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LIDC Congress 2011

Report for Congress

Question B:

“To what extent should online intermediaries (such as ISPs and operators of online market places) be responsible for the control or prohibition of unfair competitive practices (in particular sales of products contrary to the law) carried out on their systems?”

International Reporter: Trevor Cook (trevor.cook@twobirds.com)

Introduction

1) This international report for the LIDC Congress in Oxford summarises several national reports which discuss the current state of the law in the controversial and fast moving area of the responsibility of online intermediaries for unfair competitive practices carried out on their systems. I would like to thank the following national reporters whose national reports made the development of the international report possible, together with their respective colleagues in the national groups.

National Group	National Reporter
Austria	Christian Handig and Max W. Mosing
Belgium	Gerrit Vandendriessche and Ken Meul
Czech Republic	Jiri Cermak
France	Linda Acelin Lécuyer and Jean-Philippe Arroyo
Germany	Thomas Hoeren
Hungary	Ádám Liber
Italy	Eleonora Ortaglio and Nicola Zingales
Netherlands	Jan Kabel
Sweden	Cecila Torelm
Switzerland	Virginie A. Rodieux
United Kingdom	Christopher Stothers
United States	Emilio Varanini

2) The development of online trade has brought in its wake the issue of the legal status of those who operate online market places or who make other facilities available for online trade, when those facilities are used for unfair competitive practices such as unfair competition or infringement of intellectual property rights, notably copyright and trade marks. In this international report such intermediaries will be termed generally “online intermediaries” and those who seek to prevent such activities will be called “rightsowners”.

3) No attempt was made exhaustively to define “online intermediaries” in the questionnaire to which the national reports responded, as the expression is a flexible one that must adapt to changing business models, but most national groups assumed that this expression excluded domain name registrars, which are also online services providers, but which have also, as the German national report shows, provided an interesting body of case law.¹ This international report concentrates instead on those “intermediary service providers” as are the subject of Section 4 of Directive 2000/31/EC,² and three specific types of “real-life” online intermediary whose activities overlap with those of “intermediary service providers” as so defined, which may or may not precisely correspond with any of them, but have been the subject of a considerable body of litigation; namely search engine providers, operators of online market places, and providers of user generated content.

4) The legal status of online intermediaries raises issues as to:

- (a) the basis of their liability, given that they are not in general primarily responsible for the infringements that their services enable,
- (b) the defences and “safe harbours” on which they can rely, and
- (c) what remedies can be awarded against them, in some cases irrespective of liability on their part.

5) This international report is arranged in the order of these three issues, although it is apparent from many of the national reports that in many cases it is unrealistic to seek wholly to separate the first two issues (a) and (b), because the very nature of the duty of care owed by an online intermediary to a rightsowner and on

¹ German report pages 17 to 20

² These three types of activity of “intermediary service providers” broadly correspond to the first three of the four types of activity on the part of online intermediaries that benefit in the USA from the Section 512 DMCA “safe harbours”, namely “Transitory Digital Network Communications”, “System Caching” (c) Information Residing on Systems or Networks At Direction of Users”, and “Information Location Tools”

which its liability is founded in many jurisdictions is largely determined by the nature of the specific defences that are available to it. Thus some national reports conflate their responses in this respect and so do not analyse in detail any differences (if indeed there are any, as not all jurisdictions regard this as a meaningful distinction) as between “direct” and “indirect” (or accessorial) infringement.³

6) It should also be observed that all of the national groups responding with the exception of those for Switzerland and the United States are from countries that are members of the European Union, and thus that their laws are in some areas very much more harmonised than most. This of particular importance to the legal status of online intermediaries as EU legislation in this area has resulted in a considerable degree of harmonisation amongst such countries (and scope for further such harmonisation by virtue of interpretative case law of the EU Court of Justice) that is manifested in the national approaches under issues (b) and (c).

7) It should also be noted that, as is perhaps inevitable in a fast moving area of the law such as this, since the national reports were delivered, there has been a significant development in European Union law in that on 12 July 2011 the Grand Chamber of the Court of Justice of the EU delivered its judgment in Case C-324/09 *L’Oreal v eBay*, which is relevant also to issues (b) and (c).

What is the Basis of Liability of Online Intermediaries?

Introduction

8) Online intermediaries take a variety of different forms and undertake a variety of different activities, but much of the case law to date as to online trade has concerned search engines that provide links to websites and short extracts from such websites, such as Google, online market places that allow others to trade, such as eBay, and sites providing user generated content, such as YouTube. The facilities offered by these online intermediaries can be used by others for a range of activities some of which are unlawful under certain applicable laws. Such unlawful activities not only include unfair competitive practices such as unfair competition or the infringement of intellectual property rights, notably copyright and trade marks, but other activities that are not within the scope of this exercise such as defamation, or matters the subject of specific criminal laws, such as those concerned with on-line gambling.

³ For this reason the Austrian, French, Hungarian, and Swedish national reports are primarily discussed not under (a) but only under (b) and (c).

9) Although on occasion the nature of the activities undertaken by online intermediaries may render them, in relation to certain types of unlawful activity, directly liable for those activities, their liability more commonly arises as accessories to the unfair competitive acts of others who make use of their online facilities and where the online intermediary has no specific knowledge of any infringement, even though they may recognise that there is likely to be a certain amount of infringing material available on their systems.

10) Such “accessorial liability” can arise under a variety of different legal theories. Some legal systems seek to draw a clear distinction between such accessorial liability and direct liability, whereas others do not. For those that do draw such a distinction such accessorial liability it can go under titles such as “joint tortfeasance”, “contributory infringement” and “secondary liability” in common law systems, although the last two expressions can confuse as they also cover other, more specifically defined, types of activity. Even within the same legal tradition more than one such liability theory may apply to the same set of circumstances, different theories may apply depending on whether the unlawful activity in issue is trade mark infringement, copyright infringement or unfair competition, and there are commonly also differences as between the approach adopted in the context of civil law and criminal law. Thus although in the EU, as to civil law, copyright and trade mark infringement, and unfair competition (at least in so far as it relates to misleading or comparative advertising or to activities that mislead consumers), and certain of the specific defences that online intermediaries have to these are to a large degree harmonised at a national level by virtue of various Directives, there is no harmonisation of the concept of “accessorial liability” which remains a matter of national law, even in the case of unitary intellectual property rights such as the Community trade mark.

Civil Liability

11) The national reports indicate that certain activities undertaken by online intermediaries may constitute direct infringement of intellectual property rights. However such cases are in general rare, relating mainly to more extreme types of involvement in the infringing activity on the part of the online intermediary, and thus have little application to those particular online intermediaries the primary subject of this international report.⁴ Thus, subject to a specific issue encountered with some search engines and discussed in the following paragraph this international report

⁴ See paragraph 3) above.

focuses on those bases of liability for infringement of intellectual property rights other than the direct infringement of such rights.

12) A specific issue encountered with some search engine providers that has been the subject of considerable litigation in Europe, and is dealt with fully in the French report⁵ is their status under trade mark law as providers of sponsored links. This is an advertising technique reveals trade links based on key words when searching and can lead to the infringing use of trade marks. Decisions of the French national courts that such activity on the part of search engines infringed and that the search engine provider in such a case could not take advantage of the statutory defences available to certain online intermediaries were reversed by the Court of Justice of the EU in Case C-236/08 *Google France*⁶, although the primary focus of the decision is the finding that such activity on the part of search engines was not infringing under trade mark law because it did not constitute infringing use of the sign as defined in the trade mark Directive. However, the especial significance of this decision to the subject matter of this report lies in its discussion of the status of search engines and its finding, quoted below at paragraph [32], that they could benefit from the statutory defence mandated under Directive 2000/31/EC for “hosting”.

13) In so far as concerns the civil (tort) liability of online intermediaries to those rights owners with whom they have no contractual relationship, a variety of different approaches can be seen to the issue of indirect (accessorial) liability; there is less scope for variation in relation to those acts of online intermediaries which can be regarded as directly infringing intellectual property rights, although the flexibility inherent in unfair competition means that there is some variation in what is regarded as direct liability under unfair competition laws and thus less need to consider issues of indirect (accessorial) liability.

14) In Belgium the extra-contractual civil liability regime is established under the Belgian Civil Code and draws no distinction between direct and indirect (accessorial) liability. Under this any act which causes damage to a third party obliges the person responsible for such act to indemnify the affected third party. In the case of an online intermediary this requires a showing of (i) fault on the part of the online intermediary; (ii) damages suffered by the third party; and (iii) a causal link between the fault and the damages. Fault may be imputed based on a breach of a duty of care, assessed based on the so-called “prudent and diligent person” standard, although this

⁵ French report para 7 to 10 and 14 to 17

⁶ Cases C-236 /08 to 238/08 *Google France & ors v Luis Vuitton & ors* (CJEU)

is modulated to a considerable degree in the case of online intermediaries by the nature of the defences and safe harbours available to them and in particular by the fact that if they comply with the conditions imposed by these, such as acting expeditiously on obtaining actual knowledge of unlawful third party content, their liability with respect to the spreading of third party content can neither be engaged on the basis of a breach of a statutory or regulatory provisions, nor on the basis of a breach of their duty of care.⁷

15) Online intermediaries in Belgium have been held to infringe copyright in relation to content originating from rightholders themselves⁸ but not to infringe where they were responsible for disseminating copyright infringing content originating from customers or third parties.⁹ National proceedings for trade name infringement¹⁰ have failed as against online intermediaries in situations similar to those that are the subject of the *Google France* trade mark infringement cases. Neither, consistent with those cases, has trade mark infringement has been found on the part of online intermediaries for the trade mark infringements of third parties, and misleading advertising and unfair trade practices claims have also failed in such cases.¹¹

16) In the Czech Republic no distinction is drawn between direct and other forms of liability in civil cases and the liability of online intermediaries is determined by applying the general liability concept under the Czech civil code, one element of which is a breach of duty. In cases of accessory liability, a breach of duty by an online intermediary is established by showing a breach of the general regulation preventing the threat of damage as also set out in the civil code, under which: 'everyone is obliged to act so that no damage to health, property, nature and the environment occurs.' This "general prevention duty" provides a legal basis for the (accessorial) liability of online intermediaries for the acts or omissions of third parties which infringe intellectual property rights.

17) In Germany a distinction is drawn between direct and other forms of liability, namely liability as a participant or for disturbance (Stoererhaftung), the latter being a concept that is specific to intellectual (and other forms of) property. Online intermediaries would however not usually be liable for Participant-Liability which is

⁷ Belgian report para 10 to 17

⁸ Belgian report para 27

⁹ Belgian report para 28

¹⁰ Belgian report para 32

¹¹ Belgian report para 32, 36, 39

recognized by statute in criminal and civil law, as to be liable for this the participant must act intentionally in regard to the unlawful action of the third party. Such liability has however been found on the part of an online intermediaries where there was gross and consistent breach of the obligation to examine an alleged infringement.

18) Disturbance liability (Stoererhaftung) in Germany represents a form of liability, available for intellectual property by virtue of its being a property right, which goes beyond the categories of direct liability and participant liability. A person is treated as a disturber if he causes an unlawful action of a third party in an adequate way, provided that it was possible and reasonable for him to prevent this action. However, disturbance liability provides no basis for a damages claim, since the injured party can only claim injunctive relief as well as removal. Moreover the doctrine has been criticized as a form of pure causal liability requiring no fault on the part of the disturber and thus the courts have tried to limit its scope in the case of online intermediaries by requiring a breach of reasonable duties to examine contents, making it necessary to review the scope of these duties specifically on a case by case basis to evaluate to what extent an examination could have been expected from the disturber.¹²

19) There is also doubt as to whether disturbance liability in Germany should be available for unfair competition as this action is not based on a property right and in response a form of direct liability for online intermediaries has been created which has for example been applied against eBay in one case because of a finding as to the direct violation of business conduct standards caused by the sale of obscene content on the platform.¹³ In this context when the platform operator is confronted with a concrete notification of an infringement, its unfair competition law due diligence obligation becomes a concrete obligation to examine the alleged content, from which point on it is responsible not only for blocking the alleged infringement but undertaking all reasonable measures to prevent further similar violations. In consequence, the results of the theory of direct liability in unfair competition law on the one hand and the theory of disturbance liability on the other hand are similar despite their differing legal bases.¹⁴

20) Under German copyright law online intermediaries generally have no liability (other than for disturbance) because they have no direct influence on infringing content. However there have been cases where they have been found to be directly

¹²German report pages 2 to 5

¹³German report pages 4 to 5

¹⁴German report pages 21 to 24

liable by reason of adopting user generated content as their own.¹⁵ In terms of their disturbance liability there is a considerable body of case law relating to such diverse “online intermediaries” (in the widest sense) as web-portal operators, web forum operators, sharehosting services, hyperlinkers, Usenet service providers, search engines, holders of unsecured WLAN-access, holders of Internet access and access providers, although the trend has been to deny disturbance liability against the last class.¹⁶ Under trade mark law there has been a divergence of case law as to online auction houses with some courts holding that they can directly infringe a trade mark or contribute to an unauthorized trade mark use by forbearance, whereas others consider them only liable as disturbers.¹⁷

21) In Italy indirect liability can be established under either the concept of contributory infringement or under that of vicarious liability. The issue is whether the autonomous acts of the online intermediary are significant enough (according to an *ex ante* assessment) to intervene in the chain of causation and facilitate the occurrence of the event. If this is the case, it should be more likely that a court will find liability for contributory infringement on the basis of active participation rather than vicarious liability, by which a person may be liable for the infringing acts of another if he or she has the right and ability to control the infringer's acts and receives a direct financial benefit from the activity that brought to an infringement. Unlike contributory infringement, which requires knowledge, vicarious liability arises irrespective of actual knowledge of the infringing activity. However, recent cases show the courts merging these two different grounds of liability, and finding there to be liability on the part of online intermediaries in respect of copyright infringing content on their websites placed there by third parties, irrespective of knowledge.¹⁸

22) In the Netherlands no distinction is drawn between direct and other forms of liability. The main source for the liability of online intermediaries (and of other players in the field, such as rights holders and the suppliers of online content services) is the general tort law under the Dutch Civil Code, and applies when someone has breached his duty of care by either acting or omitting to act in breach of a provision in the law or of an unwritten moral standard. Seldom are the specificities of intellectual property legislation relevant to the liability of internet intermediaries, nor are these often taken into account in assessing a breach of the duty of care under

¹⁵ German report pages 6 to 7

¹⁶ German report pages 8 to 14

¹⁷ German report pages 14 to 16

¹⁸ Italian report pages 1 to 2 and 8 to 11

tort law.¹⁹ These duties of care are linked to moral conduct and societal norms and are based on the general concepts of 'reasonableness' and 'fairness'. Since these concepts are general and broad, there is no standard way of applying them in specific cases. Rather, the facts and circumstances of the specific case weigh heavily when applying them. This being so, a general theory with regard to the duty of care of internet intermediaries and their liability is hard to formulate, although self regulatory measures, such as in the Netherlands the Code of Conduct on the Notice and Takedown procedure, signed by most internet providers, may be taken into account when determining the obligation of an internet provider even though it provides that no duty of care or its interpretation may be derived from it.²⁰ The duties of care grow as the online intermediary becomes more actively or directly involved with the breach by its users constituted over its network, and are modulated to a considerable degree by the nature of the defences and safe harbours available to them. This raises issues as to two particular types of online intermediary, the "active hosting provider" and the "provider of mixed services" such as search engines, neither of which are in general regarded as intermediaries that can avail themselves of the statutory safe harbours, but which despite this appear in general to be able to avoid liability if they follow a notice and takedown procedure.²¹

23) When determining in the Netherlands whether an online intermediary either has a duty of care or is liable for breaching it, certain indications and contraindications are taken into account. The indications are: active involvement in the publication of illegal material, encouragement of the publication of illegal material either by incitement or by the way the site is organized, control over the material and knowledge of the fact that it is illegal and finally whether or not profit is made by the activities of the on-line intermediary. Contraindications are: the rights of privacy and freedom of speech of the internet user, the right of the online intermediary not to be held liable for the breach of such rights and its own right under the freedom of speech and finally the illegal conduct of the requesting rights holder. In general, the obligation resting on the online intermediary must be necessary to obtain a certain justified goal, it must be proportional to the goal and no other, less restrictive means to achieve that goal must exist.²²

24) In Switzerland an action for monetary relief requires the usual conditions of civil liability, namely (1) unlawful behaviour, (2) offence, (3) fault and (4) causal

¹⁹Dutch report page 2

²⁰Dutch report page 3

²¹Dutch report pages 4 to 5

²²Dutch report pages 8 to 12 and 13

relation between the unlawful behaviour and the injury. The victim of an infringement has to prove that the on-line intermediary acted with intent or at least negligently. The online intermediary is negligent when he knows or should know that the act in issue potentially infringes third parties' rights. Therefore the condition of fault essentially depends on whether the on-line intermediary knows or should know the content of the information to the spreading of which it contributes. It is suggested, absent case law on the liability of online intermediaries, but by analogy with case law as to the print press, that specific vigilance is expected from the online intermediary as soon as it knows or should know that its services are used in relation to intellectual property rights infringements. If it is aware that its services have served to infringe intellectual property rights or carry out unfair competitive practices, it cannot remain passive and must intervene with the principal infringer in order to stop the infringement. Otherwise, it will be liable for subsequent damages like the principal infringer, with whom it has joint liability.²³

25) In Switzerland in the context of trade marks the online intermediary who manages a search engine and makes the infringing trade mark appear on the result list does not use that trade mark for a commercial but only for an informative purpose and therefore should not be held liable for the infringement of the trade mark. Online intermediaries which provide online marketplaces, allow trade mark infringement by making available the necessary infrastructure for the sale of counterfeit products. In an action for monetary relief, it must be established that the on-line intermediary knows or should know that counterfeit goods or services were offered on its market place and that it took no measure to avoid such infringement. General knowledge of possible trade mark infringement is not sufficient for the online intermediary to be held liable. The online intermediary must have specific knowledge or know that users often resort to the on-line market place to trade in counterfeit products but has no control measures.²⁴ Similar considerations apply to unfair competition.²⁵ In the context of copyright the online intermediary who only permits the relaying of information cannot be held responsible for its content. It is however different when the intermediary is actively involved with the content. In this case it cannot ignore the content reproduced or broadcast and makes this its own. If the online intermediary knows of or is informed of the content of a website but does nothing to prevent this, it takes part to the infringement of the copyright and may be liable for damages. Thus the online intermediary who knows that its search engine

²³Swiss report pages 2 to 3

²⁴Swiss report pages 4 to 8

²⁵Swiss report pages 10 to 11

provides hypertext links that allow the illegal reproduction and broadcasting could have to compensate the rights owner jointly and severally with the person primarily responsible for the reproduction and broadcasting of the protected content.²⁶

26) The United Kingdom draws a distinction between direct and accessorial liability for infringement of intellectual property rights, the latter generally arising under the principle of joint tortfeasance. It is unlikely however that most on-line intermediaries would be found to be joint tortfeasors with those primarily responsible for a tortious act such as copyright or trademark infringement because to be a joint tortfeasor a party must have acted pursuant to a common design with another party to conduct the infringing act, or have procured that infringement by inducement, incitement or persuasion. Merely facilitating or knowingly assisting the tortious act is not enough, and so the provision of an online marketplace has been held not to constitute joint tortfeasance with those who use such facility to sell goods which infringe trade marks.²⁷ In the area of copyright the law as to joint tortfeasance overlaps with that as to authorisation of copyright, although where technology can be used for legitimate purposes the supplier of that technology (ie the online intermediary) will only authorise infringement where it can be said that it ‘sanctions, approve or countenance’ the use of that technology to infringe copyright.²⁸

27) In the United States accessorial claims of copyright infringement against third parties are referred to under the terminology of secondary or vicarious copyright infringement; one infringes contributorily by intentionally inducing or encouraging direct infringement, and one infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it. In the context of on-line intermediaries this has been held to provide a basis for liability, irrespective of whether the technology in issue is capable of substantial non-infringing uses as long as the online intermediary acted with the actual purpose of causing infringing use, as in *Grokster*²⁹ and, on the basis that “wilful blindness” could supply the necessary element of knowledge, in *Aimster*.³⁰ For trade marks similar principles have been applied in the case of an online marketplace to find no liability for contributory infringement because “a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will

²⁶Swiss report pages 8 to 9

²⁷UK report paragraphs 29 to 31

²⁸UK report paragraphs 25 to 28

²⁹US report pages 5 to 10

³⁰US report pages 14 to 15

infringe in the future is necessary,” a standard that was not satisfied by plaintiff given that the defendant would take down any listings of counterfeit goods when specifically informed by plaintiff that those listings were counterfeit and given that the defendant would suspend repeat offenders from listings goods on its web site.³¹

Criminal Liability

28) Generally it would seem that the criminal law has been little used against online intermediaries in the context of copyright or trade mark infringement although it has been deployed against them in other areas the subject of specific criminal legislation. In Belgium there has been no recent criminal law conviction for online intermediaries in the context of copyright or trade mark infringement.³² In Germany it is suggested that online intermediaries lack the necessary element of intent, although there have been examples of criminal convictions for online intermediaries other than in the context of copyright or trade mark infringement, and for offences conducted abroad.³³ In Italy it is suggested that the provision of the law which establishes criminal liability for copyright infringement for “introducing [an illegal copy] into the web through any type of connection” should be given a restrictive interpretation so as not to apply to material already introduced by someone else.³⁴ In the Netherlands there have been no criminal law convictions for online intermediaries in the context of copyright or trade mark infringement.³⁵ In Sweden online intermediaries have been held responsible for complicity in respect of clear violations, but in circumstances where the online intermediary was aware of the infringement or grossly negligent in respect of it.³⁶ In Switzerland it is suggested that in certain circumstances an online intermediary could be criminally liable as an accessory if it has specific knowledge of an infringement.³⁷ In the United Kingdom the requirement for knowledge limits the scope of application of the criminal law to the activities of online intermediaries, and an attempted prosecution for “conspiracy to defraud the music industry” against the creator of a site that provided a BitTorrent

³¹US report pages 9 to 11, discussing *Tiffany v eBay*, although a false advertising (unfair competition) claim was remanded to the trial court, on the theory that defendant online marketplace, by advertising the availability of the plaintiff’s products, might mislead buyers into believing that those products were not counterfeit when in fact many of them were. However it is suggested at page 17 that such a claim could be defeated by a simple disclaimer.

³²There was one 1999 decision in Belgium under which an online intermediary was found criminally liable for spreading illegal software through its platform - Belgian report para 25

³³German report pages 24 to 28

³⁴Italian report page 7 and footnote 10

³⁵Dutch report page 2 and pages 31 to 32

³⁶Swedish report paragraph 2.3

³⁷Swiss report pages 11 to 13

index to copyright infringing material failed, probably because of a failure to show dishonesty on the part of the defendant beyond a reasonable doubt.³⁸

On which defences and “safe harbours” can Online Intermediaries rely?

29) Some legal systems provide outright and unqualified exceptions that apply to certain limited types of activity undertaken by online intermediaries.³⁹ Most also provide qualified and/or partial defences, sometimes referred to as “safe harbours” (but in this report generally referred to as defences) for certain types of online intermediary which defences relieve them from certain types of civil law liability in certain circumstances, and which are generally established by statute. The ability of a suitable online intermediary to rely on such defences is often keyed to a “notice and takedown” mechanism by which the benefits of the defence are lost when the intermediary fails to act by preventing the activity complained of in response to a notice by the rightsowner drawing the attention of the intermediary to such activity.

30) Switzerland is alone amongst the countries that have submitted national reports to have no special defences available to online intermediaries.⁴⁰ Thus an online intermediary is subject to injunction as soon as it contributes to the infringement of intellectual property rights or to the unfair competitive practice, even though it is only the indirect infringer. As a consequence, the rightsowner may be entitled to seek for an injunction against an online intermediary whose services are used to infringe intellectual property rights. It does not matter whether the online intermediary is aware of the infringement or not. The injunction, which aims at stopping the infringement, can be served against any contributing party. No fault is required on the part of the online intermediary for an injunction. It is however required for damages and the online intermediary will avoid liability for damages, if the rightsowner is unable to prove fault on the part of the online intermediary, that is to say that the illicit nature of the content of the information was known to him or that it could reasonably be required from him to know but he did not take any measures.

31) The United States provides by Section 512(c) DMCA a statutory defence, or safe harbour, to online intermediaries that is applicable to direct and accessorial claims of copyright infringement, “in respect of information residing on their systems

³⁸UK report paragraphs 33 to 35

³⁹See for example Article 5(1) of Directive 2001/29/EC on copyright in the information society, providing an exception from the restricted act of reproduction for certain temporary acts of reproduction, considered by the CJEU in Case C-5/08 *Infopaq* (16 July 2009)

⁴⁰Swiss report page 14

or networks”, subject to the requirements there set out.⁴¹ This safe harbour has been applied to provide a defence to an online intermediary against claims of direct and secondary copyright liability in respect of infringing video clips hosted on a site intended for user generated content, but which had removed such material in response to takedown notices, holding that the online intermediary could rely on this defence unless it was made specifically aware of (and refused to remove) individual video clips that infringed plaintiffs’ copyrights.⁴² There is no corresponding statutory defence for trade marks although as explained above in the context of liability one appears to have been created by case law for online marketplaces.⁴³

32) In the Member States of the EU there is horizontal legislation, under Directive 2000/31/EC on electronic commerce, which applies to most types of intellectual property infringement and unfair competitive practices, and which by Articles 12 through 14 mandates the provision of a defence under both civil and criminal law, without prejudice to the right to seek an injunction, for certain types of online intermediary; namely those involved in “mere conduit” (including “access provision”), in ‘caching’ or in ‘hosting,’ each as defined.⁴⁴ The text of these provisions is for convenience set out in Appendix A. The defences for ‘caching’ and ‘hosting’ are moderated by provisions disapplying these defences in the case of a failure to take down in the light of actual knowledge. Article 14, as to ‘hosting’ has been interpreted by the Court of Justice of the EU in Case C-236/08 *Google France*:

“... as meaning that the rule laid down therein applies to an internet referencing service provider in the case where that service provider has not played an active role of such a kind as to give it knowledge of, or control over, the data stored.

“If it has not played such a role, that service provider cannot be held liable for the data which it has stored at the request of an advertiser, unless, having obtained knowledge of the unlawful nature of those data or of that advertiser’s activities, it failed to act expeditiously to remove or to disable access to the data concerned.”

⁴¹The full text of Section 512(c) is set out at US report pages 36 to 37. Note also that Section 512(a) provides such a defence for “Transitory Digital Network Communications”, Section 512(b) for “System Caching” and Section 512(d) for “Information Location Tools”.

⁴²US report pages 13 to 14, discussing *Viacom*.

⁴³US report pages 9 to 11, discussing *Tiffany v eBay*, although a false advertising (unfair competition) claim was remanded to the trial court, on the theory that defendant online marketplace, by advertising the availability of the plaintiff’s products, might mislead buyers into believing that those products were not counterfeit when in fact many of them were. However it is suggested at page 17 that such a claim could be defeated by a simple disclaimer.

⁴⁴Articles 12 through 15 of Directive 2000/31/EC on electronic commerce

Moreover Article 15 prevents a general obligation being imposed on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, or a general obligation actively to seek facts or circumstances indicating illegal activity. National laws providing for such defences have been implemented in all the countries whose national responses are set out below. Some Member States have in addition implemented a specific defence for the providers of information location tools (search engines), although as appears from the judgement in Case C-236/08 *Google France* many of the activities associated with search engines can fall within the scope of the defence mandated by Article 14 for 'hosting'.

33) In Austria the statutory defences introduced to implement Directive 2000/31/EC are supplemented with one for search engine providers. The substantial body of case law discussed in the Austrian report emphasizes the critical nature of the distinction between being a “content provider” not able to take advantage of these defences and a “non-content” provider able to do so, and which can undermine the intent behind these defences.⁴⁵

34) In Belgium the expression “intermediary” in the statutory defences introduced to implement Directive 2000/31/EC has been defined as a service provider with “neither knowledge of nor control over the information which is transmitted or stored”⁴⁶. The defence for “mere conduit” (which lacks a notice and takedown qualification) does not apply to those online intermediaries who deliberately collaborate with one of the recipients of their service to undertake illegal acts that go beyond the activities of “mere conduit”. In one case it was held that an internet access provider could benefit from an exemption of liability as a mere conduit provider, but in another that a content provider could not do so since its activities went beyond the mere transmitting of information, although it could, however, qualify as a hosting provider.⁴⁷ The defence for caching has been held (albeit that this finding is under appeal) not to apply to the website caching activities of a search engine provider as it had also made these cached websites available to the public by means of a 'cached' link under the search results it displayed.⁴⁸ The defence for hosting is further qualified by a requirement, not found in Directive 2000/31/EC (but not inconsistent with it, by virtue of Recital 46), not only that the online intermediary on obtaining knowledge or awareness of the unlawful

⁴⁵Austrian report section 2

⁴⁶Belgian report paragraph 44

⁴⁷Belgian report paragraphs 46 to 48

⁴⁸Belgian report paragraphs 49 to 50

information or activities expeditiously remove or disable access to the information but also that they report the criminal offence to the public prosecutor, although the extent of the obligation that this imposes is controversial.⁴⁹ The defence for hosting has been held to apply to on line marketplaces but only in so far as they play a completely passive role in the process of stocking and transmitting their customers' information.⁵⁰

35) In the Czech Republic Articles 12, 13 and 14 of Directive 2000/31/EC is implemented in such a way as apparently to impose liability on online intermediaries who do not fulfil the requirements of those articles, rather than providing, as those articles are worded, a defence to those online intermediaries who do, but it is considered that it should in practice be interpreted as providing the same defence as those articles mandate. It is not clear yet whether the above stated liability applies also to search engine providers, however in light of the EU Court of Justice in Case C-236/08 *Google France* it is more likely that search engines are also so treated. It is considered that these defences apply only to civil and not to administrative or criminal law liability.

36) In implementing the statutory defences implementing Directive 2000/31/EC French law provides under Article 6-I 2 and 3 of the law of 21 June 2004 “pour la confiance dans l'économie numérique” (LCEN) a defence to civil and criminal liability for online service providers providing hosting services if they lack actual knowledge of their illegal nature or of facts and circumstances showing that character or, from the moment they had this knowledge, they acted promptly to remove such data or make access impossible. The scope of this defence has been considered in some detail in the case law, for example in the case of newly posted but identical content to that already taken down, and Article 6-I 5 LCEN sets out what is needed in a take down notice for knowledge of disputed facts to be presumed to be acquired.⁵¹ The report also discusses how a search engine provider may be able to benefit from the statutory defences in one case but not in another. Thus in Case C-236/08 *Google France*, concerning trade marks, the search engine provider was found able to benefit from the defence, and it is suggested that similar considerations would apply also to an action for misleading advertising. In the decision of the Paris Court of Appeal of 14 January 2011 also concerning Google, but concerning allegations of infringement of copyright, the Court observed that in determining the liability of such an online

⁴⁹Belgian report paragraphs 51 to 55 and 59 to 60

⁵⁰Belgian report paragraph 55

⁵¹French report paragraphs 3 and 25 to 31. Article 6-I 1 LCEN provides a defence for access providers – see paragraph 35.

intermediary, it should consider whether the role it performs in its capacity as host of the infringing material provided by users and in its capacity as search engine, is neutral with respect to the information that it processes,⁵² but that it had exceeded its functions as host in allowing users directly to access such material on its site.⁵³

37) There has also been French case law as to online market places. In most cases these have been classified as hosting under Directive 2000/31/EC and Article 6 LCEN, assisted by policies implemented by such to limit the sale of counterfeits on such sites. There has however also been at least one other where they have not, and such an online trading platform has been found not fully to have met its obligation to ensure the absence of improper use of its site by allowing the sale of counterfeit products.⁵⁴

38) For Germany it is observed that there are no unambiguous criteria for classifying types of service provider for the purposes of applying the statutory defences implementing Directive 2000/31/EC, as to which no regulation which corresponds to the notice-and-take-down procedure was implemented. The main difficulty is with the determination of the different types of hosting providers, although in most cases online auction houses, sharehosters, web portals and web forum operators act as hosting providers, unless they adopt the content created by their users. Since the decision of the EU Court of Justice in Case C-236 *Google France* search engines are also now so treated, rather than as content providers as they were previously. Within the context of the disturbance liability courts have developed the requirement of reasonability as to the duty of examination in order to restrict liability, which can be regarded as a kind of “safe harbor” provision. The scope of the examination obligation after gaining knowledge of a violation is based upon an overall view of all relevant circumstances. Of the essence are in particular the infringed rights, the efforts of the service provider and the expected results, the factual and economical possibility for prevention of infringements, the profit of the service provider, the foreseeability of the risks and the value of the service and the basic rights, which are relevant in the concrete case have to be ascertained. Finally, liability shall not disrupt the entire business concept of a service provider. However these criteria are applied diversely by the courts, and create no legal certainty and

⁵²This is an attempt to paraphrase in English the expression « le rôle qu’elles exercent tant au titre de leur activité de stockage de la vidéo reproduisant le film documentaire « ... » fournie par des utilisateurs qu’au titre de leur activité de moteur de recherche, est neutre par rapport aux informations qu’elles traitent ».

⁵³French report paragraph 7 to 17

⁵⁴French report paragraph 18 to 24

security.⁵⁵

39) In Hungary the statutory defences introduced to implement Directive 2000/31/EC are supplemented with one for search engine providers. A specific and detailed notice and take-down procedure is set out in the legislation.

40) In Italy the statutory defences introduced to implement Directive 2000/31/EC have been interpreted narrowly, and where the courts have held that they apply they have interpreted generic warning letters as adequate to remove the protection that the defences afford to online intermediaries.⁵⁶

41) In the Netherlands it can be difficult to fit in the many different varieties of online intermediary services into the statutory defences that implement Directive 2000/31/EC, and that apply to both civil and criminal liability. The position of classic online intermediaries such as access providers and hosting providers is clear. Other online intermediaries such as operators of online marketplaces and social networks may, in principle, benefit from the statutory safe harbour regime as well. Whether in a concrete case the online intermediary can actually rely on a safe harbour, will depend on the specific circumstances of the case, as to which there is a large body of case law that can provide guidance, albeit that much of it has been formulated, it would appear, not in the context of these statutory defences but in the context of general tort law as to those providers of mixed services that do not necessarily clearly fall within one of them. The status of those online intermediaries that are able to rely on the statutory defence of mere conduit, and which do not purposely collaborate in the illegal activity, has not in general given rise to any difficulty, and there has been no case law as to the statutory defence of caching. Some hosting providers have not been able to rely on the statutory defence for hosting where the information that they hosted was unmistakably illegal, as in the case of BitTorrent platforms.⁵⁷

42) However, away from classic hosting providers, it is the providers of mixed services that have provided the most case law in the Netherlands. Thus the extent of the duty of care of the providers of online marketplaces has been set out in detail and an online marketplace in issue held to comply with them, without having to address the issue of whether in fact it could benefit from the statutory defence for hosting.⁵⁸

⁵⁵Italian report pages 8 to 11

⁵⁶German report pages 28 to 31

⁵⁷Dutch report pages 14 to 21

⁵⁸Dutch report pages 21 to 23

There is a varied picture as to the status of online intermediaries hosting user generated content⁵⁹ and although as a general rule providers of information location tools such as hyperlinks or search engines do not fall within the scope of the statutory defence for hosting providers where the service provider actually hosts the information location tools for others, as in Case C-236/08 *Google France*, this can be different.⁶⁰

43) In Sweden there has as yet been no case law as to the statutory defences introduced to implement Directive 2000/31/EC.⁶¹

44) In the United Kingdom there has as yet been little case law as to the statutory defences introduced to implement Directive 2000/31/EC. Guidance that accompanies the implementing legislation has made it clear that for the purposes of the mere conduit defence manipulations of a technical nature that take place in the course of the transmission, for example the automatic adding of headers and the automated removal of viruses from emails, do not mean that a service provider will fail the 'no modification' part of the test. The implementing legislation also sets out, for the purposes of the caching and hosting defences, a non-exhaustive list of matters to which the court should have regard in determining whether or not online intermediaries have "actual knowledge" so as to fail the test as to this.⁶²

What remedies can be awarded against Online Intermediaries, in some cases irrespective of liability on their part?

45) A variety of different remedies are available as against online intermediaries. In most jurisdictions that submitted national reports the availability of injunctive relief is not necessarily be keyed to a finding of liability on the part of the online intermediary, although that as to damages is. The legal basis for such injunctive relief can vary. However such case law as there has been indicates that there is as yet little or no harmonisation as to the appropriate scope of such injunctive relief. There is also little or no apparent case law as to damages, which would seem to indicate that the most critical area is that of injunctive relief.

46) In the EU, Directives 2001/29/EC (as to copyright) and 2004/48/EC (as to most other intellectual property rights) each mandate the availability of injunctions

⁵⁹Dutch report pages 23 to 24

⁶⁰Dutch report pages 24 to 26

⁶¹Swedish report paragraphs 1.10 to 1.15 and 4.11

⁶²UK report paragraphs 36 to 56

against intermediaries “whose services are used by a third party to infringe [copyright / an intellectual property right].”⁶³ In the context of copyright, such injunctions have been granted against internet access providers to block specific sites, to impose filtering obligations,⁶⁴ and to mandate termination of customer accounts, and injunctions have also been sought against internet hosting services to for example impose filtering obligations.⁶⁵ Directive 2004/48/EC also mandates the availability of court orders against infringers and/or any other person that will provide information on the origin and distribution networks of goods or services which infringe an intellectual property right. Such orders can raise privacy concerns, especially where the information provided concerns the identity of an individual not acting on a commercial scale. Since the national reports were submitted the EU Court of Justice has provided guidance as to the appropriate scope of injunction against online intermediaries (in the instant case an online marketplace) in its judgment in Case C-324/09 *L’Oréal v eBay*. This guidance is set out in Appendix B.

47) Also in the context of copyright, and in an attempt to control peer to peer filesharing, some EU legislatures have introduced measures of a primarily regulatory nature, known as a graduated response, aimed at users, but administered via intermediaries, which could ultimately lead to the termination of customer accounts.⁶⁶ These remain controversial, but because they impose a regulatory obligation on online intermediaries rather than under civil or criminal law they are not discussed further in this report.

48) In Austria an action against an online intermediary in relation to copyright infringement who can rely on the defences provided by the Austrian implementation of Directive 2000/31/EC can only be instituted after a written warning; this restriction does not apply in actions for trade mark infringement or for unfair competition.⁶⁷ Subject to this, online intermediaries may in practice be confronted with actions for relief, removal or prevention of infringement, regardless of any default, as well as publication of the judgment, which latter requirement could incur substantial cost on the part of the online intermediary.⁶⁸

⁶³See Article 8(3) of Directive 2001/29/EC and Article 11 of Directive 2004/48/EC.

⁶⁴Currently subject to a reference to the CJEU in Case C-70/10 *SABAM v Scarlet Extended*

⁶⁵Currently subject to a reference to the CJEU in Case C-360/10 *SABAM v Netlog*

⁶⁶Such as the Loi Hadopi in France, and the Digital Economy Act 2010 in the UK, as to which see UK report paragraphs 90-94

⁶⁷Austrian report sections 1)b) and 4)a)

⁶⁸Austrian report sections 1)a) and 3)b)

49) Although Article 15 of Directive 2000/31/EC prohibits EU Member States from imposing a general obligation to monitor, the rulings of Belgian courts in cease-and-desist proceedings have generally tended to impose far-reaching active monitoring obligations on online intermediaries in order to prevent infringement, although in one case the filtering obligation originally imposed on an access provider has been suspended as technically unworkable. Pending references from the Belgian courts to the EU Court of Justice in Cases C-70/10 *SABAM v Scarlet Extended* and C-360/10 *SABAM v Netlog* concerning respectively access provision and hosting services, should clarify the appropriate scope of such orders and in the first of these the Advocate-General has recommended that the Court hold that a national court cannot impose on the type of online intermediary in issue an unlimited general obligation to filter copyright material entirely at its own expense. In the context of online trading platforms the Belgian courts have avoided imposing such a broad injunction.⁶⁹ Cease and desist orders in respect of misleading third party advertising are not in general available against online intermediaries unless action has previously been brought against those directly responsible.⁷⁰ In addition to cease and desist proceedings under the general law specific cease and desist procedures have been introduced responsive to the Directives mandating these, although it is not clear whether liability on the part of the online intermediary is required and whether for example such orders can be made if an online intermediary can successfully invoke a specific defence.⁷¹

50) In the Czech Republic injunctions are available against online intermediaries whose services are used by a third party to infringe copyright, trade marks (and other industrial property rights) and to refrain from the provision of services by which the rights in question are infringed. It is unclear whether these provisions apply also to unfair competition. This, in practice, is considered to mean that injunctions may be sought against internet providers to block specific sites, impose filtering obligations or even completely terminate specific questionable services.

51) In France by Article 6-I 8 of the LCEN the courts can make, whether by way of interim relief or otherwise, an order to prevent damage caused by the content of an online communication service of the type that benefits from the LCEN defences. This is not linked to the issue of liability. In general where directed to an access provider the measures ordered will involve blocking access to contentious content primarily

⁶⁹Belgian report paragraph 56 to 58 and 65 to 79

⁷⁰Belgian report paragraph 61 to 64

⁷¹Belgian report paragraph 65 to 79

through filtering measures and where directed to a hosting provider the measures ordered will mainly be to stop storing the content in question, meaning in practice shutting down the website in issue.⁷² In addition there are special provisions directed towards protecting copyright works that again are not tied to any finding of liability. One, aimed at P2P software, allows any measures necessary to be ordered in relation to computer software that is used mainly for illegal downloading of copyright works. Another allows all measures to be ordered to prevent or stop infringement of a copyright or related right, against any person liable to contribute to such remedy, although the Constitutional Council has said that in order to respect freedom of expression and communication, the courts should only take such measures as are strictly necessary for the protection of such intellectual property rights.⁷³

52) When Germany implemented Directive 2001/29/EC, there was felt to be no need to provide for injunctive remedies as against online intermediaries as the law already provided for this. Injunctions awarded for disturbance liability have already been discussed above.⁷⁴ The implementation of that aspect of Directive 2004/48/EC that mandates a right of information has however been problematic.⁷⁵

53) In Hungary injunctions can be awarded against online intermediaries irrespective of any determination as to their liability. However the law does not provide specifically for other measures, such as DNS and IP address blocking, filtering and other technical means permitting the restriction of infringing activities. It notes that impeding the accessibility of websites and blocking domain names can be specific forms of injunction.⁷⁶

54) In Italy courts or administrative authorities with supervisory functions may require those online intermediaries benefiting from the safe harbours, also by means of an interim order, to terminate or prevent an infringement, and such orders have been made against online intermediaries. This power exists independently from the existence of a responsibility on the part of the online intermediary for violations occurring or that might occur in the absence of a preventative order: there is no explicit link in the legislation between the infringing activity and the order imposing termination of the service and all that is required in the case of copyright infringement is a showing of the requisite elements of copyright infringement

⁷²French report paragraph 32 to 42

⁷³French report paragraphs 43 to 47

⁷⁴See in particular paragraph 18) above

⁷⁵German report pages 31 to 33

⁷⁶Hungarian report section 3 and 4.3

perpetrated by some party involved in the dispute. There is controversy however as to the scope of such order (for example assuming in one case that all websites save for the official one would contain infringing material).⁷⁷

55) In the Netherlands, and irrespective of the issues of liability, various injunctions have been granted against online intermediaries⁷⁸ either ordering the removal of links to information that infringes copyright,⁷⁹ to make copyright infringing data inaccessible or to remove it,⁸⁰ to provide the names and addresses of infringers,⁸¹ and to cut off an internet connection.⁸² The duty of care that an on-line intermediary has towards its user's right of freedom of speech and privacy is also discussed.⁸³

56) In Sweden the case law concerning injunctions against online intermediaries to date has primarily concerned injunctions against them seeking information enabling those of their users alleged to be infringing to be identified, and which have raised issues of privacy.⁸⁴

57) In Switzerland, which as noted above is alone amongst the countries that have submitted national reports to have no special liability defences available to online intermediaries, an online intermediary may be subject to an injunction as soon as it contributes to the infringement of intellectual property rights or to the unfair competitive practice, even though it is only the indirect infringer. Provisional judgments are also available. Thus the rightsowner is entitled to seek for an injunction against an online intermediary whose services are used to infringe intellectual property rights. It does not matter whether the online intermediary is aware of the infringement or not. The injunction, which aims at stopping the infringement, can be served against any contributing party. No fault is required on the part of the online intermediary for an injunction. Fault is however required for damages and the online intermediary will avoid liability for damages, if the rightsowner is unable to prove that the illicit nature of the content of the information was known to the online intermediary or that it could reasonably be expected to know but did not take any measures. Thus the online intermediary may avoid liability if it

⁷⁷Italian report pages 11 to 13

⁷⁸Tabulated at Dutch report bridging pages 39 and 40

⁷⁹Dutch report pages 33 to 35

⁸⁰Dutch report pages 35 to 36

⁸¹Dutch report pages 36 to 38(copyright) and 38 to 39 (trade marks)

⁸²Dutch report page 38

⁸³Dutch report pages 5-6

⁸⁴Swedish report paragraphs 4.2 to 4.8

can prove that it behaved diligently and took all necessary precautions and control measures. It is suggested that the online intermediary should require users to identify and declare that they use online services without infringing third party's rights. It is also suggested that the online intermediary should adopt appropriate behaviour if it is informed of any infringement carried out on its system, such as providing in the agreements with its user that the online intermediary will immediately suspend the website if it is informed of any unlawful behaviour.⁸⁵

58) In the United Kingdom statutory language was introduced to implement the injunctive relief mandated by Directive 2001/29/EC (as to copyright), but not that mandated by Directive 2004/48/EC (as to most other intellectual property rights) although the courts have since confirmed that they have the equitable power to grant such relief.⁸⁶ Since the national report was submitted the English High Court has applied the Judgment of the EU Court of Justice in Case C-324/09 *L'Oreal v Bay* in a copyright context in *Twentieth Century Fox v British Telecommunications plc*⁸⁷ to grant, it is thought for the first time in English law, an injunction against an internet service provider, not keyed to any allegation of liability on its part. This injunction was in substantially the following terms:

- “1. The Respondent shall adopt the following technology directed to the website known as Newzbin or Newzbin2 currently accessible at www.newzbin.com and its domains and sub domains. The technology to be adopted is:
 - (i) IP address blocking in respect of each and every IP address from which the said website operates or is available and which is notified in writing to the Respondent by the Applicants or their agents.
 - (ii) DPI based blocking utilising at least summary analysis in respect of each and every URL available at the said website and its domains and sub domains and which is notified in writing to the Respondent by the Applicants or their agents.
2. For the avoidance of doubt paragraph 1(i) and (ii) is complied with if the Respondent uses the system known as Cleanfeed and does not require the

⁸⁵Swiss report pages 14 - 16

⁸⁶UK report paragraphs 57 - 83

⁸⁷*Twentieth Century Fox v British Telecommunications plc* [2011] EWHC 1981

Respondent to adopt DPI based blocking utilising detailed analysis.

The sites identified in this order, and its operators, were not necessarily within the jurisdiction of the English court and it had previously been established in separate litigation concerning the earlier version of the same site (discussed in the UK report) that the site and its operators were infringing copyright both directly and indirectly. This judgment also listed a number of specific injunctions granted in other EU Member States under the corresponding provision in Directive 2001/29/EC. This list is set out in [Appendix C](#).

59) In the [United Kingdom](#) it has also long been possible to seek an order disclosing the names of alleged infringers and orders of such a nature as against online intermediaries can almost be said to have become common place. However this may now change as the national report identifies a recent case in which such remedy was abused.⁸⁸

60) In the [United States](#) remedies in civil actions, including injunctions, have been keyed to a finding of accessorial infringement on the part of the online intermediary. Practically speaking, the difference in approaches between the United States and European states on civil actions is less than it appears although it still is substantial. On the one hand, the failure of an online intermediary in the United States to have a reasonable notice and takedown system will almost guarantee a finding of accessorial liability for infringement. In the event that such a finding is made, the online intermediary can be subject to injunctive relief similar to that found appropriate by the EU Court of Justice in Case C-324/09 *L'Oreal v eBay*, including the possibility that an online intermediary may be ordered to institute reasonable technological measures to prevent future infringement. On the other hand, should an online intermediary have a reasonable notice and takedown system, American courts have been unwilling to mandate additional steps be taken *ex ante* such as the institution of reasonable technological measures to prevent future infringement.⁸⁹ This point of American civil law is a material deviation from *L'Oreal*, which contemplates *ex ante* injunctive orders that may, in principle, require online intermediaries to institute reasonable technological measures without a prior finding of infringement even if those intermediaries have a notice and takedown system.

⁸⁸UK report paragraphs 84 - 89

⁸⁹US report paragraphs 10-15, 17, 19-20, 29-30

However similar to the orders granted by national courts in the EU in the wake of Directive 2001/29/EC and the *L'Oreal* decision, the US Government has in 2010 and 2011 resorted to *ex parte* court orders (e.g., no prior notice and hearing) allowing it to take down American-controlled domain names of allegedly rogue web sites, offering illegal material, in reliance on a civil forfeiture statute that gives it the power to seize assets that are being used to carry out criminal copyright infringement. These rogue sites hosted third party illegal content in violation of the rights of copyright owners or contained direct links to third party illegal content hosted by other web sites where those links can be directly opened to that illegal content and where the links were refreshed or updated so that the linked content would be as current as possible. These web sites apparently had no sort of notice and takedown system by which they would remove illegal content, or remove links to illegal content, upon notification; indeed, the volume of illegal content on these web sites, as well as the foreign “residence” of many of these web sites, all suggested a lack of any interest in having such a system. A foreign owner of one domain name has challenged such a seizure, so further developments in this area can be expected.⁹⁰

Analysis and Assessment

61) In determining to what extent on-line intermediaries should be responsible for the control or prohibition of unfair competitive practices carried out on their systems it is necessary to assess the appropriate balance to be struck as between rights owners, online intermediaries, those who use such facilities to sell goods or to provide services, and finally consumers, who may themselves also be selling goods or providing services.

62) In the questionnaire that lead to the national reports it was suggested that some examples of specific issues that might be addressed in this context included the following:

- To what extent should such balance take account of whether the unlawful activity in issue is copyright or trade mark infringement or has unfair competition as its basis?

- When established by statute “safe harbours” tend to be expressed in technology specific terms and thus leave certain types of online intermediary unable to take the benefit of them. Is this a problem in practice, and if so, how could it be dealt with?

- Online intermediaries constitute a convenient target for rightsowners faced with the difficulty of identifying, and acting against, individual

⁹⁰US report pages 19 -26

alleged infringers, but they lack the same economic interest in the material complained of as those primarily responsible for it. Thus it has been suggested that “notice and takedown” procedures may be open to abuse by overreaching rightsowners as an intermediary has little incentive to challenge such a notice. Is this a problem in practice and if so how can it be tackled?

63) In the questionnaire that led to the national reports it was also asked, by reference to the current state of the law in your jurisdiction as to the status of online intermediaries for unfair competitive practices carried out on their systems:

- a) Does your law strike an appropriate balance as between rights owners, online intermediaries, those who use such facilities to sell or to provide services, and finally consumers, who may themselves also be selling goods or providing services. If not why not, and what suggestions do you have as to how the law might be amended to strike such a balance?

- b) Are there any inconsistencies in treatment or approach (for example as between different types of online intermediary, between copyright, trade marks and unfair competition, between civil law and criminal law, and between direct and accessorial liability) that you would either support or question, explaining the basis for your view?

64) The national reports in general reflect a belief that their national laws strike an appropriate balance as between the various interests that are involved, but identify a number of more specific problems. It is notable that in the EU these more specific problems appear primarily to be matters of national implementation or interpretation of EU law, rather than any fundamental criticism of the solutions offered by EU law.

65) The Austrian reporters would like to see a stronger and clearer distinction between those on-line intermediaries who only enable access and those who host the information infringing the rights of third parties and those who have legally to be qualified as content providers, although they also recognise the difficulty in practice of finding a legally secure definition. However, it would be desirable to find at least guidelines as orientation for online intermediaries and the courts. They also question whether, in return for their comprehensive liability privileges, online intermediaries should be obliged to make reasonable registration compulsory for users and also to implement a duty of disclosure of user data for online intermediaries, so that infringed third parties or rights holders can obtain information on the user data concerned. Finally they recommend that the approach to other forms of intellectual property infringement and unfair competition be brought into line with that for copyright so that an action against an online intermediary in relation to such

infringement who can rely on the defences provided Directive 2000/31/EC can only be instituted after a written warning.⁹¹

66) The Belgian report considers that the appropriate balance struck by Directive 2000/31/EC has been disturbed by certain developments in Belgian case law described above that have been unfavourable to online intermediaries, but the equilibrium may be restored by judgments of the Court of Justice in some cases and appeals in others.⁹²

67) The French report discusses the nature of the balance struck by Article 6-I, 8 LCEN and questions its application to previously unforeseen types of online intermediary such as sites offering user generated content and online marketing platforms. It expresses concern at the varied and sometimes conflicting case law on the interpretation of the LCEN, a situation which it sees as arising from the fact that these operators are between hosts and publishers: they are similar to the first in that they not only a simple technological host, nor the latter to the extent they do not intervene in determining what content they host. It therefore questions whether the distinction between host and publisher is as relevant now as it used to be and notes that the new concept of "publisher services" is emerging from the various debates in France. Thus a recent report has called for an amendment of Directive 200/31/EC to add a new category of online intermediaries which it refers to as "publisher services" and would defined as a company that receives a direct economic benefit of consultation of the hosted content, such as companies that provide advertisements on the occasion of each visit to hosted content, or those whose compensation is proportional to the number of "clicks" made on the advertising links.

68) The German report notes that in implementing Directive 200/31/EC no regulation which corresponds to the notice-and-take-down procedure was implemented. It observes that by the general application of disturbance liability (subject to a welcome trend on the part of the courts to avoid the application of disturbance liability) and the overexpansion of injunctive relief the Federal Supreme Court misconceives the main goals which national and EU legislators have pursued. As a consequence legal security or certainty for service providers is missing. General, unambiguous, and binding liability standards, which the legislation intended to create, are absent. Instead, in every single case courts observe the relevant circumstances and facts before attempting to find a fair balance between the interests

⁹¹Austrian report sections 4)a) and 4)b)

⁹²Belgian report paragraphs 80 to 84

of the parties involved. In particular it remains uncertain which precautions have to be undertaken by service providers in order to prevent liability. As a result, it is still undetermined, to what extent future infringements have to be prevented. As for proactive examination obligations, it is proposed that an appropriate limit for the scope of injunctions might be the requirement of double identity: an injunction is granted against an intermediary only to prevent continuation or repetition of infringements of a certain trademark by a certain user.⁹³

69) The national report thus recommends, as to Germany, that court practice regarding in particular the doctrine of disturbance liability, the proactive obligations to examine contents and the adoption of contents under national law need to be replaced by liability criteria in accordance with Directive 2000/31/EC . The Directive should also be regarded as the main reference point for national courts in interpreting the liability defences. A statutory regulation for the responsibility of search engines and links appears recommendable as well. A holistic regulation of liability privileges which has also an impact on injunction claims might be advisable. Moreover, a notice-and-take-down is necessary to prevent misuse and to give guidelines for courts and practitioners. Also, unitary requirements for liability should be established in order to reduce the amount of contradicting court decisions and to secure a legal environment for service providers.

70) The national report for Hungary recommends that access and network providers should not benefit from a more favourable liability regime than other online intermediaries. As to more specifically national issues, it recommends extending the list of specific injunctions available as against online intermediaries, and to make it clear that orders can be made against these for the provision of customer data, to the extent only that it is indispensable for the purposes of enforcement.⁹⁴

71) The Italian report suggests that clarification is required as to those online intermediaries that are able to benefit from the safe harbours that implement the Directive on electronic commerce. It also expresses concern, given the broad scope of injunctive relief, whether the courts will be able to maintain the proper balance between intellectual property protection and the values of freedom of expression and freedom of enterprise, which might result affected by a particular injunction. It

⁹³German report pages 31 to 33

⁹⁴Hungarian report sections 4.3 and 4.4

suggests one approach to this issue might be to leave upon the online intermediary, which is in a better position than the courts in this respect, the determination of what activities should be subject of removal or termination, allied to a “notice and take-down” procedure, such as the Italian Communication Authority (AGCOM) is considering adopting.⁹⁵

72) The Swiss report considers by resorting to ordinary provisions of the intellectual property laws, the unfair competition law and the code of obligations, Swiss law provides a harmonious system of remedies which strikes an appropriate balance for all involved parties' interests. It suggests that such application of ordinary provisions has the advantage of permitting a better adaptation to the new developments of Internet, and that a specific legal system applicable to online intermediaries would need to be modified in order to solve issues that would not be covered by the specific provision in force, which specific provisions would inevitably stay behind and be incomplete and obsolete, a problem which any attempt at a uniform solution would also encounter. It does however support the concept of a special liability defence available to online intermediaries on condition that they abide by a procedure of “notice and take down”, and also for specific conditions to be established under which the online intermediary is assumed to know the content of the information on their systems and thus be held liable for the infringement of property rights and/or unfair practices.⁹⁶

73) The United Kingdom report recognises the scope for rights owners to seek broad but balanced relief under the existing legislative framework. In particular, it notes that there is scope within the existing provisions to seek proportionate and specific (not general) monitoring obligations, for instance in relation to specific infringing users. There is also the possibility of seeking damages from online intermediaries where there is repeat infringement giving rise to “awareness” of the infringement. It considers, given the relative speed of technological and commercial developments in this field, that it is unlikely that legislative changes will provide an appropriate balance in the short to medium-term. There is also a serious risk that any legislative change will be perceived as heavy-handed and will reduce public support for the protection of intellectual property rights, as can be seen from the public

⁹⁵Italian report pages 13 to 15

⁹⁶Swiss report pages 16-17

response in the United Kingdom to the Digital Economy Act 2010 and other “three strikes” proposals.⁹⁷

74) Although the United States report considers that American law generally strikes an appropriate balance among the interest of various stakeholders it identifies four issues on which it considers further discussion is warranted: (1) when can a design or technological innovation in and of itself be attacked as being useful primarily for the illegal sale of goods; (2) should online intermediaries be held to a “reasonable technology” standard in safeguarding the use of their web sites against the illegal sale of goods; (3) when should online intermediaries be required to bar repeat offenders who continue to offer illegally goods for sale; and (4) the lack of substantial distinctions under U.S. law, except to a limited extent between civil and criminal infringement (e.g., the takedown of rogue web sites). The United States report then proceeds to make the following recommendations: (1) the Congress should closely study whether design or technological innovations in and of themselves may lead to a finding of infringement where said innovations are not used exclusively, or almost exclusively, for infringing uses; (2) the use of reasonable technological measures to prevent acts of unfair competition (beyond the implementation of a notice and takedown system) should be determined via agreement rather than through the courts absent findings of infringement; and (3) the ex parte takedown of rogue web sites is appropriate.⁹⁸

Conclusion and Preliminary Recommendations

75) A notable feature of the national reports is that the legal status of online intermediaries in the context of copyright and trade mark infringement and unfair competition is subject in practice to relatively little variation, even though the legal basis for such liability is the subject of considerable variation, mainly as between different countries but sometimes even within the same country as to different types of intellectual property right.

76) Thus for example it is remarkable on studying the national reports how irrelevant to outcomes are the different approaches to issues of direct and indirect (accessorial) liability. It is also remarkable how the principles behind the statutory safe harbours, or defences, are applied by most courts in assessing issues of liability

⁹⁷UK report pages 22-24

⁹⁸US report pages 27 -34

irrespective of whether or not the online intermediary in issue actually fall within their scope, and also how courts in most jurisdictions have been able to award injunctions as against online intermediaries irrespective of liability.

77) In the light of this it would appear that there may be scope for a resolution along the following lines to be adopted:

- Recognising

(1) that is impractical in the present state of the law to seek to harmonise, whether generally or as to indirect (or accessory) liability in particular, and whether in civil law or under criminal law, the grounds of liability of online intermediaries for infringement of intellectual property rights such as copyright and trade marks and liability under unfair competition

(2) that it is impractical, given the scope for rapid technological development and the creation of new business models, to seek to define with too much precision the concept of an online intermediary.

- Recommends

(1) that there be a harmonisation as to the availability of defences for online intermediaries, whether in civil law or under criminal law, taking into account the following factors;

[To Specify]

(2) that there be harmonisation as to the availability of injunctions as against online intermediaries that is not dependant on the finding of liability of any sort on the part of the online intermediary, taking into account the following factors;

[To Specify]

78) I shall be in contact with each of the national reporters in the run up to the Congress over the next fortnight in an effort to try to set out the factors that could be listed in the above recommendations.

Appendix A

Extracts from Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce)

Section 4: Liability of intermediary service providers

Article 12 "Mere conduit"

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:

(a) does not initiate the transmission;

(b) does not select the receiver of the transmission; and

(c) does not select or modify the information contained in the transmission.

2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 13 "Caching"

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:

(a) the provider does not modify the information;

(b) the provider complies with conditions on access to the information;

(c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;

(d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and

(e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it

has been disabled, or that a court or an administrative authority has ordered such removal or disablement.

2. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 14 - Hosting

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

Article 15 - No general obligation to monitor

1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

Appendix B

Since the national reports were submitted the EU Court of Justice has held in its judgment in Case C-324/09 *L'Oréal v eBay* that:

139 First, it follows from Article 15(1) of Directive 2000/31, in conjunction with Article 2(3) of Directive 2004/48, that the measures required of the online service provider concerned cannot consist in an active monitoring of all the data of each of its customers in order to prevent any future infringement of intellectual property rights via that provider's website. Furthermore, a general monitoring obligation would be incompatible with Article 3 of Directive 2004/48, which states that the measures referred to by the directive must be fair and proportionate and must not be excessively costly.

140 Second, as is also clear from Article 3 of Directive 2004/48, the court issuing the injunction must ensure that the measures laid down do not create barriers to legitimate trade. That implies that, in a case such as that before the referring court, which concerns possible infringements of trade marks in the context of a service provided by the operator of an online marketplace, the injunction obtained against that operator cannot have as its object or effect a general and permanent prohibition on the selling, on that marketplace, of goods bearing those trade marks.

141 Despite the limitations described in the preceding paragraphs, injunctions which are both effective and proportionate may be issued against providers such as operators of online marketplaces. As the Advocate General stated at point 182 of his Opinion, if the operator of the online marketplace does not decide, on its own initiative, to suspend the perpetrator of the infringement of intellectual property rights in order to prevent further infringements of that kind by the same seller in respect of the same trade marks, it may be ordered, by means of an injunction, to do so.

142 Furthermore, in order to ensure that there is a right to an effective remedy against persons who have used an online service to infringe intellectual property rights, the operator of an online marketplace may be ordered to take measures to make it easier to identify its customer-sellers. In that regard, as *L'Oréal* has rightly submitted in its written observations and as follows from Article 6 of Directive 2000/31, although it is certainly necessary to respect the protection of personal data, the fact remains that when the infringer is operating in the course of trade and not in a private matter, that person must be clearly identifiable.

143 The measures that are described (non-exhaustively) in the preceding paragraphs, as well as any other measure which may be imposed in the form of an injunction under the third sentence of Article 11 of Directive 2004/48, must strike a fair balance between the various rights and interests mentioned above (see, by analogy, *Promusicae*, paragraphs 65 to 68).

144 In view of the foregoing, the answer to the tenth question is that the third sentence of Article 11 of Directive 2004/48 must be interpreted as requiring the Member States to ensure that the national courts with jurisdiction in relation to the protection of intellectual property rights are able to order the operator of an online marketplace to take measures which contribute, not only to bringing to an end infringements of those rights by users of that marketplace, but also to preventing further infringements of that kind. Those injunctions must be effective, proportionate, dissuasive and must not create barriers to legitimate trade.

Appendix C

Subsequent to the judgement of the EU Court of Justice in Case C-324/09 *L'Oréal v eBay*⁹⁹ the English High Court, when applying the *eBay* judgment in a copyright context in *Twentieth Century Fox v British Telecommunications plc*¹⁰⁰ listed, at paragraph 96, in chronological order, on the basis of information provided by the rightsowners and supplemented by the online intermediary, a number of specific injunctions granted in other EU member states under the provision in Directive 2001/29/EC that corresponds to that in Directive 2004/48:

IFPI Danmark v Tele 2 A/S (Copenhagen City Court, 25 October 2006): order granted on application of the Danish branch of IFPI requiring ISP to block access to www.allofmym3.com, it appears by DNS blocking;

SABAM v Tiscali SA (Brussels Court of First Instance, 29 June 2007): order granted on application of Belgian collecting society requiring ISP to filter and block infringing content;

IFPI Danmark v DMT2 A/S (Frederiksberg Court, 29 October 2008) upheld sub nom *Sonofon A/S v IFPI* (High Court of Eastern Denmark, 26 November 2008) and sub nom *Telenor v IFPI* (Danish Supreme Court, 27 May 2010): order granted on application of the Danish branch of IFPI requiring ISP to block access to www.thepiratebay.org (“the Pirate Bay”);

Bergamo Public Prosecutor's Officer v Kolmisappi (Italian Supreme Court of Cassation, 29 Sept 2009): order requiring ISPs to block access to the Pirate Bay as part of preventative seizure in criminal proceedings;

Columbia Pictures Industries Inc v Portlane AB (Swedish Court of Appeal, 4 May 2010): order granted on the application of the Studios requiring ISP to block access to a tracker website associated with the Pirate Bay;

Nordic Records Norway AS v Telenor ASA (Borgarting Court of Appeal, 9 February 2010): application for preliminary injunction by various rightholders requiring ISP to cease contributing to infringements committed through the Pirate Bay refused, Article 8(3) of the Information Society Directive not having been specifically implemented;

Stichting Bescherming Rechten Entertainment Industrie Nederland (BREIN) v. Ziggo BV (District Court of the Hague, 19 July 2010): interim injunction to block access to the Pirate Bay refused;

⁹⁹Relevant extracts are set out in Appendix A

¹⁰⁰*Twentieth Century Fox v British Telecommunications plc* [2011] EWHC 1981

EMI v UPC (cited above): application by rightholders against ISP for blocking injunction refused since no equivalent of section 97A CDPA 1988 implementing Article 8(3) of the Information Society Directive;

Constantin Film v UPC (Commercial Court of Austria, 13 May 2011): order granted on application of two film companies requiring ISP to block www.kino.te using IP blocking.