

Liability Exemptions Wanted! Internet Intermediaries' Liability under UK Law

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Abstract. *Since a few years, cases involving Internet intermediaries have sprung up before UK courts. Although the first cases were concerned with issues of defamation, more recent cases do deal with issues of Intellectual property infringement, be it trade mark infringement or copyright infringement. The purpose of this chapter is thus twofold: First, to clarify the articulation of the liability exemptions governing the activities of Internet intermediaries that come from European law, and, national rules of civil liability. Indeed, liability exemptions seem to be of little interest in the light of national pre-existing tort law rules; Second, to examine how the distinction between financial liability and equitable relief has been construed and instrumentalized by judges to limit the scope of the exemptions adopted in favour of “passive” intermediaries, namely mere conduits. Truly injunctions granted against Internet intermediaries have been calibrated in such a way that liability exemptions are likely to become an empty shell when IP and in particular copyright infringements are at issue. The foregoing therefore does seem to show once again that the liability exemptions, as conceived by the drafters of the Directive on e-commerce, are becoming a dead letter for a significant number of intermediaries*

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1. Introduction

Since a few years, cases involving Internet intermediaries have sprung up before UK courts and judges have not hesitated to frequently ask preliminary questions to the Court of Justice of the European Union (CJEU) to get clarifications as regards the way the exemptions laid down in the Directive 2000/31/EC on e-commerce¹ must be interpreted². Although the first cases were concerned with issues of defamation³, more recent cases do deal with issues of Intellectual property infringement, be it trade mark infringement or copyright infringement⁴. Furthermore, the enactment of the Digital Economy Act in 2010⁵ to subdue online piracy and more precisely

¹ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce'), OJ L 178, 17.7.2000, p. 1–16.

² L'Oréal SA v eBay International AG [2009] R.P.C. 21 (L'Oréal v eBay (UK)). See also Interflora Inc v Marks & Spencer Plc [2009] EWHC 1095; ITV Broadcasting Ltd v TV Catchup Ltd (No. 2), [2011] EWHC 1874 (Pat).

³ See in particular Godfrey v Demon Internet Ltd [2001] QB 201; Bunt v Tilley [2006] EWCH 407 (QB); Imran Karim v Newsquest Media Group Ltd [2009] EWHC 3205 (QB); Metropolitan International Schools Ltd v Designtecnica Corp. [2009] EWHC 1765 (QB) (Metropolitan); Kasche v Gray [2010] EWHC 690 (QB).

⁴ Interflora Inc v Marks & Spencer Plc [2009] EWHC 1095; Twentieth Century Fox Film Corp v Newzbin Ltd [2010] EWHC 608 (Ch) (Newzbin 1), [2010] FSR 21 (Newzbin 1bis); Twentieth Century Fox Film Corp v BT [2011] EWHC 1981 (Ch), (Newzbin 2) [2011] EWHC 2714 (Ch) (Newzbin 2bis); R, on the application of British Telecommunications Plc and another v Secretary of State for Business, Innovation & Skills and others (Open Rights Group and another, intervening) [2011] EWHC 1021 (Admin) (BT v Secretary of State for Business). See also ITV Broadcasting Ltd v TVCatchup Ltd [2010] EWHC 3063 (Ch); ITV Broadcasting Ltd v TV Catchup Ltd (No. 2), [2011] EWHC 1874 (Pat).

⁵ 2010 c. 24.

infringing file sharing through the means of Peer-to-Peer exchange systems has impacted upon the way the scope of liability exemptions had initially been conceived, even though implementing measures are still missing⁶.

The Directive on e-commerce had been transposed by the Electronic Commerce (EC Directive) Regulations 2002⁷ of which the wording is almost identical to that of the European instrument and its articles 12, 13, 14 laying down horizontal liability exemptions. At national level, the liability exemptions have been set forth in the same spirit as that of the Directive on e-commerce and in principle, they apply whatever the nature of the interests at stake: in cases of intellectual property infringements and more generally in any type of tortious cases brought against intermediary providers as long as the kernel of the claim is to hold the Internet intermediary at issue liable for the information transmitted or stored by others. Notably, Article 15(1) of the Directive on e-commerce prohibiting the imposition of a general monitoring obligation has no equivalent at national level⁸.

The foregoing description of UK positive law holds true in so far as no specific rule governs the activities of intermediary providers in particular instances. Yet the UK had in some ways anticipated the Directive on e-commerce and enacted in 1996 the Defamation Act⁹ in which one finds a statutory defence intended to benefit those who are not the author, editor or publisher of defamatory statements within the meaning of the statute: they cannot be held liable if they did “*not know, and had no reason to believe, that what [they] did caused or contributed to the publication of a defamatory statement*”¹⁰. Although this chapter focuses upon the solutions that have been adopted in the field of copyright, it is important to keep in mind the overall horizontal framework that has been set forth both at a national and supra-national level. Cases dealing with defamation are thus worth studying to better understand the functioning of the liability exemptions in the field of copyright although it may well be that in practice judges react differently in relation to the nature of the damage at issue.

Specific rules have been adopted in the field of copyright, on top of the horizontal regime aforementioned. The UK has transposed the Directive 2001/29/EC on copyright in the information society (the infosoc Directive) by the Copyright and Related Rights Regulations 2003¹¹. In particular, Regulation 27 implements Article 8(3). Sections 97A and 191JA have been included into the Copyright, Designs and Patents Act of 1988 (CDPA). Nonetheless, The UK has not felt it necessary to adopt a specific provision to implement Article 11 of the Directive 2004/48/EC on enforcement of intellectual property rights¹², which was transposed by the Intellectual Property (Enforcement) Regulations 2006¹³. It is important to note here that even if specific rules have been adopted in the field of intellectual property and in particular copyright, the three Directives on e-commerce, copyright in the information society and enforcement of intellectual property rights must be read together so that Articles 12, 13, 14, 15 of the Directive on e-commerce are not undermined. In other words it would be erroneous to construe Article 8 of the Infosoc Directive and Article 11 of the enforcement Directive as rules derogating from Article 12, 13, 14 or 15 of the Directive on e-commerce.

When one tries to determine under UK law the scope of the domain of the liability exemptions set forth to regulate certain activities of Internet intermediaries and their effects in relation to the nature of the remedy claimed for in the light of the relevant European instruments, one gets contrasted impressions. This is true in particular if one focuses upon recent interpretations of the legal framework. After a careful examination of both statutory rules and case law it is difficult to say that the liability exemptions clearly and satisfactorily meet their purpose. On the one hand it is possible to argue that the liability exemptions are in the end of little interest to

⁶ See *BT v Secretary of State for Business* §114 and the restrictive interpretation of Article 15 of the Directive on e-commerce.

⁷ SI 2002/2013.

⁸ The reason put forward was that Article 15(1) had been drafted negatively.

⁹ 1996 c. 31

¹⁰ S.1(1). The UK government has the intention to amend further the traditional rules in the field of defamation to take into the account the specificities of publications taking place online. See the Draft Defamation Bill of 2011, <http://www.publications.parliament.uk/pa/jt201012/jtselect/jtdefam/203/203.pdf>.

¹¹ SI 2003/2498.

¹² Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 157, 30.4.2004, p. 45–86.

¹³ SI 2006/1028.

Internet intermediaries which either have not been deemed liable under traditional rules of civil liability or have been considered as primary infringers thereby unable to avail of the defences laid down to shield those which transmit or store information at the request of others. On the other hand, because of the distinction laid down in the Directive on e-commerce between damages and equitable relief, British judges have not been embarrassed to grant relatively broad injunctions against passive intermediaries and in particular mere conduits¹⁴. Consequently, at least in the field of copyright, it is still possible to state that the adoption of the European framework comprising the three directives aforementioned is impacting upon traditional national rules not so much in the sense of weakening the severity of judges towards Internet intermediaries but in the sense of allowing judges to increase the number of duties imposed on Internet intermediaries while sharpening the divide between the different categories of potential victims¹⁵. Intermediary providers including mere conduits, which can potentially be the addressees of injunctions to stop present infringement or prevent future infringement, are thus given the incentive to cooperate with right holders and implement technological measures at the request of the latter without prior judicial supervision. The difference of treatment established between mere conduits and hosting providers by the Directive on e-commerce is thus partly undermined.

The purpose of this chapter is twofold: First, to highlight the articulation of the liability exemptions governing the activities of Internet intermediaries that originate from European law and national rules of civil liability. Indeed, liability exemptions seem to be of little interest given national pre-existing tort law rules. Second, to examine how the distinction between financial liability and equitable relief has been construed and instrumentalized by judges to limit the scope of the exemptions adopted in favour of passive intermediaries namely mere conduits. Injunctions granted against Internet intermediaries have been calibrated in such a way that, for good or bad depending upon one's position, liability exemptions are likely to become an empty shell. This explains why judges have been content to state that Intellectual Property law rules can be applied in the digital world to protect right holders despite the initial claims in favour of the "non-regulability" of cyberspace.

2. The articulation between liability exemptions and general rules of civil liability

If Internet intermediaries are qualified as mere facilitators, they will not in general need to resort to any additional statutory exemption deriving from the transposition of the Directive on e-commerce. But if they are held primarily liable for copyright infringement even though the actual transmission or storage of unlawful content is ultimately undertaken at the request of their users they will have a hard time trying to rely upon any liability exemption.

2.1 Passive Internet intermediaries as mere facilitators

As aforementioned, the system of liability exemptions harmonized at the European level is a horizontal one: it is applicable whatever the nature of the interests at stake. This said, these liability exemptions have initially been conceived as constituting a minimum threshold that Member States cannot refute¹⁶. The latter should thus in theory be entitled to go further on the path of exemptions and set forth rules that are even more favourable to intermediary providers¹⁷. This is the reason why it could make sense at national level to adopt vertical, sectorial instruments regulating the activities of intermediary providers rather than a general one as it has been done in the United-States. The UK has not really followed this logic even though the Defamation Act setting forth a defence of innocent dissemination coexists with the regulations transposing the Directive on e-commerce. However, the

¹⁴ Newzbin 2.

¹⁵ IP Right holders and consumers.

¹⁶ E. CRABIT, La directive sur le commerce électronique, 4 Revue du Droit de l'Union Européenne 749(2000).

¹⁷ It is questionable whether this is the actual position of the CJEU which held in CJEU, 12 July 2011, C-324/09, L'Oréal SA et al v eBay International AG et al. (L'Oréal v eBay) that generally speaking actual knowledge could be acquired by other means than notifications. It thus stated "[t]he situations thus covered [by the Article 14(1)(a)] include, in particular, that in which the operator of an online marketplace uncovers, as the result of an investigation undertaken on its own initiative, an illegal activity or illegal information, as well as a situation in which the operator is notified of the existence of such an activity or such information". § 112.

Defamation Act is not more favourable to Internet intermediaries than the Directive on e-commerce. Quite the contrary some have argued that it amounts to the imposition of a limited obligation of monitoring¹⁸.

When having had to examine the activity of search engines, British judges did not need to assess the applicability of any liability exemptions originating from the Directive on e-commerce or other specific defences such as the defence of innocent dissemination. More precisely, when interpreting the common law in the field of defamation Eady J. in *Metropolitan International Schools Ltd v Designtecnica Corp.* held before the CJEU's case *Google v Vuitton*¹⁹ that an Internet intermediary when undertaking no more than the role of a passive medium of communication was not a publisher at common law and did not need to turn to any particular defence, whatever its source²⁰.

In this case, the claimant one of the largest providers of adult distance learning courses had brought proceedings against several defendants in respect of allegations published on the Internet. The first defendant was the administrator of a website said to provide news, professional reviews, and opportunities for public discussion of the latest consumer electronic products, services and trends, and operated several bulletin boards on which alleged defamatory statements had been posted. The third defendant was Google Inc. operating a search engine the listing of which contained links to the bulletin boards on which alleged defamatory statements had been posted. The main question that the Court had to answer was whether the operator of a search engine could be held liable for the publication of defamatory statements by displaying links and extracts of web pages containing defamatory statements in its search results²¹. Because the third defendant in this case was no more than a mere facilitator before and even after the reception of a notification by the alleged victim, it had not taken any responsibility in the publication of the allegedly defamatory snippet and could not be considered as a publisher at common law for lack of any mental element. As a result, the Defamation Act was of no interest.

According to Eady J. a provider of search engine service is more akin to a mere conduit than a hosting provider. Besides, the judge insists upon the automatic functioning of Google. His words echoes the words of Advocate General Maduro in *Google v Vuitton*²²: "*When a search is carried out by a web user via the Google search engine it is clear, from what I have said already about its function, that there is no human input from the third defendant. None of its officers or employees takes any part in the search. It is performed automatically in accordance with computer programmes*"²³. Consequently there is no possible analogy with a hosting provider. This explains why this case is more closely analogous to that of *Bunt v Tilley* than *Godfrey v Demon Internet*. In *Bunt v Tilley* the same Eady J. had held that "*as a matter of law (...) an ISP which performs no more than a passive role in facilitating postings on the Internet cannot be deemed to be a publisher at common law*"²⁴. It thus seems that neutral or at least passive Internet intermediaries do exist: Internet access providers and Google when operating its natural search engine are examples of the latter.

The concept of facilitator comes directly from the field of intellectual property as acknowledged by Eady J. in *Bunt v Tilley*²⁵ and seems to be linked to the idea of absence of any volition as well as the inability to control the activities of one's users and implement effective technological measures. To what extent this transplant has

¹⁸ I. Walden, Mine host is searching for a 'neutrality' principle!, 26 Computer Law & Security Review 203 (2010). But see *Kasche v Gray* [2010] EWHC 690 (QB) which does seem to give precedence to the provisions originating from the Directive on e-commerce.

¹⁹ CJEU, 23 March 2010, C-236/08, C-237/08, C-238/08, *Google France et Inc. v Louis Vuitton Malletier SA, Viaticum SA, Luteciel SARL, CNRRH*.

²⁰ *Metropolitan*, §36.

²¹ The only application before the court at this stage was that of the third defendant to set aside the master's order and/or seeking a declaration that the court had no jurisdiction to try the claim or that, if it had, the court should decline to exercise it under CPR Pt 11. The main argument put forward by the third defendant was that the claimant had no reasonable prospect of success as required by CPR r 6.37(1)(b), the third defendant not having any responsibility for the publication of the words complained of.

²² Opinion of Advocate General Poires Maduro delivered on 22 September 2009, C-236/08, C-237/08, C-238/08, *Google France et Inc. v Louis Vuitton Malletier SA, Viaticum SA, Luteciel SARL, CNRRH* (Maduro's opinion in *Google v Vuitton*).

²³ *Metropolitan*, §50.

²⁴ *Bunt v Tilley*, §36.

²⁵ Quoting M. Collins, *The law of Defamation and the Internet*, 2nd ed (2005), paras 15.38 and 15.43 and referring to *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013. *Bunt v Tilley*, §10.

been made with the same spirit as the one animating IP judges remains debatable. What underline the reasoning of Eady J. are at least two distinct considerations. First the provider of a search engine does not exercise any control over the activity of its users. *“One cannot merely press a button to ensure that the offending words will never reappear on a Google search snippet: there is no control over the search terms typed in by future users”*²⁶. Why is this consideration relevant? Does this imply that the operator of a search engine does not exercise any control over the allegedly unlawful information? When it comes to IP infringement and in particular copyright infringement, it is the control over the activity of the primary infringers that has in general been deemed crucial. Besides, it has been argued that the ability to delist certain results bears witness to the regulatory capacity of providers of location tools and thereby their control over the information transmitted²⁷.

Second, the effectiveness of the enforcement measure that the search engine would have to implement to comply with the order claimed for by the claimant is problematic. Because the hosting provider of the bulletin board would be in a better position to “take down” the offending words the claimant is asked to contact the latter. Yet, such a consideration has not really been conclusive in the field of copyright.

Eady J. actually appears to be ready to go as far as the US judges in the Zeran case²⁸, a position which would be difficult to maintain in the field of intellectual property given the current standpoint of IP judges. The proof of the reception of a notification from the victim should not alter the qualification of the nature of the services provided at issue according to Eady J.²⁹ Yet, while the Directive on e-commerce is silent as regards the status of referencing services providers and only sets minimum standards, the CJEU seems to be of the view that they should be handled as hosting providers³⁰. In addition, Member states have the option (and even the obligation in the field of intellectual property) to make it possible for victims to claim for injunction against Internet intermediaries³¹. In principle, operators of search engine could thus be called upon to participate to the regulation of contents and in particular contribute towards the fight against online piracy. Truly, although Eady J. does reckon that *“it is important to note, however, that in so far as these regulations [17, 18 and 19] afford protection, it is only against claims for damages. It would not cover injunctive relief”*³², he held that the terms of the injunction sought by the claimant³³ were not satisfactorily tailored and therefore such an injunction could not be granted. But ultimately the impossibility to hold search engines liable at common law seems to be the overriding consideration.

13. Active Internet intermediaries as primary infringers

When it comes to copyright infringement, Internet intermediaries that have been considered as free riding upon right holders have been qualified as primary infringers rather than secondary infringers. The question of the applicability of liability exemptions has thus not been addressed.

²⁶ Metropolitan, §55.

²⁷ This certainly explains the US “Stop Online Piracy Act” (SOPA).

²⁸ Zeran v. America Online, Inc., 129 F.3d 327 certiorari denied 118 S.Ct. 2341 (4th Cir. 1997).

²⁹ Metropolitan, §58: *“It may well be that the third defendant’s “notice and take down” procedure has not operated as rapidly as Mr Browne QC and his client would wish, but it does not follow as a matter of law that between notification and “take down” the third defendant becomes or remains liable as a publisher of the offending material. While efforts are being made to achieve a “take down” in relation to a particular URL, it is hardly possible to fix the third defendant with liability on the basis of authorisation, approval or acquiescence”*.

³⁰ §106 ff of Google v Vuitton speaks about referencing service providers in general.

³¹ Art. 11 of the Directive on enforcement and Art. 8 of the infosoc Directive. Even in the US there is a clear distinction between the US Communications Decency Act and the Digital Millennium Copyright Act in terms of the regulatory duties imposed upon providers of information location tools.

³² Metropolitan, §87.

³³ *“An injunction to restrain the second and third defendants whether by themselves, their servants or agents, subsidiaries or otherwise, from publishing or causing to be published or authorising to be published the same or similar words defamatory of the claimant within the jurisdiction of the court”*.

The seminal case is here *Newzbin I* decided by Kitchen J., which to some extent recalls the US *Grokster* case³⁴. In this case, right holders brought an action against the operator of the Newzbin website described by the latter as a content “agnostic” means to index files uploaded on Usenet. More precisely the defendant offered some of its subscribers means to locate binary contents (films, music and software) on top of text, to get information about them, and fetch them. Indeed such binary contents are divided into numerous files that a user would need to get and combine to have a complete version of the content looked for and use it. The defendant used the services of editors to draft reports on entries, i.e. films or other works to make sure all their constituent files were identifiable and this information was easily accessible to its subscribers.

One way to interpret the scope of the liability exemptions laid down in the Directive on e-commerce is to say that they can only be relied upon by defendants in cases in which Internet intermediaries are *prima facie* liable as secondary infringers. This is the logic underlying the US safe harbours of the Digital Millennium Copyright Act (DMCA)³⁵. But it is arguable whether the same logic should be used to interpret the Directive on e-commerce and its transpositions at national level although the way the preliminary question has been drafted by the French Court of Cassation in *Google v Vuitton* seems to imply that characterizing an Internet intermediary as a (primary) infringer necessarily prevents it to avail of liability exemptions³⁶.

Maduro does acknowledges in *Google v Vuitton* that in most Member states there is no doctrine of contributory liability in the field of trade mark law³⁷. He thus goes further by stating that it would be better to comprehend the activities of Internet intermediaries on the ground of general rules of civil liability (i.e. negligence) rather than IP law rules (i.e. strict liability): “[I]iability rules are more appropriate, since they do not fundamentally change the decentralised nature of the internet by giving trade mark proprietors general – and virtually absolute – control over the use in cyberspace of keywords which correspond to their trade marks. Instead of being able to prevent, through trade mark protection, any possible use – including, as has been observed, many lawful and even desirable uses – trade mark proprietors would have to point to specific instances giving rise to Google’s liability in the context of illegal damage to their trademarks”³⁸. This explains why to some extent he is able to consider without much difficulty that Google as a provider of a paying referencing service provider does not use the protected signs at issue in relation to goods or services and thereby cannot be deemed as a trade mark infringer. Indeed underlying this reasoning is the idea that Google when operating its service Adwords may be liable under general rules of civil liability such as the tort of negligence. This said by eliminating the path of trade mark infringement in the first place the Advocate General like the CJEU does not directly answer the question whether an Internet intermediary can benefit from liability exemptions if it is *prima facie* deemed to be an infringer and even a primary infringer. This said, in the subsequent case *L’Oréal v eBay*, the CJEU seems to adhere to this view *in fine*, although at the national level as regards the display of the sign on the intermediary’s website the theories of several and joint liability had been put forward rather than primary infringement.

The absence of any distinction between primary infringers and secondary infringers is more problematic in the field of copyright where the scope of the monopoly of right holders is broader. This is true in particular since the adoption and the transposition at national level of the infococ Directive which makes it necessary for

³⁴ Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd. 125 S.Ct. 2764 (2005).

³⁵ DIGITAL MILLENNIUM COPYRIGHT ACT, PL 105-304 (HR 2281) 28 October 1998 as codified in 17 U.S.C. §512.

³⁶ “In the event that such use does not constitute a use which may be prevented by the trade mark proprietor under [Directive 89/104] or [Regulation No 40/94], may the provider of the paid referencing service be regarded as providing an information society service consisting of the storage of information provided by the recipient of the service, within the meaning of Article 14 of [Directive 2000/31], so that that provider cannot incur liability until it has been notified by the trade mark proprietor of the unlawful use of the sign by the advertiser?”. See §32 of *Google v Vuitton*.

³⁷ Maduro’s opinion in *Google v Vuitton*, §48: “[t]he goal of trade mark proprietors is to extend the scope of trade mark protection to cover actions by a party that may contribute to a trade mark infringement by a third party. This is usually known in the United States as ‘contributory infringement’, but to my knowledge such an approach is foreign to trade mark protection in Europe, where the matter is normally addressed through the laws on liability”.

³⁸ Maduro’s opinion in *Google v Vuitton*, §123.

Member States to give right holders an additional right, if not already present at national level: the right to communicate protected works to the public³⁹. As a result, in Member States which generally apply rules of strict liability in the field of copyright, Internet intermediaries *prima facie* held liable should be able to avail of the liability exemptions originating from the Directive on e-commerce⁴⁰.

The position of the UK does not really reflect the foregoing description⁴¹. There is a clear distinction between primary infringements and secondary infringement in the CDPA 1988 as shown by the title of ss. 22 to 26 of the CDPA 1988. Claimants bringing suits against secondary infringers have to prove an additional mental element, i.e. that the defendant knew or had reason to believe that he was dealing⁴² with infringing copies, providing the means for making infringing copies or that the performances for which he had permitted the use of premises or had provided necessary apparatus was infringing. This said, a copyright in a work is also infringed by “any person who, without the licence of the copyright owner, authorises another person to do any of the restricted acts”⁴³. Although an infringement of the authorisation right necessarily implies a primary infringement by others, strictly speaking it is not qualified as a hypothesis of secondary infringement making the proof of the defendant’s *mens rea* obligatory. To authorise an infringement means to “sanction, approve, or countenance” an infringement⁴⁴. While the definition given to the concept of authorisation could potentially be interpreted very broadly, Courts have been careful not to extend it to those who merely enable or assist, or even in some cases encourage others to engage into infringing activities, i.e. mere facilitators. It has been held that the defendant must purport to have authority to permit others to commit infringements⁴⁵.

If the liability exemptions originating from the Directive on e-commerce could only benefit secondary infringers, as a corollary the liability exemptions could not shelter those held liable on the ground of a violation of the authorisation right. Although sound, such an approach could become problematic if the concept of authorisation was interpreted quite broadly to catch those who merely provide the means for the creation and above all the distribution of infringing copies. Yet, although in *Newzbin 1* the defendant is intentionally free riding upon the rights of copyright owners, it is arguable whether it should be deemed as having violated right holders’ authorisation right as Kitchen J. held⁴⁶.

The Judge in this case gave weight to several factual elements to infer authorisation on the part of the defendant. First the fact the defendant was offering sophisticated searching facilities allowing premium members against payment to locate all the files making up a particular binary work and get substantial information about the nature of the work and the number of files making up the particular work, and finally to fetch all the files of a particular work to obtain a complete copy of the work⁴⁷. In the words of Kitchen J. the facility “provides the means for infringement was created by the defendant and is entirely within the defendant’s control”⁴⁸. Second, the fact that the defendant had not put into place filtering measures and on the contrary “has encouraged its editors to make reports on films, has rewarded them for so doing and has instructed and guided them to include URLs in their reports and well knows of the common practice of using NFO’s too”⁴⁹. When one compares

³⁹ Article 3 and in particular Article 3(1): “Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them”.

⁴⁰ This is the case in France. See previous chapter.

⁴¹ See as regards accessory liability, P. S. DAVIES, *Accessory Liability: Protecting Intellectual Property Rights*, 4 IPQ 390 (2011).

⁴² Either importing otherwise than for private or domestic use, possessing the course of his business, selling or hiring or offering or exposing for sale or hire, exhibiting or distributing in the course of a business, distributing otherwise in the course of a business to such an extent as to affect prejudicially the copyright owner.

⁴³ S.16(2) of the CDPA 1988. For an explanation of the differences in scope of the definition contained in the infoc Directive and in the CDPA 1988 see *ITV Broadcasting Ltd v TV Catchup Ltd* (No. 2), [2011] EWHC 1874 (Pat).

⁴⁴ See e.g. *PRS v Caryl Theatrical Syndicate* [1924] 1 KB; *CBS v Ames Records and Tapes* [1982] Ch 91; *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] 1 AC 1013 (*CBS v Amstrad*).

⁴⁵ *CBS v Ames Records and Tapes* [1982] Ch 91 at 106; *CBS v Amstrad*, at 1054.

⁴⁶ *Newzbin 1*, §102.

⁴⁷ *Newzbin 1*, §99 and §100.

⁴⁸ *Newzbin 1*, §100.

⁴⁹ *Newzbin*, §101. NFO files are files “which it is common for releasers of infringing copies of films or television programmes to identify themselves so as to take the credit for creating the copy in question”. *Newzbin*, §27.

Newzbin I with *CBS v Amstrad*, it thus seems that the concept of authorisation has been construed more broadly in the former than in the latter case.

Kitchen J. did not stop at the authorisation right and held that the defendant had violated the right to communicate the protected works to the public for essentially the same reasons⁵⁰. He stated that the defendant had made the claimants' films available to a new audience by "*providing a sophisticated technical and editorial system which allows its premium members to download all the component messages of the film of their choice upon pressing a button, and so avoid days of (potentially futile) effort in seeking to gather those messages together for themselves*"⁵¹.

As a consequence, the defendant in *Newzbin I* was held primarily liable on the ground of both an infringement to the right to communicate the work to the public and the authorisation right⁵² without the claimants having to prove actual knowledge or awareness of specific infringing acts committed by its users⁵³. Assuming the sophistication of the means provided by Internet intermediaries was enough to make them primarily liable it would be problematic from the perspective of the promotion of innovation to prevent them from benefiting from any potentially applicable liability exemption⁵⁴. It should be noted though that in *Newzbin I*, not only did the defendant offer sophisticated facilities to its premium members but also and one should add above all it was not "content agnostic": it did treat content differently in relation to the nature of the messages transmitted being either text messages or binary messages i.e. pieces of films⁵⁵.

From the foregoing, it results that passive intermediaries, those which run automatic services "without" or little human intervention have been considered as mere facilitators. Consequently, judges have rejected the possibility of holding them liable on the ground of traditional rules of civil liability, e.g. the tort of defamation. This thus eliminated the need for them to resort to any specific legislative provision adopted in the wake of or even before the Directive on e-commerce to shield them from financial liability.

In addition, depending upon the way the distinction between primary infringement and secondary infringement is understood, it may well be that these liability exemptions end up being of little interests to active Internet intermediaries, those Internet intermediaries which increase the capabilities of Internet users in terms of access and distribution of contents through the means of sophisticated tools.

In so far as national law remains in compliance with European requirements the redundancy of the liability exemptions originating from the Directive on e-commerce should actually be welcomed rather than condemned. However, the problem lies in the fact that the European legal framework is ambiguous. Indeed it is not always possible to clearly distinguish between passive and active intermediaries. Even more in some cases, this tends to be a fruitless task given the malleability of the digital architecture and inconsistent decisions both at a national and European level have arisen and are likely to arise again. By way of example, although in *L'Oréal v eBay* (UK) Arnold J. seems to favour a broad criterion to identify hosting providers⁵⁶, it is not necessarily the approach taken by the CJEU which focuses upon the architecture as well as upon the intention of the service provider.⁵⁷

⁵⁰ *Newzbin I*, §125.

⁵¹ *Newzbin I*, §125. Contrast with *Brein v Mininova B.V.* District Court of Utrecht, Case No.250077/HA 2A 08-1124 (2009). See for that purpose S. BAGGS & R. BARGER, *Twentieth Century Fox Film Corp v Newzbin Ltd – a changing tide in the fight against online piracy: how significant is the Newzbin judgement?* 21 *Entertainment Law Review* 234 (2010).

⁵² The defendant is also liable on the ground of procurement and participation in a common design for the same main reasons. Here again there was no need according to the judge to point to specific acts of infringement by particular infringers. See *Newzbin I*, §110.

⁵³ This said, the judge found that "*the claimants [were] unable to identify which particular films individual premium members have copied only because the defendant has chosen not to record details of the NZB files they have downloaded*". *Newzbin I*, §97.

⁵⁴ See previous chapter.

⁵⁵ The system did not permit the content of text messages to be searched. Users needed to search for a newsgroup first. *Newzbin I*, §49.

⁵⁶ The fact that "[t]here is nothing in eBay's systems and policies which favours or encourages the listing or sale of counterfeit goods" seems to be the conclusive factor. *L'Oréal v eBay* (UK), §377. Nevertheless, Arnold J. did have sympathy with the argument that "eBay Europe could and should deal with the problem of infringement by accepting liability and insuring against it by means of a premium levied on sellers". §370. See also *Kaschke v Gray* [2010] EWHC 690, §73.

⁵⁷ See *L'Oréal v eBay* §114.

This being said, the redundancy of European law does not always hold true and the decisions that have been described so far must be contrasted with others addressing more directly the implications of a second distinction: the distinction between damages and equitable relief.

4. The distinction between damages and injunction

The autonomisation of the “liability” conditions in relation to the nature of the remedy claimed for has significantly reduced the interest of the exemptions granted to intermediary providers and in particular mere conduits.

The remedy sought in *Newzbin 1* was an order from the Court “to restrain the defendant from including in its indices or databases entries identifying any material posted to or distributed through any Usenet group in infringement of copyright”⁵⁸. Although Kitchen J. ruled that actual knowledge of specific acts of infringement obtained through the means of notification was not a precondition to the grant of an injunction on the ground of s.97A(2), he considered that the injunction claimed for was overly broad for several reasons⁵⁹. First the Court was required to issue an injunction to protect the rights of third parties the scope of which was wholly undefined and about which he had heard little or no evidence. Second, he could not deduce from what had been said that the defendant had actual knowledge of such alleged infringements. The judge ultimately granted “an injunction to restrain the defendant from infringing the claimants’ copyrights in relation to their repertoire of films”⁶⁰. Even though Kitchen J. did reduce the scope of the injunction he did not limit it to situation of double identities: to prevent identical infringements by identical infringers as specifically identified in a previous legal order⁶¹.

There are two ways to take into account the effects of a legal remedy granted in a particular case. Either one adopts an ex post approach and tries to determine what the consequences of the judicial order will be for the right holders in the case at issue. Or one adopts an ex ante approach and tries to determine what the reactions of Internet intermediaries having internalized the norm set in the case at issue will be in the future. Depending upon the peculiarities of the facts at hand, it may be more appropriate to take into account the first or the second or both standpoints.

In *Newzbin 1*, the ex post effect of the injunction even if not expressly mentioned and if not pursued in practice⁶² was the closing down of the defendant’s business built upon mere free-riding. Ex ante, the message is a bit more complex to decipher: do not design a technological architecture to induce primary infringements by Internet users. Yet Internet intermediaries are likely to be deemed as inducing primary infringements by Internet users if they build a sophisticated platform that is content discriminatory. To the extent the foregoing consideration needs not to be coupled with a direct proof of an intention to induce infringement, it may well be problematic in practice to draw clear-cut lines.

But what is more problematic is the ex-ante effect that even broader injunctions granted against Internet access providers⁶³ still on the ground of s.97A(2) are likely to have. In *Newzbin 2*, Arnold J. issued an injunction against the major UK Internet access provider interpreting the requirement for actual knowledge of the

⁵⁸ *Newzbin 1*, §133.

⁵⁹ *Newzbin 1*, §135.

⁶⁰ *Newzbin 1*, §135.

⁶¹ See previous chapter.

⁶² Arnold J. in *Newzbin 2* mentions that after the order issued by Kitchen J. the *Newzbin1* website ceased to operate. Shortly afterwards, however, the *Newzbin2* website, an almost identical website run by unknown persons acting offshore, started to operate at the same location. §2.

⁶³ Either because some infringing end users use the Internet access providers’ services or because the infringing website violates the right to communicate the protected works to the public, the Internet access provider’s services have been considered to be used to infringe by the Court. See *Newzbin 2*, §113.

infringing⁶⁴ activity quite extensively: general actual knowledge (actual knowledge of the existence of non-specifically identified infringing activities) rather than specific actual knowledge (actual knowledge of specific acts of infringement) seemed to be sufficient⁶⁵. The Internet access provider was thus required to stop present infringements and prevent future infringements of the claimants' IP rights as well as third parties' rights⁶⁶. Arnold J. made an order substantially in the form sought by the claimants. The claimants had claimed for the adoption by the defendant of two types of technologies directed to the Newzbin website: 1) "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" and 2) "[Deep Packet Inspection] 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"⁶⁷. This said, the claimants considered that implementing the system known as Cleanfeed, "a two-stage system of IP address re-routing and DPI based URL blocking"⁶⁸, was meeting their request. Yet, Cleanfeed was already used by the Internet access provider for the regulation of other types of contents, namely child pornography.

This time the injunction is not technology neutral and the purpose for which the filtering technology must be used is clearly expressed: to block or attempt to block access by its customers to the infringing website⁶⁹. Not only is the judge satisfied that the Internet access provider should implement the Cleanfeed technology⁷⁰, but also he held that the costs of implementing the order should be borne by the Internet access provider⁷¹. This was deemed as the price intermediaries have to pay for being able to benefit from the exemptions laid down in Article 12, 13 and 14 of the Directive on e-commerce⁷¹.

As a result, the ex-ante effect of the injunction could be seen as imposing upon Internet access providers an obligation to implement a particular filtering technology to be used once having received a notification by right holders in order to stop present infringement and prevent future infringement without prior judicial supervision. Here the tripartite distinction laid down in the Directive on e-commerce and the wide immunity granted to mere conduits does seem partly undermined. Indeed, one way to interpret Article 12 of the Directive on e-commerce is to state that mere conduits should not be burdened with a duty to react upon allegations of victims and take appropriate technological measures to stop present damage or prevent future damage.

It is true that if one adopts a narrow interpretation of Article 15(1) prohibiting the imposition of a general obligation to monitor one's network or system, the injunction granted in *Newzbin 2* does not necessarily contravene the European provision⁷², although this remains contentious. The identification of the interests to be protected should still be undertaken by the victims themselves as well as the identification of the infringing activities⁷³, even though Internet access providers are required to implement technologies that can potentially be used for any type of violation in the future. But the fact is that in the end it does not really matter whether mere conduits can potentially be exempted from any financial liability when they do not have a direct influence over the content of the message transmitted, the choice of the recipient or the decision to transmit the message. Knowing that they can be required on the ground of an injunction to set up filtering technological measures, localise infringements of specific copyright repertoires, restrict access to them and bear the costs of those measures, Internet access providers are thus given an incentive to automatically react upon right holders' notifications without waiting or a court order. This ultimately explains why UK courts will not suddenly be

⁶⁴ Under s.97A(2) this is a precondition to the grant of an injunction against intermediaries the services of which are used to infringe.

⁶⁵ *Newzbin 2*, §148: "it is not essential to prove actual knowledge of a specific infringement of a specific copyright work by a specific individual".

⁶⁶ *Newzbin 2*, §182.

⁶⁷ *Newzbin 1*, §12.

⁶⁸ *Newzbin 2bis*, §6.

⁶⁹ *Newzbin 2bis*, §56.

⁷⁰ *Newzbin 2bis*, §32. The costs of the action brought by the claimants are ultimately shared by both parties. *Newzbin 2bis*, §53-55.

⁷¹ *Newzbin 2bis*, §29.

⁷² See *BT v Secretary of State for Business*, §114. See also an interesting Irish case *EMI Records (Ireland) Ltd and Others v UPC Communications Ireland Ltd*, [2010] IEHC 377, §107.

⁷³ Although obviously third parties' rights have not been identified in *Newzbin 2* and *2bis*.

overcome by right holders' actions in the wake of *Newzbin 2* and more than the fact that right holders will not only focus upon the most "egregious infringers" as mentioned by the judge in *Newzbin 2*⁷⁴.

Truly, the counterpart of the injunction, although obiter, is the absence of liability in cases in which errors have been made and access to lawful contents has illegitimacy been restricted. But this is certainly a meagre consolation for at least two reasons. First, Internet access providers have now a duty to react upon right holders' complaints. Second, the immunity is only inferred from the fact that a court order has previously been issued⁷⁵. The question whether Internet access providers should remain immune in the absence of court orders thus remains without clear answer.

5. Conclusion

To conclude, it was certainly ambitious to try to bring clarity and simplification in the field of Internet intermediaries' liability by setting up limited liability exemptions in a directive at the European level without precisely identifying the prevailing regulatory goal to pursue in relation to the nature of the interests at stakes. It is thus not surprising that divergent solutions have emerged both among Member states and within Member States. What is comforting though is that the supra-imposition of a legal framework through the means of a top-down process, which has certainly increased the visibility of national rules and the intensity of the normative dialogue between jurisdictions of different Member states, has not hindered the ability of the common law to react upon new technological challenges.

This being said, comparing decisions rendered in the field of intellectual property law and decisions rendered in other fields such as defamation law, there may an argument that the specialisation of judges has to some extent played against the protection and even more the strengthening of freedom of expression in the digital world. Indeed, there seems to be a reinforcing dividing line between IP rights holders and consumers, both being potential victims of unlawful contents, whereas the distinction between content producers and content consumers is more and more misleading. What may be even more problematic though is that judges and not only Parliaments have used the means of "indirect" regulation⁷⁶ to modify the architecture of the network and reach a regulatory objective that has not been transparently and democratically agreed upon.

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⁷⁴ *Newzbin 2*, §189.

⁷⁵ *Newzbin 2bis*, §46.

⁷⁶ L. LESSIG, Code Version 2.0, 2006, p. 67.