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French courts rule on liability of ISPs for the cost of blocking access to pirate websites

SFR and Others v. Association of Cinema Producers and others, Court of Cassation, 6 July 2017 (C100909)

The French Court of Cassation recently approved a judgment of the Court of Appeals of Paris which analysed the balance of interest between the right of ISPs to carry out their business and the protection of intellectual property rights, finding that ISPs should be expected to bear the costs of blocking access to pirate websites.

Pirate sites have been denounced by the audiovisual industry for almost 20 years. Since they are often located in exotic jurisdictions and can easily transfer their servers from one legal entity to another, judgments obtained against such websites are very difficult to enforce. In order to assist copyright owners in mitigating the effects of these websites for the music and film industries, the European Union and national legislators decided at a very early stage to allow jurisdictions to combat these sites not where their servers or owners are physically located but where users are located, by creating authorities to sanction users of these sites (with very limited efficiency) and allowing courts to block access to these sites upon request of the copyright holders. The party liable for the costs of these technical blocking measures is not clear within EU legislation, but French courts have, in recent case law, clearly made ISPs liable for such costs. European Directive 2000/31[1] provides for a general lack of liability of internet service providers for the content they transmit, however it reserves the right for courts or administrative authorities to require service providers to terminate or prevent copyright infringement. European Directive 2001/29[2] goes further and provides that 'Member States shall ensure that rightsholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe copyright or related rights.' European Directive 2004/48 dated 29 April specifies that the measures taken 'shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.'

In France, these provisions are implemented under Article L.336-2 of the French Intellectual Property Code, which provides that when a breach of copyright occurs via an online communication service, first instance courts may order, under emergency procedures, measures that will prevent or terminate such a breach against any service providers that contribute to this breach. However, neither of the directives nor the French IP Code specify who shall bear the costs resulting from the measures imposed by such an injunction.

The Court of Justice of the European Union ('CJEU') ruled in 2011[3] that national courts are not allowed to request ISPs to actively monitor all the data uploaded by their users in order to prevent future infringement of intellectual property rights, since this would constitute a breach of the Enforcement Directive 2004/48/EC and the right of ISPs to conduct a business under Article 16 of the Charter of Fundamental Rights

of the European Union. Repeating its 2011 case law concerning trade marks[4], the CJEU also ruled that for protection measures to be fair, the measures must not be excessively costly for the ISP. In 2014[5], dealing with a new case concerning the blocking by an ISP of user access to a pirate website, the CJEU ruled that the national court did not have to specify exactly what measures were to be implemented by the ISP, provided that the ISP could prove it had taken all reasonable measures to prevent such access. Consequently, CJEU case law does not provide any guidance on how to assess whether blocking measures are too costly, but allows injunctions that do not specify the measures to be implemented, which makes the estimation of the costs of such measures impossible.

In France, the Constitutional Court[6] ruled in 2000 that the Government had to reimburse telecommunications operators for the investment they had to make in accordance with the law to allow for interception by public security, while a 2011 Decree[7] concerning the blocking of gambling sites by ISPs explicitly provides for remuneration to ISPs (to be determined by a decree which has not yet been adopted…) that are ordered to block access to illegal websites. However, on 6 July 2017, the Cour de Cassation, the French Supreme Court, approved a judgment of the Court of Appeals of Paris which analysed the balance of interest between the right of ISPs to carry out their business and the protection of intellectual property rights in a manner unfavourable to ISPs, and rejected any analogy between the two abovementioned laws and Article L. 336-2 of the French IP Code.

In 2011, a French association of film producers requested that the major French ISPs be ordered by the Tribunal de Grande Instance of Paris, under emergency proceedings, to take all measures necessary to prevent access to various streaming websites. The Tribunal[8] ordered that the ISPs take all measures necessary to prevent access to the infringing websites but ruled that the costs of such measures should not be borne by the ISPs, who were allowed to claim the costs back from the rightsholders. The producers' association appealed this decision, requesting that these costs be fully borne by the ISPs. In its judgment dated 15 March 2016, the Court of Appeals of Paris reaffirmed that claims under Article L.336-2 of the French IP Code were not civil liability claims, seeking to remedy or repair damages, but specific claims to prevent and terminate copyright infringement.

The Court of Appeals then quoted the *Telekabel* case and noted that the test to assess whether a measure was unfair, inequitable, too complicated and costly was whether this measure restrained the free use by the ISP of the resources at its disposal and stated that under the general principles of French law (without any reference to any case law embodying these principles), a party who is protecting his/her rights in law does not have to bear the costs related to the protection of those rights. The Court of Appeals then considered that on the one hand the economic equilibrium of copyrights owners was seriously threatened by the internet and they could not control the costs of infringement prevention measures. On the other hand, ISPs and web browsers provide the origin of access to the infringing sites and make a profit from this access. As a consequence, the Court of Appeals found that ISPs and web browsers should generally pay for the costs of copyright infringement prevention or termination measures, and can only obtain reimbursement of these costs by proving that a specific measure would be so disproportionate with respect to its cost or its duration that it could threaten the viability of their entire business model. The ISPs appealed this judgment in front of the Cour de Cassation but on 17 July 2017, the French Supreme Court approved the decision of the Court of Appeals of Paris, and ruled that costs of technical measures can be borne by the rightsholders only if these measures threaten the business model of the ISP.

The analysis of the Cour de Cassation may have some economic justifications, since it is indeed very difficult for copyright owners (and courts) to assess the actual cost for ISPs of implementing measures to prevent or terminate consumers' access to sites infringing copyright. However, it goes far beyond the current case law of the CJEU and makes it almost impossible for ISPs to secure payment for such measures from copyright owners. In addition, the use in the Court of Appeals' analysis of the respective financial health of ISPs and copyright owners, without any objective data, could be considered a breach of equality of the parties in front of the law, as well as a source of instability. Judges, unless the legislation expressly authorises them to do so, do not normally take into account the respective financial health of the parties in order to determine which party should bear the costs. By deciding that one party, because of its financial health, should bear the costs, the French courts have made a decision that seems more political than legal. In addition, copyright owners are not in as bad financial health as the French courts assume since they have modified their economic models to adapt to the internet (generating more revenue through live events and profiting significantly from legal streaming sites) while ISPs may in the future face new technologies (such as 5G) or an increase in competition, which could significantly alter their profitability. This judgment of the French Supreme Court seems to be founded on dubious legal considerations and goes too far in making it almost impossible for ISPs to obtain the reimbursement of their costs. On the other hand, considering the presumption that ISPs should be liable for these technical costs, demonstrating what these costs are and whether they seem proportionate to the damages caused by the offending website, would be a welcome addition to the CJEU's case law.

1. EC Directive 2000/31 dated 8 June 2000 on certain legal aspects of information society services, electronic commerce, in the Internal Market.
2. EC Directive 2001/29 dated 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in information society.
3. CJEU, Scarlet Extended SA/Société Belge des Auteurs et Compositeurs, C-70/10.
4. CJEU, L'Oréal SA v. eBay International AF, C-324/09.
5. CJEU, UPC Telekabel Wien GmbH v. Constantin Film Verleih GmbH, C-314/12.
6. Cons. Const, 28 Dec. 2000, n°2000-441 DC.
7. Decree n°2011-2122 dated 30 December 2011 concerning the modalities of blocking access to non-authorised online gambling or betting offers.
8. TGI Paris, 28 Nov. 2013, 2013-038010.