

COMMENTARY



Meeting Halfway: The Increasing Role of Intermediaries in Protecting UK Intellectual Property Rights Online

The last two decades of the internet have dramatically reshaped how we do business and consume creative content. During that time, the internet has become widespread and truly global. This has meant that the role of internet intermediaries (e.g. internet service providers, online marketplaces, search engines) have become a focus in combating intellectual property infringement in the online world. This has raised some questions as to who should be responsible for the costs of compliance and how to limit the impact of any restrictions on lawful internet users.

The UK High Court has recently provided some guidance regarding the power of the courts in the UK to grant relief against intermediaries in the context of copyright and trademark infringement. This *Commentary* considers some of the threshold requirements and discretionary factors that will guide the Court's discretion. The rulings emphasise a need for a balanced approach, citing that intermediaries usually have no direct involvement in the creation of infringing goods but are uniquely placed to stop infringing activity.

Growth of the Internet and the Sharing Economy

The United Nations Information and Communication Technologies Task Force estimate that by the end of 2014, three billion people, i.e. 40 percent of the world

population, will be using the internet. In many regions of the world, the percentage of individuals using the internet is significantly higher, such as in Europe, where it is estimated that it will reach 75 percent by the end of the year. This has inevitably meant that e-commerce now accounts for a sizeable part of most developed economies (in the UK, it already accounts for nearly 20 percent of the country's total turnover), and its role in the developing world is growing at a rapid pace. More and more people are also turning away from physical formats for audio/visual content and towards digital downloads and internet-based streaming services. These trends have cast internet intermediaries into gatekeeper roles and also enabled the growth of more collaborative and horizontal business models such as peer-to-peer marketplaces and social media.

These developments have a number of implications for combating intellectual property infringement. Firstly, it is often the case that the identity and location of primary infringers are more difficult to pin down, which makes pursuing online infringement much more difficult. Rights holders have to dedicate significant resources to monitor infringing activity, and when such activity is found, it is often very difficult (if not impossible) to identify the actual infringers themselves. Secondly, the fact that the transition to an online environment has significantly reduced the barriers to entry means that rights

holders often have to deal with a large number of infringers, making enforcement very costly and time consuming. This is not helped by the fact that infringing activity is increasingly global whereas, given that IP rights are territorial, IP enforcement mechanisms vary from country to country, even within the EU.

As a consequence, IP rights holders have looked to online intermediaries as a means to stop online infringement. This is because these intermediaries are often best placed to stop (or, at least, impede access to) infringing activities at the source, and it is easier and more cost effective to address these issues with the intermediaries rather than the primary infringers. ISPs have been particularly targeted in the UK and throughout Europe. Online marketplaces, such as eBay, have also been implementing notice and take down policies for counterfeit goods.

UK Courts' Powers to Grant Injunctions Against Intermediaries

The UK High Court has powers to grant injunctive relief against intermediaries for IP infringement, and the breadth of these powers has been considered in a number of recent high-profile cases.

The Court has express statutory powers for copyright infringement under section 97(A) of the Copyright, Designs and Patents Act 1988 ("CDPA"), which implements article 8(3) of the Information Society Directive 2001/29/EC. The section provides that:

"(1) The High Court (in Scotland, the Court of Session) shall have power to grant an injunction against a service provider, where that service provider has actual knowledge of another person using their service to infringe copyright..."

The first time the UK High Court exercised this jurisdiction against ISPs was in 2011 in the case of *Twentieth Century Fox v British Telecommunications Plc* [2011] EWHC 1981 ("2C Fox"). An important aspect of the judgment was the finding that the knowledge requirement of section 97A should not be interpreted too restrictively; it was sufficient in that case that BT knew that the users and operators of the infringing website infringed copyright on a large scale, that a large number of the website's users included BT subscribers and that these users used its services to receive infringing

copies of copyright works made available to them by the infringing website. In addition, the Court in *2C Fox* held that its powers were not limited to preventing the continuance of known infringements but that it could grant measures which contribute to preventing further infringements of the same kind.

Since then, the UK High Court has granted a significant number of section 97A injunctions against ISPs, in favour of film studios, record companies and the FA Premier League. This has resulted in the blocking of at least 40 websites including high-profile websites such as The Pirate Bay (*Dramatico Entertainment v British Sky Broadcasting Ltd* [2012] EWHC 268). Most recently, and as a sign of its ongoing willingness to grant injunctive relief against ISPs, the UK High Court in October 2014 made the largest single website blocking order to date in the UK in relation to 21 websites (*1967 Limited v British Sky Broadcasting Limited* [2014] EWHC 3444 (Ch) ("*1967 Limited*"). The practice of making section 97A orders against ISPs has become so common that these applications are now rarely opposed by ISPs and usually made without any oral hearing (although there are still disputes about the breadth of the orders).

There are no equivalent provisions to section 97A in the other UK intellectual property law statutes. However, in 2009 the Court of Justice of the EU ("CJEU") explained that article 11 of the Enforcement Directive 2004/48/EC requires all 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 infringement of those rights by users of that marketplace, but also to preventing further infringements of that kind" (*L'Oréal v eBay International AG* (Case C-324/09) ("*eBay*"). In October 2014, the UK High Court in *Cartier v British Sky Broadcasting Limited* [2014] EWHC 3354 (Ch) ("*Cartier*") following *eBay* held that whilst article 11 was not specifically implemented by the UK Parliament in relation to other IP rights, the Court has powers under section 37(1) of the Senior Courts Act 1981 to grant injunctions against ISPs to block websites advertising and selling goods that infringe trademarks. The ruling in *Cartier* is significant in that it recognises for the first time that the Court's power to grant relief against intermediaries is not limited to just counterfeiting claims but, at least in theory, extends to all types of IP infringements.

Threshold Considerations and Discretion

The UK High Court's discretion to grant relief against intermediaries is not unfettered, however. In *Cartier*, the Court recognised that the discretion must be exercised consistent with European directives and CJEU jurisprudence. For this reason, the Court first identified a number of "threshold" conditions that must be met before an injunction is granted against an intermediary, such as ISPs, and then described various factors that will guide the Court's discretion on the form of relief. These apply equally to section 97A orders as well as to other IP infringement claims.

The threshold conditions are:

1. The ISPs must be intermediaries within the meaning of article 11 of the Enforcement Directive;
2. The users and/or operators of the target websites must be engaged in infringing activity;
3. The users and/or the operators of the target websites must be using the ISPs' services to infringe; and
4. The ISPs must have actual knowledge of condition 3.

The first three conditions are imported from the Enforcement Directive and the recent case law regarding section 97A orders. Condition 4 is derived from the E-Commerce Directive (2000/31/EC), which prevents member states from imposing a general monitoring obligation on intermediaries. Together, they are intended to provide a degree of protection to intermediaries that do not have knowledge of the infringing activity (although, as discussed above, knowledge of every individual instance of infringement is not required).

If the threshold conditions are met, the Court will then go on to consider various discretionary considerations. The overriding principle here is proportionality, and the Court has to balance the competing interests of the IP rights owner, the intermediary and the general public. The case law indicates that the following factors are particularly important:

- Whether alternative measures are available which are less onerous;
- How effective the measures are likely to be, and in particular whether they would seriously discourage the ISPs' subscribers from accessing the websites;

- Whether the measures will be dissuasive;
- The costs associated with implementing the measures; and
- The impact of the measures on lawful users.

Given that these considerations will vary significantly from case to case, it is plain that the Court's discretion is very broad. For instance, in *Cartier*, the Court granted the blocking orders subject to certain safeguards, including a "sunset clause" requiring the block to be reviewed after a period of two years. The ruling in *1967 Limited* was more straightforward, presumably given that much of the implementation costs for blocking pirated software is now already in place and there is now a good deal of evidence that such measures are effective.

Implications for Rights Holders, Intermediaries and Internet Users

The recent case law from the UK High Court points to a broadening role for internet intermediaries in IP infringement cases. Rights holders will no doubt applaud the Court's pragmatic approach, and it is likely that website blocking orders for sites offering pirated and/or counterfeit goods will soon become standard and formulaic. Intermediaries (particularly ISPs) on the other hand will need to adjust to this changing dynamic and will need to find ways to deal with infringers without alienating lawful users of their services.

The more difficult question is how these principles will be applied in less clear-cut cases and how they will be adapted for different types of intermediaries. For instance, the *eBay* decision highlighted some of the difficulties faced by online marketplaces in identifying infringing products and the actual sellers and how these intermediaries may themselves be held liable where they play an "active role". If the courts are prepared to readily grant injunctive orders against these intermediaries (or there are significant differences in the relief available in different EU Member States), this could significantly increase the costs of doing business for these companies and potentially limit consumer access to these platforms. The ongoing AdWords litigation in the UK between Interflora and Marks & Spencer also reveals some of the difficulties that may arise outside of the counterfeiting/piracy context and raises fundamental questions about the role of search engines and the nature of internet advertising.

It is apparent, however, that some of the considerations that apply to these types of intermediaries will be different to those applying to ISPs.

Finally, an altogether different approach may be needed with respect to operators of websites with user-generated content, such as YouTube and Vimeo as well as social media. Given the sheer volume of internet traffic these websites process and broader policy considerations regarding freedom of expression, it may be difficult to implement such strict controls on content.

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