

**Sometimes one is not enough! Securing freedom of expression,
encouraging private regulation, or subsidizing Internet intermediaries or
all three at the same time: the dilemma of Internet intermediaries' liability**

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Abstract. Riding too many horses at the same time without having identified in the first place the precise direction to follow cannot bring the rider very far. Yet this is what might happen in the field of Internet intermediaries' liability if the initial premises as well as their implications are not made clearer at the policy level and if the legal rules meant to implement them are not construed accordingly and consistently when applied in practice on a case-by-case basis. Indeed, three (and not one) rationales can be extracted from the text of the Directive on e-commerce and its provisions regarding the liability of intermediary providers: securing freedom of expression, encouraging content regulation the initiative of which should come from Internet intermediaries as well as promoting the growth of the single digital market by subsidizing private actors having a key role in the innovation process; hence, the dilemma of Internet intermediaries' liability and the re-emergence of divergences at Member state level. In an attempt to clarify the terms of the debate, the purpose of this article is therefore to deconstruct the European system of liability exemptions for Internet intermediaries and shed light upon its fundamental assumptions and corollaries in order to appraise the appropriateness of the solutions that have recently been adopted both at supra-national and national levels.

1. Acceptability and Justification of Copyright Law

While the US Secretary of State was giving a speech in a conference on digital freedom sponsored by Google and the Dutch government warning the audience that restrictions on the Internet threatened fundamental freedoms and human rights as well as international commerce and more generally the free flow of information¹, the Committee of the judiciary of the US House of representatives was preparing to conduct a hearing² on the "Stop Online Piracy Act" (SOPA)³ presented as a necessary tool in order to modernize US criminal and civil statutes to meet new IP enforcement challenges and protect American jobs. If adopted, the SOPA would make at the disposal of right holders several tracks to combat piracy in the digital world and in particular would allow them to require through the means of complying notifications two types of intermediaries (payment network service providers⁴ and internet advertising services⁵) to take technically feasible and reasonable measures, as expeditiously as possible, either to prevent US users to complete transactions with or provide advertisements to Internet sites that are dedicated to theft of U.S. property⁶. The purpose of this chapter is not to comment upon the state of US law -although it is certainly useful to compare European and US law. It is interesting to note once

¹ http://www.nytimes.com/2011/12/09/world/at-hague-hillary-rodham-clinton-urges-countries-not-to-restrict-internet.html?_r=1

² http://judiciary.house.gov/hearings/mark_12152011.html

³ H.R. 3261, http://judiciary.house.gov/issues/issues_RogueWebsites.html

⁴ §101(21).

⁵ §101(12).

⁶ §103.

again that the protection and promotion of free speech is advocated simultaneously with the involvement of Internet intermediaries⁷ in the fight against piracy.

On the other side of the Atlantic, Internet intermediaries have long been deemed key actors of the single digital market. But because fundamental competing interests are at stake and need to be balanced and because striking the balance was beyond the ambition of the drafters of the Directive 2000/31/EC on electronic commerce⁸, it is audacious to infer one univocal *ratio legis* from this legislative instrument even if it must be read together with the Directive 2001/29/EC on copyright in the information society⁹ (the *infosoc* Directive) and the Directive 2004/48/EC on enforcement of intellectual property rights¹⁰. This explains in part why the European legal framework lies upon at least one central dilemma: how can one promote freedom of expression while expecting Internet intermediaries to take the initiative to police their systems or networks and in particular to react upon infringements of Intellectual Property (IP) rights.

In its analysis of the application of the Directive on enforcement in the Member States the EU Commission stressed at the end of 2010 that

“[i]n many cases, (...) intermediaries (...) have adopted comprehensive policies on the protection of intellectual property rights which are clearly spelled out on their sites. These policies include sanctions for users which breach the rules, in particular for the repeat infringers, comprehensive notice and take-down processes and other tools that allow a timely elimination of illegal offers, the sharing of information with rightholders and reimbursement schemes for consumers who unintentionally bought counterfeit goods on their site. All these measures have been applied without affecting the liability status of the intermediaries and have significantly contributed towards the elimination of counterfeiting on the Internet”¹¹.

Although it may be true that the policing by Internet intermediaries of their systems or networks has contributed towards the elimination of counterfeiting on the Internet, the foregoing affirmation appears to be a bold statement in the light of the recent case law of the Court of Justice of the European Union (CJEU): when it comes to the liability regimes of Internet intermediaries the European legal framework is much more intricate. This is true for at least two reasons. First it is not sure that the current solutions have been adopted to give Internet intermediaries incentives to take the initiative to police their networks and systems. This is all the more true that it has been argued that the right and ability to control the activities of one's users are considered

⁷ Internet intermediaries can perform a variety of activities which range from providing access to the Internet itself to offering tools to locate information or to organize and communicate information to others. This is from the perspective of end users. From the perspective of public authorities seeking to enrol Internet intermediaries as proxy censors the category of Internet intermediaries is potentially very rich as explained by SETH F. KREIMER, *Censorship by proxy: the first Amendment, Internet intermediaries, and the problem of the weakest link*, 155 University of Pennsylvania Law Review (2006). at 16-17. Consequently any type of direct electronic link between end users or providers of ancillary services, which make Internet access effective, such as payment network service providers, as well as service providers offering directories, may be relied upon.

⁸ 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.

⁹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 22.06.2001, p. 10-19.

¹⁰ 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.

¹¹ Analysis of the application of Directive 2004/48/EC on the enforcement of intellectual property rights in the Member States (SEC(2010) 1589) p. 15. This understanding has however paved the way to the use of soft law rather than hard law to deal with the problem of Internet intermediaries' liability as the adoption of the Memorandum of Understanding on the sale of counterfeit goods over the Internet. On 4 May 2011 the European Commission has encouraged stakeholders including anti-counterfeiting organizations, leading right holders and trade associations and Internet platforms such as Amazon and eBay sign a non-binding Memorandum of Understanding to help reduce the sale of counterfeits via e-commerce platforms. See http://ec.europa.eu/internal_market/iprenforcement/stakeholders_dialogues_en.htm.

sufficient to prevent Internet intermediaries to avail of liability exemptions in order to make sure that they act as neutral carriers of information and do not restrain freedom of expression. Second, assuming the protection of property rights and in particular intellectual property rights as a fundamental value should override the defence of freedom of expression -so that in cases of doubt it would be more appropriate to take down contentious contents than to make them accessible and it would be justified to prevent the distribution of technologies massively used to infringe even if not exclusively - this does not necessarily mean that the costs of implementing self-regulatory mechanisms should be borne by the intermediaries themselves. What is the difference in practice between exempting someone from financial liability, which implies that he should not be called upon to pay monetary compensation in case of damage, and enjoining someone to implement pricy technological measures to monitor and ultimately regulate the activities of its subscribers, users, before holding him financially liable? In other words obliging Internet intermediaries to self-regulate their systems or networks could have adverse effects both on freedom of expression and innovation in the digital market.

The purpose of this chapter is therefore to deconstruct the European system of liability exemptions for Internet intermediaries to shed light upon its fundamental assumptions and the different rationale that have been put forward to justify its precise existence in order to appraise the appropriateness of the solutions that have been adopted both at supra-national and national levels. Even though the Directive on e-commerce has been largely commented and in particular its implications in terms of Internet intermediaries' liability¹² the recent interpretation by the CJEU of some of its key provisions in cases involving IP violations is the occasion to see whether the Court has managed to come up with a coherent body of rules and how large the leeway that remains for Member States is.

Three and not one rationale can be extracted from the text of the Directive on e-commerce and its provisions regarding the liability of intermediary providers: securing freedom of expression, encouraging content regulation at the initiative of Internet intermediaries as well as feeding the growth of the single digital market making sure that service providers including Internet intermediaries are not prevented from developing innovative applications. The difficulty is to understand the precise implications of each rationale in terms of Internet intermediaries' liability in order to be able assess their strength in the light of judicial interpretations both at European and national levels. The European legal framework for the liability of internet intermediaries will thus be examined from three distinct angles to determine whether the balance stricken between these regulatory objectives is appropriate in the field of intellectual property and in particular in the field of copyright.

12 See e.g. PATRICK VAN EECHE & BARBARA OOMS, *ISP liability and the e-commerce directive: a growing trend toward greater responsibility for ISPs*, 11 *Journal of Internet Law* 3(2007); CYRIL VAN DER NET, *Civil liability of Internet providers following the Directive on electronic commerce*, in *E-commerce law -National transposition and transnational topics and perspectives* (Henk Snijders & Stephen Weatherill eds. 2003); E. CRABIT, *La directive sur le commerce électronique*, 4 *Revue du Droit de l'Union Européenne* 749(2000); LILIAN EDWARDS, *Articles 12-15 ECD: ISP Liability -The Problem of Intermediary Service Provider Liability*, in *The new legal framework for e-commerce in Europe* (Lilian Edwards ed. 2005); BENOÎT FRYDMAN & ISABELLE RORIVE, *Regulating Internet content through intermediaries in Europe and the USA*, 23 *Revue de l'Institut Max Planck de Cologne* 41(2002); R. JULIA-BARCELO, *On-line intermediary liability issues: comparing E.U. and U.S. legal framework*, 22 *European Intellectual Property Review* 105(2000); AURELIO LOPEZ-TARRUELLA, *A European community regulatory framework for electronic commerce*, 38 *Common Market Law Review* 1337(2001); VICTORIA McEVEDY, *The DMCA and the e-commerce Directive*, 24 *European Intellectual Property Review* 63(2002); ETIENNE MONTERO, *La responsabilité des prestataires intermédiaires sur les réseaux*, in *Le commerce électronique sur les rails? Analyse et proposition de mise en oeuvre de la directive sur le commerce électronique* (Etienne Montero ed. 2001); LUCA TIBERI & MICHELE ZAMBONI, *Liability of service providers*, 9 *Computer and Telecommunications Law Review* 49(2003); LILIAN EDWARDS, *The fall and rise of intermediary liability online*, in *Law and the Internet* (Lilian Edwards & C. Waelde eds., 2009). More recently see ETIENNE MONTERO & QUENTIN VAN ENIS, *Enabling freedom of expression in light of filtering measures imposed on Internet intermediaries: Squaring the circle?*, 27 *Computer law & Security Review* 21(2011); PATRICK VAN EECHE, *Online service providers and liability: a plea for a balanced approach*, 48 *Common Market Law Review* 1455(2011).

2. The first rationale: to secure freedom of expression

The first rationale that can be extracted from the wording of the Directive on e-commerce is the will to secure freedom of expression. Such a rationale if consistently pursued would have three fundamental implications: the exemption of passive intermediaries, the obligation for hosting providers to react upon manifestly unlawful content in a calibrated manner and the prohibition for law-makers to force Internet intermediaries to appreciate the lawfulness of contents transmitted or stored on their systems or networks and subsequently take enforcement measures to eliminate allegedly unlawful contents. Although this rationale has recently found echo in case law and in particular at the European level it is doubtful whether it has been endorsed by a majority both at national and supra-national levels.

2.1 The exemption of passive intermediaries

In contrast with what has been laid down by the US federal legislator in 1998, the European Union seems to have favoured a horizontal system of liability exemptions to govern the activities of Internet intermediaries, namely 3 types of activities¹³: mere conduits¹⁴, caching¹⁵ and hosting¹⁶. The liability exemptions contained in section 4 of the Directive on e-commerce entitled “Liability of intermediary service providers” do apply irrespective of the nature of the violation at issue. These exemptions have thus been carved out to make sure that whatever the interest impaired¹⁷ when unlawful information is transmitted by third parties on intermediary providers’ systems or networks the latter are made liable only in limited circumstances.

To start with the broad picture, the Directive on e-commerce is the European response to the adoption by the US federal legislator of the Digital Millennium Copyright Act (DMCA) of 1998¹⁸, the DMCA coming after the Communications Decency Act (CDA) of 1996¹⁹. Although the Directive on e-commerce builds upon the German Multimedia Act of 1997²⁰, it has clearly been influenced by the drafting of the DMCA²¹. With this perspective in mind, when one looks carefully at the wording of the Directive on e-commerce it is possible to pull out at least three distinct rationale. But even when one includes the recitals and the travaux préparatoires of the Directive, it is difficult to say how the balance must be stricken between these three distinct regulatory objectives.

¹³ The activity of providers of information location tools has consciously been forgotten.

¹⁴ See Article 12 of the Directive on e-commerce.

¹⁵ See Article 13 of the Directive on e-commerce.

¹⁶ See Article 14 of the Directive on e-commerce.

¹⁷ Be it economic such as those protected by IP or consumer law or non-economic such as those protected by IP law or defamation or privacy torts.

¹⁸ DIGITAL MILLENNIUM COPYRIGHT ACT, PL 105-304 (HR 2281) 28 October 1998 as codified in 17 U.S.C. §512. See Recital 60 of the Directive on e-commerce: “*In order to allow the unhampered development of electronic commerce, the legal framework must be clear and simple, predictable and consistent with the rules applicable at international level so that it does not adversely affect the competitiveness of European industry or impede innovation in that sector*”.

¹⁹ TELECOMMUNICATIONS ACT OF 1996 PL 104-104 (S 652) 8 February 1996 as codified in 47 U.S.C. §230. See Recital 60 of the Directive on e-commerce: “*In order to allow the unhampered development of electronic commerce, the legal framework must be clear and simple, predictable and consistent with the rules applicable at international level so that it does not adversely affect the competitiveness of European industry or impede innovation in that sector*”.

²⁰ For comments upon the German Multimedia Statute of 1997 see e.g. T. Jansen, Legal aspects of doing e-commerce business in Germany, International Company and Commercial Law Review 1999, 39-42 ;K. BURMEISTER and C. KOHLER, Copyright liability on the Internet today in Europe (Germany, France, Italy and the E.U.), 21 European Intellectual Property Review 485(1999); R. JULIA-BARCELO, Liability for on-line intermediaries: a European perspective, 20 European Intellectual Property Review 453(1998).

²¹ See e.g. FRYDMAN & RORIVE; JULIA-BARCELO, *On-line intermediary liability issues: comparing E.U. and U.S. legal framework*.

The first rationale is the one openly adopted by the Advocate General Maduro in *Google France et Inc. v Louis Vuitton Malletier SA et al*²², which relies essentially upon Recital 42 of the Directive on e-commerce despite the fact that Recital 42 does seem to concern only mere conduits and caching providers to the exclusion of hosting providers²³: “The exemptions from liability established in this Directive cover only cases where the activity of the information society service provider is limited to the technical process of operating and giving access to a communication network over which information made available by third parties is transmitted or temporarily stored, for the sole purpose of making the transmission more efficient; this activity is of a mere technical, automatic and passive nature, which implies that the information society service provider has neither knowledge of nor control over the information which is transmitted or stored”. In the words of Maduro in *Google v Vuitton*: “the aim of Directive 2000/31 is to create a free and open public domain on the internet”²⁴.

Although the CJEU does not expressly refer to the need to guarantee the free flow of information in the digital world, it held twice that “that the exemptions from liability established in that directive cover only cases in which the activity of the information society service provider is ‘of a mere technical, automatic and passive nature’, which implies that that service provider ‘has neither knowledge of nor control over the information which is transmitted or stored’”²⁵. One could thus think that the Court adheres to Maduro’s approach.

Truly the CJEU’s reasoning appears to some extent to be tautological. The Court seems to distinguish two different questions: whether the service provider is an intermediary provider in the sense of the Directive and whether the intermediary provider can avail of the liability exemption set forth in Article 14. Yet it uses the same criteria to answer both questions: knowledge or control over the data transmitted. Consequently one may argue that the first question is of little interest and that in the end the CJEU has a relatively broad understanding of the category of hosting providers²⁶, which would include some active service providers.

Nevertheless, because the CJEU uses two alternative criteria to delineate the contours of the domain of Article 14²⁷, it does give independent consideration to the nature of the technological architecture set up by Internet intermediaries irrespective of proof of actual knowledge or awareness, which implies that Article 14 will not be able to shelter a certain number of active service providers. To be more precise the CJEU appears to be reluctant to consider that service providers developing means to enhance the capabilities of their users without taking precautionary measures to reduce infringing activities can effectively be shielded by Article 14. Truly, in *L’Oréal v eBay* the CJEU ultimately ruled that it was for the national court to determine whether the defendant had provided assistance to primary infringers, the proof of which would be established if the defendant was helping its subscribers to optimise the presentation of their offers for sale or was promoting those offers²⁸. But the CJEU did indicate that the sole proof of assistance shall suffice to deprive the service provider of the benefit of Article 14.

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 This is the reason why Maduro’s position has been criticized by several commentators. See e.g. VAN EECKE, *Online service providers and liability: a plea for a balanced approach*.

²⁴ Maduro’s opinion in *Google v Vuitton*, § 142.

²⁵ CJEU, 23 March 2010, C-236/08, C-237/08, C-238/08, *Google France et Inc. c/ Louis Vuitton Malletier SA, Viaticum SA, Luteciel SARL, CNRRH* §113 (*Google v Vuitton*); CJEU, 12 July 2011, C-324/09, *L’Oréal SA et al v eBay International AG et al* §113 (*L’Oréal v eBay*). In *L’Oréal v eBay* the CJEU stated that “where a service provider, instead of confining itself to providing that service neutrally by a merely technical and automatic processing of the data provided by its customers plays an active role of such a kind as to give it knowledge of, or control, those data” it is an intermediary provider within the meaning of the Directive on e-commerce.

²⁶ §118 of *L’Oréal v eBay* does show nonetheless that these questions are conceived as two distinct questions by the Court.

²⁷ In the US these criteria are cumulative and not alternative. In other words control over data is not enough to make a hosting provider loose the benefit of the safe harbour and ultimately make him liable.

²⁸ The CJEU does recognize that in some cases eBay provides assistance intended to optimise or promote certain offers for sale. *L’Oréal v eBay* § 114.

Assuming the right path is that followed by Maduro - which as aforementioned is not necessarily the standpoint adopted by the CJEU, which may opine in the future that even if intermediary providers exercise some degree of control over the data transmitted on their systems or networks what matters is whether they have taken adequate precautionary measures to reduce infringement - all the liability exemptions set forth in the Directive on e-commerce comprising the one sheltering hosting providers should be considered as a means to guarantee the free flow of information: they would thereby constitute an indirect protection of freedom of expression²⁹.

At this stage it is important to note that if the criterion of control was to be interpreted loosely innovation in the digital market could be seriously impaired without one really gaining anything on the side of freedom of expression. Even more less innovation would be likely to mean fewer platforms on which users would be able to communicate and exchange ideas and opinion.

Maduro does seem to have a very narrow understanding of the category of passive intermediary providers qualified as neutral. In his words “[i]nformation society services will rarely consist in activities which are exclusively technical, and will normally be associated with other activities which provide their financial support”³⁰. As a result only few service providers would be able to show that they remain neutral as regards the information they carry or host. Mere conduits within the Directive on e-commerce would be the best illustration. To give a further example, while the natural search engine service supplied by Google seems to easily pass the test³¹, it should not be the case for the paying referencing system “Adwords” run by the same undertaking³². More generally, Web 2.0 service providers and in particular operators of electronic marketplaces such as eBay would have a difficult time to meet this requirement since it could easily be argued that they have an interest in bringing specific contents to the internet user’s attention. This would certainly be the case if the inclusion of advertisements on webpages the content of which originates from users would suffice to make intermediary providers lose the benefit of the hosting exemption.

Nonetheless it may well be that neither Maduro nor the CJEU are ready to go that far nor, that national decisions that have adopted this line of reasoning should be condemned³³. Under the CJEU’s decision in the *Google v Vuitton* case the mere facts that the referencing service is subject to payment, that the intermediary

²⁹ Indirect rather than direct form of protection of free expression are likely to become the norm in the digital age as explained by Balkin which sees the CDA as an indirect form of free expression. J.M. BALKIN, *The future of free expression in a digital age*, 36 Pepperdine Law Review 427(2009). This said it is not clear whether one should in all cases welcome such legislative interventions in particular as regards the CDA itself.

³⁰ Maduro’s opinion in *Google v Vuitton*, §140.

³¹ Besides search engines or providers of location tools in certain Member States have been deemed as performing a function similar to that of mere conduits and therefore their liability regime has been modelled on the rules set forth mere conduits.; Federal Act on certain aspects of electronic commerce and legal transactions [2001] Bundesgesetzblatt (Österreich) I 1977 (21 December 2001) in Austria. See also the description of the services provided by Google in *Metropolitan International Schools Ltd v Designtech Corp.* [2009] EWHC 1765 (QB) in the UK although the Court does not apply any exemption originating from the Directive on e-commerce.

³² Maduro’s opinion in *Google v Vuitton*, §146. Interestingly in a decision postdating *Google v Vuitton* a French tribunal of first instance has held in a defamation case that the implementation of the Google suggest function was enough to deprive the search engine from its status of neutral intermediary provider. *TGI, 8 September 2010, M. X... v Google Inc., Eric S. et Google France*, <http://www.legalis.net/>

³³ See for example in France CA Paris, 4e ch., A, 7 June 2006, *Tiscali Media v Dargaud Lombard, Lucky Comics*, www.legalis.net; TGI Paris, réf., 22 June 2007, *Lambert v Sté Myspace*, www.legalis.net. More recent decisions follow the CJEU’s ruling. See CA Paris, pole 1, ch. 5, 13 October 2010, *Roland Magdane et autres v Dailymotion*, <http://www.legalis.net/>; CA Paris 14 April 2010 *Omar S. et autres v Dailymotion*, www.legalis.net; and Cass, Civ 1, 17 February 2011, *Nord-Ouest Production v Dailymotion*, <http://www.legalis.net/> which contradicts its previous decision in the case Cass, Civ 1, 14 January 2010 *Sté Telecom Italia (anciennement Sté Tiscali) v Sté Dargaud Lombard et Sté Lucky Comics*, www.legalis.net although the latter has been issued on the ground of a text that had been adopted to anticipate the Directive on e-commerce but which has then been abrogated.

provider sets the payment terms or that it provides general information to its clients shall not have the effect of depriving Google of the exemptions from liability provided for in the Directive on e-commerce.³⁴

What is the real issue for the sake of securing freedom of expression is not so much the fact that intermediary providers derive streams of revenues from the utilization of their services by their subscribers but the fact that they set the selection of contents accessible to their users in a discriminatory and opaque manner, in particular in relation to the nature of the message conveyed³⁵. This does not mean that all Internet intermediaries who act none discriminatorily and transparently do not make choice as regards the type of contents that will ultimately render accessible to their users. In this sense they are not neutral. Yet it is arguable to state that providing assistance to help certain power sellers to optimise or promote certain offers for sale should be condemned in so far as it amounts to treating differently similar contents. But this tends to be considered as an illegitimate free-riding despite its loose tie with the protection of freedom of expression. By way of example, a French Court of appeal held after in 2010 after the CJEU's decision in the case *Google v Vuitton* that eBay's services were not purely technical, automatic and passive and thereby the service provider could not avail of the liability exemption deriving from the transposition of the Directive on e-commerce³⁶. The same could be said as regards paying referencing services, which in principle rely upon an objective criterion to select contents: the amount of money the advertiser is willing to pay. To what extent this criterion could be used by all intermediaries and in particular Internet access providers is another problem. The concept of discriminatory treatment can thus only be relative and its implications should vary in relation to the nature of the service provided. In any cases, social networking websites and streaming platforms³⁷ should be in a better position than operators of electronic marketplaces.

³⁴ In the same vein, concordance between the keyword selected and the search term entered by an internet user is not sufficient of itself to justify the view that the intermediary provider has knowledge of, or control over, the data entered into its system by advertisers and stored in memory on its server. *Google v Vuitton*, §117.

³⁵ It could be convincingly claimed that certain intermediaries should be able to treat differently similar contents namely those which do not perform a function similar to that of a public utility or which are not in a dominant position. Depending upon the size of the community they reach and their market position this could be the case of administrators of forum for example.

³⁶ CA Reims, 20 July 2010, *eBay France et International v Hermès International*, Cindy F., www.legalis.net. In France the least consensual status is that of operators of electronic marketplaces. See before the decision of Reims Court of appeal, TGI Paris, 3e ch., 26 October 2004, *SA Poiray France, Mme N. H. v SARL CJSF, SARL Comptoir de Joaillerie de service de fabrication, SARL Orphelie, SA Ibazar, SA Ebay France*, www.juriscom.net; CA Paris, 9 November 2007, *eBay v S.A.R.L. DWC*, www.juriscom.net; T. com. Brest, réf., 6 August 2008, *Quai Ouest Musiques v eBay Europe, eBay International AG*, www.legalis.net; TI Saint-Jean-de-Maurienne, 6 August 2003, *Bruno Axelrad v eBay France S.A.*, *Juris-Data* n° 2003-241976, *Comm. Com. Electr.* 2004, comm. 91, note Ph. Stoffel-Munck; TGI Paris, 3e ch., 3e section, 13 May 2009, *L'Oréal et autres v eBay France et autres* www.legalis.net (for only some of its activities). Compare with T. com., Paris, 1re ch., B, 30 June 2008, *Parfums Christian Dior et autres v eBay Inc., eBay International AG*, www.legalis.net; T. com., Paris, 1re ch., B, 30 June 2008, *Christian Dior Coutures v eBay Inc., eBay International AG*, www.legalis.net; T. com., Paris, 1re ch., B, 30 June 2008, *Louis Vuitton Malletier v eBay Inc., eBay International AG*, www.legalis.net; TGI Troyes, 4 June 2008, *Hermès International v Madame Cindy F, eBay France et eBay International*, www.juriscom.net; TGI Paris, 17e ch., 11 February 2003, *M. Timothy K. et Yahoo Inc. v Amicale des dép. d'Ausch. et des camps de H. Silésie et MRAP*, www.juriscom.net. The French forum on Internet rights (Forum des droits de l'Internet) has recommended that operators of platforms that allow users to connect with others should be able to avail of the hosting exemption. *Recommandation du Forum des droits de l'Internet "Commerce électronique entre particuliers"* published on 8 November 2005, p. 13, www.foruminternet.org.

³⁷ See for example in France TGI Paris, 3e ch., 2e section, 14 November 2008, *Jean-Yves L. et autres v Youtube et autres*, www.legalis.net. Voir également CA Aix-en-Provence, 13 March 2006, *Lucent Technologies v Escota*, www.legalis.net; TGI Paris, 3e ch., 2e section, 13 July 2007, *Christian C., Nord Ouest Production v Dailymotion, UGC Images*, www.legalis.net confirmed by CA Paris, 4e ch., A, 6 May 2009, *Dailymotion v Nord-Ouest production et autres*, www.legalis.net; T. com. Paris, 20 February 2008, *Flach Film et autres v Google France, Google Inc* www.legalis.net; TGI Paris, 3e ch., 1re section, 15 April 2008, *Jean Yves Lafesse et autres v Dailymotion et autres*, www.legalis.net; TGI Paris, 3e ch., 1re section, 15 April 2008, *Omar et Fred et autres v Dailymotion et autres*, www.legalis.net; TGI Paris, 3e ch., 1re section, 3 June 2008, *Lafesse et autres v OVH et autres*, www.legalis.net confirmed by CA Paris, Pôle 5, 2e ch., 11 December 2009, *Lafesse v OVH et autres*, www.legalis.net; TGI Paris, 3e ch., 2e section, 10 April 2009, *SARL Zadig Productions v SA Dailymotion*, www.legalis.net; TGI Paris, 3e ch., 3e section, 13 May 2009, *Temps Noir et autres v Youtube et autres* www.legalis.net; TGI Paris, 3e ch., 3e section, 24 June 2009, *Jean-Yves Lafesse et autres v Google et autres* www.legalis.net; TGI Paris, 3e ch., 2e section, 10 June 2009, *Bayard Presse v YouTube LLC*, www.legalis.net; TGI Paris, 3e ch., 22 September 2009, n° 09/06246, *ADAMI et a. v Sté YouTube*, www.juriscom.net.

As regards infringements of intellectual property rights, one of the main difficulties is to determine how the duality of infringements, in other words the distinction between primary and secondary infringement, impacts upon the way the liability exemptions must be interpreted. To be more precise, depending upon the way the interplay between primary and secondary infringement is conceived it is likely that passive intermediaries may be prevented from resorting to the liability exemptions at all. This would be the case if the domain of strict liability was to be stretched too far without any possibility of distinguishing between volitional behaviour and mere facilitation. To follow the logic of the US system of liability exemptions, safe harbours are meant to benefit secondary infringers and not primary infringers. Secondary infringers are those who either have contributed with knowledge to the realisation of a primary infringement³⁸ or those who have derived financial benefit from a primary infringement with the right and ability to stop it³⁹. If Internet intermediaries directly violate one of the exclusive rights of right holders without the need to establish beforehand the commission of an infringement by others they cannot avail of the safe harbours laid down in the DMCA⁴⁰.

In Europe, although the provisions of the Directive on e-commerce dealing with the liability of Internet intermediaries have been drafted negatively, the foregoing logic cannot really be used to interpret the scope of the exemptions laid down. As Maduro mentions it in *Google v Vuitton*, in most of the Member States there is no distinction between primary and secondary liability in the field of intellectual property⁴¹. Therefore to render these exemptions useful, and even if this does not seem to be inferred neither by the Advocate General nor by the CJEU in *Google v Vuitton* who do not need to in this particular case, the liability exemptions should apply even though the ground claim for is that of primary infringement in so far as the allegedly unlawful information has been transmitted or posted at the request of a third party⁴². Besides, in *L'Oréal v eBay* the CJEU seems to confirm this solution in fine by examining the status of the service provider in the light of the Directive on e-commerce even though the latter could potentially be deemed a primary infringer.

The interaction between the liability exemptions and the hypotheses of primary and secondary infringements has not always been dealt with in the same way at Member States level. In some cases the refusal to examine the applicability of these exemptions when theories of primary infringement have been successfully applied may render these exemptions pointless. In France although courts have had a difficult time trying to delineate the category of hosting providers⁴³ they have agreed to address the question whether the defendant could avail of the liability exemptions in cases in which infringement had been characterized⁴⁴. It is true nonetheless that the way

³⁸ This is the doctrine of contributory liability. See *Gershwin Publ'g Co v. Columbia Artists Mgmt., Inc.*, 443 F. 2d 1159, 1162 (2nd Cir. 1971) (“One who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another, may be held liable as a “contributory” infringer”).

³⁹ This is the doctrine of vicarious liability. See e.g. *Fonovisa, Inc v. Cherry Auction, Inc.*, 76 F. 3d 259, 264, 37 U.S.P.Q.2d (BNA) 1590 (9th Cir. 1996) ; *A&M Records, Inc. v. Napster, Inc.*, 239 F. 3d 1004, 1022-1023 (9th Cir. 2001).

⁴⁰ For an example see a case in which the display of thumbnail images has been considered as *prima facie* primary violation of the right but has been considered to be justified on the ground of fair use. *Perfect 10 Inc v Amazon.com Inc.* 487 F3d 701 (9th Cir. 2007).

⁴¹ Maduro's opinion in *Google v Vuitton*, §48.

⁴² As a result, even though doctrines of secondary liability do not exist in the field of intellectual property in most of the Member states the implementation of liability exemptions will amount to the introduction of a distinction between primary infringers and secondary infringers.

⁴³ The recent decision of the French Cassation Court should mark a turn towards a broader interpretation of the notion of hosting provider. Cass, Civ 1, 17 February 2011, *Nord-Ouest Production v Dailymotion*, <http://www.legalis.net/> although in certain cases lower courts have been reluctant to exempt active hosting providers even after the *Google v Vuitton* case. See e.g. CA Paris, 14 January 2011, *Google v Bac Films et al.*, <http://www.legalis.net/>

⁴⁴ See e.g. in the field of copyright CA Paris, 14 January 2011, *Google v Bac Films et al.*, <http://www.legalis.net/> ; TGI Paris, 3e ch., 2e section, 9 October 2009, *H & K, André R. v Google*, www.legalis.net. Voir également TGI Paris, 3e ch., 22 septembre 2009, n° 09/06246, *ADAMI et a. v Sté YouTube*, www.juricom.net ; TGI Paris, 3e ch., 2e section, 18 décembre 2009, *Editions du Seuil et autres v Google Inc et France*, www.legalis.net. In the field of trade marks see CA Versailles, 23 March 2006, *Société Google France v S.A.R.L. CNRRH*, www.gazettedunet.fr; TGI Nanterre, 2e ch., 14 December 2004, *CNRRH, Pierre Alexis T. v Google France et autres*, www.legalis.net ; CA Paris, 4e ch., A, 28 June 2006, *Google France v Louis Vuitton Malletier*, www.legalis.net ; CA Aix en Provence, 2e ch., 6 December 2007, *TWD Industries v Google France, Google Inc.*, www.juricom.net ; TGI Paris, 14 March 2008, *Citadines v Google Inc. et Google France*, www.juricom.net ; CA Paris, 4e ch., B, 1er February 2008, *Gifam et a. v Google France*, www.legalis.net; CA Versailles, 12e ch., 1, 2 November 2006, *Overture v Acor*, www.legalis.net ; TGI Nanterre, 1re ch., 2 March 2006, *Hôtels Méridien v*

the preliminary question had been drafted by the French Court of Cassation in *Google v Vuitton* is rather confusing since it does seem to imply that if the activity of the defendant falls within the monopoly of the claimant, it can never avail of Article 14 of the Directive on e-commerce⁴⁵. In the UK when judges have held that the defendant was liable both on the ground of primary infringement and on the ground of joint and several liability they have not addressed the question of the applicability of liability exemptions⁴⁶. This may become problematic when hypotheses of primary infringements are interpreted broadly as it is the case in *Newzbin 1*: while the infringing website is not directly responsible for the reproduction or transmission between users of protected works the Court does consider that by providing its facilities to its subscribers it violates the right to communicate the works to the public⁴⁷. This said, even though the reasoning of the Court is objectionable the decision it ultimately reaches is not necessarily inappropriate: had the Court used a doctrine of secondary infringement similar to that of the doctrine of inducement applied by the US Supreme Court in the *Grokster* case⁴⁸, the defendant would have been found liable anyway.

Despite the rise of Internet intermediaries' liability after the first years of clemency following the adoption of the Directive on e-commerce and its transposition at national level⁴⁹, it would be unfair to state that the exemption laid down in favour of hosting providers has remained an empty shell. Nonetheless, this does not mean that the protection of freedom of expression is the prevailing rationale as its furtherance has other radical implications that have not proved to be consensual.

2.2 The obligation for hosting providers to adequately react upon manifestly unlawful content

If securing freedom of expression was to be the prevailing rationale underlying the liability exemptions laid down in the Directive on e-commerce, this would have important implications at two other distinct stages: first when one would have to determine the type of contents that would trigger the reaction of Internet intermediaries and more precisely hosting providers, and, second when one would have to define the nature of the enforcement measures that these intermediaries could be required to implement. At this point, one thus understands that the construction of the knowledge requirement is less problematic than expected. In order to avoid that Internet intermediaries act as private censors one would need to limit the number of contents the presence of which would require the intervention of the service provider transmitting or hosting them. Only when contents would be manifestly unlawful- so that intermediaries would not have to appreciate their lawfulness- would the latter be required to react and eventually take them down or restrict access to them.

To make sure the adverb manifestly is taken seriously the best way to proceed would be to make the reaction of hosting providers depend upon a court order as it is the case in Spain⁵⁰ or Finland⁵¹. Truly, the foregoing is not a *sine qua non* condition under the Directive and the CJEU in *L'Oréal v eBay* does reckon that actual knowledge

Google France, www.legalis.net; TGI Nanterre, 2e ch., 13 October 2003, Société Viaticum, Société Luteciel c/ Société Google France, www.legalis.net.

⁴⁵ *Google v Vuitton*, §32. See in particular the third question posed by the Court of Cassation: "*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?*".

⁴⁶ *Newzbin 1*. See the chapter on UK law.

⁴⁷ *Newzbin 1*, §113 ff.

⁴⁸ *Metro-Goldwyn-Mayer Studios, Inc. v Grokster, Ltd.* 125 S.Ct. 2764 (2005).

⁴⁹ VAN ECKE & OOMS, *ISP liability and the e-commerce directive: a growing trend toward greater responsibility for ISP*. EDWARDS, *Articles 12-15 ECD: ISP Liability -The Problem of Intermediary Service Provider Liability*. EDWARDS, *The fall and rise of intermediary liability online*.

⁵⁰ Law 34/2002 on Information Society Services and Electronic Commerce (11 July 2002) (B.O.E. of 12 July 2002). Some have thus criticized the defective implementation of the Directive on e-commerce in Spain.

⁵¹ As mentioned by the Advocate General in the case *L'Oréal v eBay*. Opinion of Advocate General Jääskinen delivered on 9 December 2010, C-324/09, *L'Oréal SA et al v eBay International AG et al* (Jääskinen Opinion in *L'Oréal v eBay*), §159.

or awareness on the part of the provider can be obtained “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”⁵². But this does not mean that Member States cannot make the intervention of the judiciary a necessary condition.

In addition, one should not stop here. Not to chill freedom of expression judges would have to assess whether the enforcement measure that the addressee of the court order would be required to perform is in fact strictly tailored so that lawful contents are not targeted as well. This should constitute a significant hurdle for claimants although the broader issue of the effectiveness of the enforcement measure –whether the content provider is able to easily relocate the contents and make it accessible to users *de novo* in the jurisdiction at issue- would not really be of relevance here. As a consequence even if the contentious content would be deemed manifestly unlawful by a competent judge, the Internet intermediary would not be required to react if the implementation of the court order would have adverse effect on lawful contents. While the danger of overreaching injunctions have been stressed by many⁵³, when confronted with this argument judges have not been very receptive. The recent French decision issued in the case *Claude Guéant v Free et al* is a perfect illustration.⁵⁴ The French minister of the Interior was claiming for an injunction against several Internet access providers to make them take all the necessary measures to stop the diffusion of a website alleged to be offensive, defamatory and in violation of data protection law. Whereas the Tribunal acknowledges that imposing the blocking of the URL was not appropriate and proportionate, it did not hesitate to order the blocking of the entire website until final decision be issued on the matter at hand.

Furthermore, because Internet intermediaries would be required to react only when contents are manifestly unlawful exempting them from liability when they take enforcement measures against lawful contents would not be necessary. Besides refusing to set forth Good Samaritan exemptions would tip the balance in favour of freedom of expression in the sense that it would give Internet intermediaries the incentive to remain still in case of doubts. By contrast the inclusion of Good Samaritan exemptions would work the other way around: it would send Internet intermediaries the message that reacting upon suspicious contents would be safe as long as they have reasonable doubts, i.e. as long as they act *bona fide*. The precise inexistence of a Good Samaritan rule in the Directive on e-commerce might be interpreted in favour of freedom of expression. But this may be stretching the intention of its drafters too far if one recalls that they were initially driven by a relatively modest harmonization project: to impact as little as possible upon the general rules of civil liability in place in Member states⁵⁵. Yet the US CDA⁵⁶ and DMCA⁵⁷ do contain such exemptions.

The corollary of the restrictive interpretation of the knowledge requirement is that intermediary providers should not appreciate the lawfulness of the contents transmitted or stored on their networks or systems.

2.3 The prohibition to force intermediary providers to appreciate the lawfulness of contents

Likewise, the prohibition of imposing a general obligation to monitor one’s network or system laid down in Article 15 of the Directive on e-commerce should be interpreted in the light of the prevailing rationale being as for now the protection of freedom of expression. In so far as one acknowledges the difference between standard-setting, monitoring and enforcement, what should be prohibited through the means of Article 15 would be to force Internet intermediaries to set the standard for lawfulness and thereby accessibility of contents and implement overreaching enforcement measures targeting lawful contents.

⁵² L’Oréal v eBay §122.

⁵³ See for example MONTERO & VAN ENIS, *Enabling freedom of expression in light of filtering measures imposed on Internet intermediaries: Squaring the circle*; JONATHAN ZITTRAIN, *Internet points of control*, 14 Boston College Law Review 653(2003).

⁵⁴ TGI Paris, réf., 14 October 2011, *Claude Guéant v Free et al*, www.legalis.net; See also Twentieth Century Fox Film Corporation et al v BT plc [2011] EWHC 2714 (Newzbin 2), §186.

⁵⁵ CRABIT.

⁵⁶ §230(c)(2).

⁵⁷ §512(g)(1).

Assuming the requested monitoring solely implies on the part of intermediaries the precise localisation of unlawful contents previously characterized by legitimate entities, freedom of expression would not be inherently jeopardized. This said, depending upon the way the monitoring is carried out, it may put at risk users' anonymity and privacy. Yet, it is likely that the mere fact that surveillance mechanisms are set up will chill freedom of expression even though no sanction will automatically follow before judicial assessment.

As we are going to see below this interpretation has not been endorsed neither by European judges nor by national judges. The reason is not so much that it would be too costly for Internet intermediaries to step in. Judges and law-makers after the adoption of the Directive on e-commerce have gradually abided by the "necessity" to encourage private regulation, which implies that Internet intermediary are obliged in certain cases not only to localise allegedly unlawful contents but also to appreciate their lawfulness and take appropriate enforcement measures. Generally speaking, other fundamental considerations have outweighed the protection of freedom of expression to make the protection of intellectual property interests effective while the urgency of the need to subsidize the ICT industry has progressively lost its strength.

3. The second rationale: not to hinder private regulation

The second rationale that can be inferred from the reading of the European provisions dealing with the liability of intermediary providers is the will to encourage private regulation more often called self-regulation undertaken at the initiative of the intermediary providers themselves. This rationale perceived in many cases as the best way to protect intellectual property interests in the digital world differs from the first rationale in two ways. First the domain of the exemptions should be broader and include passive as well as active intermediary providers who take the initiative to regulate contents on their networks or systems. Besides, even though the Directive on e-commerce is silent on this point, the effects of these exemptions should be further enlarged and thereby cover intermediary providers when they take enforcement measures against lawful contents *bona fide*. Second, and this is true in particular in the field of intellectual property, active as well as passive intermediary providers should be called upon to take measures against unlawful contents. As a result the tripartite distinction between mere conduits, caching providers and hosting providers should be abandoned.

3.1 The exemption of intermediary providers taking the initiative to regulate contents

Because the drafters of the Directive on e-commerce have chosen to set the lowest common denominator as regards the liability regimes of Internet intermediaries by harmonizing a limited list of liability exemptions⁵⁸, it is not easy to make sense of the European framework. Some have claimed that Maduro is wrong and the liability exemptions should protect Internet intermediaries that do issue judgements about the lawfulness of the contents transmitted or stored on their networks or systems⁵⁹, even though freedom of expression remains a core value. This is certainly justified in some circumstances, in when administrators of forum or newsgroups are involved⁶⁰. There is however a slight twist in the argumentation put forward, the assumption being that private regulation is less dangerous than public regulation when it comes to the defence of freedom of expression. Internet intermediaries should now be able to take the initiative to police their systems or networks without having to wait for a red flag⁶¹, be it after the reception of a detailed and substantiated notification or not. The Directive on

⁵⁸ CRABIT.

⁵⁹ VAN EECHE, *Online service providers and liability: a plea for a balanced approach*. See also the position of the Advocate General Jääskinen in *L'Oréal v eBay*. Jääskinen's opinion in *L'Oréal v eBay* §146: "As I have explained, 'neutrality' does not appear to be quite the right test under the directive for this question. Indeed, I would find it surreal that if eBay intervenes and guides the contents of listings in its system with various technical means, it would by that fact be deprived of the protection of Article 14 regarding storage of information uploaded by the users".

⁶⁰ Which is not always agreed with by national judges. See e.g. Cass, crim, 16 February 2010, 09-81.064 and 08-86.301. See nonetheless Decision n° 2011-164 QPC 16 September 2011.

⁶¹ This is the standard adopted in the United States when the hosting provider does not receive any notification. In the absence of notification the latter can only acquire knowledge of the infringing activity if the content at issue amounts to a red

e-commerce is thus deemed as embodying a twofold rationale: securing freedom of expression without hindering private regulation. Nonetheless the articulation and juxtaposition of both objectives is not a straightforward task.

Truly, it is possible to view the provisions of the Directive on e-commerce from a different angle and state that the liability exemptions have been adopted not so much to promote the free flow of information but to make sure that intermediary providers do take the initiative to police their systems or networks. In other words lowering the cost of their activities through the means of favourable liability regimes could be seen as a way to give intermediary providers incentives to regulate the behaviour of their users. This trade-off certainly underlines the US CDA⁶² and to some extent the US DMCA⁶³. To what extent the promotion of private regulation is really at the heart of the European legislative plan is more difficult to assess.

Shifting from Recital 42 to Recital 40 of the Directive on e-commerce, one reads that “this Directive should constitute the appropriate basis for the development of rapid and reliable procedures for removing and disabling access to illegal information; (...) the provisions of this Directive relating to liability should not preclude the development and effective operation, by the different interested parties, of technical systems of protection and identification and of technical surveillance instruments made possible by digital technology within the limits laid down by Directives 95/46/EC and 97/66/EC”. As aforementioned, the foregoing is inferred from the premise that self-regulation, which may be better labelled private regulation⁶⁴, operates more effectively within the digital world than public regulation⁶⁵ and thereby should be encouraged.

Here it is possible to take two different routes, the second one being more interventionist than the first one. Either one thinks that the invisible hand of the market for norms does adequately constrain Internet intermediaries to police their networks so that end users’ preferences do guide and determine the content of the offer made by intermediaries, or, one thinks that the market for norms is flawed almost *per se* and one needs to subject intermediaries to the hierarchically higher hand of the State which will guide their reactions more or less distantly. Because the drafters of the Directive on e-commerce do insist upon the need to make all interested parties collaborate together in order to set up self-help regulatory mechanisms, the European legislator does seem more wary of private regulation than the US one. In this sense the philosophy underlying the European legislation remains somewhat different from the one underlying the US statutes.

flag. Browsing the *travaux préparatoires* one can read: “the bill imposes no obligation on a provider to seek out such red flags. Once a provider becomes aware of a red flag, however, it ceases to qualify for the exemption “. H.R. REP. 105-551(I), 25. “Under this standard, a service provider would have no obligation to seek out copyright infringement, but it would not qualify for the safe harbor if it had turned a blind eye to “red flags” of obvious infringement “. H.R. REP. 105-551(II), 57. For a comment see TODD E. REESE, *Wading through the muddy waters: the courts' misapplication of section 512(c) of the Digital Millennium Copyright Act*, 34 Southwestern University Law Review (2004);id. at;id. at;EDWARD LEE, *Decoding the DMCA safe harbors*, 32 Columbia Journal of Law & the Arts 233(2009). US courts have interpreted this standard restrictively. See e.g. *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1107-1108 (W.D. Wash. 2004) ; *Perfect 10, Inc. v. CCBill, LLC*, 488 F.3d 1102, 1114 (9th Cir. 2007) ; *Io Group, Inc. v. Veoh Networks, Inc.*, 586 F.Supp.2d 1132, 1148-1149 (N.D. Cal. 2008).

⁶² See *Zeran v. America Online, Inc.*, 129 F.3d 327, 331 certiorari denied 118 S.Ct. 2341 (4th Cir. 1997) and its progeniture *Kathleen R. v. City of Livermore*, 87 Cal.App.4th 684, 104 Cal.Rptr.2d 772 (Cal. Ct. App. 2001) ; *Gentry v. eBay, Inc.* 99 Cal. App. 4th 816, 121 Cal. Rptr. 2d 703 (Cal. App. 4 Dist. 2002) ; *Doe v. America Online, Inc.*, 783 So. 2d 1010 (Fla. 2001) ; *Barrett v. Rosenthal*, 40 Cal. 4th 33, 146 P. 3d 510 (S. Ct. of Cal. 2006) ; *Beyond Systems, Inc. v. Keynetics, Inc.*, 422 F.Supp.2d 523, 536+ (D.Md. Feb 14, 2006).

⁶³ See *in fine* *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004) in which the implementation of filtering measures is not sufficient to infer knowledge of the infringing activities.

⁶⁴ See e.g. SOPHIE STALLA-BOURDILLON, *Chilling ISPs... When private regulators act without adequate public framework*, 26 Computer and Telecommunications Law Review 290(2010). For a definition of private regulation see COLIN SCOTT, *Private regulation of the public sector: a neglected facet of contemporary governance*, 29 Journal of Law and Society 56(2002).

⁶⁵ As explained by Brousseau “[D]ue to the decreasing cost of information processing, and to the increasing capabilities of Information and Communication Technologies (ICTs) and to the decentralized management of the Internet individual agents have access to capabilities that allow them to individually implement property rights and to set-up self-enforcing collective rules at a much lower costs than before. Moreover, the efficiency and the credibility of traditional regulatory frames are challenged by digital technologies”. E. BROUSSEAU, *Multilevel governance of the digital space: does a “second rank” institutional framework exist?* at <http://www.brousseau.info.>, p. 5. See also E. BROUSSEAU, *Régulation de l’Internet: l’autorégulation nécessite-t-elle un cadre institutionnel?* at <http://www.brousseau.info.>

One way of trying to bridge the gap between freedom of expression and private regulation in the field of copyright has been to argue in France that copyright infringements will in many instances appear manifestly given in particular the role of collective societies and the use of sworn agents whose reports constitute admissible evidence before French courts and tribunals⁶⁶. This is the argument that has been put forward in the Report of the French Commission specialised on Internet providers⁶⁷.

When looking at the French Case law it does seem that several judges tend to consider that the reception of a complying notification⁶⁸, which is not *a sine qua non* condition to prove actual knowledge⁶⁹, is enough to establish that the alleged infringement is manifest⁷⁰. This appears to be in contrast with the position of the Constitutional Council which when examining the conformity of the French statute with the constitutional principle of liability for negligence seemed to opine that the adjective manifest needed to be interpreted quite restrictively⁷¹. Furthermore, some Courts have been ready to rule that once a notification has been received the hosting provider has the duty to take down future uploading of identical contents without waiting for the reception of a notice⁷².

It is questionable whether the reception of a detailed notice identifying an alleged infringement should automatically amount to the presumption that the content is manifestly unlawful. Senders of notice are not

⁶⁶ See Art. 332-1 of the French Code of Intellectual Property : "*Apart from the reports drawn up by police investigators, the proof of the existence of any infringement of the provisions of Books I, II and III of this Code and of Article 52 of Act No. 85-660 of July 3, 1985, on Authors' Rights and on the Rights of Performers, Producers of Phonograms and Videograms and Audiovisual Communication Enterprises may be provided by the statement of a sworn agent designated, as appropriate, by the National Center for Cinematography, by the professional bodies of authors or by the societies referred to in Title II of this Book. Such agents shall be approved by the Minister responsible for culture subject to the conditions laid down by a Conseil d'Etat decree*".

⁶⁷ PIERRE SIRINELLI (PRESIDENT), Rapport de la Commission spécialisée sur les prestataires de l'Internet at www.cspla.culture.gouv.fr/travauxcommissions.html, p. 66. The Commission specialised on Internet providers is a working group formed under the umbrella of the Superior Council of Literary and Artistic Property (le Conseil Supérieur de la propriété littéraire et artistique). This Council is an independent consultative body which is in charge of advising the government on matters related to literary and artistic property.

⁶⁸ Under Article 6.I.5 of the Statute 2004-575 on confidence in the digital economy the notification shall contain the following information : date of notification, first name, last name, profession, domicile, nationality, date and place of birth of the right holder or if the latter is a legal person form, name, sit, representative organ; the description of the contentious facts and their precise localisation, the motives for their taking down ; copy of the exchanges between the right holder and the author or editor or justifications as to the reasons why the author or editor could not be contacted. The "red tape" and slowness of the notice procedure has been criticized by the drafters of the report. P. Sirinelli (président), Rapport de la Commission spécialisée sur les prestataires de l'Internet, 2008, www.cspla.culture.gouv.fr/travauxcommissions.html, p. 66.

⁶⁹ The recent decision of the French Cassation Court seems to imply the contrary though. Cass, Civ 1, 17 February 2011, Nord-Ouest Production v Dailymotion, www.legalis.net

⁷⁰ See for example TGI Paris, 3e ch., 1re section, 15 April 2008, Omar et Fred et autres v Dailymotion et autres, www.legalis.net. See also TGI Paris, 3e ch., 22 September 2009, n° 09/06246, ADAMI et a. v Sté YouTube, www.juriscor.net ; TGI Paris, réf., 16 June 2008, Société Paris Promotion v Société JFG Networks, SCI R. M. et Monsieur R. P., www.juriscor.net ; TGI Paris, 17e ch., 13 October 2008, Bachar K. et autre v Christophe B. et autres, www.juriscor.net ; TGI Paris, réf., 19 October 2006, Mme H. P. v SARL Google France et Sté Google Inc., Juris-Data n° 06/58312, <http://www.foruminternet.org/>. See also Cass, Civ 1, 17 February 2011, Nord-Ouest Production v Dailymotion, www.legalis.net *in fine*.

⁷¹ Décision n° 2004-496 DC, 10 juin 2004, JORF n° 135 du 22.06.2004, p. 11182, Considérant 9 *in fine*. See LIONEL THOUMYRE, *Les hébergeurs en ombres chinoises - Une tentative d'éclaircissement sur les incertitudes de la LCEN*, 5 Revue Lamy Droit de l'Immatériel n.58(2005).

⁷² See e.g. TGI Paris, 19 October 2007, SARL Zadig Production, Jean-Robert V. et Mathieu V. v Sté Google Inc. et AFA, <http://www.juriscor.net/> ; TGI Paris, réf., 19 November 2008, Jean Yves L. dit Lafesse et autres v Dailymotion, www.legalis.net ; TGI Paris, 3e ch., 2e section, 14 November 2008, Jean Yves L. et autres v Youtube et autres, www.legalis.net ; TGI Paris, réf., 5 March 2009, Roland Magdane et autres v YouTube, www.legalis.net ; TGI Paris, 3e ch., 2e section, 10 April 2009, SARL Zadig Productions v SA Dailymotion, www.legalis.net ; TGI Paris, 3e ch., 2e section, H & K, André R. v Google, 9 October 2009, <http://www.legalis.net/>. For a recent contrary decision see TGI Paris, 3e ch., 4e sect., 28 April. 2011, SPPF v Youtube, Google France, Google Ireland : <http://www.legalis.net/> (the reason why the tribunal refuses to go that far in this case is because the right holders had not cooperated with the service provider). The question remains whether hosting providers have the obligation to stop identical infringements that are present on the systems of the service provider but that have not been spotted by right holders.

required to use the services of agents specifically trained to identify copyright infringement. Although it has been argued that notice (and take down) procedures have been put into place primarily to deal with the problems raised by unlawful file sharing (which imply the entire reproduction of identical protected works without prior authorization)⁷³, this restriction has not been built within the legislative frameworks that have been adopted for that purpose and notices can thus be sent to denounce a variety of infringing activities. More generally, the presumption of innocence is simply undermined if technological sanctions automatically follow: the right-holder commissioning the agent may be wrong. In an interesting decision a US court acknowledged in this line that a copyright owner shall consider the implications of fair use in formulating a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law as required by the DMCA. According to the Court

“[u]ndoubtedly, some evaluations of fair use will be more complicated than others. But in the majority of cases, a consideration of fair use prior to issuing a takedown notice will not be so complicated as to jeopardize a copyright owner's ability to respond rapidly to potential infringements”.

The policing of one's network or system can be done at the initiative of the Internet intermediary even before the manifestation of victims. The advocates of private regulation have thus argued that if Internet intermediaries chose this path, this should not entail the impossibility to avail of liability exemptions. Such a solution has been adopted outside the field of intellectual property in the US in the wake of the *Zeran* decision⁷⁴ dealing with defamation. It has also been adopted in the same country in the field of intellectual property and in particular copyright. Indeed the US legislator has laid down general Good Samaritans immunities to be applicable when Internet intermediaries, whatever their activities, restrict or block access to unlawful contents. Hosting providers and providers of location tools can thus claim the benefit of the safe harbours laid down in the DMCA even though they take the initiative to police their systems or networks in the absence of notification⁷⁵, while they have the obligation to automatically react⁷⁶ upon complying notifications. As regards trademarks, courts have adopted similar solutions even though no safe harbour has been specifically designed for the digital world⁷⁷.

In Europe, commentators have expressed the view that the combination of both private regulation and the protection of freedom of expression is a better strategy than simply trying to secure freedom of expression⁷⁸. They argue that a more balanced approach than the approach apparently taken in the *Google v Vuitton* case is

⁷³ This is the case in the US. See JENNIFER M. URBAN & LAURA QUILTER, Efficient process of "chilling effects"? Takedown notices under section 512 of the Digital Millennium Copyright Act, 22 Santa Clara Computer and High Technology Law Journal 621(2006).

⁷⁴ See *supra* fn 60.

⁷⁵ The adoption of the principles of user-generated content must be understood from this perspective. See <http://www.google.com/search?q=principles+of+user-generated+content+&ie=utf-8&oe=utf-8&aq=t&rls=org.mozilla:en-GB:official&client=firefox-a>.

⁷⁶ *Hendrickson v. Ebay, Inc.*, 165 F. Supp. 2d 1082, 1088 (C.D. Cal. 2001); *ALS Scan Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619, 623 (4th Cir. 2001) : “The liability-limiting provision applicable here, 17 U.S.C. §512(c), gives Internet service providers a safe harbor from liability for “infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider” as long as the service provider can show that: (1) it has neither actual knowledge that its system contains infringing materials nor an awareness of facts or circumstances from which infringement is apparent, or it has expeditiously removed or disabled access to infringing material upon obtaining actual knowledge of infringement; (2) it receives no financial benefit directly attributable to infringing activity; and (3) it responded expeditiously to remove or disable access to material claimed to be infringing after receiving from the copyright holder a notification conforming with requirements of §512(c)(3). *Id.* §512(c)(1). Thus, to qualify for this safe harbor protection, the Internet service provider must demonstrate that it has met all three of the safe harbor requirements, and a showing under the first prong-the lack of actual or constructive knowledge-is prior to and separate from the showings that must be made under the second and third prongs”.

⁷⁷ See *Tiffany (NJ), Inc. v. eBay, Inc.* 576 F.Supp.2d 463 (S.D.N.Y. 2008) affirmed in part by 600 F.3d 93 (2nd Cir.(N.Y.) Apr 01, 2010) on Remand to 2010 WL 3733894 (S.D.N.Y. Sep 13, 2010) and certiorari denied by 131 S.Ct. 647 (U.S. Nov 29, 2010). The solutions adopted in the field of trademark are very similar to that of adopted in the field of copyright. Compare the *Tiffany* decisions with the following one *Viacom v Youtube* 718 F.Supp.2d 514 (S.D.N.Y., 2010).

⁷⁸ VAN ECKE, *Online service providers and liability: a plea for a balanced approach*.

needed in the same line as the solutions adopted in the United States. Thus, it would be still missing at the European level an exemption of liability in case of *bona fide* reaction against lawful contents.

Although such an approach could seem to better reflect the European regulatory tradition than that of the US in so far as it implies that freedom of expression is not an overriding value and must be balanced against other competing interests⁷⁹, it does not avoid all criticisms. Private regulators as well as public regulators are capable of chilling free speech⁸⁰. Moreover, even though Internet intermediaries are very deferential to alleged victims and do automatically take down or restrict contents that are precisely identified and localised in complying notification, the inclusion of a provision sanctioning any person who knowingly materially misrepresents that material or activity is infringing⁸¹ does not guarantee the inexistence of adverse effect upon lawful contents⁸². This has been denounced by commentators in the United States since the adoption of the CDA and the DMCA.

To make sure content regulation is fully effective active Internet intermediaries but also passive intermediaries should be called upon.

3.2 The burdening of passive intermediaries

In Europe, specific rules dealing with the role of Internet intermediaries in case of online copyright infringement have been adopted on top of the horizontal provisions of the Directive on e-commerce. Even though these rules have not originally been conceived as exceptions to the more general rules set forth in the Directive their interpretation and implementation both at European and national levels are likely to undermine the tripartite distinction drawn between mere conduits, caching providers and hosting providers.

The Directive on enforcement specifies that interlocutory and permanent injunctions can be issued against intermediaries whose services are used by a third party to infringe intellectual property rights⁸³. The Directive does not expressly define who qualifies as an intermediary. This should be welcomed at least for two reasons. First it is simply vain to try to set precisely the contours of the category of Internet intermediaries given the speed at which digital technology evolves. Second, because it is artificial to try to distinguish between passive and active intermediaries: passive as well as active intermediaries have potentially regulatory capabilities.

The Directive on enforcement echoes the infosoc Directive which already contained a provision on remedies making it mandatory for Member States to ensure that right holders are in a position to apply for an injunction

⁷⁹ SOPHIE STALLA-BOURDILLON, *The flip side of ISP's liability regimes: the ambiguous protection of fundamental rights and liberties in private digital spaces*, 26 Computer law & Security Review 492(2010); JOEL R. REIDENBERG, *Yahoo and democracy on the Internet*, 42 Jurimetrics 261(2002).

⁸⁰ See e.g. DAWN C. NUNZIATO, *Freedom of expression, democratic norms, and internet governance*, 52 Emory Law Journal 187(2003); DAWN C. NUNZIATO, *The death of the public forum in cyberspace*, 20 Berkeley Technology Law Journal 1115(2005).

⁸¹ 17 U.S.C. §512(f). For a judicial interpretation see *Ondine Policy Group v. Diebold, Inc.* 337 F. Supp. 2d 1195, 1197 (N.D. Cal. 2004); *Rossi v. Motion Picture Ass'n of America Inc.*, 391 F.3d 1000, 1004 (9th Cir. 2004) and *Biosafe-One, Inc. v. Hawks*, 524 F.Supp.2d 452, 468-469 (S.D.N.Y. 2007). See also *Lenz v. Universal Music Corp.*, 572 F.Supp.2d 1150, 1154+ (N.D.Cal. 2008). For a similar provision in French law see Statute 2004-575 for confidence in the digital economy, Article 6.I.4.

⁸² JENNIFER M. URBAN & LAURA QUILTER, *Efficient process or "chilling effects"? Takedown notices under section 512 of the Digital Millennium Copyright Act -- Summary Report* at <http://www.chillingeffects.org/>; URBAN & QUILTER, *Efficient process or "chilling effects"? Takedown notices under section 512 of the Digital Millennium Copyright Act*. See also *Rossi v. Motion Picture Ass'n of Am.*, 391 F.3d 1000, 1002 (9th Cir. 2004) in which a DMCA's notice had been used to induce an ISP to take down a website from which illegal content could not be downloaded; *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1204-05 (N.D. Cal. 2004) in which DMCA notice had been used to induce ISPs to take down websites protected fair use.

⁸³ Article 9 and 11.

against intermediaries whose services are used by a third party to infringe copyright or related rights⁸⁴. The Directive on enforcement goes nonetheless further than the infosoc Directive in the sense that it provides for a right of information that can be asserted before a competent judicial authority against any person who was found to be providing on a commercial scale services used in infringing activities⁸⁵.

In *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten GmbH v Tele2 Telecommunication GmbH* (LSG v Tele2)⁸⁶ the CJEU had to construe the term intermediary within the meaning of the infosoc Directive⁸⁷. One argument of the defendant, being an Internet access provider, was that to qualify for an intermediary within the meaning of the Directive the service provider would need to be able to effectively bring copyright infringement to an end, which would not have been possible for the defendant in that case. The CJUE did not agree with the latter and held that the category of intermediaries encompasses any service provider which “*carries a third party’s infringement of a protected work or other subject-matter in a network*”. Because “*It is common ground that access providers, in granting access to the Internet, make it possible for such unauthorised material to be transmitted between a subscriber to that service and a third party*”⁸⁸, Internet access providers fall within that category. No further consideration was needed. As a result “*access providers which merely provide users with Internet access, without offering other services such as email, FTP or file - sharing services or exercising any control, whether de iure or de facto, over the services which users make use of, must be regarded as ‘intermediaries’ within the meaning of Article 8(3) of Directive 2001/29*”⁸⁹. In other words, the neutrality or passiveness of the service provider is irrelevant. Mere conduits are intermediaries as well as user generated content platforms even though the former cannot be held financially liable under Article 12 of the Directive on e-commerce.

At the national level Courts have also supported a broad interpretation. In the UK, the High Court ruled similarly in *Newzbin 2* that because users could access the infringing website through the means of the service of the defendant providing Internet access to part of them, the defendant’s services were used to infringe. Although the Court did consider that users downloading infringing materials through the means supplied by the infringing website were infringers⁹⁰, it was sufficient to find that the infringing website was violating the right to communicate the protected work to the public for the purpose of determining whether the defendant’s services had been used to infringe⁹¹. Said otherwise even though end users might benefit from an exception to copyright, the fact that the defendant’s service allows the infringing website to reach the public is enough for the defendant to be deemed an intermediary.

Even though the infosoc Directive and the Directive on enforcement go further than the Directive on e-commerce in the sense that they make it an obligation for Member States to allow right holders to claim for injunction against intermediaries, Member States retain some leeway. Recital 59 of the infosoc Directive states that the “*conditions and modalities relating to such injunctions should be left to the national law of Member States*”. Some Member States have not chosen to identically reproduce the words of the infosoc Directive, as it is the case with the UK. Indeed, the UK has chosen in section 97A of CDPA 1988⁹² to impose the condition that the service provider “*has actual knowledge of another person using their service to infringe copyright*”. In *Newzbin 2* the question was whether the expression actual knowledge for the purpose of Article 97A of the CDPA was to be given the same meaning as the expression actual knowledge used to describe the obligations of

⁸⁴ Article 8(3).

⁸⁵ Article 8.

⁸⁶ [2009] ECR I-1227

⁸⁷ And in particular Article 5(1)(a) and Article 8(3).

⁸⁸ LSG v Tele2, § 44.

⁸⁹ LSG v Tele2, § 46.

⁹⁰ *Newzbin 2*, § 108.

⁹¹ *Newzbin 2* § 113.

⁹² It is interesting to note that the UK has specifically transposed Article 8(3) of the infosoc Directive but not Article 11 of the Enforcement Directive.

hosting providers in Regulation 19 of the Electronic Commerce (EC Directive) Regulations 2002⁹³. Mere general knowledge of one or more persons using one's service to infringe copyright was deemed to be sufficient by the Court. It was thus not necessary for the claimant to prove actual knowledge of specific acts of infringement⁹⁴.

The main problem with this approach is that Internet access providers will immediately react upon notifications of right holders without waiting for any judicial or administrative order. This thus in part undermines or at least reduces the interest of the absolute exemption of liability designed for mere conduits.⁹⁵

In the end, despite the ambiguities of the recent decision of the CJEU the second rationale consisting in encouraging or better forcing the development of private regulation seems more widely shared than the first one. This is certainly the case in the field of intellectual property. To what extent this is also true in other sectors is less clear and in particular when consumers' interests are at stake rather than right holders' interests. The shifting of the focus from the protection of freedom of expression to the promotion of self-regulation which does necessarily imply the organization into a hierarchy of different competing interests has been eased by the lessening in importance of the third rationale: the furtherance of innovation in the digital world.

4. The third rationale: subsidizing intermediary providers

The third rationale that motivated the drafters of the Directive on e-commerce to react is the need to subsidize Internet and online service providers responsible for the growth of the digital economy. This is not the first time that liability rules have been used to favour the interests of industrial actors as the US example shows it with the maturation of the tort of negligence at the end of the nineteenth century. The implications of such a regulatory strategy seem obvious: to avoid making intermediary providers bear the costs of content regulation so that they are not prevented from developing innovative applications and thereby to be suspicious of broad court orders requiring intermediary providers to set up far-reaching surveillance mechanisms.

4.1 The prohibition to make intermediary providers bear the costs of monitoring measures

On top of claiming that Internet intermediaries who take the initiative to police their networks should still benefit from the liability exemptions laid down in the Directive on e-commerce, commentators usually add that these intermediaries should not bear the costs of monitoring⁹⁶ their systems of networks. Here it is crucial to correctly identify the overriding rationale. The latter is advocated to make sure that innovation more than freedom of expression is not chilled: saying that no general monitoring obligation should burden Internet intermediaries is simply saying that they should not bear the costs of such activities and not that they should not undertake these activities at all⁹⁷.

⁹³ SI 2002/2013 ("The 2002 Regulations"). Regulation 22 of the 2002 Regulations provides that: in determining whether a service provider has actual knowledge a court shall take into account in particular whether a service provider has received a notice which includes among other things details of the location of the information in question and details of the unlawful nature of the activity or information in question.

⁹⁴ Newzbin 2, §148.

⁹⁵ *Hendrickson v. Amazon.Com, Inc.*, 298 F.Supp.2d 914, 917 (C.D.Cal. 2003): "if at the time the notice is received, the infringing material is not posted, the notice does not enable the service provider to locate infringing material that is not there, let alone do it expeditiously". Therefore the claimant's notice could not be deemed adequate notice for subsequent listings and sales dealing with the infringing item. See also §512(j)(1) which were adopted to restrict the pre-existing solutions adopted on the ground of contributory or vicarious liability.

⁹⁶ Understood broadly.

⁹⁷ Maduro does nonetheless link the prohibition of a general obligation to monitor one's systems or networks to the rationale of securing freedom of expression: "I construe Article 15 of that directive not merely as imposing a negative obligation on Member States, but as the very expression of the principle that service providers which seek to benefit from a liability exemption should remain neutral as regards the information they carry or host". Maduro's opinion in *Google v Vuitton*, § 143. This may be because his understanding of the remit of a monitoring obligation does encompass standard-setting.

This preoccupation was certainly high in the agenda of the drafters of the Directive on e-commerce as in the agenda of the drafters of the DMCA⁹⁸ who discussing policy issues in the mid-nineties were legitimately concerned about the creation and expansion of the digital market. This is the main reason why Article 15 expressly provides that “*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*”. It is interesting to note that the language of the DMCA is though slightly different⁹⁹: if standard technical measures are used by right-holders Internet intermediaries can be constrained to monitor their services or networks. The notion of standard technical measures is however quite restrictive: “*technical measures that are used by copyright owners to identify or protect copyrighted works and (A) have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process; (B) are available to any person on reasonable and nondiscriminatory terms; and (C) do not impose substantial costs on service providers or substantial burdens on their systems or networks*”¹⁰⁰.

The exclusion of a general monitoring obligation does not prevent Member States from imposing limited monitoring obligation and paragraph 2 of Article 15 of the Directive on e-commerce gives an example of the type of limited monitoring obligation that is acceptable: “*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*”¹⁰¹. It is important to acknowledge here that the limited monitoring obligation does not entail an obligation to implement enforcement measures and thereby take down or restrict access to allegedly unlawful content.

Assuming one seeks to make sure that Internet intermediaries do not bear monitoring expenses the focus should only be upon the costs of setting up technological measures that would enable them to monitor their networks or systems in practice. In cases where it would be possible to put into place a reimbursement system that would be effective then in principle the prohibition of Article 15 should not step in. This is clearly the approach taken by the French Tribunal in the case *Claude Guéant v Free et al* which rejected the blocking by URL on the ground that it would be too costly for Internet access providers but which ordered the blocking of the entire website on the condition that the claimant reimburses the expenses incurred by the Internet access providers to comply with the order.

In other jurisdictions, the notion of monitoring has been interpreted quite narrowly. This is the case in the UK: in the words of Kenneth Parker J. “[a] “*general*” obligation refers to a systematic arrangement whereby the putative “monitor” is inspecting or examining information randomly or by reference to particular classes of information or subscribers, and is not focusing on a specific instance that has for apparently good reason been brought to its attention”¹⁰². As a result the Digital Economy Act does not impose upon Internet access providers any monitoring obligations. This is also the case in Ireland: in the words of Charleton J.: “[d]eep packet inspection, (...) is not the seeking of information which is the course of transmission. Instead, it identifies the

⁹⁸ Edwards, Articles 12-15 ECD: ISP Liability -The Problem of Intermediary Service Provider Liability. Edwards, The fall and rise of intermediary liability online.

⁹⁹ See 17 U.S.C. §512(m): “*Protection of privacy.—Nothing in this section shall be construed to condition the applicability of subsection (a) through (d) on – (1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with provisions of subsection (i); or (2) a service provider gaining access to, removing, or disabling access to material in cases in which such conduct is prohibited by law*”.

¹⁰⁰ 17 U.S.C. §512(i)(2).

¹⁰¹ For a similar provision under French law see Statute 2004-575, Art. 6.I.7.

¹⁰² 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), §114.

nature of transmissions, whether encrypted or otherwise, by reference to the ports which they use, and the protocol employed, as to as to identify peer-to-peer communication"¹⁰³.

It goes without saying that other significant interests are likely to be impaired if Internet intermediaries are required to set up surveillance mechanisms and in particular privacy interests since IP addresses are now officially considered to be protected personal data¹⁰⁴. The CJEU in *Scarlet v Sabam* does also mention the fact that the imposition of an obligation to monitor through the means of an injunction could potentially undermine freedom of expression but here it is more the enforcement measure taken as a consequence of the monitoring that is potentially problematic: an "*injunction could potentially undermine freedom of information since that system might not distinguish adequately between unlawful content and lawful content, with the result that its introduction could lead to the blocking of lawful communications*"¹⁰⁵.

Generally speaking each time monitoring costs have been deemed to be appropriately shared between Internet intermediaries and right holders the former have been burdened with additional monitoring obligations, which do not always imply the appreciation of the lawfulness of the contentious activities on the part of Internet intermediaries. The creation of the French authority "*la Haute Autorité pour la Diffusion des Œuvres et la Protection des Droits sur Internet*"¹⁰⁶ and the enactment of the Digital Economy Act bear witnesses to this trend. The sharing of costs among Internet intermediaries and right holders have not been done in the same way in the UK and in France though. While the expenses to implement the graduated response still entirely rely upon Internet access providers in France, right holders in the UK have been initially required to bear twenty five per cent of the expenditures. Truly, the High Court recently held that that the "*qualifying costs*" imposed on Internet access providers in respect of the costs incurred by the Office of Communications (Ofcom) or the appeals body in carrying out functions under the copyright infringement provisions including costs incurred in appointing the appeals body or in establishing a body corporate to be the appeals body were tantamount to "administrative charges" within the meaning of the Authorisation Directive 2002/20/EC¹⁰⁷ and were therefore unlawful¹⁰⁸. Besides, when it finally appeared that these *ad hoc* regulatory schemes were doomed to require vain efforts because of the evolution of Internet users' practices, sometimes even before the full implementation of the new legal framework, right holders themselves and public authorities have searched for alternative ways to implicate Internet intermediaries and in particular means to ease the blocking of entire websites alleged to be infringing¹⁰⁹.

The prohibition to make intermediary providers bear the costs of monitoring measures restrict the power of judges to grant broad injunctions against these facilitators.

¹⁰³ EMI Records (Ireland) Ltd and Others v UPC Communications Ireland Ltd, [2010] IEHC 377, §107.

¹⁰⁴ CJEU, 24 November 2011, C-70/10, *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)* (*Scarlet v Sabam*), §51. The position of the Advocate General Cruz Villalon seems to be more critique of the measure ordered by the national judged. See Conclusions de l'Avocat General M. Pedro Cruz Villalon présentées le 14 avril 2011, C-70/10, *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, §69.

¹⁰⁵ *Scarlet v Sabam*, §52. Cruz Villalon is in the same line. See §85 in which he insists upon the adverse effect of blocking lawful contents.

¹⁰⁶ See Statute n° 2009-669 du 12 June 2009 favouring the diffusion and protection of creation on the Internet JORF, n° 135, 13/06/2009, p. 9666. Decision n° 2009-580 DC 10 June 2009, JORF n° 135 du 13.06.2009, p. 9675. Statute n° 2009-1311 28 October 2009 on the criminal protection of literary and artistic property on the Internet, JORF n° 251, 29/10/2009, p. 18290. Decision n° 2009-590 22 October 2009, JORF n° 251, 29/10/2009, p. 1892.

¹⁰⁷ Directive 2002/20/EC of the European Parliament and of the Council of 7 March 2002 on the authorisation of electronic communications networks and services (Authorisation Directive) OJ L 108, 24.4.2002, p. 21–32, Art. 12.

¹⁰⁸ *BT v Secretary of State for Business*.

¹⁰⁹ On the 25/11/2011 the Hadopi decided to explore other routes of to protect copyright holders and in particular to react upon streaming and direct downloading of infringing materials. See the press release <http://www.google.com/search?q=mission+hadopi+&ie=utf-8&oe=utf-8&aq=t&rls=org.mozilla:en-GB:official&client=firefox-a>. In the UK the culture minister recently stated that measures targeting search engines and social networks could be introduced in the upcoming new Communications Act, <http://www.bbc.co.uk/news/technology-15390021/>.

4.2 The suspicions towards broad injunctions

Continuing on this path, law-makers should be wary of broad injunctions ordering their addressees to implement costly technological measures to terminate present infringement and prevent future infringement. While national judges have some difficulties to take into account the *ex ante* effect of injunctions¹¹⁰, they have not always taken seriously into account the resulting financial burden imposed upon Internet intermediaries and in particular Internet access providers.

Article 12, 13 and 14 of the Directive on e-commerce do recognize the possibility for Member States to require service providers to terminate or prevent unlawful activities. This provision does imply that competent national authorities should be able to order service providers to take measures to preclude their users to transmit or make available unlawful contents in the future. Clearly Article 12, 13, 14 must be read together with Article 15. But if here the main concern is the costs that the service provider would have to face had the injunction been granted the fact that not only present infringements but also future infringements stopped is not problematic *per se*¹¹¹. The crucial issue is however how much Internet intermediaries must spend to make the judicial order effective.

The CJEU insisting in *Scarlet v Sabam* upon the freedom to conduct one's business considered that it is not possible to impose upon Internet intermediaries monitoring obligations that would constitute a serious obstacle to the conduct of their businesses. Thus said, *Scarlet v Sabam* is an easy case in so far as the injunction claimed for would if granted have a significant economic impact upon the defendant since it would require the installation of complicated and costly permanent computer system at the sole expenses of the Internet access provider. Indeed, the injunction would require the monitoring of all electronic communications made through the network of the service provider concerned with no limitation in time and would need to be directed to all possible future copyright infringements. This echoes the position taken by the CJEU in the earlier case *L'Oréal v eBay*: "*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*"¹¹². Because in *Scarlet v Sabam* the CJEU was only concerned about the outer limits of Article 15, it is likely that reasonable monitoring obligations in terms of costs will be welcomed without many difficulties.

Stressing the need to further legal certainty and to protect the legitimate expectations of the addressees of injunctions¹¹³ Advocate General Jääskinen in *L'Oréal v eBay* opined that "[a]n appropriate limit for the scope of injunctions may that of a double requirement of identity. This means that the infringing third party should be the

¹¹⁰ The most topical case is the *Sabam* case. See *SCRL Société belge des auteurs (SABAM) v SA Scarlet*, Tribunal de première instance de Bruxelles, 29 June 2007, www.juriscom.net. Interpreting together Recital 40 and 45 of the Directive on e-commerce the Tribunal held that « les solutions identifiées par l'expert sont des "instruments techniques" qui se limitent à bloquer ou à filtrer certaines informations qui sont transmises sur le réseau de Scarlet ; qu'elles ne sont pas constitutives d'une obligation générale de surveiller le réseau ». For a comment of the decision of first instance see e.g. OLIVIER SASSERAH, *L'ordre de cessation à l'encontre d'un ISP, un nouvel angle d'attaque dans le combat des ayants droit contre le peer to peer*, 30 *Revue Lamy Droit de l'Immatériel* (2007); THILBAULT VERBIEST & MARIE DE BELLEFROID, *Filtrage et responsabilité des prestataires techniques de l'internet: retour sur l'affaire Sabam c/ Tiscali*, 246 *Légipresse* (2007). The Brussels Court of Appeal made however a request for preliminary reference in relation to the scope of injunctions that could granted against Internet intermediaries. CA Bruxelles, 9e ch., 28 January 2010, *Scarlet Extended v Société Belge des Auteurs Compositeurs et Editeurs (SABAM)*, <http://www.juriscom.net/>

¹¹¹ US judges seem to have different views. See *Hendrickson v. Amazon.Com, Inc.*, 298 F.Supp.2d 914, 917 (C.D.Cal. 2003): "if at the time the notice is received, the infringing material is not posted, the notice does not enable the service provider to locate infringing material that is not there, let alone do it expeditiously". Therefore the claimant's notice could not be deemed adequate notice for subsequent listings and sales dealing with the infringing item. See also §512(j)(1) which were adopted to restrict the pre-existing solutions adopted on the ground of contributory or vicarious liability.

¹¹² *L'Oréal v eBay*, §139

¹¹³ "What is crucial, of course, is that the intermediary can know with certainty what is required from him and that the injunction does not impose impossible, disproportionate or illegal duties like a general obligation of monitoring". Jääskinen's opinion in *L'Oréal v eBay*, § 181.

same in the cases concerned. Hence, an injunction could be given against an intermediary to prevent the continuation or repetition of an infringement of a certain trade mark by a certain user”¹¹⁴. At the same time the fact that the infringer is not identified should not be a bar to the grant of an injunction according to the Advocate General¹¹⁵. However, arguing that injunctions targeting future IP infringements should be limited to situations of double identity, i.e. to identical or similar infringements committed by identical infringers implies that one is not only worried by the costs of the remedy but also by the chilling effect of the remedy upon freedom of expression. In other words limiting the scope of injunctions to situations of double identity is a means to make sure service providers do not attempt to appreciate the lawfulness of the contents transmitted on their network.

At the national level judges have not adhered to the rule of double identity¹¹⁶. Truly it could be argued that only one identity is sufficient to make sure Internet intermediaries do not substitute judges: identity of infringements rather than identity of infringers. At national level, judges seem to focus more upon the feasibility of the measure required rather than upon its potential chilling effect upon freedom of expression. Besides they appear to start from the premise that Internet intermediaries should bear at least part of the monitoring costs. In the UK case *Newzbin 2*¹¹⁷, the High Court granted an injunction against the major UK Internet access providers ordering it to implement a technical solution¹¹⁸ that it already employed for different purposes in order to prevent its services from being used by users and operators of the infringing website to infringe copyright. Noticeably the scope of the injunction granted goes beyond identity of infringement and does encompass the protection of third party rights. Although the Court does acknowledge that the order would potentially prevent the defendant’s subscribers from making use of the infringing website for non-infringing purposes, on the evidence the incidence of such use was *de minimis*. The Court was thus ready to extent the scope of the injunction to benefit third parties having received evidence that third party rights were indeed being infringed and that third party right holders supported the application¹¹⁹.

¹¹⁴ Jääskinen’s opinion in *L’Oréal v eBay*, §182.

¹¹⁵ Jääskinen’s opinion in *L’Oréal v eBay*, § 179. This said, Jääskinen’s opinion is problematic in the sense that it seems to adopt the rule to determine the scope of injunctions and the conditions for exemptions of financial liability. In the words of Jääskinen “*exemption from liability does not apply in cases where the electronic marketplace operator has been notified of infringing use of a trade mark, and the same user continues or repeats the same infringement*”. This solution has sometimes been adopted at the national level, as in France. See e.g. TGI Paris, 19 October 2007, *SARL Zadig Production, Jean-Robert V. et Mathieu V. v Sté Google Inc. et AFA*, www.juriscor.net See also TGI Paris, réf., 19 November 2008, *Jean Yves L. dit Lafesse et autres v Dailymotion*, <http://www.legalis.net/>; TGI Paris, 3^e ch., 2^e section, 14 November 2008, *Jean Yves L. et autres v Youtube et autres*, <http://www.legalis.net/>; TGI Paris, réf., 5 March 2009, *Roland Magdane et autres v YouTube*, <http://www.legalis.net/>; TGI Paris, 3^e ch., 2^e section, 10 April 2009, *SARL Zadig Productions v SA Dailymotion*, <http://www.legalis.net/>; TGI Paris, 3^e ch., 2^e section, *H & K, André R. v Google*, 9 October 2009; TGI Paris, 3^e ch., 22 September 2009, n° 09/06246, *ADAMI et a. v Sté YouTube*, www.juriscor.net

¹¹⁶ T. com. Paris, réf., 26 July 2007, *Kenzo et autres v DMIS (I)* and T. com. Paris, réf., 31 October 2007, *Kenzo et autres v DMIS (II)*, www.legalis.net; TGI Créteil, 1^{re} civ., ord. mise en état, 1^{er} July 2009, *INA v YouTube* <http://www.legalis.net/>. See also three German cases, commonly known as ‘Internet Auction I, II and III’, BGH I ZR 304/01 of 11 March 2004 (reported in English in [2006] European Commercial Cases, Part I, 9); BGH I ZR 35/04 of 19 April 2007 (reported in English in [2007] European Trade Mark Reports, part 11, p. 1) and BGH I ZR 73/05 of 30 April 2008. The court held that electronic marketplace operators qualified for the exemption of liability established in Article 14 of Directive 2000/31. Yet they formulated extensive criteria for injunctions against the operators which, as to their scope, may give rise to some issues of compatibility with Directive 2000/31.

¹¹⁷ [2011] EWHC 1981 (Ch) (*Newzbin 1*). See also *Twentieth Century Fox Film Corporation et al v BT plc* [2011] EWHC 2714 (*Newzbin 2*). By contrast in *Twentieth Century Fox Film Corporation et al v Newzbin Ltd* [2010] EWHC 608 (Ch.) the High Court issued against the infringing website a more limited injunction but which does encompass future infringements of the claimant’s copyright in relation to their repertoire of films. Therefore strictly speaking the injunction had not granted in relation to identical or similar infringing acts.

¹¹⁸ The technology at issue is Cleanfeed.

¹¹⁹ *Newzbin 2*, §182. See also §162 which does bear witness to the fact that the Court has a “broad” understanding of limited monitoring obligations. Because the Internet access provider would only have to block access to a particular infringing website the obligation is considered to be specific rather than general. In addition it is a mere case-specific order which according to the Court does make a difference.

While the need to subsidize the ICT industry had been felt strongly at the time of the adoption of the Directive on e-commerce in order to make sure that the European Union could compete with the United States, the appearances and expansion of several successful business models perceived as free riding upon the interests of IP right holders and in particular copyright holders have contributed towards the alteration of the initial perception of law-makers, be it the legislative or the judiciary. As a result although some doubts persists at the European level encouraging and or even forcing private regulation has become the majoritarian motto.

5. Conclusion

Contrary to what one could have thought at first glance, the Directive on e-commerce is a complex legislative instrument. This is the case not so much because of the technicality or others would say vagueness of its provisions dealing with intermediary providers, which are in terms of length quite limited but because of the plurality and diversity of the interests at stake. The study of the implications and the interactions of the different rationale that underline the system of liability exemptions laid down in favour of Internet intermediaries at the European level shows that it is indeed difficult to pursue all of them together without making harsh compromises: the encouragement of private regulation impacts upon the strength of freedom of expression in the digital world as well as upon the propensity to innovate. This explains why national solutions are not always consistent both within one Member State and among several Member States.

It may well be true that the distinction between neutral or passive and active Internet intermediaries make little sense because even the weakest link has some potential regulatory capacities and that giving intermediaries incentives to remain neutral is a desire doomed to remain an illusion because of economic interests and above all the human presence behind the technology. This said, they are ways to interpret the liability exemptions in a sense that does enhance the level of freedom of expression.

In addition, it is crucial to understand the upshot of the autonomisation of liability regimes in relation to the nature of the remedy claimed for. In other words even if the distinction between damages and injunction can seem to be a sound legal distinction, in cases in which injunctions are costly to implement they will have the same *ex ante* effect as the award of damages: the imposition of an obligation to regulate the behaviour of one's subscribers or users before any judicial intervention, which is likely to be undertaken at the expense of freedom of expression.

In spite of the increasing attention of national judges refusing in several cases to make Internet intermediaries pay damages to victims for the transmission or storage of contents at the request of third parties, the encouragement and even more the forcing of private regulation has progressively become the prevailing rationale. Furthermore it has been pursued either without convincingly limiting the domain of private regulation in relation to the type of IP infringement activities or without laying down satisfactory safeguards for the respect of due process. As a result it is legitimate to argue that the balance stricken between all the interests at stake in the fight against online piracy is to some extent flawed in so far as the protection of freedom of expression but also the promotion of innovation are in some cases jeopardized without much gain on the side of IP rights enforcement. But before one tries to adopt a more balanced approach it is essential to clearly highlight the terms of the quid pro quo between freedom of expression, freedom to trade, privacy right and property right.

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