. A public performance is a transmission or a communicative performance of a valid copyrighted work to the public where the public is capable of receiving the performance either at the same place, different places, same time or at different times.<sup>3</sup>

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3. 17 U.S.C. § 101 (2006).

The court analyzed whether Flava's rights were infringed by public performance of their copyrighted works by looking at two different interpretations of public performance 1) performance by uploading; 2) performance by receiving. Public performance under the first interpretation begins when the public becomes capable of viewing the video after it is uploaded. Therefore under this interpretation myVidster did not infringe on Flava's public performance rights because there was no evidence that myVidster was contributing to anyone's decision to upload a Flava video to the Internet where it can later be bookmarked on the myVidster website. myVidster was merely providing addresses of where to find certain entertainment without touching the data stream or flow from one computer to another computer, neither of which are owned or operated by myVidster.

Performance by receiving on the other hand begins when the video is viewed. The court found that even though the person uploading the video is responsible for transmitting, myVidster was assisting by providing the link between the video uploader and the viewer and therefore myVidster facilitated a public performance. The court referenced "a remote analogy to the 'swap meet' operat[or]" in *Fonovisa, Inc. v. Cherry Auction, Inc.*, who had knowledge that pirated recordings of copyrighted music were being sold in bulk and subsequently played by the buyers.<sup>4</sup> The court found that the recordings played by the buyers "may have satisfied the broad definition of public performance" and therefore the operator was providing "support services" that without these services "it would have been difficult for the infringing activity to take place in the massive quantities alleged." However, here the court did not find evidence that the copyrighted works were being accessed by the myVidster website and not other websites. Also, myVidster was not supplying a market for the pirated videos because the videos are not being sold. In addition the court distinguishes this case from *In re Aimster Copy. Litig.*,<sup>5</sup> because Aimster provided special software that allowed children to swap music and share files.<sup>5</sup> Therefore Aimster was more like the swap meet operator because anyone that had the software could obtain copies of copyrighted music with ease. Although it could not be proved that all of the music on Aimster was protected by copyright, it was obvious that most files were protected and Aimster further failed to establish that their software had any non-infringing uses. The court distinguished myVidster from Aimster because myVidster did not encourage file sharing, which did not encourage infringement.

Based on the court's findings that myVidster did not assist or encourage copying or public performance of Flava's copyright videos, the court concluded that the district court erred in granting a preliminary injunction based on contributory copyright infringement for failure to establish a likelihood of success. Although the court found that Flava should not be granted an injunction, the court noted that Flava may be

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4. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996)

5. *In re Aimster Copy. Litig.*, 334 F.3d 643 (7th Cir. 2003)

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entitled to recovery in the form of a preliminary injunction if it can show, which it had not done here, that myVidster significantly contributed to the copyright infringement of Flava's work.

Flava may be able to show a likelihood of success for contributory copyright infringement in myVidster's premium service. myVidster's premium service requires a fee and includes a backup service that directly infringes on Flava's works by copying videos that have not been given authorization. Although Flava may have a valid claim in the premium services, they did not make direct infringement a basis for its motion for preliminary relief and therefore this claim could not be analyzed by the court.