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Online Willful Infringement Standard Clarified: Zazzle Jury Award Reinstated

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Recently, the Ninth Circuit reinstated a $460,000 jury verdict against print-on-demand site Zazzle, Inc. ("Zazzle") for willful copyright infringement, putting a final stamp (perhaps) on a long-running dispute that explored important DMCA safe harbor issues for online print-on-demand services. (*Greg Young Publishing, Inc. v. Zazzle, Inc.*, No. 18-55522 (9th Cir. Nov. 20, 2019) (unpublished). The appeals court found that Zazzle's anti-infringement oversight mechanisms were insufficient during the period of infringement when a number of the plaintiff's Greg Young Publishing, Inc.'s ("GYPI") visual art works were uploaded by users onto Zazzle's site without authorization.

A brief retelling of how the case progressed to this point is instructive. Zazzle is a service where users can upload images and purchase customized consumer products on which they want the image to appear (e.g., coffee mugs, t-shirts) or other products with images uploaded by other designers. Upon an order, such items are then produced and shipped by Zazzle. In a closely-watched 2017 ruling, the lower court had ruled on summary judgment that Zazzle was not entitled to the §512(c) DMCA safe harbor to the extent it manufactured and sold physical products bearing infringing images (note: the court did allow Zazzle to assert the safe harbor defense with respect to infringing images uploaded to its site but never printed onto physical products). This is one of a small number of cases that have found that online marketplaces that are actively involved in the listing, pricing, sale, manufacture, and delivery of items offered for sale by third party sellers may not qualify for the DMCA safe harbor concerning infringing items because such activities may go beyond the site acting as a storage provider and give the site the "right and ability to control" the alleged infringing activity. By "creating" the products instead of merely selling third-party goods, print-on-demand sites can place themselves beyond the protection of the DMCA (in addition to the potential for trademark-related claims).

Following the May 2017 ruling denying Zazzle's DMCA safe harbor defense, in August 2017 the plaintiff was awarded a jury verdict in the amount of $460,000 (for 35 willful infringement of 35 different copyrighted works) and a permanent injunction (which the court later vacated). In a post-trial ruling, the lower court reduced the jury verdict to $351,000 due to insufficient evidence for the jury's finding of willful infringement. Under the Copyright Act, absent a finding of willful infringement, the Copyright Act limits statutory damage awards to a maximum of $30,000 per copyrighted work (17 U.S.C. § 504), and as the lower court noted, to willfully infringe a copyright, the defendant must have had "actual knowledge of the infringement or have acted with reckless disregard or willful blindness." In applying that standard, the lower court found while Zazzle's working anti-infringement system had problems in effectively addressing future infringements, such efforts at least showed the site did not act with reckless disregard of infringement.

Last month, the Ninth Circuit reinstated the full jury verdict, finding that willful infringement "can be established by an infringer's knowing reliance on obviously insufficient oversight mechanisms":

> "Zazzle never deviated from, or improved, its oversight system throughout the two-year period at issue, despite repeated notice of that policy's ineffectiveness. Zazzle 'knew it needed to take special care with respect to [Young's] images,' but never gave its content-management team a catalogue of those images provided by Young. Even after Young provided the catalogue, Zazzle continued to sell products bearing each of the works for which the jury found willful infringement. Zazzle also relied on a user-certification process it knew produced false certifications and took no action to remove a user who had marketed more than 2,000 infringing products. A reasonable jury could find willfulness on this evidence." [citations omitted]

While a number of prior cases have extended the DMCA to online providers hosting allegedly infringing content, the *Zazzle* case shows the particular precarious position of print-on-demand sites that allow users to upload images, with the site then creating physical products upon sale. Care should be taken to structure the business process to increase the likelihood that the DMCA will apply. Because those businesses may not be able to avail themselves of the DMCA, however, care should be also taken to establish and maintain procedures to avoid a finding of willful infringement. Such sites should take time to reevaluate existing anti-infringement programs (specifically procedures or technologies used to take down infringing material and technical methods that attempt to prevent its uploading in the future). Overall, such sites should ensure they have a well-managed content management team that can remove and help to prevent the reappearance of infringing images on display… to hopefully avoid a conclusion similar to that reached in the Zazzle litigation.

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