



HERBERT
SMITH
FREEHILLS

THE
FUTURE
OF CONSUMER

Targeting online risk

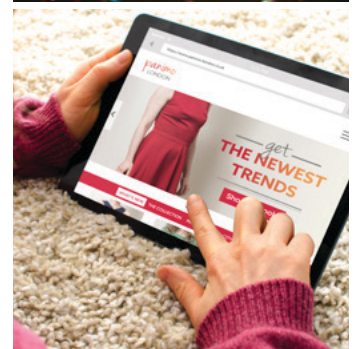
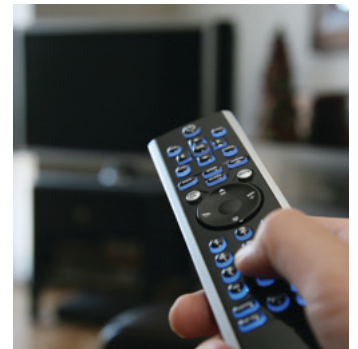
In our latest publication in our Future of Consumer series on issues facing the Consumer sector, we look at some of the online risks threatening businesses today. We examine the options available to tackle IP infringements online, such as the sale of counterfeit goods, with a focus on the most powerful weapon for rights holders - blocking injunctions from the courts. We also provide practical tips to help tackle and combat online infringements.

Online infringement

A torrent of online risks threaten businesses today, potentially damaging to their products, data, content or wider reputation. The rise of online infringement is linked to the ease with which anyone can register a domain name and the popularity of social media and other e-commerce platforms, as it has enabled counterfeiters to access cheap routes to market and vastly expand their operations. Counterfeiters can also raise the profile for replicas, by using paid searches on Google or popular hashtags on Instagram. Online piracy is rampant and a significant element of these online threats now comes from accessing unlawfully streamed content, whether music, film or sports coverage.

Given the huge volume of online infringement, IP owners are increasingly targeting intermediaries, such as ISPs, hosting providers and third party marketplaces (eg Amazon and eBay) as a means of combatting these infringements. Counterfeiters rely upon intermediaries to provide services and their market access is impeded, if these services are blocked.

However, intermediaries can seek to reply upon the defence provided by Article 14 of the E-commerce Directive. The law on this area has been developing since the CJEU's seminal decision in *L'Oréal v eBay*¹ in 2011. In this case, it was affirmed that, under EU law, the defence applies to hosting providers only if they do not play an active role which would allow them to



have knowledge of or control over the stored data. If the provider is actively involved in the sale of the goods, or on notice and does not act with sufficient speed in applying a take-down procedure, the defence will not apply and the IP owner may have a cause of action against the intermediary.

What can copyright and trade mark owners do to stop infringement of their works?

The first step in tackling online infringement is usually to seek take-down of websites or infringing content. However, finding a way through to the root cause of the problem is increasingly difficult as sophisticated counterfeiters take measures to conceal their true identities. Locating the actual infringer or operator of a website can be next to impossible, so sending a cease and desist letter can be ineffective.

The most powerful and effective weapon available to copyright and trade mark owners is a blocking injunction. The UK courts' blocking orders have become more sophisticated, moving away from injunctions directed at the operator of the website or those behind it, to targeting the service providers hosting the target sites, even though the service providers are not themselves infringing. The blueprint blocking order was obtained in the case of *Cartier & Others v BSKyB & Others*², where the Court granted an order to block access to six websites offering counterfeit versions of the claimants' luxury goods, on the basis of the claimants' trade mark rights. The Court of Appeal confirmed that s.37(1) of the Senior Courts Act 1981 and Article 11 of the Enforcement Directive can be relied upon to grant blocking injunctions

against ISPs requiring them to prevent access to the offending websites that were supplying counterfeit goods on-line. *Cartier* has since been relied upon by the sports industry (in particular, the Football Association Premier League and UEFA) in obtaining live blocking orders to prevent access to certain sites only during live broadcasts of match fixtures.

Whilst the infringing culprits are not directly targeted by blocking orders, the orders can be very effective even if they do not offer a complete solution to the problem.

Who pays?

The UK Supreme Court heard argument on a pivotal costs question in January 2018 (*Cartier International AG & others v British Telecommunications Plc & another*³), as to who should pay for the implementation of these blocking orders. Currently the service providers have that responsibility. If this burden is settled by the Supreme Court on service providers, then we can expect a floodgate of such orders to be sought, not just to prevent streaming of unlawful music, television, film or gaming content, but also the sale of counterfeit and infringing products through online marketplaces. The law may also start looking at other intermediaries (such as payment providers) and physical intermediaries (such as landlords of retail premises).

Copyright law and streaming

How can copyright law help to prevent unlawful streaming? The first question is whether there is a work which attracts copyright protection in the first place, be it a film, broadcast, sound recording or artistic work. Taking the example of a football match,

the clean live feed of a football match is recorded prior to its onward transmission, so the Football Association Premier League can claim copyright in films of the matches and copyright in artistic works for the graphics and logos incorporated into the recorded feed.

If you have a qualifying copyright work, it can be infringed by a third party if the work is copied, including storing the work in any medium by electronic means (as when users access copyright works, copies are made in the memory of the users device and a substantial part likely to be copied if users stream an appreciable segment) – see s. 17 of the Copyright, Designs and Patents Act 1988 (CDPA).

S. 20(2) b of the CDPA is also relevant as it relates to communication to the public by electronic transmission. 'Communication to the public' is an element of copyright law which has been evolving through caselaw in a long series of cases referred to the CJEU. The concept of an infringing 'communication to the public' has been established as extremely broad and responsive to new technical challenges, such as the use of set top boxes to stream content. This issue was recently before the CJEU in the case of *Stichting Brein v Wullems*⁴, which concerned a multi-media player called the 'filmspeler', which had been modified with software to enable access to copyright protected content.

In considering the legality of the sale of these boxes, the CJEU confirmed that the sale of a modified device which allows users to easily access copyright protected content, without the consent of the copyright owner constitutes a communication to the public. The sale of the device was not the mere provision of physical facilities for enabling a communication and the defendant's intervention in modifying the device enabled a direct link to be established between 3rd party streaming sites and purchasers of the device. The CJEU also confirmed that the temporary copying exemption contained in Articles 5.1 and 5.5 of the Copyright Directive did not apply as the temporary acts of reproduction adversely affected the normal exploitation of the protected works and caused unreasonable prejudice to the legitimate interests of the rightsholders.

Practical tips

A practical approach to tackling online infringements is essential. It is important to build up a portfolio of registered rights and copyright in the territories where you operate. It is a lot easier to use successfully take-down procedures with ISPs and e-commerce

Online infringement – the rise of streaming

Streaming is one of the digital technologies which has driven enormous change in the creative sectors. The Online Copyright Infringement Tracker as commissioned by the UK IPO in 2017 revealed that 15% of UK internet users, either stream or download material that infringes copyright. This is done via stream ripping services or set-top boxes. Stream ripping involves any site, software program or app providing users with ability to download content, without permission from a third party internet stream which can be used offline and the UK IPO's view is that this is now the "most aggressive" form of music piracy. The scale

of this problem should not be underestimated – the well-known stream ripping site YouTube-MP3.org had more than 4.8 billion visits in one year, before it was shut down in 2017.

Set-top boxes capable of accessing infringing broadcasts have entered the mainstream consumer market. 13% of online infringers in UK use such boxes and the UKIPO believes that there are more than 1 million of these boxes which have been sold in the UK which are pre-loaded with software to enable streaming of infringing content.

Coty: Greater online protection for luxury goods suppliers

At the end of 2017, the CJEU ruled, in the [Coty case](#), that a restriction imposed on an authorised retailer in the context of a selective distribution system not to sell the goods through online third-party platforms does not infringe Article 101 TFEU (the prohibition on anti-competitive agreements). The CJEU treats such a ban as a qualitative restriction that is necessary to protect the image of the goods concerned, rather than as a restriction of the customers to whom authorised distributors can sell the luxury goods at issue or as a ban of passive sales to end users, which would likely be in breach of Article 101 TFEU and amount to a restriction of competition by object.

In certain conditions, a supplier of luxury goods can prohibit its authorised distributors from selling those goods on third-party internet platforms. The ruling will be welcomed by suppliers of branded and luxury goods who have increasingly expressed concerns over the potential erosion of the image of their products as a result of the recent growth in online sales, in particular on third-party online platforms such as Amazon and eBay. Suppliers will still, however, need to show that their distribution system either meets the thresholds of the Vertical Agreements Block Exemption Regulation or otherwise that their product is indeed a "luxury" or complex product, which requires such a restriction to protect its image.

platforms, if you can point to a registered trade mark or copyright since in most cases, this allows you to populate a form on the relevant site. It is worthwhile deploying arguments on copyright for take-downs and by way of example, Twitter shows much higher rates for take-downs based on copyright material (67% take-down for copyright complaints v 7% for trade mark complaints).

Business owners should scrutinise their terms and conditions on websites and make sure they adequately protect copyright and IPRs. Given the development of EU case-law on this topic, use of a paywall is a strong indication that you have not authorised copying/reproduction of materials from your site. It is important to include express terms on what form of reproduction of materials is permitted (if any) and to consider including a statement on hyperlinking and restrictions on content aggregation or commercial re-use of content or data. The prominence of terms should be considered and whether there is a click-to-accept function before proceeding to use the website.

Business owners should consider investing in technology or developing apps in-house. Tiffany has developed its own mobile app for employees, called 'FakR' that allows them to report replicas by posting photos of street vendors hawking fakes or by sending links to questionable online auction listings. Internal reports have surged 60 per cent since it was launched last year and close to three-quarters of reports are actionable. Alternatively, lots of third parties also offer image recognition

software to assist in tracking down counterfeits online. There has also been a rise in authentication technologies with many brands developing online authentication platforms or mobile apps together with a drive to get consumers to register branded goods, as this can help identify counterfeiting hotspots.

There are also a number of third party websites/sites/resources which may be helpful in tackling online infringement. The [EU Enforcement Database](#) is a particularly useful tool to assist in dealing with counterfeit goods which is accessible via the EUIPO website. Rights holders can upload photographs or other details which may assist enforcement authorities in separating genuine from fake goods. Many customs and police units have added it as a tool into internal secure networks so it is accessible across the EU and endorsed by Europol. It is free and the only requirement for registering an account is having a registered trade mark/design within the EU.

Look out for the first IP Markets Watch-List, which has been set up in collaboration with the EUIPO and expected to launch second half of 2018. It will identify online and physical markets outside the EU that engage in or facilitate substantial IP rights infringements, in particular piracy and counterfeiting, in relation to EU customers. The EU Commission will monitor the measures and actions taken by the local authorities in relation to the listed markets, as well as those taken by the operators and market owners to curb IP infringements.

Key contacts



Susan Black
Partner, London
T +44 20 7466 2055
M +44 7785 255 009
susan.black@hsf.com



Joel Smith
Partner, London
T +44 20 7466 2331
M +44 778 5775035
joel.smith@hsf.com

Authors



Sarah Burke
Senior Associate, London
T +44 20 7466 2476
sarah.burke@hsf.com



Kristien Geeurickx
Professional Support Lawyer,
London
T +44 207 7466 2544
kristien.geeurickx@hsf.com



Rich Woods
Senior Associate, London
T +44 207 7466 2940
rich.woods@hsf.com

This article is part of a [Future of Consumer series](#) on upcoming issues affecting the Consumer Sector. For other articles in this series see the [Future of Consumer](#) pages of our website or contact Rachel Montagnon



Rachel Montagnon
Consumer and IP
Professional Support
Consultant, London
T +44 20 7466 2217
M +44 7809 200 590
rachel.montagnon@hsf.com

Footnotes

1. C 324/09
2. [2016] EWCA Civ 658
3. UKSC 2016/0159
4. C 527/15

HERBERTSMITHFREEHILLS.COM

BANGKOK

Herbert Smith Freehills (Thailand) Ltd

BEIJING

Herbert Smith Freehills LLP
Beijing Representative Office (UK)

BELFAST

Herbert Smith Freehills LLP

BERLIN

Herbert Smith Freehills Germany LLP

BRISBANE

Herbert Smith Freehills

BRUSSELS

Herbert Smith Freehills LLP

DUBAI

Herbert Smith Freehills LLP

DÜSSELDORF

Herbert Smith Freehills Germany LLP

FRANKFURT

Herbert Smith Freehills Germany LLP

HONG KONG

Herbert Smith Freehills

JAKARTA

Hiswara Bunjamin and Tandjung
Herbert Smith Freehills LLP associated firm

JOHANNESBURG

Herbert Smith Freehills South Africa LLP

KUALA LUMPUR

Herbert Smith Freehills LLP
LLP0010119-FGN

LONDON

Herbert Smith Freehills LLP

MADRID

Herbert Smith Freehills Spain LLP

MELBOURNE

Herbert Smith Freehills

MILAN

Studio Legale Associato in association with
Herbert Smith Freehills LLP

MOSCOW

Herbert Smith Freehills CIS LLP

NEW YORK

Herbert Smith Freehills New York LLP

PARIS

Herbert Smith Freehills Paris LLP

PERTH

Herbert Smith Freehills

RIYADH

The Law Office of Nasser Al-Hamdan
Herbert Smith Freehills LLP associated firm

SEOUL

Herbert Smith Freehills LLP
Foreign Legal Consultant Office

SHANGHAI

Herbert Smith Freehills LLP
Shanghai Representative Office (UK)

SINGAPORE

Herbert Smith Freehills LLP

SYDNEY

Herbert Smith Freehills

TOKYO

Herbert Smith Freehills