

*Liability of providers and operators of
electronic market places*

3rd TLI-Symposion: Trade mark use on the internet

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I. Overview

II. The ECJ's judgments in

- Google France
- L'Oréal v ebay

III. The ECJ's judgments in

- Scarlet v SABAM
- SABAM v Netlog

IV. Some open questions

Legal framework

- **Art. 9 and 11 Directive 2004/48/EC**
 - **Injunctions Art. 11 sentence 3** (including interlocutory injunctions, Art. 9 (1) (a))
 - **Against „... intermediaries** whose services are used by a third party to infringe an IPR...“
 - Without prejudice to Art. 8 (3) Directive 2001/29/EC → Art. 8 (3): Injunctions against „...intermediaries whose services are used by a third party to infringe a copyright or related right...“
 - **Includes proportionate „preventative“ injunctions (cf. also Art. 3 (1) Dir. 2004/48/EC)** (ECJ: L'Oréal v ebay, Scarlet v SABAM, SABAM v Netlog)
- **Art. 12-15 Directive 2001/31/EC**
 - **Limitations of *liability*** for access, caching & hosting providers
 - **Condition:** act expeditiously to block infringing content upon knowledge or awareness of facts which make the infringement apparent.
 - **Art. 15: No general obligation to monitor**
- **Charter of Fundamental Rights**
 - **Art. 17 (2) Protection of intellectual property** (right holders) vs
 - **Art. 16 Freedom to conduct a business** (providers, platforms...)
 - **Art. 8 Protection of personal data & Art. 11 Freedom to receive/impart information** (users)

Liability of providers & platforms – a matrix problem

- **Infringement as such** (i.e. definition of direct infringement) is not harmonized by the enforcement & liability measures
 - Largely harmonized in trade mark law
 - Only partly harmonized in copyright and patent law
 - **Different rules in the Member states for trade marks, copyright, patents**
 - Cf. Leistner, Common principles of liability, in Ohly (2012).
- **ECJ's case law**
 - Indirect liability for trade mark infringement
 - **Google France, L'Oréal v ebay**
 - Indirect liability for copyright infringement
 - **Scarlet v SABAM, SABAM v Netlog**

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ECJ Joined Cases C-236-238/08 Google France

- Broad definition of information society services
- AdWords referencing service is a host provider for the information supplied by the advertiser
 - **Open question:** ... and the search engine as such?
- However, liability privileges for intermediary service providers only applicable to
 - Activities of a „mere technical, automatic and passive nature“ which implies that provider „has neither knowledge of nor control over the information which is transmitted or stored“ → **neutral, passive providers (technical, automatic service)**
(Recitals 42, 23 E-Commerce-Directive)
 - Neither Payment as such nor the automatic connection with „referenced“ ads change the neutral character of such activity.
 - **L´Oréal v ebay (Case C-324/09)**
 - Information about terms of the service, remuneration, general information → neutral.
 - **Optimising of presentations, promoting specific offers → active role of such a kind as to give knowledge or control over data.**

Open question: Active vs. neutral providers?

- „Tendentious“ promotion → active role.
 - Cf. German Federal Court of Justice (*Cybersky*, 2009)
- **Active promotion?**
 - **Example:** assistance for high volume sellers?
 - **ECJ:** relation to the condition of „knowledge or control“
 - → Active promotion/assistance measures → knowledge or control
- „Tendentious“ **platform design/business model?**
 - „Automatic“ **design of the platform** which automatically leads to an increased danger of infringement. or **business models where the specific individual profit from infringing content is larger than from neutral content**
 - Examples
 - **Federal Court of Justice SEDO 2010** (although the provider was not held liable on the facts) : For a domain parking provider: originally this provider had automatically chosen an optimised keyword for the AdWords-service)
 - **Cologne Court of appeals 2009:** for an art auction platform which automatically left the individual advertisements available for an unlimited time period
- **Persistent application of only insufficient filtering measures**
 - Hamburg Court of appeals *Kinderhochstühle* (over-ruled by the Federal Court of Justice, 2010)
 - **Role of rights protection programmes → cf later: proportionality of preventative duties**

ECJ Case C-324/09 L'Oréal v ebay

- **Ebay as a host provider → Art. 14 Directive 2000/31/EC**
- **Awareness?**
 - Actual knowledge or (for damages claims) „awareness of facts or circumstances from which the illegal activity is apparent“
 - ECJ → awareness of facts/circumstances on the basis of which **a *diligent economic operator* should have identified the illegality in question**

Awareness of a *diligent operator* – Open questions

- **Respective notices by the right holders**
 - How specific and substantiated does such notice have to be?
 - ECJ: at least no „automatic“ awareness because of any notification, but notification will be a factor.
 - Balancing of interests: right holders vs. providers
 - Again: role of rights protection programmes
 - Plus: Interests of the users
 - Contract terms
 - → Contract law, Term Directive
 - Role and position of the platform
 - Competition law
- **What about „own“ knowledge of the operator?**
 - „Boomerang“ (or incentive)-problem with regard to own control measures by the operator
 - Cf. Federal Court of Justice Marions Kochbuch (2010)
 - Own control measures might be disadvantageous to the position of the provider
 - Cf. Federal Court of Justice Kinderhochstühle (2010)
 - Effective Rights Protection Programme should work in favour of the position of the right holder.

ECJ Case C-324/09 L'Oréal v ebay

- **Injunctions, in particular prevention of future (comparable) infringements**
 - **Art. 11, 3rd sentence Dir. 2004/48/EC**: injunctions against intermediaries
 - **Also covers prevention of further infringements**
 - Teleological construction with regard to the objective of effective protection of intellectual property (Rec. 24, Art. 18)
 - *cheapest cost avoider ratio*

ECJ Case C-324/09 L'Oréal v ebay

- **Limitations of such preventative injunctions**
 - **No general duty to actively monitor all the data of each customer to prevent any future infringement.**
 - Art. 15 (1) E-Commerce Directive
 - Art. 3 (1) Enforcement Directive: measures must be fair, proportionate and not excessively costly
 - **No barriers to legitimate trade.**
 - Injunction cannot have as its object or effect a general and permanent prohibition on the selling, on that market place, goods bearing the infringed trade mark.
 - →
 - **Open question: Effective and proportionate injunctions?**
 - Identification of (commercial) customer-sellers
 - Suspension of sellers.
 - **Federal Court of Justice: *Internet-Versteigerung I-III, Jugendgefährdende Medien bei ebay* → High Court: L'Oréal v ebay (cf. also *BGH Stiftparfüm [2011]*); *Twentieth Century Fox v BT***
 - See further Leistner, Common principles of liability, in Ohly (2012).

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ECJ Cases

C-70/10 Scarlet v SABAM & C-360/10 SABAM v Netlog

- Art. 15 (1) E-Commerce-Directive → Preventative injunctions cannot oblige the provider to install a filtering system that amounts to
 - General monitoring of
 - All traffic/information (*almost all, most, ...?*) of each customer
 - Identifying infringing content and
 - Blocking the infringing files.
- For all present and future copyright protected content of SABAM.

ECJ Cases C-70/10 Scarlet v SABAM & C-360/10 SABAM v Netlog

- **Charter of Fundamental Rights: fair balancing of rights (*Promusicae*)**
 - Art. 17 (2): **Protection of IP** vs.
 - Art. 16: **Freedom to conduct businesses** (providers)
 - Art. 3 (1) Dir. 2004/48/EC: no unnecessarily complicated or costly measures as a specification of the freedom of the providers (**Open question: what is a legal business model → should be answered on the level of the „active“/“neutral“-dichotomy**).
 - Art. 8, 11: **Personal data, Right to receive/impart information** (users).
 - Identifying measures interfere with the protection of personal data
 - Legal content might be blocked (**Open question: Would one „false“ positive blocking suffice to make the measure unfair?**)
- **The excessive injunction for which SABAM had applied did clearly not strike the balance fairly.**
 - NB: In L'Oréal and ebay, identification duties were explicitly mentioned. → Different level of protection of commercial operators and private users with regard to identification measures.
 - Cf. also Art. 6 E-Commerce Directive.

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Some (more) open questions:

- **Further specification of „fair“, i.e. effective, cost-efficient (proportionate) preventative measures**
 - Can a (limited and specified) obligation to totally block a certain platform (for an access provider) be less intrusive than a wide and vague filtering obligation?
 - High Court: Twentieth Century Fox v BT
 - Does the business model (e.g. commercial/non-commercial) of the provider play a role for the „fair balancing of interests“?
 - Cf. Federal Court of Justice *ambiente.de* (2001) privilege for German domain administrator DENIC: only *obvious* infringements; however, not a privilege without limits, cf now *BGH 17.11.2011 regierung-oberbayern.de*.
 - Can there be different levels of „proportionality“ for different kinds of infringement, e.g. pornography vs. trade mark, copyright ...?
 - Cf. Federal Supreme Court *Jugendgefährdende Medien bei ebay* (2007)

Some (more) open questions:

- **Further specification of „fair“, i.e. effective, cost-efficient (proportionate) preventative measures**
 - **Relevance of voluntary co-operation measures between providers & right holders**
 - Cf. Art. 27(3) ACTA
 - Can the installation of effective RPP-systems privilege the provider with regard to the standard of fair preventative measures? & Does the existence of (effective) own enforcement possibilities of the right holders play a role for adjusting the standard?
 - Cf. Federal Court of Justice Kinderhochstühle (2010)
 - » No obligation for individual (i.e. non-automatic) monitoring, when an effective RPP-program is in place which effectively allows the right holders to notify infringements.
 - Problem of such voluntary co-operation measures – interests of the individual users
 - Term Directive
 - Competition law
 - Protection of personal data

... and one large open question

- **ECJ has formulated general tests and left the application to the national courts**
 - **However, some factors/elements have already been determined**
 - E.g. promotion activities etc. as regards **active/neutral**.
 - Aspects concerning the necessary degree of specification and substantialization of a notice as regards **awareness**.
 - Examples for preventative duties (identification, blocking of certain customer/sellers) as regards **preventative duties**.
 - In other judgments the ECJ has remained rather vague (Promusicae)
- **Methodological (and teleological) question as regards the thin red line between interpretation and application of European law**
 - Reference question can structure this process.
 - However, the ECJ might also limit its role to formulating general „tests“ and leave the specification to the national courts.
 - Example: Term Directive → Océano Grupo (2000 vs.) Freiburger Kommunalbauten (2004), Pannon (2010), Penzügyi (2010)
 - At the moment the ECJ is rather following a „hands on“-approach. However this might change and it is worth considering and influencing this development.

Thank you very much for your attention!