

**The Knowledge Standard for ISP Copyright and
Trademark Secondary Liability: A Comparative Study
on the Analysis of US and EU Laws**

**A Thesis Submitted for the Degree of Doctoral of Philosophy in
Law**

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Declaration

I declare that the work presented in this thesis is my own except where it is stated otherwise.

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Abbreviations Used

DMCA: Digital Millennium Copyright Act

ECD: Electronic Commerce Directive

ECJ: European Court of Justice

Electronic Commerce Directive: 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

UK CDPA: The Copyright, Designs and Patents Act 1988

UK: United Kingdom

US: United States of America

Abstract

Holders of rights sue ISPs for copyright and trademark infringement: specifically, for contributory liability through the ISP's knowledge of user infringement. Knowledge about user infringement has been prevalently recognised as a crucial element of ISPs' secondary liability, but the approaches concerning the knowledge standard are different in US copyright case law (traditional tort), the US Digital Millennium Copyright Act, the US Lanham Act, US trademark case law, and the EU Electronic Commerce Directive. Their differences have posed questions on the efficacy of the current knowledge standards and case law interpretations to omit legal ambiguities and offer appropriate guidance for tackling issues.

This research presents that the US knowledge standards and the ECD knowledge standard apply broad knowledge standards to evaluate ISPs' knowledge but they differ in terms of their elements and conditions for permitting ISPs and copyright holders to co-exist and combat copyright infringement. US copyright case law, the InWood knowledge standard, and the EU knowledge standard are deficient in terms of offering a suitable notice and take-down regime to reduce the duties of ISPs and to tackle the high risk of an ISP being held liable without knowledge. This is in contrast to the DMCA, which is free from such legal concerns because of its specified notice and take-down regime.

Consequently, to fulfil the aims of this research, the following recommendations are made: the US copyright knowledge standard should preserve the broad knowledge standard of the DMCA, subject to implementing a compulsory notice and take-down regime, establishing a special body regarding the notification in section 512, and designing technical criteria for the 'red flag' test. In addition, it is recommended that the Lanham Act codify the InWood knowledge standard and the DMCA's notice and take-down procedures. Besides, it is recommended that the ECD establish a notice and take-down regime similar to that applied by the US DMCA (subject to the above amendments).

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CHAPTER I: Introduction

1.1 Research Background

Infringement of copyright and trademark by internet users, without the right holder's consents, have a considerable effect on society, from the point of view of internal markets, the economy, public health and fair competition, as well as of freedom of expression and other related fields¹. Internet Service Providers (ISPs)², as providers of facilities for direct infringers(users), of copyright and trademark have been sued massively by copyright and trademark right holders, because of the difficulties associated with linking such infringement with an individual or a specific state. Furthermore, it is more cost effective for copyright and trademark right holders to seek remedy from ISPs, than from all

¹ See WIPO Study; Lillian Edwards, Role and Responsibility of Internet Intermediaries in the field of copyright and related rights;<http://www.wipo.int/copyright/.role_and_responsibility> accessed 10 September 2013; Ambassador Ronald Kirk, Office of the United States Trade Representative(2012)2012Special301Report)<http://www.ustr.gov.Report_0.pdf>accessed 13September 2013; IFPI Digital Music Report 2013 <<http://www.ifpi.org/content2013.pdf>>, accessed 10 September 2013; See, European Commission on Digital Agenda for Europe Scoreboard 2012 regarding the attention of the European Commission on Role of ISP in and EU Economy <ec.europa.eu/digital-agenda/PDF>accessed10 September 2013. Over the past ten years, the potential liability of online service providers for third parties has increased; Béatrice Martinet Farano 'Internet Intermediaries' Liability for Copyright and Trademark Infringement: Reconciling the EU and U.S. Approaches' (2012) TTLF Working Papers No. 14/2012 <http://www.law.stanford.edu> accessed10 September 2013: Besides, value of counterfeiting and piracy would equal USD 200 to 250 billion annually, BASCAP Report (Online Piracy alone: between 30 and 75 billion annually), and IAC (International Anti-Counterfeiting Report), The truth about counterfeiting according TTLF Working Papers No. 14/2012; Béatrice Martinet Farano < <http://www.law.stanford.edu/>> accessed 10 September 2013; See also OECD Study, 'The Economic Impact of Counterfeiting and Piracy'; <<http://www.oecd.org/.pdf>> accessed 10 September 2013; In the United States, 17.53% of Internet traffic was estimated to be infringing, copyright piracy would account for almost 25% of the global internet traffic, according to 'Technical Report: An Estimate of Infringing Use of the Internet', January 2011<[http:// documents.envisional.com/docs.pdf](http://documents.envisional.com/docs.pdf)> accessed 12 September 2013; Michael G. Noblett, Mark M. Pollitt and Lawrence A. Presley, 'Recovering and Examining Computer Forensic Evidence', (Forensic Science Communications, 2(4) 2000).<<http://www.fbi.gov/about-us/lab/fo.htm>> accessed 2 July 2011; 'See also' Periset, K 'The Economic and Social Role of Internet Intermediaries'(2010) OECD Digital Economy Papers, No. 171, OECD Publishing. doi: 10.1787/5kmh79zsz8vb-en

² Internet Service Provider is the term commonly used to describe a company that provides internet access or a related service. It is named differently in the USA, for instance. A service provider is defined broadly in 17 U.S.C.S 512(k), and in the EU Electronic Commerce Directive the term intermediary service provider in information society service is used. In this thesis, ISP will be used for services that provide an access service, hosting service, caching, mere conduit, information location tools, search engines and other online intermediary services; for categories of ISP and the same definition, see Broder Kleinschmidt, 'International Comparison of ISPs' Liabilities for Unlawful Third Party Content' (2010) 18(4) International Journal of Law and Information Technology, Oxford University Press 333-334.

of the individuals. This approach has had an impact on copyright legislation, as manifested by the Recital 59 (the European Information Society Directive 2001/29/EC) that; “In the digital environment, in particular, the services of intermediaries may increasingly be used by third parties for infringing activities. In many cases such intermediaries are the best place to an end, therefore, the right holders should have the possibility of applying for an injunction against an intermediary who carries a third party's infringement of a protected work or other subject-matter in a network”³.

Therefore, ISP secondary liability has become a complex issue, and there has been a recognition of the need for striking a balance between the copyright and trademark right holders' rights to protection and the protection of the ISP. It has been argued that there are inequities, in that the ISP could be forced to police the issues of copyright and trademark, having to take any possible technical measures to identify all infringements caused by the material flowing through their system, to escape from the liability⁴. On the other hand, users and the public have defended the concept of an open internet and untrammelled access to the widest possible range of goods and content online, resisting the removal of content or services on the grounds of suspected infringement.

³(59) “...this possibility should be available even where the acts carried out by the intermediary are exempted under Article 5. The conditions and modalities relating to such injunctions should be left to the national law of the Member States”, (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). In the first case regarding ISPs' liability - *Playboy Enters., Inc. v. Frena* - the court held that a Bulletin Board System (BBS) operator was directly liable for distributing infringing photographs uploaded and downloaded by their users. *Playboy Enters. Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

⁴ While doing such duty can lead to violation of other rights, and technically seems impossible and against the public interest; William C. Harrison, ‘Filtering The Internet to Prevent Copyright Infringement: ISP Safe Harbors and Secondary Liability in the US and France’, (2010) 35(2) *New Mater* <<http://www.jdsupra.com/legalnews/filtering/>> accessed 14 November 2012; Cf. Sylvie Nérisson and Rita Matulionytė, ‘The French Route to an ISP Safe Harbour, Compared to German and US Ways’, (2011) 42(1), *IIC - International Review of Intellectual Property and Competition Law* 55; Because it is impractical for ISPs to obtain knowledge about users' copyright infringement or to identify contents that are infringing copyright without a proper notice and take-down procedure; see also Damon Chetson, ‘Perfect 10 and Contributory Liability: Can Search Engines Survive?’ (2007) (9) *North Carolina Journal of Law & Technology* <<http://ncjolt.org/category/articles/volume-09/volume-9-online-edition>> accessed 6 December 2011.

This approach has had an impact on the law in relation to copyright and trademark secondary liability for ISPs in the EU Electronic Commerce Directive (articles 12,13, 14 and 15 ECD and on US case law and US legislations;s.512DMCA, InWood case, and contributory liability cases)⁵. The gist of this impact has been that ISPs be sheltered from knowledge-based liability until such a time as they become aware of illegal content, activities or services, and then fail to exercise control by removing or disabling access to such content. In this regard, although ISP liability based on knowledge for copyright and trademark is a fair approach, that protects all parties' rights, it has legislative shortcomings:

The US Copyright Contributory Case Law Knowledge Standard⁶ widely applies the “reasonable man test” criterion instead of adopting a technical

⁵ Where the court faced the question of secondary liability, rather than primary liability, of the provider, See *Playboy Enterprises Inc. v. Netscape Communications Corp.* 354 F3d 1020, 1024 (9th Cir. 2004). The evolution of secondary liability has been based on case law, as can be demonstrated in *RTC v. Netcom*, where the court did not impose a direct infringement on the ISP. *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995). It has also been commented that “Developing countries also should evolve a policy of fault-based liability, as this is economically more feasible and also would not affect the rights of citizens”. Nehaluddin Ahmad, ‘Computer and Internet intermediary liability: a comparative overview’ (2011) 4, *Telecommunications Law Review*109. Oliver Koster and Uwe Jurgens, ‘Liability for Links in Germany, Liability of Information Technology Location Tools under German Law after the Implementation of the European Directive on E-Commerce’, Hans Bredow Institute Working Paper / 14. An ISP can be held liable when knowledge of user infringement or awareness of the infringement exists and the ISP does not react upon receipt of the knowledge; Mary E. Resenberger, David W. Sussman and Rebecca Silberberg, ‘When is a Service Provider Liable for Inducement Under Grokster?’ (2010) 22 *Intellectual Property & Technology Law Journal* 6; See also <<http://www.bitlaw.com/internet/linking.html>> accessed 13 November 2011. *In re Aimster Copyright Litigation*, 334 F.3d 643, 650 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *Sony Corp of America v Universal City Studios Inc* [1984] 464 U.S. 417 Supp. 1984[37]; *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* [2005] 545 U.S. 913, 125 S.Ct. And also, *Perfect 10 Inc. v. CCBill LLC* [2004] 340 F.Supp.2d 1077, 1100-01 (C.D.Cal. 2004); See also ‘William Landes and Douglas Lichtman, ‘Indirect Liability for Copyright Infringement: Napster and Beyond’ (2003)17(2) *The Journal of Economic Perspectives* 113-124; In the US, knowledge standards for ISPs’ copyright liability can be divided into: knowledge standards based on copyright case law according to the contributory liability of tort, which is applicable when there are no DMCA terms, and knowledge standards based on Section 512 of the DMCA.

⁶ It is applicable when the ISP does not meet the section 512 elements according to 512 (c) (3)(B)(i)); US copyright case law limited the scope of the tort contributory knowledge requirement for imposing secondary liability on an ISP for copyright infringement by replacing mere knowledge of infringement to knowledge of non-infringement use (Sony rule), attention on ISPs’ inducement role to proof ISP knowledge of user infringement (Grokster) and requiring specific knowledge (Perfect 10) but evaluating ISP knowledge still ties with reasonable man mind test criteria (probabilistic knowledge, rather than requiring the right holder’s cooperation through a specific approach) and the wide application of the negligent.

criterion and approach,⁷ to evaluate the ISPs' knowledge of copyright infringement. Besides, the US Digital Millennium Copyright Act, Section 512 c(3)⁸ notice and take-down procedure elements⁹ (for establishing actual knowledge) has legal ambiguities regarding the representative list (s.512 c (3) (ii), duration of put back, and expeditious removal of content (512(c (1) c))). These weaknesses create fear of liability. Moreover, objective knowledge standard s. 512 c (1) (A) (ii) and 512(d) (1) (3) (Awareness of Facts or Circumstances from which the Infringing Activity Appears) does not have any explicit criteria for ISP to assist ISP from being held liable when infringement is less apparent¹⁰. Besides, DMCA Red Flag Test as a technical test¹¹ allows

⁷ *Sony Corp. of America v. Universal Studios; MGM v. Grokster; Hendrickson v. eBay*; and *Sony Corp. of America v. Universal City Studios Inc.*, Other case law in the US that is related to the contributory theory can be found in the *Napster* case; the *Aimster* case; the *Grokster* case; *IO Group Inc. v. Veoh Networks Inc.*; *NCR Corp. v. Korala Assocs. Ltd*, 512 F.3d 807, at 816 (6th Cir. 2008); *Gershwin Publishing Corp. v. Columbia Arts Management, Inc.*, 443 F. 2d 1159.1166 (2d Cir. 1971). See Alfred C. Yen, 'Third Party Copyright Liability after Grokster' (2006) Information and Communications Technology Law <<http://lawdigitalcommons.bc.edu>> accessed 4 December 2011.

⁸ Section 512 of the DMCA positively includes "a broad knowledge standard" for ISP copyright liability, along with other requirements, i.e. financial benefits, the right and ability to control, drawn from vicarious liability, and ISP duties to "take down" offending items based on the copyright owner's notice (512(c) (3) (A) (I-VI)) or being "aware of facts or circumstances from which infringing activity is apparent", according to s.512(c) (1) (A) (ii), as a prerequisite to ISP copyright liability. Section 512(c): "Under the knowledge standard, a service provider is eligible for the limitation on liability only if it does not have actual knowledge of the infringement, is not aware of facts or circumstances from which infringing activity is apparent, or upon gaining such knowledge or awareness, and responds expeditiously to take the material down or block access to it".

⁹ In this regard, s.512 requires ISP to design a "notice and take-down" procedure (s.512 (i) (1) (a) and s.512 (i) (1) (b)), in order to determine whether an ISP has gained the requisite level of knowledge of the infringing activity and examine ISP actual knowledge to benefit from immunity (s512(c) (3) (A)); In *Hendrickson v. eBay*, 165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001) the court "considered the copyright holder's failure to satisfy the requirements of a proper notification by identifying material as insufficient to trigger an ISP's duty to act". See: *Viacom International Inc. v. YouTube Inc.*, No. 07 Civ. 2103; See also Craig W. Walker, 'Application of the DMCA Safe Harbor Provisions to Search Engines' (2004) 9(2) Virginia Journal of Law & Technology, University of Virginia <<http://www.vjolt.net>> accessed 21 February 2012.

¹⁰ The point is that, in the 'red flag' test, the legislation intends to release the ISP from liability when the infringements are less apparent to the ISP, and it had put sufficient or proper technical measures in place. In this part, the question is whether the constructive knowledge standard prevents infringement but may affect privacy or may lead to a monitoring industry. Therefore, different knowledge standards exist in trademark and copyright law in the US. This is in contrast to the EU, where there are not different standards.

¹¹ The court did not use the awareness and 'red flag' test; instead, it used constructive knowledge for evaluating the ISP's liability and the Ninth Circuit Court found that Napster, by

the court to evaluate ISP objective knowledge by constructive knowledge (as probabilistic knowledge as the court applied in the *ALS Scan v. Remark Communities, Inc*¹² case).

Similarly, the Lanham Act, Article 32¹³ and InWood knowledge standard (*InWood Laboratories Inc. v. Ives Laboratories Inc*)¹⁴, as the main basis for the knowledge standard for trademark infringement in term of a specific legal mechanism for parties' cooperation with the ISP in reaching the level of knowledge, has legal uncertainty.

its conduct, had performed both actual and constructive knowledge infringement, and had knowingly encouraged as well as assisted in the infringement of the plaintiff's copyright. This concerned the first generation of file sharing systems. Napster had designed and operated a free software program that permitted the transmission and sharing of sound recordings employing digital technology. In this case, the use of Napster's system by users who uploaded and downloaded copyrighted music was qualified by Napster as fair use, but the court rejected this argument and the Ninth Circuit noted that, traditionally, "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". The Ninth Circuit found that Napster, by its conduct, had both actual and constructive knowledge of direct infringement and had knowingly encouraged, as well as assisted, in the infringement of the plaintiff's copyright.

¹² [2001] 39 F.3d 619 (4th Cir. 2001); *NCR Corp. v. Korala Assocs. Ltd* 512 F.3d 807, at 816 (6th Cir. 2008); *A&M Records v. Napster* the court accepted constructive knowledge as the ISP's liability; *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D.Cal.1995).

¹³ The Lanham Act only codifies, in 32(2) (a) and (b), some general provisions for immunity of a trademark infringer, although not specifically for ISPs. Immunity in the Lanham Act depends on the proof of lack of knowledge, even though knowledge of infringement has not been defined in the 32(2) (a) and (b) provisions, and the onus is more on the innocent infringer or innocent violator; Jane Coleman, 'Contributory Trademark Infringement: A Contributory Liability Doctrine: The InWood Standard' (2011) <<http://www.secondarytrademarkinfringement.com>> accessed 28 November 2011.

¹⁴ 456 US 844, 845 (1982); It should be noted that the court, in the case of *William R Warner & Co v. Eli Lilly & Co.* 265 US 526 (1924), had already recognised the contributory liability on trademark infringement, but its validity was questioned in federal law; In *Transdermal Products Inc. v. Performance Contract Packing Inc.*, 943 F. Supp. 551 (E.D. Pa. 1996), it was noted that the case of *InWood Laboratories* "merely confirmed the continued validity of contributory infringement under the federal statutory law". According to the *InWood* standard, contributory liability will be satisfied by the plaintiff proving the ISP did the following: "1. intentionally induce[d] another to infringe his trademark, or 2. Continue[d] to supply its product to one whom it knows or it had reason to know [was] engaging in trademark infringement"; The *InWood* case knowledge standard has been developed and elaborated by case law, such as *Tiffany v. eBay* 600 F. 3d 93, 106 (2d Cir. 2010); *Fonovisa Inc. v. Cherry Auction Inc.*, 76 F. 3d 259, 264-265 (9th Cir. 1994) "InWood... laid down no limiting principle that would require the defendant to be a manufacturer or distributor." Furthermore, the court in *Hard Rock Café Licensing Corp. v. Concession Services Inc.*, 955 F. 2d 1143, 1149 (7th Cir. 1992) concluded that "[the] InWood test extends to landlords and licensors".

The European E-commerce Directive (ECD) Article 14(1) has a broad knowledge standard¹⁵, but an absence of notice and take-down procedures in articles 13(1)¹⁶ (e) 14(1) (b) (a) (b) Directive 2000/31 is a legal obstacle that poses questions on the coordination of the ECD knowledge standard with ISP function. Divergence of interpretation regarding ISP “passive, technical and neutral” work (Recital 42)¹⁷ and scope of host service are another legal concern due to application of “reasonable man test” for interpreting. On the other hand, using constructive knowledge (the ‘reasonable man’ test and probabilistic knowledge)¹⁸ for assessing “awareness” of facts or circumstances, and the term “apparent” in article (14(1) (b) , raises questions in relation to imposing irrelevant and impossible duties on ISPs, and there are the same questions regarding Article 15(2)¹⁹.

¹⁵ It is with a horizontal approach to dealing with all areas of e-commerce law, such as copyright infringement, defamation, trademark, and privacy. The reason behind the use of the term ‘horizontal’ refers to the Directive’s aims: unlike the DMCA, (which only aims to provide a balance between copyright and ISPs), the ECD has further purposes, such as enhancing electronic commerce by ensuring the free movement of the information society. This is attested in Recital 40 of the ECD: “both existing and emerging disparities in Member States’ legislation and case law concerning liability of service providers acting as intermediaries prevent the functioning of the internal market, in particular by impairing the development of cross-border services and producing distortions of competition”.

¹⁶ “The requirement of taking down content upon receiving ‘actual knowledge’ is much too heavy a burden for intermediaries. Such a requirement forces the intermediary to make decisions, rather than the appropriate authority (which often is the judiciary)” Ahmad (n5) 111. Sophie Stalla Bourdillon, ‘Should Search Engines Begin To Worry?’ (2011)6(1) *Journal of International Commercial Law and Technology* <<http://www.jiclt.com>> accessed 2 January 2012; Miquel Peguera, ‘Internet Service Providers’ Liability in Spain: Recent Case Law and Future Perspectives’ (2010) 1 *Journal of Intellectual Property, Information Technology and E-Commerce Law* 151

¹⁷ Paul P. Polanski, ‘Technical, Automatic and Passive: Liability of Search Engines for Hosting Infringing Content in the Light of the Google Ruling’ (2011)6(1) *Journal of International Commercial Law and Technology* 42; Thibault Verbiest, Gerald Spindler, Giovanni M. Riccio and Aurélie van der Perre, ‘Study on the Liability of Internet Intermediaries’ (2007) <<http://www.ecommerce-europe.eu>> accessed 20 June 2012.

¹⁸ See, Rosa Juha-Barcelo and Kamiel J. Koelman, ‘Intermediary Liability in the E-Commerce Directive: So far So Good, But It's Not Enough’ (2000-2004) *Computer Law & Security Report* 231-239. <<http://www.ivir.nl/publicaties/koelman/notenough.html>> accessed 17 February 2011.

¹⁹ There is concern that these constructive knowledge requirements may thus cause the growth of filtering and censorship by the expeditious onus to remove, and lack of definition of the apparent infringement, and the possibility of issues imposing the duty to prevent, based on article 15 and Rec 16 and 59; See the legal conflict about injunction in Article 15(2) and the legal issues relating to the legal interpretation of Directives 2000/31, 2001/29 and 2004/48 and with Articles 17 (2) and 47 of the Charter, where Promusicae submitted that the Member

1.2 Research Aims and Questions

Based on the aforementioned legal shortcomings in the US legislation and Electronic Commerce Directive, regarding the ISP knowledge standard for copyright and trademark infringement, the effectiveness of current knowledge based liability is open to question due to the divergence of criteria and legal uncertainties, in terms of the appropriate legal approach to assessing ISP knowledge and obtaining knowledge about user infringement. For instance, US law (both trademark and copyright) is based on the “reasonable man test”, and its notice and takedown procedure elements are also linked to the “reasonable man test criterion”. In EU Member States, the use of the “reasonable man test” to assess knowledge of user infringement in respect to copyright and trade mark is associated with the absence of, or divergence from notice and takedown procedures which is stemming from the Electronic Commerce Directive because it left it to EU members to implement these notice and takedown procedures in their national law. For instance, Germany and The Netherlands do not have formal procedures for notification to obtain knowledge about user infringement, and their criteria are based substantially on “should know, or have reason to know”, “with the “reasonable man test”. Other Member States have not established formal notice and takedown procedures, but notification is mandatory in their statutes, (in the UK, for instance).

Therefore, this research aims to tackle these divergences and legal uncertainty in criteria and approach of ISP knowledge standard in the US DMCA, the Lanham Act and the EU Electronic Commerce Directive in order to protect ISPs from liability without knowledge, and protect copyright and trademark holders and the public at the same time. To meet this objective, the following research question is proposed, regarding the knowledge standard in US copyright case law, DMCA and the Lanham Act, and the InWood knowledge standard, and the European Electronic Commerce Directive: *Whether current provisions and case law interpretations are able to afford the legal integration*

States, according to the purpose of those directives, must interpret Article 12 of the LSSI in accordance with those provisions. See chapter 4

regarding criteria and approaches to ISP knowledge standards, to shield ISP and other parties' rights. In line with this, the research in the light of main question attempts to find that, ISP knowledge based liability through what legal approach can reduce risk of imposing secondary liability without knowledge to ISP and strike a balance between protection of copyright and trademark holder right and the protection of ISP.

1.4 Scope, Limitations, Research Methodology and Hypothesis

This thesis focuses on knowledge standards for ISPs' secondary liability for copyright and trademark infringement²⁰ because of impact of online copyright and trademark infringement in the internal market, and other aspects of human life and impact of ISP liability without knowledge in ISP industry and online information society service.²¹ At the same time, it applies and borrows case law from other relevant areas of law, such as privacy and defamation, in order to find better answers to the research questions and research aims.

This research is a comparative legal analysis of knowledge standards in the US (copyright case law, tort, contributory liability, the DMCA, the Lanham Act and case law from elsewhere) and the EU (the E-Commerce Directive and the Trade Marks Directive). The research also investigates other developments in relation to knowledge standards for ISPs' secondary liability for copyright and trademark infringement, in the context of other jurisdictions. The US was selected for comparison with the European E-commerce Directive because the examination of ISP liability starts with American law and cases. The US position is very central to the subject of ISP liability, due to the fact that most literature and cases relating to ISP liability are from the US. Moreover, the EU

²⁰ This research does not examine direct copyright and trademark infringement at the level of IP policy, regulations or instruments, because these are already assumed to be prerequisites for secondary liability.

²¹ See this chapter p1(n1) and case law that this research applied in other chapters; 'see also' Regarding the impact of ambiguities of the current knowledge standard on the ISP industry and necessity of an evaluation in light of the contradictory approaches in different jurisdictions concerning the ISP liability; see also, Yiman Zhangt, 'Establishing Secondary Liability with A Higher Degree of Culpability: Redefining Chinese Internet Copyright Law to Encourage Technology Development' (2007) 16 (I) Pacific Rim Law & Policy Journal Association; Eddy D. Ventose and Javier J. Forrester, 'Authorization and Infringement of Copyright on the Internet'(2010)JIL.

experience as the largest internet usage in the world with significant law cases in the light of advantages and drawback of the ECD knowledge requirement (with horizontal approach) can assist the US ISP knowledge standard to find an appropriate approach toward smoothing function of ISP and combat the trademark and copyright infringement.

Hypothesis of this research is that; according to the aforementioned legislation shortcomings, knowledge based liability immunity regarding ISP secondary liability for copyright and trademark infringement requires a proposal for reform in term of criteria for interpreting the ISP knowledge and notice and take-down procedures.

This study does not discuss the effects of protection (i.e. the remedies and punishments available for ISPs). Also, this research does not more delving into the process of the enactment of the relevant laws.

This study is limited to library research, and so no fieldwork (and related methodology) is attempted. The technique of this research is based on both primary and secondary data. The primary data of this research include statutes, regulations and cases. Secondary data consist of various references, including books, a number of reports (formal and informal, national and international), and the notes of law lecturers, journals and databases.

1.5 Thesis Outline

The thesis comprises six chapters, as follows:

1.5.1 Chapter I: Introduction

This chapter provides an outline of the argument, identification of the research questions, the research limitations and organization of the thesis.

1.5.2 Chapter II: Knowledge Standard Approach, Theory and Epistemology

This chapter starts with an explanation of the rationale and concept of secondary liability for third-party infringement. Then, the application of the

approach and principle of liability (fault theory, negligence and intentional tort)²² on ISPs, regarding copyright and trademarks, is described. At the same time, the rationale of the limited liability of ISPs regarding copyright and trademarks, and the epistemology of knowledge, are elaborated²³. Finally, the chapter is linked to the subsequent chapter for an examination of current case law and provisions for knowledge standards in the US.

1.5.3 Chapter III: Analysis of the Knowledge Standards for ISPs'

Secondary Liability for Copyright and Trademark Infringement in the US

Firstly, this chapter provides observations on the legal interpretations of knowledge standards in the light of copyright contributory liability in US copyright case law, in cases such as *Netcom*²⁴, *Napster*²⁵, *Playboy*²⁶, *Sony*²⁷, *Grokster*²⁸, *Perfect 10*²⁹ and other related cases. Following this, the chapter focuses on the broad knowledge standard (actual knowledge, awareness) of section 512DMCA, notice and take down procedures, the “red flag” test and case law interpretations. Secondly, this chapter focuses on knowledge standards for ISP trademarks in both case law and the Lanham Act and *InWood* knowledge standard, and their interpretations through related cases; such as *eBay* and other law cases such as *Rescuecom Corp. v. Google, Inc.*,³⁰ *Google Inc. v. American Blind & Wallpaper Factory, Inc.*,³¹ *Tiffany (NJ), Inc.*

²² Mark Lunney and Ken Oliphant, *Tort Law: Text and Materials* (Oxford University Press, 2008)54; See also Hassan. Badinee, ‘Target of civil liability’ (2006) 6(1) Law Quarterly – Journal of Faculty of Law and Political Science, University of Tehran 78.

²³ Ghajar Ghioloo, Syamak, *Civil Liability of On-Line Data Bank Services* (Nika Publishers, 2007)303,305, 308-321.

²⁴ *Religious Technology Center v. Netcom On-Line Communication Services Inc.*,907 F. Supp. 1361 (N.D. Cal. 1995)

²⁵ *A & M Records Inc. v. Napster Inc.*, 239 F. 3d 1004, 1013 n. 2 (9th Cir. 2001)

²⁶ *Playboy Enterprises Inc. v. Netscape Communications Corp.* 354 F3d 1020, 1024 (9th Cir. 2004)

²⁷ *Sony Corp of America v Universal City Studios Inc* [1984] 464 U.S. 417 Supp. 1984[37]

²⁸ *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* [2005] 545 U.S. 913, 125 S.Ct.

²⁹ This case identifies the statute of constructive knowledge as a duty to prevent copyright material from infringement, even by filtering search results.

³⁰ 562 F. 3d 123 (2d Cir. 2009).

³¹ No. 03-cv-05340 JF (RS) (N.D. Cal. Apr. 18, 2007).

*v. eBay, Inc.*³², and *1-800 Contacts, Inc. v. WhenU.com, Inc.*³³. The chapter concludes with an appraisal of the US knowledge standard, and consideration of the research question of the thesis.

1.5.4 Chapter IV: Analysis of the Knowledge Standard for ISPs' Secondary Liability for Copyright and Trademark Infringement in the EU E-Commerce Directive

This chapter considers the research question in the context of the ECD and related case law³⁴. The knowledge standard of ISPs for both copyright and trademarks, based on the horizontal approach of the ECD, is further examined. In this regard, the standard level for knowledge in the ECD's provisions and the legalities regarding notice and take-down procedures³⁵ in this directive are appraised in depth.

Subsequently, the legal conflicts in developing constructive knowledge (in Articles 5, 12, 14, 15, and 21(2) of the ECD) are illustrated. Alongside this, in order to answer the research question, the flaws of constructive knowledge are highlighted. On the other hand, the ability of the constructive knowledge requirements in the ECD to strike a balance between the rights of copyright holders and the ISP industry's development is examined in the light of existing case law. This discussion also presents the disadvantages of the lack of a technical test.

1.5.5 Chapter V: A Comparative Analysis and Evaluation of Knowledge Standards in the US and the EU

This chapter focuses on the similarities and differences between the US and EU knowledge standards for ISPs' secondary liability for copyright and trademark infringement, in the light of the research question and the objectives

³² 576 F. Supp. 2d at 505-506 (S.D.N.Y. 2008),

³³ 414 F. 3d 400 (2d Cir. June 27, 2005).

³⁴ Joined Cases C-236/08 to C-238/08 *Google France v. Louis Vuitton* 2010 ECJ EUR-Lex LEXIS 119.

³⁵ Subsequently, the legal uncertainties regarding notice and take-down procedures, such as the duration and taking down of alleged infringing materials, are explored.

of the research. There is also an evaluation of the standards in terms of their weaknesses and strengths, in order to find better solutions and to understand the implications of the different approaches.

1.5.6 Chapter VI: Summary and Conclusion

The thesis is summarised and concluded, with some recommendations provided with respect to the knowledge standards for ISPs' secondary liability for copyright and trademark infringement in both the EU and the US, so as to fulfill the research aims.

2.1 Knowledge Standard Approach in Secondary Liability

Firstly, it is worth noting that ISP's actions can be considered as primary liability (direct infringement) and secondary liability (indirect infringement). ISP primary liability arises from ISP's direct infringements of copyright and trademark as opposed to an action of another party. For instance, if Google directly makes copies without the authorization of a rights owner, this would be considered primary liability.

In contrast to direct infringement and primary liability, right holders are entitled to sue ISP's for indirect infringement when it does not independently commit the infringement but it provides service for a user to materially contribute to, facilitate, or induces to commit all of the acts necessary to infringe a copyright or trademark. For example, an ISP hosting service when it is used for selling counterfeit goods or for selling goods that infringement on a trademark. In such situation if an ISP after receiving a proper notification from the trademark holder, does not remove or block access to such service, the right holder will be entitled to sue the ISP for secondary liability or contributory liability.

It is noteworthy that ISP liability has been recognized as limited liability, not strict liability owing to ISP functions (i.e. they are neutral and without investigation, and no monitoring data). Therefore, secondary liability of ISP has been limited to the time which ISP has knowledge about user infringement. Knowledge is an important element of secondary liability in light of contributory liability. It is also worth clarifying that knowledge for ISP primary liability is not question. This is because it has been assumed that direct infringer is doing infringement with knowledge. In line with the above, ISP knowledge on user infringement attached to secondary liability on ISP conduct is widely based on the "reasonable man mind" in which causes divergence in interpretation. This would be further discussed in this chapter.

Concerning knowledge requirement in the secondary liability, secondary liability can be categorised into secondary liability based on strict liability and secondary liability based on fault (limited liability).

2.1.1 Strict Liability as Secondary Liability for ISPs for Copyright and Trademark Infringement

Strict liability is not dependent on knowledge of infringement and it is no-fault liability that enforces strict liability on the ISP. Proponents of strict liability believe that the impossibility of proof of fault mostly leads to real infringers escaping liability; therefore, liability should be strict to avoid this. For this reason, strict liability is considered to be in line with justice. However, it seems that although strict liability has some advantages, it solely considers the concept of tort (liability) in terms of compensation, instead of paying attention to all elements or acknowledging other tort aims such as deterrence, prevention, and duty of care. Consequently, through such an approach, strict liability is unable to assist secondary liability to work as a mechanism for deterrence, prevention, and duty of care. Strict liability causes the duty of care to be reduced and the concept of negligence to be decreased, as the duty of care does not have any effect on the infringer's liability³⁶.

Others believe that strict liability leads to reduce damage because it encourages directors to take more care in employing the best employees and providing services that put more attention on the users and prevent damage. While this may be appropriate for labour cases, it is not relevant for ISPs as they do not have any control over users' actions when they are working as distributors. Moreover, evaluating an ISP's knowledge of infringement based on a 'but for' standard of tort³⁷ for causality would be almost boundless and the ISP liable would be held without knowledge. This is not in accordance

³⁶ Badinie (n22)72; Vedder, Anton, 'Accountability of Internet Access and Service Providers - Strict liability Entering Ethics?' (2001) 3(1) ABI/INFORM Global; *Ethics and Information Technology*68-69

³⁷ Legally, the general meaning of tort has certain similarities to its legal concepts: "the law of tort... is the law of civil liability for wrongfully-inflicted injury, or at least a very large part of it. (Breach of contract and breach of trust are perhaps the two most important civil wrongs.)" Mark Lunney and Ken Oliphant, *Tort Law: Text and Materials* (2008 Oxford University Press) 1.

with moral and justice rules³⁸ because liability without fault breaches social justice and restricts ISPs' services to society.

2.1.2 Limited Liability as Secondary Liability for ISPs' Copyright and Trademark Infringement

In contrast with strict liability, limited liability is based on fault. In terms of secondary liability, it is more focused on the indirect infringer's knowledge of the user's infringement and the negligence of indirect infringer to provide a duty of care. It is worth mentioning that ISPs' liability has been more frequently recognised as indirect liability because of the fact that ISPs do not perform in the same way as a person who intends to promote his/her intent or interest by infringing copyright or trademarks directly³⁹. In sum, implementing the concept of limited liability based on knowledge about the direct infringer seems in harmony with the development of the ISP industry, as is highlighted further in the coming chapters.

Limited liability regarding the ISP liability can be divided into primary and secondary liability. It has also been categorised into vicarious liability, inducement liability, and contributory liability. After the case of *MGM Studios, Inc. v. Grokster Ltd*, inducement liability as a new type of secondary liability for copyright infringement appeared among scholarly discussions.

Among these classifications, contributory liability and inducement require knowledge (unlike vicarious liability) in order to impose secondary liability⁴⁰.

2.1.2.1 Vicarious Liability

Vicarious liability, as in the case of indirect infringement, makes the superior responsible for the acts of their subordinates⁴¹. It refers to the enterprises

³⁸ F.H. Lawson, Alexander E. Anton and L.N. Brown, *Amos and Walton's Introduction to French Law* (1967 Ed 3, Clarendon Press) 203; Seyed Mortaza. Qasemzadeh, *the Foundation of Tort* (2008 Mizan Publications) 146. In this regard Oliver W. Holmes also states that rejection of strict liability is more than an affirmative case for negligence (which he refers to as a 'criminalist' theory).

³⁹ John G. Fleming, *the Law of Torts* (1998LBC Information Service) 149.

⁴⁰ Secondary liability for ISPs' copyright liability is also called 'secondary copyright liability' and 'third-party copyright liability' in the US. In civil law countries such as Germany and China, it is known as 'joint tort copyright liability'.

doctrine in common law, in which the courts state that employers should be liable for the infringing acts of their employees under the traditional master-servant principle. Evidence of this claim can be found in *M. Witmark & Sons v. Calloway*⁴²; *Shapiro, Bernstein and Co. v. H.L. Green Co*⁴³; and *Gershwin Publishing Corp. v. Columbia Artists Management, Inc*⁴⁴. The vicarious liability elements would be fulfilled when the ISP has the ability to control or supervise and direct financial interest from infringement⁴⁵. Unlike contributory and inducement liabilities, vicarious liability does not focus on knowledge about direct conduct.

2.1.2.2 Contributory Liability

Contributory liability has been developed in the wide area of intellectual property rights, mostly in copyright and trademarks⁴⁶. Its key elements are material contributions and knowledge about the act itself. Contributory liability is rooted in the tort theory of enterprise liability and it is established by the fault of a defendant who has knowledge of the infringement and makes material contributions to the infringement.

Contributory liability is the first theory of secondary liability in the common law system (US)⁴⁷ and involves a knowledge requirement. In 1982,

⁴¹ See *Joel v. Morison* [1834] EWHC KB J39; ‘See also’ *Honeywill & Stein Ltd v. Larkin Brothers Ltd* [1934] 1 KB 191 concerning its scope in English tort law.

⁴² 22 F. 2d 412 (1927).

⁴³ 316 F. 2d 304, 307 (2d Cir. 1963); ‘See also’ *Lister v. Hesley Hall Ltd* [2001] UKHL 22.

⁴⁴ 443 F. 2d 1159, 1162 (2d Cir. 1971): “Although vicarious liability was initially predicated upon the agency doctrine of respondeat superior... one may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities”; other relevant cases such as *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass’n.*, 554 F. 2d 1213 (1st Cir. 1977); *KECA Music Inc. v. Dingsu McGee’s Co.*, 432 F. Supp. 72, 199 US P.Q. (BNA) 764 (W.D. Mo. 1977).

⁴⁵ See for legal challenges on secondary liability Case C-323/09 *Interflora v. Marks & Spencer* 2011 (1).

⁴⁶ *InWood Laboratories Inc. v. Ives Laboratories Inc.* 456 US 844, 854 (1982). “The notion that a party who does not himself infringe another’s trademark may nevertheless be indirectly liable, for such infringement is not expressly provided for in the Lanham Act, but rather has emerged from case law over the years.” ; ‘See also’ Coleman(n13) accessed 7 November 2011.

⁴⁷ ‘See also’ 80 *Iowa Law Rev.* 101,109-129 (1994); *Georgia Pacific Consumer Products LP v. Von Drehle Corp.*, 2010 WL 3155646 (4th Cir.), which analysed the plaintiff’s crime under

contributory liability was established in the case of *InWood Laboratories Inc. v. Ives Laboratories Inc.*⁴⁸, where it was stated by the Supreme Court that “a plaintiff must show that the defendant ‘intentionally induce[d] another to infringe’ [the plaintiff’s] trademark or... continue[d] to supply its product to one whom it knows or it had reason to know [was] engaging in trademark infringement”. This standard for imposing contributory liability was developed by numerous cases, for instance in the case of *Sony Corp. of America v. Universal City Studios Inc* in the light of constructive knowledge was ruled that failure on duty of care can be recognised as contribute materially to the act of infringement⁴⁹.

Overall, knowledge about direct infringement is a vital factor. Based on contributory liability, lack of knowledge is equivalent to a lack of liability.

2.1.2.3 Inducement Liability

Inducement liability is based on intentional tort and requires proof of intent of a reprehensible state of mind, which is one of the components of fault. The inducement liability rule has a substantial body of authority in support of its general applicability throughout other areas of law, for example in the Patent Act⁵⁰.

In sum, among the above types of secondary liability (vicarious liability, inducement liability, and contributory liability), the knowledge requirement (as indirect infringement) is the only requirement holding an ISP liable in terms of inducement and contributory liabilities.

the judicially created doctrine of contributory trademark infringement, derived from the common law of torts; ‘See also’ the case of *Tiffany v.eBay* 600 F. 3d 93, 106 (2d Cir. 2010)

⁴⁸ *Sony Corp. of America v. Universal City Studios Inc.* 464 US 417 – Supreme Court 1984[38]

⁴⁹ The court phrased it thus: “the mere sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory liability if the product is widely used for legitimate, unobjectionable purposes. Indeed, it needs to be capable of substantial non-infringing uses”.

⁵⁰ *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* [2005] 545 U.S. 913, 125 S.Ct.

2.2 Knowledge Standards and Secondary Liability Theories

Nowadays, secondary liability (tort)⁵¹ governs a range of different activities including copyright and trademark infringement to protect user rights, service providers, and exclusive right holders.

Thus, studying the aims and concept of secondary liability tort in light of legal theory to examine the current knowledge standards for ISPs' secondary liability seems necessary⁵². As Holmes states: "in order to know what it is, we must know what it has been, and what it tends to become and "law has a content that is not imported from without but elaborated from within"⁵³. Therefore, the description of secondary liability (tort) philosophy and its foundation begins with common theories. .

2.2.1 Common Theories on Secondary Liability

Common theories state that the aim of secondary liability is to establish justice between parties⁵⁴ or to act as an instrument for corrective justice to correct imbalances caused by one party's breach of duty to another⁵⁵. The concept of

⁵¹ The origin of the concept of tort has its roots in French, derived in turn from the Latin term *torquere*, which means 'twisted or wrong'. Generally, "it is a civil 'wrong' which occurs when one party destroys another party's initial entitlement by imposing a negative externality on him." Werner Z. Hirsch, *Law and Economics: An Introductory Analysis* (Harcourt Brace Jovanovich 1988) 165; 'See also' Patrice Jourdain, *Principles of Civil Liability* (Majid Adib tr, Mizan Publishers 2007) 9 ; In early Roman law, a tortfeasor was liable for any injury he had caused to the victim, whether or not he was culpable. However, this approach was abandoned in classical Roman law; Qasemzadeh (n38) 136; 'See also' International Encyclopedia of Comparative Law, (1983) Vol XI (2 vols), para 196.

⁵² James Gordley, *Tort Law in the Aristotelian Tradition*, in *Philosophical Foundations of Tort Law*, (David G. Owen ed, 1edn, Clarendon Press 1995) 133.

⁵³ Oliver W. Holmes, *The Common Law*, (44 edn, Little, Brown and Company 1951) 1; William B. Yeats, *Know the Dancer from the Dance: Among School Children in The Collected Poems of W.B. Yeats: A New Edition*, (K. J. Finneran ed, Macmillan Publishing 1983) 215; Aristotle asserts that "one cannot understand the organization of anything by its functions and its parts; its functions must be explained within its aims"; M. Thomas, *The Philosophy of Law: An Introduction*, (Behrooz Jandaqi tr, Ziton 2009) 23.

⁵⁴ The same can be found in the beliefs of Kant and Rawls.

⁵⁵ See Kathryn R. Heidt, 'Corrective Justice From Aristotle to Second Order Liability: Who Should Pay When the Culpable Cannot?' (1990) 47(2) Washington and Lee Law Review. Concerning the relationship between secondary liability (tort) and distributive justice, there are differences of opinion: some believe that tort law is not within the scope of distributive justice and is best explained through corrective justice or secondary duty. Conversely, others such as Cane argue that "when we take account of the fact that court decisions can create precedents

corrective justice is an element found in all common theories. Therefore, secondary liability can be studied in terms of: theories based on formalism, theories based on strict liability, and theories based on both fault. Among these theories, formalism and the theory of liability based on fault are closer to the standard for evaluating the knowledge of users' infringement.

2.2.1.1 Formalist Theory and Secondary Liability

The formalist theory (also called mechanical jurisprudence⁵⁶) is a common legal theory that began in the 19th century in the US⁵⁷ as an application of norms to facts. Formalists have viewed the law from the normative approach or as a system that stems from Aristotle's logic. Formalists believe that to identify the basics of law, we first need to delve inside the law to find out the legal principles and sub-principles⁵⁸. Then, the principles and their sub-principles must be arranged in a logical form so that decisions can be made. In other words, results rest on a relatively closed set of logically organised rules⁵⁹.

which can be used to guide people's conduct and to decide disputes other than that before the court, we can see that the law of tort is also concerned with distributive justice"; Peter Cane, *The Anatomy of Tort Law* (Hart Publishing 1997) 18. The roots of such schools of thought can be found in *Donoghue v. Stevenson* [1932] UKHL 100, [1932] SC (HL) 31, [1932] AC 562.

⁵⁶ Due to the lack of differences between tort and secondary liability, we applied tort law in the end. In discussing tort law, we describe secondary liability in the form of contributory and vicarious liability and inducement theory. Roscoe Pound's *Mechanical Jurisprudence* (1908) was seminal in creating the image of judging as an exercise in mechanical, deductive reasoning. Pound began by posing the question: What is scientific law? His answer was that "the marks of a scientific law are, conformity to reason, uniformity, and certainty. Scientific law is a reasoned body of principles for the administration of justice, and its antithesis is a system of enforcing magisterial caprice, however honest, and however much disguised under the name of justice or equity or natural law" ; Brian Z. Tamanaha, *Beyond the Formalist-Realist Divide: The Role of Politics in Judging* (Oxford University Press 2009) 27.

⁵⁷ In the 19th and 20th centuries, *laissez faire, laissez passer* was the dominant system of thought in the US. Formalism (which has individualistic results) has been applied in social science and philosophy with theoretical and empirical reasoning and arguments. However, there has been a move towards considering social science and philosophy as empirical phenomena. The pioneers of this movement in logic and philosophy were William James and John Dewey, whereas Oliver Holmes was a pioneer of legal realism; Michael D.A. Freeman, *Lloyd's Introduction to Jurisprudence*, (edn 7 Sweet and Maxwell 2001) 799, 800.

⁵⁸ Bagher Ansarie, *The Role of the Judge to Develop the Law* (Mizan Publishers 2012) 60.

⁵⁹ According to formalists, "judges apply the governing law to the facts of a case in a logical, mechanical, and deliberative way. For the formalists, the judicial system is a 'giant syllogism machine,' and the judge acts like a 'highly skilled mechanic.' Legal realism, on the other hand, represents a sharp contrast... for the realists, the judge 'decides by feeling and not by judgment; by 'hunching' and not by ratiocination and later uses deliberative faculties 'not only to justify that intuition to himself, but to make it pass muster'"; Chris Guthrie, Jeffrey J.

According to their rule, formalism defines the knowledge of infringement to impose secondary liability only relies on the interpretation of legal texts; they are assessed with the view of “what the law should be” rather than “what the law says”⁶⁰. The formalist theory, which is the same as positivism, is not interested in any secret hidden meaning⁶¹. Formalists apply internal justification to define the targets of liability and observe the knowledge requirement system⁶². Some people who favour the classical natural theory as proposed by Kant, Aristotle, and Aquinas have applied the formalist approach to define the philosophy of tort⁶³.

To find out the formalist rationale for defining liability, so as to evaluate the US and EU law approaches in the next chapter and to address the deficiencies of the current knowledge standards, a brief analysis of the thoughts of Kant, Aristotle and Weinrib on this matter is described.

Rachlinski and Andrew J Wistrich, ‘Blinking on the Bench: How Judges Decide Cases’, (2007) 93(1) Cornell Law Review 2 .Furthermore, it has been noted that the jurisprudence of conceptions “tends to decay. Conceptions are fixed. The premises are no longer to be examined. Everything is reduced to simple deduction from them, principles cease to have importance. The law becomes a body of rules. This is a condition against which sociologists now protest, and protest rightly”; Brian Z. Tamanaha, *Beyond the Formalist–Realist Divide: The Role of Politics in Judging*, (Oxford University Press 2009) 27. It is worth mentioning that, as pointed out in Black’s Law Dictionary, formalism is a “theory that law is a set of rules and principles independent of other political and social institutions”; Black’s Law Dictionary (2nd ed) < <http://thelawdictionary.org/> > accessed 14 November 2011

⁶⁰ The most eloquent expression is in the Massachusetts Constitution of 1780: “[T]he judicial shall never exercise the legislative and executive powers, or either of them; to the end [that the Massachusetts’ government] may be a government of laws, and not of men.”

⁶¹ Lon L. Fuller, *Anatomy of the Law* (Greenwood Press 1976) 177,178; ‘See also’ Cf. Justice Scalia’s rejection of intuitionism: “If you are a textualist, you do not care about the intent, and I do not care if the framers of the Constitution had some secret meaning in mind when they adopted its words” <[http://www.rtbot.net/legal formalism](http://www.rtbot.net/legal%20formalism)> accessed 11 November 2011.

⁶² According to formalism, internal justification is used instead of economic and social justification.

⁶³ They support internal justification rather than empirical, economic, and social justification; Badinier, *Philosophy of Tort Law* (Sahami Publisher Company 2005) 81; Martin Stone, ‘Formalism’, in *The Oxford Handbook of Jurisprudence & Philosophy of Law*, (Jules Coleman and Scott Shapiro eds, Oxford University Press 2002) 166, 200; Brian Leiter, Legal realism, in *A Companion to Philosophy of Law and Legal Theory*, (Blackwell Publishers 2000) 275, 276; ‘See also’ Herbert L.A. Hart, *The Concept of Law*, (Oxford University Press 1961) 120, 150. ‘See also’ Ken Cooper-Stephenson and Elaine Gibson, *Corrective Justice, Substantive Equality and Tort Law*, (Captus University Publications 1993) 3

2.2.1.1.1 Kantianism

Kantianism⁶⁴ focuses on right and duty in the light of liberty to expose liabilities rather than compensate for injuries. ‘Right’ has been defined as the “sum of conditions under which the choice of one can be united with the choice of another in accordance with a universal law of freedom”⁶⁵. A significant aspect of Kantianism is that liability is based on fault (intentionally and non-intentionally), rather than causation of damage. Kant presented the theory that causation (liability based on non-fault) is not compatible with tort and liberty because liability without fault leads, as Hegel puts it, to “only the negation of a negation of action, not a negation of action itself”⁶⁶. Thus, even the term ‘person’⁶⁷ is a barrier to applying the knowledge requirement for ISPs. However, limited liability can be said to limit ISPs’ duties⁶⁸, which are subject to scope of constructive knowledge.

2.2.1.1.2 Aristotle’s

Aristotle’s view involved restoring the parties⁶⁹, as nearly as possible, to the positions they held before the injury, as liability in corrective justice through tort falls on the injurer⁷⁰. Aristotle focused on arithmetical⁷¹ equality in tort law rather than giving attention to the special value or social position of the injurer.

⁶⁴ For Kant, the possibility that law can be systematically right encompasses private law, public law, and international law; it also gives law its normative character as a condition of freedom under which public compulsion is justified; Ernest J. Weinrib, ‘Law as a Kantian Idea of Reason’ (1987) 87Columbia Law Review 472.

⁶⁵ Immanuel Kant, *Philosophy of Law*, (Saneie Darebie tr, Majd publisher 2008) 28.

⁶⁶ George W.F. Hegel, *Philosophy of Right* (T.M. Knox tr, Clarendon Press1967)181; ‘See also’ Bdinie (n22)116.

⁶⁷ A person is who he has imputation for his act. Kantianism liability is applicable to the ‘person’ and is not applicable to ‘objects’ (ISPs) due to the lack of an imputation object. Moreover, the scope of duty is limited to positive acts and does not recognise omissions, as Kant stated that omission of damage is not a duty, even if there is knowledge of damage.

⁶⁸ In Hegel’s view, knowledge standards must be line with duty and must not force others to avoid emission of damage when it is not in their duty; Badini(n22)85,89

⁶⁹ Oliver W. Holmes long ago remarked that “[t]he law of torts abounds in moral phraseology” The Common Law Lecture 1881(III); ‘See also’ Heidt (n77); Jules L. Coleman, ‘The morality of Strict Liability’, (1986) 18 Wm. & Mary Law Review259; Coleman, ‘Corrective Justice and Wrongful Gain’, (1981) 11 *J. Legal Studies*421; Ernest J. Weinrib, ‘Liberty, Community, and Corrective Justice’ (1988) 1(3) *Canadian J. of Law and Jurisprudence*.

⁷⁰ Heidt (n55) 350.

⁷¹ Stephenson (n63) 66.

In his view, the injurer (A) is obliged to pay to the injured (B) the value that he took from B by damaging B's assets. Aristotle paid more attention to the causation of damage rather than knowledge about infringement⁷². He argued: "The law looks only at the nature of the damage, treating the parties as equal, and merely asking whether one has done it and the other has suffered injustice, whether one has inflicted and the other has sustained damage."

It sounds as if Aristotle's 'causation' concept is like retaliation in corrective justice. It has been expressed by Pythagoras that if A inflicts damage on B, B can do the same to A. Apparently, the performance of both the arithmetical approach (in both of Aristotle's corrective justice categories: general justice or particular justice⁷³) and Pythagoras's retaliation approach leads liability without knowledge based on this claims that the knowledge requirement exists in the concept of 'a voluntary act'. However, this is not appropriate in the context of the current research topic because assuming knowledge through a voluntary act does not cover the tort of negligence when an ISP infringes copyright by negligence. Overall, establishing a fit between Aristotle's 'causation' concept and ISPs' secondary liability sounds impossible, as the former does not recognise knowledge of infringement as an element to establish corrective justice⁷⁴.

⁷² In contrast with this, however, is Pythagoras's belief that retaliation establishes corrective justice (if A inflicts damage on B, B can do the same to A), but it seems that the arithmetical and retaliation approaches are non-performance approaches; George P. Fletcher, 'Corrective Justice for Moderns', (1993) 106 *Harvard Law Review* 1668; 'See also' Coleman, 'Property Wrongfulness and Duty to Compensate', (1987) 63 *Chicago-Kent Law Review* 461,462.

⁷³ Aristotle's general view on justice is the 'whole of virtue' approach. Aristotle further divides justice into distributive justice and corrective justice; Heidt (n55) 350.

⁷⁴ It is still open to question whether or not a negligent act is subject to corrective justice or not. "The idea of negligent conduct was not a concept that was well developed in Athens nor was it discussed by Aristotle in any length. However, Aristotle does recognize some culpability for certain conduct we could classify today as negligent. For example, he would hold someone responsible who, by our standards, negligently failed to obtain information that could have prevented the loss." Although Aquinas stated that Aristotle's corrective justice covers both voluntary action and involuntary action because involuntary action also has choices; it does not necessitate the reorganisation of liability through the infringer's knowledge; *ibid* 358. 'See also' James B. Ames, '*Law and Morals*' (1908) 22 *Harvard Law Review* .97, 99; 'See also' Badinie (n 22)152.

2.2.1.1.3 Weinrib's Theory

Ernest Weinrib, as a pioneer of formalism, applied tort to establish Aristotle's concept of corrective justice. In this theory, tort has a special internal system and a reciprocal⁷⁵ relationship that exists between the injured and the loss⁷⁶. According to his theory, corrective justice is a task for the legal formalist, who has to make explicit the intelligibility that is latent in the legal materials and to indicate which legal error is a deviation⁷⁷. For this reason, to provide an appropriate knowledge standard for ISPs' secondary liability for copyright and trademark infringement in harmony with this theory, attention to the internal dialectics of tort (in corrective justice) and the reciprocal relationship between the injured and the loss is required. This is because secondary liability (tort) has been considered as needing an evaluation that is based on 'why it is' what it is from 'within' and not from the 'outside' appearance. For example, to understand mathematics, we need to investigate the intricacies of mathematics and its functions by understanding mathematical formulas. Hence, investigating the internal rationality of tort is vital in order to understand tort liability⁷⁸.

According to this theory, secondary liability (tort) is non-political in its nature and aims and the law is not allowed to use liability as an instrument for political, social, and economic purposes. Weinrib's measure is a subjective criterion of negligence instead of an objective one. A subjective criterion of negligence in tort law is a feature of behaviour and mental state that is reprehensible ethically. Therefore, the appropriateness of using a subjective criterion of negligence for evaluating the knowledge standard for secondary liability is open to question. Weinrib's subjective criterion of negligence

⁷⁵ However, he also believed that there is no necessity to establish corrective justice only by tort law.

⁷⁶ Stephen R. Perry, 'Comment on Coleman: Corrective Justice' (1992) 67 *Indiana Law Journal* 381,382

⁷⁷ Allan C. Hutchinson, 'The Importance of Not Being Ernest'(1988-1989) 34 *McGill Law Journal* 234,263

⁷⁸ Weinrib illustrates that the tort format is arranged by an internal and dependent system. Tort in the internal system uses the instrument of private law and not public law because "the purpose of private law is to be private law". Weinrib, *the Idea of Private Law* (Cambridge University Press1995) 241.

places emphasis on the mind of the injurer. As a result, using a subjective criterion of negligence for the knowledge requirement might lead to establishing corrective justice and equality but its components (i.e. personal features and the moral status of damage) affect justice because they rely on the adage “do unto others as you would have them do unto you”. This foundation leads to prevalent injustice because of its capability to impose duty to another without giving him rights.

In contrast, the objective criterion of negligence applies a “duty of care” in the light of wisdom, custom, and acts and specific knowledge or knowledge of the injury⁷⁹. The subjective criterion of negligence delimits the types of injury because any damage⁸⁰ is not compensable and any benefit does not have tort liability (it only recognises normative or non-factual profit)⁸¹. According to this theory, the appropriate knowledge standard is a knowledge standard that consists of the internal message of tort for establishing corrective justice. However, the issue is that Weinrib’s theory is only focused on the victim and the compensation, rather than the injurer’s rights. This gap or unequal value between the rights of the victim and those of the injurer does not allow knowledge standards to be established in harmony with the parties’ rights⁸². As a result, applying Weinrib’s theory to the knowledge requirement for ISPs leads to the infliction of risk liability without fault⁸³.

⁷⁹ Alan R. White, *Grounds of Liability: An Introduction to the Philosophy of Law* (Oxford University Press 1985) 100, 103.

⁸⁰ Omission, as Kant points out, is not the subject of tort.

⁸¹ Weinrib, ‘Formalism and its Canadian Critics’, in *Tort Theory*, (Ken Cooper-Stephenson and Elaine Gibson eds, 1993) 5.

⁸² Scott Hershovitz, ‘Corrective Justice for Civil Recourse Theorists’ (2011) 39 Florida State University Law Review 107-108 <<http://www.law.fsu.edu>> accessed 21 June 2011.

⁸³ Consequently, the formalist attitude to tort liability is based on an internal understanding and a non-instrumentalist attitude, which looks to establish formalist justice and equality between parties. Moreover, it is more based on Aristotelian and Kantian thoughts. According to those beliefs, tort liability intends to provide corrective justice (as it is called by Aristotle) or commutative justice (as Aquinas calls it) through an internal system. Some current writers use the phrase ‘certificatory justice’ or ‘reparative justice’; Christopher Berry, *the Philosophy of Law: An Encyclopaedia* (Garland Publishing Inc 1999) 163.

2.2.1.2 Fault Theory

Fault in the form of a knowledge requirement was “one of the conquests of civilization”⁸⁴ that began in the 18th century⁸⁵ and developed further in the 19th century. No liability without fault has been developed by common law and civil law (American law refers to the case of *Brown v. Kendall*)⁸⁶. Moreover, legal scholars have replaced liability without fault (or liability for causation and the ‘but for’ test) with liability in the form of fault⁸⁷, which consists of knowledge requirements⁸⁸.

The knowledge elements required for recognising fault are truth and justified true belief. Therefore, no knowledge is equivalent to no fault⁸⁹. Pioneers of the fault theory believe in establishing corrective justice and reforming distributive justice, which have been damaged by the injurer⁹⁰, and so we need secondary liability with fault grounds. Pioneers of the fault theory believe that fault with a knowledge term leads to expose equality and liberty between both parties,

⁸⁴ Roast said “fault was one of the conquests of civilization”. Fault is the same as *faute* in French, which in English is called negligence or blame. Even in common law, there are differences in tort between negligence and fault because negligence does not cover intentional fault, whereas fault covers both intentional and non-intentional fault.

⁸⁵ Even from a historical view, tort has always been based on fault or causation. However, in the past, the causation theory mostly dominated in imposing and defining liability.

⁸⁶ 60 Mass. (6 Cush.) 292 (1850)

⁸⁷ The fault liability approach is more based on the moral approach (as pointed out in instrumentalist and formalist theories) because of its function, which imposes liability on the one who committed the fault; Tunc (ed.), *International Encyclopaedia of Comparative Law, Vol XI. Torts*, (1976)13. Fault liability in common law has two sets of criteria: objective criteria and subjective criteria. Objective criteria are based on the ‘reasonable man’ criterion; Qasemzadeh (n 38)190.

⁸⁸ Savatier defined it as a breach of duty by a guilty party who could have appreciated and fulfilled the duty; Tunc (ed.) (n109) 13. In contrast, Prosser pointed out that “fault is conduct which involves an unreasonably great risk of causing damage or more fully conduct which inflicts risks below the standard established by law for protection of others against unreasonably great risk of harm” . Based on his definition, a breach of previous obligations must satisfy the following terms: it must be an acceptable injury, not foreseeable and actual, a direct injury, and a non-reaper injury; W. L. Prosser, (eds) *Hand Book of Law of Tort* (4th edition West Publishing Co1971)148.

⁸⁹ Non-fault liability or strict liability in some cases has even been manifested as an instrument to fulfil tort law aims. However, the extension of strict liability to all types of damage does not correspond to tort philosophy, as the aforementioned aims of the development of a general non-fault scheme of compensation are not in line with the deterrence of damage aims and economic rules of tort.

⁹⁰ David G. Owen(eds), *Why Philosophy Matters to Tort Law, in Philosophical Foundations of Tort Law, in Collection of Essays* (Clarendon Press1995) 24.

due to the dependency of the knowledge criterion on social measures. Fault based liability evaluates knowledge of injurer based on the reasonable man behaviour in form of social behaviour criterion and corporal criterion. Social behaviours are measured through a delineated knowledge requirement within the scope of the actions of a 'reasonable man', which is more in line with the current goals of tort (which aim to give more value to deterrence than to compensation).

In this regards, the fact is that although the social behaviour criteria has above advantages their application for evaluating the knowledge of ISPs seems open to debate because the social behaviour criteria for evaluating a 'reasonable man' have applied diverse approaches, for instance in utilitarianism, which unreasonable behaviour is an action that one never wants for oneself. Injurer behaviour is also unreasonable when the cost of the risk of an action is more than the social profit from the action (economic efficiency). Furthermore, they evaluate the knowledge based on the situation i.e; different criteria for different situations. Courts use different methods and criteria to define a 'reasonable man', his social behaviour, and the value of causes⁹¹. For instance the courts' criteria depend on altruism and equal liberty, standard utilitarianism, and economic analysis. Therefore, reasonable behaviour should be analysed according to who did what, for whose benefit, and who the victim is. Moreover, the position of consent varies in different situations, instead of following fixed criteria⁹².

⁹¹ *Osborne v. Montgomery*, 234 N.W. 372 (Wis.1931).

⁹² The position of consent varies in different situations: (1.) *Personal or third-party benefits*: the injurer's infliction of risk injures the victim to gain benefit for him or for a third party. Although the injurer's act benefits the victim (who is not meant to receive any profit from the injurer), his action is not the behaviour of a 'reasonable man' because the injury is foreseeable and the common people would never accept such risks. (2.) *Society's interests outweigh the criteria*: if the injurer's action has a benefit to society, evaluating the behaviour of a 'reasonable man' is done based on the level of risk (whether the action had a serious and high risk to others). The level of risk (which outweighs personal interests) would be compared to the level of society's interests, so if the society's interest is higher than the personal interest, the injurer's behaviour will be recognised as that of a 'reasonable man' and the injurer is not liable. It is the same circumstances as when an injurer does not have knowledge of the injury. (3.) *Victim's interest – infliction of risk*: the injurer acts in the victim's interest. Therefore, the injurer's act is a reasonable action due to its links with the risk-interest criterion and equal liberty. (4.) *Paternalistic*: the injurer acted paternalistically in the victim's interest but without

As a consequence, evaluating the knowledge of infringement based on fault based liability with the behaviour of a 'reasonable man' poses various criteria for evaluating the knowledge of infringement. Most of them are closely related to the state of mind and do not pay attention to the social role of the injurer's behaviour and the role of technology (like ISPs)⁹³. Thus, requiring an ISP to combat infringement and provide services based on these criteria seems technically impossible. It has applied the 'reasonable man's behaviour' as a criterion for tort by common law⁹⁴.

2.2.3 Instrument Theory and Secondary Liability

Instrument theory applies secondary liability (tort) to establish utilitarian- or welfare-based perspectives. According to this theory, the law cannot undo the past, but it can apply its role to make a better future by applying secondary liability as an instrument for social welfare⁹⁵. Furthermore, the role of liability has been stated to be for the good of all, not only to provide justice between two parties; in other words, liability at its most efficient benefits society. The instrument theory illustrates the fact that secondary liability (tort) is able to provide incentives for maximally beneficial behaviour and to serve as insurance by compensating for loss as well. It implies that secondary liability (tort) has also been considered as a mixture of markets and morals due to the different bases of tort. Tort is a mixture of grounds for decisions that are drawn from both corrective justice and economics.

the victim's consent: the injurer did not inform the victim about the consequences of the risk. The injurer's behaviour is not reasonable behaviour, due to its conflict with equal liberty (although there are some exceptions, for example in the patient-centred or physician-centred medical practice standards (these are standards in the UK))

⁹³ For instance in feminist theory, reasonable man behaviour is depend on the level of relationship; Joanne Conaghan, *'Tort Law and the Feminist Critique of Reason'*, in *Feminist Perspectives on the Foundational Subjects of Law* (Anne Bottomley ed 1996) <<http://www.law-lib.utoronto.ca>> accessed 12 December 2011. Leslie Bender, 'An Overview of Feminist Torts Scholarship' (1993) 78 *Cornell Law Review* 575 <<http://www.law.syr.edu>> accessed 12 December 2011.

⁹⁴ The 'reasonable person' construct can be found applied in many areas of law. The standard performs a crucial role in determining negligence in criminal law, that is, criminal negligence and tort law.

⁹⁵ Mahmoud Abdali, *Legal Approaches and Extra-Legal Attitudes* (Mizan Legal Foundation 2012) 24.

In this regard, some scholars (such as Coleman) have also remarked that secondary liability can be based on more than one fundamental principle⁹⁶ and it is an institutional method for giving effect to the principle of corrective justice, but not the only method. Furthermore, the mode of rectification represented by secondary liability, in which injurers are required to bear their victims' losses, must be justified on grounds independent of corrective justice, such as considerations of deterrence and accident/cost avoidance. Thus, economic efficiency should be recognised as supporting existing secondary liability functions.

Overall, in instrument theory, liability values depend on the social goals of society, such as economic aims, compensation, distributing costs and risks between society members, and deterring society members who present non-social behaviour. Generally, secondary liability (tort) has been categorised into tort in economic instrumentalism (an instrument for protecting economic policy)⁹⁷ and tort in moral instrumentalism (an instrument for addressing social and political aims)⁹⁸. Therefore, based on the above categorisations, once tort as an instrument is not able to answer and protect society's goals (such as social, political, and non-economic goals), society would apply other instruments, because the aim defines the context and form of tort (rather than the tort itself)⁹⁹. It has also been applied to distribution of loss¹⁰⁰, public and

⁹⁶ Perry (n 76) 381,384.

⁹⁷ There are other criteria such as easy rescue and non-easy rescue ;Stephenson(n85)129-130; 'See also' Coleman, *Risk and Wrongs: Cambridge Studies in Philosophy and Law*, (1th edn, Cambridge University Press1999) 203.

⁹⁹ Kant and Helime, who have explored tort, might respond that the aims have social value but that this does not mean that tort obtains its value from such aims; Badinie, 'Economical Analysis of Tort', (2004) *Law Quarterly – Journal of Faculty of Law and Political Science*, University of Tehran 59, 200,205.

¹⁰⁰ There is a belief that distribution of loss in society has a positive effect on society's economic plans and has a corrective justice rule among society's members. Secondary liability (tort) decries the fear of obligation and such fear leads to the development of social insurance and liability insurance. For instance, secondary liability makes a company insure its staff via adding the cost of such liability as a production cost. Secondary liability as an economic instrument helps companies to distribute their loss among customers instead of companies suffering. According to the aims of distribution, to offer any knowledge standard, the law should pay attention to the capability of the knowledge standard to fulfil these aims. Calabresi, in the light of costs of accidents, defines three types of costs: primary costs, such as costs which are associated with the harm; secondary types of costs, which are social costs; and

private deterrence¹⁰¹, and other economic functions, for instance secondary liability in the light of the economic approach can make the party or parties who are in the best positions avoid the liability or minimise their losses. In other words, the person makes a decision about whether the benefits of the activity outweigh its costs¹⁰².

Therefore, tort is offered to the producer to internalise liability costs by placing the liability costs on their products, which protects markets from market equilibrium¹⁰³. In line with this, secondary liability is an instrument for striking a balance between social costs and economic costs because it imposes the liability on those who have the ability to prevent damage at a low cost. Consequently, implementing secondary liability as an instrument protects the economy from loss¹⁰⁴. In short, considering the knowledge requirement in secondary liability with instrumentalism view rather than formalism seems appropriate because it does not force to be limited on the tort context aims, it allows designing a knowledge standard close to realism of technology.

2.3 Concept of Knowledge

Knowledge cannot be bounded by one definition due to its wide scope, but it can be seen within the scope of formal/informal, limited/unlimited, and theoretical/practical concepts; in other words, it can be divided into scientific knowledge and situated knowledge. To better understand the knowledge requirement, its epistemology needs to be considered. For this reason, a review is firstly presented of the concept of knowledge for human beings and machines, focusing on mathematical, science, and computer philosophy.

tertiary costs, which are costs associated with administering the tort system; Jeffrey L. Harrison, *Law and Economics*, (3th edn, Thomson West2003)157.

¹⁰¹ In terms of the deterrence aims of tort, tort law has applied and modified some level of fault and attempted to create a balance between fault and compensation. See Coleman (n 97) 234-235; 'See also' W.V.H. Rogers, *Winfield & Jolowicz on Tort* (16 edn, Sweet and Maxwell2002)12; 'See also' A.M. Linden, *Canadian Tort Law* (Ed 5, Butterworths1993)90.

¹⁰² Harrison (n100)156-157.

¹⁰³ Badinie (n85) 85, 86, 89. Furthermore, tort reduces the cost of accidents and the cost of avoidness of accident; 'See also'Katozian, *Liability of Failure Products* (3th edn, Mizan 2005)20, 22, 26.

¹⁰⁴ Michael D. Bayles, *Principles of Law: a Normative Analysis*, (D. Reidel ed, Publishing Company1987) 216.

2.3.1 Epistemology of Human Knowledge

To design an appropriate knowledge standard to impose liability, the epistemology of knowledge needs to be understood. In sophistic philosophy, human sense and analogy are manifested as sources of human knowledge¹⁰⁵. This view of human knowledge was criticised by Aristotle and Socrates. They claimed that, depending on the human knowledge, analogy does not prove that those elements that we make an analogy with are true. This is because although analogy has a mathematical base, it does not have any external meaning. For instance, if we say that $A + B = C$, the analogy does not show that A and B are true by themselves. Before the 5th century, to tackle these challenges, philosophy paid attention to the internal sense rather than the external sense. Subsequently, scepticism, experimentalism, and new Platonism appeared and they presented intelligence, sense, and wisdom as the sources of human knowledge. Platonism states that knowledge is equivalent to “justified true belief”¹⁰⁶, but it is not clear what is meant by ‘true’ and ‘belief’. In line with this, in modern philosophy (rationalism and empiricism), knowledge has become systematic through scepticism. When associated with 17th-century thinkers such as Descartes, Spinoza, and Leibniz, word rationalism used to mean a belief in reason was the only valid source of knowledge. Descartes, as the father of scepticism, pointed out that human beings achieve knowledge through scepticism. In this regard, Kant, as a follower of Descartes, combined both the rationalism of Descartes and the empiricism of Hume as idealism. He believed that the mind is like the gloss on the eyes that leads to making a wall between reality and fact. Therefore, knowledge has its roots in empiricism¹⁰⁷. In contemporary philosophy, discussions on the source of knowledge have moved from idealism to realism, in the light of pragmatism, science and non-science, and existentialism.

¹⁰⁵ ‘See also’ Mahmoud Saljooghi, *Some Remarks about Humans’ Understanding and the Civilization They Built, Their Society and the Fault that Passes through it*, (Mizan2012) 7, 30.

¹⁰⁶ John Turri, ‘Is knowledge justified true belief?’ (Forthcoming in *Synthese*) <<http://john.turri.org>> accessed 1th October 2012.

¹⁰⁷ Most discussions reference experimentalists such as Locke, Berkeley, and Hume.

Consequently, a similar point in all philosophical approaches is that human knowledge has a link with prior knowledge¹⁰⁸ and culture and expectations¹⁰⁹. A person's prior knowledge is undeletable knowledge that has an effect on human understanding and comprehension, in contrast with the knowledge of a machine¹¹⁰.

2.3.2 Machine Knowledge

In a similar way to the philosophy of human knowledge, the philosophy of machine knowledge has been applied both rationalism and empiricism. For instance, traditional empiricism can be seen in software engineering and computer ideas, and human interference and rationalism can be seen in computer methods and theories. Empiricism nowadays has been used in the form of positivism. The belief is that science can prove that some facts are correct, but this raises a number of questions regarding ISPs. Is an ISP able to understand? Is an ISP only able to understand based on a computational theory of the mind? Is an ISP a computational machine that only reads mathematics and does not have any implied cognitive function?

Briefly, according to the computational theory of the mind, ISPs are syntactic and non-pragmatic or semantic¹¹¹. ISPs are only based on mathematics, working within the scope of reading but not comprehension. Their knowledge does not have any link to prior knowledge, even though there is sometimes interference in cognitive science and compensation¹¹².

¹⁰⁸ Karl Popper, *All Life Is Problem Solving*, (1st edn .Routledge 1999) 59

¹⁰⁹ The weakness is that in relation to prior knowledge, scientists share their statements rather than the facts that they have seen.

¹¹⁰ Dan L. Burk, 'Toward an epistemology of ISP secondary liability' (2011) 24 *Philosophy & Technology* <<http://papers.ssrn.com>> accessed 22 October 2012.

¹¹¹ P. Hayes et al., '*Human Reasoning about Artificial Intelligence*', in *Thinking Computers and Virtual Persons* (E. Dietrich ed, Academic Press 1994) 333.

¹¹² Giovanni Sartor, 'Cognitive Automata and the Law: Electronic Contracting and the Intentionality of Software Agents' (2003) *Sparing Science Business Media B.V* <<http://www.cs.uu.nl/jurix03/>> accessed 25 Jun 2012.

In this regard, the capability of artificial intelligence¹¹³ (AI) and its relation to ISPs' knowledge is in question; that is, through AI, are ISPs able to comprehend, understand, or have consciousness? This question can be responded to by the Turing test and the Chinese rooms' method.

The Turing test developed mathematical philosophy and presented new ways of thinking in computer science. It has been used for defining a standard for a machine to be called 'intelligent'. The idea is that a computer can be said to 'think' if a human interrogator could not tell it apart, through conversation, from a human being. The results of the Turing test show that, to date, the capability of a machine to have a mind and understanding is in question¹¹⁴.

The Chinese rooms test is a thought experiment method that was devised by Searle¹¹⁵. Searle explains that there is a program that enables a computer to carry on an intelligent conversation in written Chinese. By using this program, someone who he is speak only English is able to execute the instructions of the program by hand and then the English speaker would be able to carry on a conversation in written Chinese, but the English speaker would not be able to understand the conversation. Similarly, Searle concludes that a computer executing the program would not 'understand' the conversation either. He mentioned that a program cannot give a computer a "mind, understanding or consciousness", even if it works intelligently or behaves intelligently¹¹⁶. Thus, according to the above tests and computer philosophy, ISPs do not have a "mind, understanding or consciousness" like human beings. ISPs' thoughts are complex symbols and their thinking is a calculated process.

¹¹³ John McCarthy, who coined the term 'artificial intelligence' in 1955, defines it as "the science and engineering of making intelligent machines". <[http://www.computerhistory.org/John, McCarthy](http://www.computerhistory.org/John_McCarthy)> accessed 2 March 2012.

¹¹⁴ Ian Ravenscroft, *Philosophy of Mind: a Beginner's Guide* (Hamid Shikh Rezaiee tr, Sarat Publishers 2005) 138-150; 'See also' Andrew Hodges, *Alan Turing: The Enigma of Intelligence*, (Hutchinson 1983) 133-140.

¹¹⁵ John Searle <<http://www.socrates.berkeley.edu/~jsearle>> accessed 2 March 2012.

¹¹⁶ This is against the philosophical positions of functionalism and computationalism, which believe that the mind may be viewed as an information processing system operating on formal symbols.

2.4 Conclusion

Corrective justice is vital and has similar elements across both common theories and instrumental theory. In common theories, from formalism to liability based on fault and based on strict liability, secondary liability has been defined according to its internal functions, which are the same as positivism. It is not concerned with the secret meanings that are hidden in the mind. For ISP knowledge standards for copyright and trademark infringement to be in harmony with this theory, the standards need to pay attention to the internal dialectics of tort (in corrective justice) and to the reciprocal relationship between the injured and the loss. This is because it has been considered that, in order to understand it, we need to evaluate tort based on ‘why it is’ what it is from ‘within’ and not from the ‘outside’ appearance. Internal justification can be applied so as to define the targets of liability and to observe the knowledge requirement system, as can be found in the thoughts of some followers of the classical natural theory proposed by Kant, Aristotle, and Aquinas, who applied a formalist approach to define secondary liability.

Formalist ideas involve arithmetical¹¹⁷ equality in tort law rather than paying attention to the special value or social position of the injurer. In fault-based theory, only social criteria in different situations seem related to the knowledge standards, as these criteria are permitted in order to design flexible measures for evaluating ISPs’ knowledge. However, implementing the ‘reasonable man’ test is still open to debate. The corporeal measures are more focused on causation and the internal meaning of tort. In contrast with these theories, realism (in light of the instrumentalist view about secondary liability) presents economic efficiency and social welfare as elements for designing an appropriate ISP knowledge standard. From this perspective, secondary liability is considered as an instrument for social aims and economic efficiencies; it is considered that a proper knowledge standard is a knowledge standard that is in line with these aims.

Furthermore, developing a proper knowledge standard requires attention to the natural differences between machine knowledge and human knowledge. In

¹¹⁷ Stephenson (n 63) 66.

particular, the inability of an ISP to have prior knowledge is essential in developing a knowledge standard for ISPs' secondary liability. In addition, any knowledge standard or requirement needs to address the fact that ISPs work with complex symbols and their thinking is a calculated process.

As conclusion, time is to pay attention on differences of concept and process of ISP knowledge with human knowledge as so to decrease risk of ISP liability without knowledge and protect all parties' right in light of ISP limited liability. Therefore, in view of the rationale and philosophy of knowledge and secondary liability (tort), the current study in examines the appropriateness of the knowledge standards in the US and EU to impose liability on ISPs for copyright and trademark infringement.

CHAPTER III: Knowledge Standards for ISPs' Copyright and Trademark Liability in the US

3.1 Introduction

The US was one of the first countries that had to deal with ISP liability issues for copyright and trademark infringement by users. Furthermore, it faced the question of the type of liability appropriate for ISPs. This can be seen in the *Playboy Enterprises Inc. v. Frena*¹¹⁸ case, which ruled that there was direct copyright liability and imposed it on the defendant for distributing infringing photographs that had been downloaded or uploaded by its users.

However, direct liability and strict liability have been replaced by ISPs' limited liability, as case law and legislations (**The Digital Millennium Copyright Act (DMCA) and The Lanham (Trademark) Act, 1946**) have shown. This ISP liability revelation has been dependent on some preconditions, illustrated in legislation and case law; throughout these sources, the knowledge requirement was made the critical issue for finding ISPs' copyright and trademark liability in the US.

In this regard, one question posed has been which type of 'knowledge' is required: 'actual knowledge', 'constructive knowledge', 'and awareness of infringement or awareness of facts or circumstances from which the infringing activity is apparent'? Moreover, the main debate centres on; ***Whether current provisions and case law interpretations are able to afford the legal integration regarding criteria and approaches to ISP knowledge standards, to shield ISP and other parties' rights?***

To answer these research questions, this chapter firstly highlights the limitations of ISPs' liability for copyright infringement in the light of US copyright case law (as the knowledge standard is one composed of the elements of traditional contributory liability, the copyright case law can be divided into cases before the establishment of DMCA Section 512 and after)

¹¹⁸ 839 F. Supp. 1552 (1993): 'See also' David Lindsay, 'Copyright Infringement via the Internet: the Liability of Intermediaries' (2000) Research Paper No. 11 May 2000 Centre for Media, Communications and Information Technology Law A Specialist Research Centre of the Law School The University of Melbourne, 45

and the DMCA itself. Then, the research examines the appropriateness of the current knowledge standard, which is done through an analysis of the knowledge provisions in the statutes and their interpretations in case law. The second part of this chapter focuses on analysing the knowledge requirement for ISPs' secondary liability for trademark infringement.

3.2 ISP Knowledge Requirements for Copyright Infringement

The Copyright Act of 1976 in the US does not explicitly render anyone liable for copyright infringement committed by others but liability would be possible under certain circumstances on the grounds of general rules of tort law or the legal doctrine of secondary liability. After the Playboy case, secondary liability was highlighted by *Sega Enterprises v. Maphia*¹¹⁹ and the famous Netcom case¹²⁰. It appears that secondary liability is a result of the revelation of fault (in the light of the realist approach), which eliminates the strict liability of ISPs when infringement has been committed by them. The result of this development and the need to harmonise copyright legislation with the World Intellectual Property Organization's (WIPO) internet treaties led to the enactment of the DMCA in 1998, which refers to the liability of ISPs in Section 512 of the Copyright Act (in title II of the DMCA); this adapts the limitation liability for ISPs' copyright liability in the form of a vertical approach. In both copyright case law and the DMCA, secondary liability consists of actual knowledge, awareness of apparent infringement and constructive knowledge. Based on the role of case law, in the development of a secondary liability regime for ISPs' copyright infringement and the enactment of the DMCA, the knowledge requirement in case law is firstly explored.

3.2.1 Knowledge Standard in Case Law

The knowledge requirement in copyright case law (as per the DMCA) is rooted in the theory of enterprise liability in tort law¹²¹ and has been

¹¹⁹ 857 F. Supp. 679 (N.D. Cal. 1994).

¹²⁰ *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

¹²¹ *Sindell v. Abbott Laboratories*, 607 P. 2d 924 (Cal. 1980); Citing *Hall v. E.I. Du Pont de Nemours & Co., Inc.*, 345 F. Supp. 353 (E.D.N.Y. 1972); 'See also' *Walkovsky v. Carlton*,

highlighted as a crucial element of contributory liability¹²² because enterprise liability as secondary liability focus on knowledge of individuals to be part of shared enterprise to impose a joint liability on infringers.

The knowledge requirement is established when “one who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another”¹²³. In other words, the knowledge requirement is demonstrated in the ‘know or have reason to know’ element of the direct infringement. Tort law on contributory liability knowledge is based on a broad knowledge standard that comprises both actual knowledge (know) and constructive knowledge (have reason to know), and its ambit has been extended by the advance of new technology; it now imposes secondary liability on ISPs for copyright infringement¹²⁴ (as per the DMCA and after, when an ISP or copyright owner does not comply with the DMCA terms to get for benefit from DMCA limitations).

3.2.1.1 Actual Knowledge

Actual knowledge of infringement has been interpreted in divergent approaches by the US courts in relation to copyright infringement, as can be proved by the following cases.

In the case of *Gershwin Publishing Corp. v. Columbia Artists Management Inc.*¹²⁵, the plaintiff sued Columbia Artists Management Inc. (CAMI) for using its song without permission for a profit-making concert in which artists managed by CAMI performed. The plaintiff argued that CAMI had substantial

223 N.E. 2d 6 (N.Y. 1966) to explain industry-wide liability, which was equated to enterprise liability.

¹²² An example of such cases is *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911).

¹²³ *Gershwin Publishing Corp. v. Columbia Artists Management*, 443 F. 2d 1159, 1162 (2nd Cir. 1971); ‘See also’ *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361, 1372 (N.D. Cal. 1995).

¹²⁴ Fifer, Samuel, Carter, S Roberts, ‘A Tale of Two Safe Harbors: The Scope of ISP Liability and The Values of The Internet’ (2004) 8 (2) *ABI/INFORM Global*; III *Journal of Internet Law 4: Sega Enterprises v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994) and *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

¹²⁵ 443 F. 2d 1159, 1162 (2nd Cir. 1971); ‘See also’ Ronald J. Mann & Seth R. Belzley, *The Promise of Internet Intermediary Liability*, *William and Mary Law Review*’ (2005)47:239

knowledge of the artists' and community associations' copyright violation during the planning process between the field representatives and the local associations. Therefore, ASCAP (the American Society of Performers and Composers) deemed CAMI liable for infringement of their music by organising, supervising, and controlling the local community concert associations. However, although CAMI admitted that music belonging to the plaintiff had been played for profit at community concerts without permission, they raised the question of the knowledge requirement. CAMI argued that they had not had knowledge because they were not directly involved in the violation. As District Judge Anderson stated:

CAMI was liable for their involvement in planning and looking over the Port Washington Association's concert series. While CAMI did not have direct control over the artists it managed or over the local organization, the court deemed that the local association depended heavily on CAMI to produce the concert. Additionally, CAMI had enough power to prevent their artists from infringing copyright, and it played a major role in creating and attracting the audience. Furthermore, CAMI took a significant financial profit from the copyright violation. The judge's statement that CAMI had knowledge of the violation was enough to make CAMI liable¹²⁶.

The final court decision established that the defendant can still be liable for copyright infringement if the party had knowledge of the violating activity, whether or not they were directly involved in the violation, as stated: "one who, with knowledge of the infringing activity, induces, causes, or materially contributes may be held liable as a contributory infringer". This case shows that actual knowledge could be established by merely having knowledge of the infringing activity and by failure to prevent such violation, based on knowledge of the violation. The case proves the claim that actual knowledge can be defined as knowing the capability of an activity to violate copyright rather than specific knowledge of an action of direct infringing conduct. Analysis of this case has shown that the tort of negligence (by breach of duty of care) is enough to fulfil an ISP's knowledge of infringement. By having this

¹²⁶ Ibid 312 F.Supp [583].

wide interpretation, it seems that general knowledge of infringement suffices for imposing contributory liability.

In contrast with the aforementioned case, the court interpreted actual knowledge differently in *Sony Corp. of America v. Universal City Studios Inc.*,¹²⁷ and narrowed the scope in tort of “know[ing]” or actual knowledge, as the decision of the court in that case showed. Sony provided a product that enabled another to infringe copyright¹²⁸. This product caused legal issues to arise in relation to knowledge of infringement, as the product in fact had the capability of substantial non-infringing use. The Supreme Court stated that Sony knew that some customers would use the VCRs to infringe copyright and therefore Sony materially contributed to the infringement by its customers because the customers would not have been able to do so without the assistance of the VCRs. However, the Supreme Court settled the issue by reference to the patent law concept, which declares that the sale of a staple article or commodity of commerce suitable for substantial non-infringement use should not comprise contributory liability based on the knowledge that some customers might infringe copyright¹²⁹. In line with this, the court explicitly stated:

[There must be] a balance between a copyright holder’s legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial non-infringing uses¹³⁰.

Thus, close analysis of the Sony case confirms that knowledge of infringement by a customer does not establish actual knowledge for imposing contributory

¹²⁷ 464 US 417 (1984) [37]; See applications of this theory in the cases of *NCR Corp. v. Korala Assocs., Ltd.*, 512 F. 3d 807, at 816 (6th Cir. 2008) and *Gershwin Publishing Corp. v. Columbia Arts Management Inc.*, 443 F. 2d 1159, 1166 (2d Cir. 1971).

¹²⁸ *Sony Corp. of America v. Universal City Studios Inc.*, 464 US 417 (1984); Other case law in the US that is related to the contributory theory and vicarious and inducement theory can be found in the *Napster* case, the *Aimster* case, the *Grokster* case and in *IO Group Inc. v. Veoh Networks Inc.*

¹²⁹ *ibid.*

¹³⁰ *ibid* [38]

liability; it requires the defendant to know of an actual instance of copyright infringement and to have failed to take measures to stop that infringement¹³¹. In other words, the Sony case ruling formulated the capability of non-infringing use of a product as a lack of knowledge in order to escape liability if there is no other evidence that proves that the defendant had any knowledge of copyright infringement¹³². Hence, the scope of the tort knowledge standard was narrowed to knowing of an actual instance of copyright infringement, instead of the constructive knowledge that existed in the relationship between VCRs and copyright infringement. It can be argued that the court in the Sony case applied secondary liability as an instrumental approach to respond to an economic realist view on the advance of technology¹³³, which seems appropriate.

In the case of *MGM Studios Inc. v. Grokster Ltd.*,¹³⁴ the court noted that “one infringes contributory by intentionally inducing or encouraging direct infringement ... and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it”¹³⁵. This case introduced the inducement theory for secondary liability¹³⁶. In the Grokster case, the Supreme Court stated that:

¹³¹ See Damon Chetson, ‘Perfect 10 and Contributory Liability: Can Search Engines Survive?’ (2007)Ed1,NorthCarolinaJournalofLaw&Technology<<http://ncjolt.org/category/articles/volume-online-edition>> accessed 6 December 2011.

¹³² In the *Napster* case, the court noted that although the software had non-infringing use capabilities, other evidence showed that the defendant was aware and encouraged users to infringe.

¹³³‘See also’ Thomas Hays, ‘The Evolution and Decentralization of Secondary Liability for Infringement of Copyright Protected Works: Part 1’, (2006) 28(12) European Intellectual Property Review.

¹³⁴ 545 US 913 (2005).

¹³⁵ *ibid*; ‘See also’ *Arista Records LLC v. Usenet.com Inc.*, 633 F. Supp. 2d 124 [150].

¹³⁶ *Grokster* *ibid*; See R. Anthony Reese, ‘The Relationship Between the ISP Safe Harbors and Liability for Inducement’, (2011) (6) Technical Law Review 5 <<http://www.law.uci.edu>> accessed 12 September 2011. There are some debates as to whether inducement liability is part of contributory liability or is separate from it. This could affect judgments about knowledge because contributory rules are more based on traditional tort law. Furthermore, the separation of these types of liability has a role to play in a claim for relief. A court note in the *Grokster* case stated: “one infringes contributory by intentionally inducing”, which shows that inducement could not be separated from the contributory liability. However, commentators have noted that the court in the *Lime Wire* and *Usenet* cases allowed separate claims for inducement liability to go forward; thus, the issue is still unclear; ‘See also’ Mary E.

One who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, going beyond mere distribution with knowledge of third-party action, is liable for the resulting acts of infringement by third parties using the device, regardless of the device's lawful uses¹³⁷.

With reference to this rule, the court limited Sony to safe harbour (substantial non-infringement) use, where a defendant is intent on fostering infringement and the company's knowledge is established through the Grokster case's inducement secondary liability by proving an affirmative intent to infringe. In relation to providing evidence of affirmative intent as knowledge of infringement, the Supreme Court ruled on many factors, for example internal communication, efforts to attract users, and failure to use filtering or other technology to block infringing activity¹³⁸. The court concentrated further on the application of negligence as fault to detect knowledge of infringement because the court focused on the intent and aforementioned factors to evaluate the knowledge of infringement. In this regard, it is worth noting that the Grokster case's limitation has been changed by the Perfect 10 case, which explicitly bound actual knowledge to specific knowledge and requires an ISP to prevent further damage by any technical measures¹³⁹.

Overall, knowledge in the Sony case was evaluated through probabilistic information rather than specific information, as the court clearly noted that the Sony case ruling is not intended to eliminate other common law liability

Rosenberger, David W. Sussman and Rebecca Silberberg, 'When Is a Service Provider Liable for Inducement Under Grokster?' (2010) 22(10) Intellectual Property and Technology Law Journal 9-10; 'See also' R. Anthony Reese, 'The Relationship between the ISP Safe Harbors and Liability for Inducement' (2011) 8 STAN. TECH. L. REV. <<http://stlr.stanford.edu/pdf/reese-isp-safe-harbors.pdf>> accessed 26 August 2013.

¹³⁷ *Grokster*, 125 S. Ct. 2764 (2005).

¹³⁸ See Seagull H. Song, 'A Comparative Copyright Analysis of ISP Liability in China Versus the United States and Europe' (2010) 27(7) Computer & Internet Lawyer 10-11 <<http://papers.ssrn.com>> accessed 12 December 2011. This standard has been applied in many other cases, such as *Arista Records LLC v. Lime Group LLC*, No. 06 CV 5936, 2010 WL 2291485 (S.D.N.Y. May 25, 2010) ; *Viacom International Inc. v. YouTube Inc.*, 07 CV2103, 2010 WL 2532404 (S.D.N.Y. June 23, 2010).

¹³⁹ *Perfect 10 Inc. v. Amazon.com*, 487, F. 3d 701, 727 (9th Cir. 2007) [729].

theories. This is because when the defendant's conduct is in bad faith, the defendant is not entitled to claim substantial non-infringing use.

As analysis, based on reading of the aforementioned cases, the courts restricted actual knowledge from referring to knowledge merely about users' infringement to knowledge of non-infringing use of products and then moved to establish actual knowledge by the indirect infringer's conduct in the light of inducement theory (as per the Grokster case ruling). This reform, even though limiting the scope of actual knowledge, did not establish proper guidance for defining actual knowledge, which was absent in the Sony case. This could indicate that although substantial non-infringing use was in favour of the defendant in the Sony case, there is an opportunity for proving knowledge of infringement using any method, rather than a method outlined by specific guidance. The court permitted evaluating knowledge through the 'reasonable man' test, which can lead to different interpretations and uncertainty.

In line with this, despite the legal debate about inducement theory (regarding whether this theory is part of contributory liability or not), the theory adds an evaluation of affirmative intent to the assessment of non-infringing use and focuses on the application of negligence as fault for evaluating the intent of infringement in order to establish knowledge. Thus, evaluating actual knowledge must be done based on internal documents and other relevant factors. Moreover, according to this case law, ISPs must undertake duties to prevent user infringements, such as by policing copyright work and applying technical measures, to be on the safe side of the negligence rule. Otherwise, they will be eligible for liability. Such duties can be heavy burdens for ISPs because they require ISPs to be both police and judges for protecting all copyright with general knowledge of user infringements, rather than this being the responsibility of a specific authority based on cooperation with the copyright owner. Overall the fault is more based on the concept of negligent which is close to probabilistic knowledge about infringement.

3.2.1.2 Constructive Knowledge

Constructive knowledge is another knowledge requirement for secondary liability. It relates to whether an organisation ‘should know’ or ‘has reason to know’ about user infringement in order to establish contributory liability. One of the most notable cases in which the court applied constructive knowledge for copyright infringement is *Screen Gems-Columbia Music Inc. v. Mark-Fi Records Inc*¹⁴⁰. In this case, four music publishers sued *Mark-Fi Records Inc.*, alleging that it made and sold bootleg records at very low prices and had a business with three other defendants that infringed the plaintiff’s copyright. The plaintiff argued that the defendant should have known or had reason to know about the nature of the records sold by Mark-Fi, the defendant’s assistance in the infringement, and the price tag for such products. Consequently, the court concluded that, according to the fundamental doctrine of common law, anyone who knowingly participates with others in conducting an infringement is jointly and severally liable¹⁴¹. Therefore, the ‘should have known’ (the prices of the product types in this case could easily be found, according to the ‘reasonable man’ test) and the ‘had reason to know’ evaluations for constructive knowledge in this case were sufficient to establish contributory liability.

In *Sega Enterprises v. Maphia*¹⁴², a BBS (bulletin board service) operator was distributing pirated versions of Sega video games. In addition, the BBS was apparently established specifically to permit the uploading and downloading of video games¹⁴³. The court clearly noted, regarding the knowledge needed to impose liability on the defendant for contributory infringement, that Sega must establish that “(i) with knowledge of the users’ infringing activity, (ii) [the defendant] induced, caused, or materially contributed to their infringing activity”. The court thus defined that the defendant (Chad Sherman) had knowledge of infringing activities and applied an objective standard that can

¹⁴⁰ 256 F. Supp. 399 (S.D.N.Y. 1966).

¹⁴¹ *Malibu Media LLC v. John Does*, 1-14 US District Court, N.D. (Ind, FWD) 2012.

¹⁴² *Sega Enterprises Ltd. v. Maphia*, 948 F. Supp. 923 (N.D. Cal. 1996).

¹⁴³ The point was that, in contrast with other websites, Maphia BBS only had 400 users, and there was a possibility of finding out what its users were doing and what they were paying their monthly fees for.

be satisfied when the defendant knows or has reason to know of the infringing activity¹⁴⁴. It was not disputed that Sherman had knowledge that his users were copying the games. Sherman admitted that users were allowed to upload and download Sega games from his Maphia BBS. The court ruled that since the defendant knew of the infringing activities and substantially participated in them by inducing, causing, or materially contributing to the infringing conduct, the defendant was liable for contributory infringement. The court also found that evidence from a screen printout of a user uploading and downloading statistics from the Maphia BBS shows that Sherman tracked, or at least had the ability to track, user uploads and downloads.

Thus, Sega established that Sherman knew of the infringing conduct by Maphia BBS users, and Sega contended that Sherman's actions showed that he wilfully¹⁴⁵ infringed their copyright, which would entitle Sega to greater damages under 17 U.S.C. section 504(c)(2).

The court in the *Sega Enterprises* case applied a strict interpretation of the 'reason to know' as constructive knowledge for observing wilful blindness by focusing attention on whether the defendant had actual knowledge of infringement and contributed, rather than whether a 'reasonable man' would know there was infringement in such circumstances. By considering the court ruling in the *Sega Enterprises* case, one can argue that such strict interpretation seems appropriate because it requires the court to evaluate the objective knowledge after evaluating the subjective knowledge (wilful blindness). The legal issues here refer to when actual knowledge as subjective knowledge is absent and the court focuses on general knowledge in order to observe the ISP's constructive knowledge through the 'reasonable man' test.

After the case of *Sega Enterprises v. Maphia*, which was about an organisation's secondary liability relating to copyright issues¹⁴⁶, US case law described the role of the knowledge requirement and its scope in the famous

¹⁴⁴ *Casella v. Morris*, 820 F. 2d 362, 365 (11th Cir.1987) (quoting *Gershwin*, 443 F. 2d at 1162).

¹⁴⁵ See *Peer International Corp. v. Pausa Records Inc.*, 909 F. 2d 1332, 1335 (9th Cir. 1990), quoted in the *Sega Enterprises* case.

¹⁴⁶ 857 F. Supp. 679, 683 (N.D. Cal.1994).

case of *Religious Technology Center v. Netcom On-Line Communication Services Inc.*¹⁴⁷, which focused the attention in case law more on the application of contributory liability (its knowledge element) in the ambit of the ISP's copyright liability. In this case, the US District Court analysed the knowledge for contributory liability of the ISP, which allowed its users to access a BBS when such access led to copyright infringement committed by a subscriber of the BBS. The plaintiff, Religious Technology Center, argued that Netcom as the defendant was directly, contributory, and vicariously liable.

Netcom concluded its defence as fair use and the district court rejected the direct and vicarious infringement but the issue went back to the knowledge requirement for Netcom's contributory liability. The court was faced with the question of Netcom's knowledge of the infringement and its duty of preventing infringement, as to whether Netcom knew, should have known, or had reason to know about the infringement. The court held that if Netcom knew or should have known that the defendant Erlich's infringing message was passing through its server, then its failure to prevent or impede an infringing copy from being distributed could constitute substantial participation. However, the Religious Technology Center had to prove this fact¹⁴⁸. Netcom explicitly answered the questions about the application of tort law contributory liability on ISPs and the scope of knowledge requirements in the existing law. It is clear, therefore, that in case law, in order to impose liability on ISPs' secondary copyright infringement activities, knowledge of user infringement is required for secondary liability in terms of whether the ISP 'knew' or 'should have known' about such user infringement, in order to establish contributory liability (negligent tort). Moreover, 'should have known' user infringement suffices for the establishment of ISPs' copyright liability, as well as for finding out ISPs' constructive knowledge about user infringements. These facts encourage courts to pay attention to the nature of the ISP's internal documents.

¹⁴⁷ The case was codified in the Online Copyright Infringement Liability Limitation Act as a portion of the DMCA.

¹⁴⁸ *Gershwin Publishing Corp. v. Columbia Artists Management Inc.*, 443 F. 2d 1159, 1162 (2d Cir. 1971). Cf.; *Screen Gems-Columbia Music Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399, 403 (S.D.N.Y. 1966).

According to the aforementioned cases, constructive knowledge requires an ISP to have foreseen the capacity for user infringement by general knowledge; otherwise, it could be liable through liability negligence. The constructive knowledge requirement forces ISPs to prevent current and upcoming infringements based on the 'reasonable man' test, rather than address specific and individual infringements with general knowledge of infringement.

In short, the aforementioned cases do not pay attention to the fact that an ISP is not able to predict and understand all user infringement by itself. Therefore, accomplishing such a duty by general knowledge to be safe from secondary liability based on the constructive knowledge requirement has a negative effect because it forces ISPs to maintain direct control and monitoring to combat copyright infringement, which ISPs are reluctant to do.

3.2.1.3 Appraisal

Copyright case law in the US restructures the tort law knowledge requirement for ISPs' contributory liability. It has applied a broad knowledge standard; this seems appropriate due to the huge amount of copyright infringement in the digital age. In this regard, although the safe harbour rules of the Sony and Grokster cases in terms of non-infringement use and inducement have narrowed the wide scope of knowledge in tort law, there is a lack of explicit measures as guidance for how to establish actual knowledge. In addition, copyright case law rules, as exceptions to traditional tort law, cannot avoid human intervention in assessing an ISP's knowledge of infringement. Therefore, the possibility of human intervention can lead to providing confusing guidance for ISPs in offering their services. Furthermore, the focus on the 'reasonable man' test to evaluate ISPs' knowledge seems impractical and difficult. On the other hand, the narrow standard of specific knowledge raises issues regarding how an ISP can obtain specific knowledge of infringement when there is a lack of copyright owner cooperation with the ISP through sending notification about the specific infringement.

In line with the above points, US copyright case law has interpreted the knowledge of infringement in both actual and constructive knowledge

standards according to fault-based theory. Therefore, the implementation of the tort fault-based theory for interpreting these knowledge standards confirms that neither of them are free from the following legal issues: a) fault-based liability (as noted in the previous chapter) leads to the interpretation of an ISP's knowledge of infringement based on the ISP's situation, rather than providing criteria for interpreting the knowledge of infringement in order to avoid confusion for the ISP; and b) it imposes the duty of the identification of infringement on the ISP, which seems complicated.

Moreover, the aforementioned case law standard in both knowledge standards does not adopt a standard for how ISPs can exercise prevention, and this weakness requires ISPs to do the same as a natural person to prevent infringement and identification as traditional torts: in other words, to evaluate general information to find any knowledge of infringement and to protect copyrighted work. This means that ISPs exercise their judgement based on probabilistic knowledge. In addition, in US copyright case law, the courts have the tendency to detect the knowledge through the negligent tort (reason to know). However, this tendency reduces the role of limited liability based on the knowledge of infringement because, most of the time, some duties seem impossible technically, like combating copyright infringement based on knowledge of existing infringement rather than knowledge of the location and intellectual property rights protection of infringements.

Consequently, the copyright case law knowledge standard might be consistent with the human but it seems inappropriate as a knowledge standard for ISPs' secondary liability. Due to these limitations, the DMCA (s.512) illustrates an approach for better cooperation between ISPs and copyright holders, as is considered in the next part of this chapter.

3.2.2 DMCA and Knowledge Requirements

In contrast with tort principles (contributory and vicarious liability), the knowledge requirement in the DMCA for ISPs' copyright infringement is

limited via the defined ‘safe harbours’¹⁴⁹. The conduct of an ISP may not lead to the secondary liability event it met all of elements of contributory liability infringement when the ISP’s functions fall within the provisions of the safe harbour exemptions¹⁵⁰. For an ISP to be eligible to benefit from the DMCA safe harbours, it must comply with two requirements, as stated in Section 512(i) (1) (A) and (B), namely: to adopt and implement a policy for termination of subscribers who are repeat infringers¹⁵¹ and to accommodate and not interfere with standard technical measures designed for detecting and/or eliminating copyright infringement¹⁵². These exemptions are limited to four areas of an ISP’s conduct: “transmitting”¹⁵³ (routing or connecting information as well as the intermediate and transient copies that are made automatically in the operation of a network); “storage” (at the direction of a user, the storing of material that resides on a system or network controlled or

¹⁴⁹ *Perfect 10 Inc. v. CCBill LLC*, 340 F. Supp. 2d 1077 (Dist. Court Cal. 2004) “The DMCA was enacted both to preserve copyright enforcement on the Internet and to provide immunity to service providers from copyright infringement liability for ‘passive,’ ‘automatic’ actions in which a service provider’s system engages through a technological process initiated by another without the knowledge of the service provider”; H.R. Conf. Rep. No. 105-796, at 72 (1998), reprinted in 1998 U.S.C.C.A.N. 649; H.R. Rep. No. 105-551(1), at 11 (1998); ‘See also’ *ALS Scan Inc. v. RemarQ Communities Inc.*, 239 F. 3d 619, 625 (4th Cir. 2001); ‘See also’ Mike Scott, ‘Safe Harbors under the Digital Millennium Copyright Act’ *Legislation and Public Policy* (2005) 9:99,100; ‘See also’ Trevor A. Dutcher, ‘Discussion of the Mechanics of the DMCA Safe Harbors and Subpoena Power, as Applied in *RIAA v. Verizon Internet Services*’(2005)21(2)(1) Santa Clara Computer & High Technology Law Journal 499.

¹⁵⁰ As described in the history of Section 512, it should be taken into account that this section is not intended to imply that a service provider is or is not liable for an infringement of liability or for conduct that fails so to qualify. Rather, the limitation of liability applies if the provider is found to be liable under the existing principles of law. In line with this, in the joint explanatory statement of the Conference Committee (H.R. Conf. Rep. No. 105-796, at 73 (1998)), it was also noted: “Title II preserves a strong incentive for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment. At the same time, it provides greater certainty to service providers concerning their legal exposure for infringements that may occur in the course of their activities.”

¹⁵¹ S.512(i) (1) (A).

¹⁵² S.512(i) (1) (B).

¹⁵³ Transmitting is not limited to transmissions of a performance or play of image or sounds within the meaning of section 101 of the Copyright Act, according to the history report of Section 512. For the purpose of the first limitation, relating to transitory communications, ‘service provider’ is defined in Section 512(k) (1) (A) as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.” For the purposes of the other three limitations, ‘service provider’ is more broadly defined in Section 512(k) (1) (B) as “a provider of online services or network access, or the operator of facilities thereof.”

operated by or for the service provider); “system caching”¹⁵⁴; and the “information residing on systems or networks at the direction of users”. Except for transitory communication functions that if the transmission is initiated and directed by an internet user, then the above conditions can be met (which requires an injunction from the court)¹⁵⁵. If an ISP has actual knowledge that the material or an activity using the material on their system or network is infringing or, in the absence of such actual knowledge, if it has awareness of infringement, it may be liable¹⁵⁶.

¹⁵⁴ S.512 (b). System Caching: regarding limitations on liability, “A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which (A) the material is made available online by a person other than the service provider; (B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and (C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A), if the conditions set forth in paragraph (2) are met.”

¹⁵⁵ 512(c). Information Residing on Systems or Networks at Direction of Users: in general, “A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, 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, if the service provider – (A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing; (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material; (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.”

¹⁵⁶ S. 512(d). (1). In general, “A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, 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, if the service provider (A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing; (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material”; ‘See also’ Irina Y. Dmitrieva, ‘I Know It When I See It: Should Internet Providers Recognize Copyright Violation When They See It?’ (2000)16(2)(2)Santa Clara Computer & High Technology Law Journal 240.

As Section 512(c) (1) (A) explicitly points out, ISPs shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider if there is lack of actual knowledge and awareness of infringement, even if it made a substantial contribution to the infringement. Furthermore, the same rule is applicable to information location tools, according to Section 512(d).

These provisions and preconditions raise the question of how an ISP's actual knowledge or awareness of infringement should be evaluated. Here this chapter study these knowledge standards in Section 512.

3.2.2.1 Actual knowledge in Section 512

Section 512(c) (3) (b) (i) of the US Copyright Act explicitly establishes the requisite level of the ISP's actual knowledge or awareness of infringement through notification. This notification must be filed in order for it to comply with the requirements stated by the statute. Therefore, non-notification means the ISP had no actual knowledge or awareness of infringement. In this regard, Section 512(c) (3) (A) of the Copyright Act sets out six elements necessary to use a notification as evidence. The right holder must ensure that the following elements are filed:

(3) Elements of notification. —

(A) To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:

(i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

(v) A statement that the complaining party has 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.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

The above provisions show that Section 512 does not require the service provider to use a notice-and-take down procedure and does not force the copyright holder to notify the service provider. However, if a service provider wishes to receive immunity from the liability, it must put in place notice-and-take down procedures otherwise knowledge of infringement will be evaluated by copyright case law tort contributory. As accentuated in Section 512(c) (3) (B) (i), subject to clause (ii), an ISP's actual knowledge or awareness of infringement shall not be considered under paragraph (1) (A) in determining whether a service provider had actual knowledge or was aware of facts or circumstances from which an infringing activity was apparent¹⁵⁷ when the notification from the copyright owner (or from a person who was authorised to act on behalf of the copyright owner) did not meet the provisions of subparagraph (A).

¹⁵⁷ *Hendrickson v. Amazon.com Inc.*, 298 F. Supp. 2d 914, 917 (C.D. Cal. 2003): Under the DMCA, a notification from a copyright owner that fails to comply substantially with Section 512(c) (3) "shall not be considered... in determining whether a service provider has actual knowledge or is aware of the facts or circumstances from which infringing activity is apparent". In order for a notification to be 'DMCA compliant', it should substantially fulfil the requirements of s.512(c) (3) (A); *ALS Scan Inc. v. RemarQ Communities Inc.*, 239 F. 3d 619, 625 (4th Cir. 2001).

Unless the designated agent of an ISP receives a defective notice that does not comply with all¹⁵⁸ provisions of subparagraph (A)¹⁵⁹, the notice may be taken into consideration in evaluating the ISP's knowledge according to clauses (ii), (iii), and (iv) of subparagraph (A), because the complaining party provided the requisite information in regard to identification of copyrighted work, identification of the allegedly infringing material, and sufficient information for the service provider to contact the complaining party. The knowledge requirement is deemed to exist and to benefit from the exemption clause (i) of this subparagraph only if the service provider promptly attempts to contact the person making the notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all provisions of subparagraph (A).

By analysing these clauses, it can be seen that there is an inconsistency between the ISP and the right holder in terms of the extent of responsibility. Despite this, the logic behind such clauses is the capability of the ISP to foresee user infringement¹⁶⁰ and the necessity of cooperation with the right holder, due to the spread of copyright infringement. In the same line, the ISP must assist the right holder to issue an effective notification. However, the issues with this rationale can be highlighted as follows: assuming that a notification does not comply substantially with all the provisions of subparagraph (A) but does substantially comply with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i), it can be recognised in the scope of notification so as to prevent the copyright and assist with any rationale behind

¹⁵⁸ *Perfect 10 Inc. v. CCBill LLC*, 481 F. 3d 751 (Court of Appeals, 9th Cir. 2007): “The statute thus signals that substantial compliance means substantial compliance with *all* [author’s emphasis] of § 512(c) (3)’s clauses, not just some of them; See H.R. Rep. at 56 (A communication substantially complies even if it contains technical errors such as misspellings or outdated information.)”. ‘See also’ *Recording Industry Ass’n. of America Inc. v. Verizon Internet Services Inc.*, 351 F. 3d 1229, 1236 (D.C. Cir. 2003) (citing H.R. Rep. at 56). According to Section 512(c) (3) (B) (ii), “In a case in which the notification that is provided to the service provider’s designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A)”.

¹⁶⁰ Or, it references tort law in terms of the foreseeability of damage by such notice.

the above clauses. However, if the ISP fails to respond, if it is later found that notification was not sent from the real right holder, or the right holder does not have a good faith belief, can the notification still be recognised as notification in determining the ISP's actual knowledge or awareness of infringement to impose secondary liability on the ISP? Moreover, regarding the identification, duration of notice and put back of date to make knowledge standard in accordance with protection of other rights like the freedom expression, competition and other rights is open to debate. The above statute does not provide any answer to resolve this issue. (These legal vacuums are discussed through the interpretation of actual knowledge in case law in the next section of this chapter.)

3.2.2.2 Awareness of Infringement Standard in Section 512

In the same vein, Section 512 does not describe the awareness of facts or circumstances from which infringing activity is apparent. Is a wrong activity back type of information? Section 512 does not provide an answer regarding these facts or circumstances, which requires ISPs to pay attention to the wide scope of wrongful activity that takes place on their networks. Section 512 states that the 'red flag' test should be used as an evaluating measure for awareness of infringement (subsection of (c) (1) (A) (ii)). The 'red flag' test consists of both objective and subjective elements to determine whether an ISP was aware of a 'red flag' or not as a subjective knowledge element. The 'red flag' test applies the 'reasonable man' test to find out the objective elements and to prevent ISPs from ignoring obvious infringement. In this regard, the appropriateness of the 'reasonable man' test¹⁶¹ in evaluating awareness as a knowledge requirement is open to question, because it might allow the implementation of contributory liability in tort law in the light of constructive knowledge, rather than a technical test to evaluate awareness of apparent infringement. In other words, implementing the 'reasonable man' test in a 'red flag' or awareness test can affect the efficacy of Section 512's knowledge standards because of the divergence that can exist in the process of knowledge

¹⁶¹ According to the history report, it is not necessarily what the 'reasonable man' would have deduced, but is close to blatant factors but it is impossible.

gathering between human beings and ISPs, as discussed in the previous chapter: namely, the ‘reasonable man’ test is not applicable for an ISP. On the other hand, the ‘red flag’ test can discourage monitoring and can create a disincentive for ISPs to develop directories that involve human intervention. However, implementing the ‘reasonable man’ test in a ‘red flag’ or awareness test is against the aims of enact the ‘red flag’ test¹⁶² and arise other legal issue like breach user privacy. To find out the current interpretation of the knowledge requirement and how broad knowledge standards protect ISPs and tackle the aforementioned legal challenges of Section 512, this research analyses the interpretations of the knowledge requirement in case law.

3.2.2.3 Interpretations of the DMCA Knowledge Standard in Case Law

To find out the consistency of applications of the DMCA knowledge standard, this research observes and examines the knowledge standard through case law interpretations by focusing on the research question: namely, whether case law interpretations about knowledge in the DMCA provisions offer useful guidelines for tackling the aforementioned ambiguities and could help the courts to interpret ISPs’ knowledge. In the same vein, an up-to-date interpretation could ensure proper stability and balance between ISPs and copyright holders.

3.2.2.3.1 Actual Knowledge

As discussed, Section 512 does not provide any definitions regarding what is actual knowledge and whether actual knowledge refers to general or specific knowledge. It also does not indicate whether the court should consider specific or general computer/human computer knowledge, or knowledge about infringing conducts. In the *Napster* case, the court stated: “if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement”¹⁶³. This means that specific knowledge

¹⁶² H.R. Rep. Using the ‘red flag’ test for evaluating awareness of apparent infringement prevents an ISP from monitoring its service and from affirmatively seeking facts that indicate infringing activity.

¹⁶³ Cited in *Napster* case.

refers to the operator who learns that there is infringing material on the system. The court explicitly does not narrow the wide scope of actual knowledge to either human or computer knowledge. In the *Napster* case, it broadly outlined that Napster had actual knowledge that specific infringing material was available to users of its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material¹⁶⁴.

Consequently, the scope of actual knowledge narrows to specific information (which has been actually possessed by an individual) and other relevant factors. In the context of copyright infringement, actual knowledge has been bound to the copyright holder's 'notice', according to Section 512's provisions and interpretations in numerous cases.

i. Notification Elements

ISPs' actual knowledge depends on notification by copyright holders. In addition, such notification must comply with the six elements set out in Section 512(c) (3) (i) to (vi) (see Section 3.2.2 of this chapter). These elements demonstrate that the ISP is obliged to contact the complainant and fulfil these terms in order to comply with notice and take-down procedures¹⁶⁵. Among the provisions for identifying ISPs' actual knowledge, legal challenges mostly arise in relation to clause (ii) "Identification of the copyrighted work", clause (iii) "Identification of the material that is claimed to be infringing", and clause (v) "A statement that the complaining party has 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."

a) Identification of the Copyrighted Work

As the history report in Section 512 illustrates, the DMCA does not force the copyright holder to provide a notice that complies with the identification of copyrighted work, but Section 512 rules that failure to comply with its provisions affects the copyright holder's chance to hold an ISP liable based on

¹⁶⁴ In reference to the *Religious Technology Center v. Netcom On-Line Communication Services Inc.* case, the Ninth Circuit stated that also actual knowledge did exist.

¹⁶⁵ *Recording Industry Ass'n. of America v. Verizon Internet Services Inc.*, 351 F. 3d 1229, 1234 (D.C. Cir. 2003).

actual knowledge. Therefore, for a copyright holder to prove that an ISP had actual knowledge, they must have sent a notice of complaint with information regarding the identification of the copyrighted work. Otherwise, when an ISP or copyright owner fails to comply with DMCA terms, it is same as an infringement that has taken place before the enactment of s.512 DMCA which are subject to copyright case law secondary liability rules i.e. Sony case rule, Grokster case and Perfect 10 and other case law.

In this regard, if a single online site has multiple copyrighted works claimed to have been infringed and the right holder has provided a single notification, a representative list of such works on that site is required. It is not clear when a representative list of work will suffice, because simply searching for a name does not necessarily lead to the identification of protected work. If a copyright holder through a notice gives an ISP information regarding websites that contain copyright infringement but the copyright holder omits in the notice which websites specifically contain his own copyrighted materials, can such notice be accepted as establishing the ISP's actual knowledge or not? In addition, it is not clear how long the notice is valid for in terms of associating actual knowledge with an ISP's conduct. In line with this, it is unclear whether a copy of the infringing work which the copyright owner attaches to their notice is sufficient evidence to proof the ISP's actual knowledge or not. Beyond all the aforementioned legal challenges, there are also legal issues regarding whether an ISP has the duty to identify alleged infringement based on such notices or not¹⁶⁶. The US courts have attempted to answer these, as can be seen through the interpretations in the following cases.

In *Hendrickson v. Amazon.com Inc.*¹⁶⁷, Robert Hendrickson (the producer of the movie 'Manson') had licensed his documentary for sale as a video cassette but not as a DVD. He found out that his movie had been converted to DVD and offered for online sale; therefore, he maintained that this conduct amounted to sale of a pirated copy. Hendrickson notified eBay and

¹⁶⁶ The DMCA "is designed to facilitate the robust development and world-wide expansion of electronic commerce, communications, research, development, and education"; S. Rep. No. 105-190, at 1 (105th Congress, 2d Session. 1998).

¹⁶⁷ 298 F. Supp. 2d 914, 69 U.S.P.Q.2d (BNA) 1471 (C.D. Cal. 2003).

Amazon.com that the DVD versions of ‘Manson’ were pirated and filed contributory copyright infringement suits against both online services. However, the defendant alleged that Hendrickson’s notification was not adequate to satisfy the specific elements required by the DMCA, even though the flaw in Hendrickson’s notice was not so much in its content as in its timing: the period of validity for the notice of the identification of copyrighted works had expired. The court has previously pointed out that the validity of a notice in associating knowledge on users’ infringement with a service provider is only valid for notifying infringing activities that take place at the ‘time of notice’, not later. However, in this case, the infringing DVD that triggered Hendrickson’s lawsuit was not offered for sale on Amazon.com until nine months after Hendrickson had sent his letter. For any later infringement, the right holder must provide a new identifying notice that complies with all six elements of notification in Section 512.

In *Hendrickson v. eBay Inc.*¹⁶⁸, the plaintiff also lost the case due to the lack of identification of the copyrighted works. He failed to comply substantially with the requirement because the information that he sent to eBay was not sufficient to identify the various listings that purportedly offered pirated copies of ‘Manson’ for sale. Although eBay received the plaintiff’s letter concerning counterfeit copies of ‘Manson’ that were being offered and sold on eBay’s website, eBay requested the plaintiff to identify the alleged problematic listings by their eBay item numbers and the plaintiff refused. The plaintiff replied that providing specific item numbers was not within his duty and he had done his duty sufficiently once he had notified eBay of the existence of the infringing activity by eBay sellers. However, his information did not clarify what distinguished an authorised copy of ‘Manson’ from an unauthorised copy. The plaintiff asserted that the identification of usernames provided eBay with sufficient information to locate the listings that offered pirated copies of ‘Manson’. Nonetheless, the court did not recognise this as complying with the DMCA’s identification requirement.

¹⁶⁸ 165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001).

In short, the court in *Hendrickson v. eBay Inc*¹⁶⁹. established that the identification of copyrighted works is not within the duty of ISPs and that, furthermore, proper identification under Section 512(c) (3) (A) (iii) should have included the specific item numbers of the listings that were allegedly offering pirated copies of ‘Manson’ for sale, not merely general information regarding the identification of the copyrighted works¹⁷⁰. Hence, the court held that the plaintiff had failed to comply substantially with the identification requirement of Section 512(c) (3).

In terms of identifying copyrighted work through different sets of documents, the court in *Perfect 10 Inc. v. CCBill LLC*¹⁷¹ found that Perfect 10 had not provided a notice that substantially complied with the notification requirements. Perfect 10 provided three sets of documents, and the second set of documents was not sworn to and consisted of a spread sheet emailed on 14 July 2003 identifying the Perfect 10 models in the 16 October 2002 production by the bates number. On 2 December 2003, the plaintiff combined this set of documents with the two other sets of documents and claimed that it met the requirements of Section 512(c) (3) through a combination of the three sets of documents that it had sent to CCBill and CWIE (CWIE is a webhosting and connectivity service company that was another defendant). The plaintiff pleaded with the California Court to consider the sufficiency of the notices by combining the information contained in all three notices together and claimed that this included all the required elements for an effective notice. However, both the District Court and the Ninth Circuit found that to require action on the notified infringements would put a substantial burden on the service providers to piece the separate information together. The DMCA specifically indicates that the burden of policing copyright infringement should be placed on the owners of the copyright. Both courts held that knowledge of infringement may not be imputed to CCBill or CWIE. Perfect 10’s claim that CCBill and CWIE failed to implement a repeat infringer policy reasonably was also not found to be tenable.

¹⁶⁹ *ibid*

¹⁷⁰ 165 F. Supp. 2d at 1089.

¹⁷¹ 481 F. 3d 751 (Court of Appeals, 9th Cir. 2007).

Furthermore, the court stated that details to identify the works claimed to have been infringed were needed. In line with this, the court also noted that in both the emails that had been received by the defendant, Perfect 10 only elaborated website names that contained images of celebrities but failed to provide information that showed the websites contained their own copyrighted works. As a result, the information was not recognised as sufficient for the identification of the copyrighted work claimed to have been infringed¹⁷².

In the case of *Arista Records Inc. v. MP3Board Inc.*¹⁷³, the lack of information for identification of the copyrighted works also existed, because two of Arista Records' notifications provided only named particular artists whose work was claimed to have been infringed, along with specified songs. However, these two notifications requested the removal of all the infringing list, instead of the named artists and song titles and representative lists, or at least the names of the copyrighted recordings allegedly being infringed. The court noted that such information did not comply with the information needed for the identification of copyrighted work and the other requirements of Section 512(c) (3) (A), but the plaintiff's third notice was accepted.

In *UMG Recordings Inc. v. Veoh Networks Inc. (UMG I)*,¹⁷⁴ the Ninth Circuit noted that many music videos appeared lawfully on Veoh's website. As a result, it was considered that the mere presence of music videos in general could not have given Veoh knowledge that some of these music videos were posted without authorisation from the copyright holders. The court confirmed that UMG had failed to comply with the fact that the DMCA places the burden on the copyright holder to identify any specific infringements of copyrighted works. Moreover, UMG's argument that "Veoh, upon receiving notices from the Recording Industry Association of America, was obliged to search its web site and eliminate all unauthorized videos, noting that neither the DMCA nor

¹⁷² *Perfect 10 Inc. v. CCBill LLC*, 340 F. Supp. 2d 1077, 1100-01 (C.D. Cal. 2004).

¹⁷³ No. 00 Civ. 4660, 2002 WL 1997918, 2002 US Dist. LEXIS 16165 (S.D.N.Y. Aug. 28, 2002).

¹⁷⁴ 89 U.S.P.Q.2d 1449 (C.D. Cal. 2008) and case 620 F. Supp. 2d 1081, 1092 (C.D. Cal. 2008); the Ninth Circuit also rejected UMG's argument that Veoh must have known that copyrighted material was accessible through its site since Veoh provided access to music videos and, in general, many music videos are copyrighted.

court precedent imposed investigative duties on web sites as a condition for qualifying for the safe harbor” was rejected by the Ninth Circuit. The court explained: “If providing access could trigger liability without the possibility of DMCA immunity, service providers would be greatly deterred from performing their basic, vital and salutary function – namely, providing access to information and material for the public”.

In contrast with the *UMG Recordings Inc.* case, the Court of Appeals’ 4th Circuit in the *ALS Scan Inc. v. RemarQ Communities Inc.* case interpreted differently the identification of copyrighted work on a website when all copies of the copyrighted work offered on the site were likely to be infringing. The court ruled that the information provided by the plaintiff for identification sufficed: the names of websites and two addresses where the defendant could find pictures of the plaintiff’s models (almost all the images on the two websites were copyrighted material of ALS). Its reason was that the safe harbour immunities “are not presumptive, but granted only to ‘innocent’ service providers who can prove that they do not have actual knowledge or constructive notice”¹⁷⁵. Furthermore, the 4th Circuit shifted the burden of identifying infringing material to ISPs, which was in contrast with the legislative history of the DCMA¹⁷⁶.

Analysis of the aforementioned cases shows that the courts intended to apply the strict interpretation of the duty of identification of copyrighted work to define the actual knowledge requirement. For instance, the court in the *Hendrickson v. Amazon.com Inc.* case applied a strict interpretation of the duration of the validity of a notice by confirming that a notice is only valid for notifying infringing activities at the time, not later.

There are some advantages of these interpretations: the courts also demonstrated that the identification of copyrighted work is within the duty of the copyright holder (as illustrated in the cases of *Hendrickson v. Amazon.com*

¹⁷⁵ *ibid* [652].

¹⁷⁶ A similar example can be found in *Hendrickson v. eBay* (as previously discussed), in which the court noted that all copies of the plaintiff’s work on a specific site were likely to be infringing.

*Inc.*¹⁷⁷, *Hendrickson v. eBay Inc.*¹⁷⁸, and *Perfect 10 Inc. v. CCBill LLC*¹⁷⁹). In *Hendrickson v. eBay Inc.*, the court did not recognise the duty for ISPs to review a combination of different sets of documents to find out which are the copyrighted works and to work as intellectual property rights police for copyright holders.

The courts have considered the nature of the ISP knowledge requirement and implemented instrumentalist theory in tort law, similar to the DMCA congress's legislative history rule regarding the actual knowledge standard. In addition, aside from the strict interpretations of the DMCA knowledge standard, there are divergent and non-related interpretations concerning the identification of terms and the duty of identification, as the court interpreted in the *ALS Scan Inc. v. RemarQ Communities Inc.*¹⁸⁰ case. In this case, the court concluded that finding out the locations of copyright infringement and protecting copyright are duties of ISPs. Moreover, the court accepted insufficient information as reasonable information for identifying the location of copyright infringement and for providing copyright protection.

Consequently, the different aforementioned interpretations show that there is a lack of guidance in relation to the identification of copyrighted work, which is a vital element in the admittance of a notification as evidence to associate actual knowledge with an ISP. In addition, the aforementioned interpretations do not highlight a specific rule regarding admitting a notification that contains a representative list of infringements instead of specific ones, as in the *UMG Recordings Inc.* case.

Overall, current interpretations are inadequate, and admitting a copy of alleged infringing work as guidance for finding out all likely infringements seems inappropriate. It imposes a substantial task on an ISP to investigate potential infringements. In addition, it leads courts to pay attention to the nature of circumstances to assess whether the ISP achieved knowledge concerning the protection of copyrighted work from such notifications.

¹⁷⁷ 298 F.Supp.2d 914, 69 U.S.P.Q.2d (BNA) 1471 (C.D. Cal. 2003).

¹⁷⁸ 165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001).

¹⁷⁹ 340 F. Supp. 2d 1077, 1100-01 (C.D. Cal. 2004).

¹⁸⁰ *ibid.*

b) Identification of the Infringing Material

Another necessary element of notification is identification of the infringing material, because without sufficient information to identify the locations of infringing material, the service provider cannot remove or disable access to infringing material. Clearly, a lack of adequate information might have an influence on removing or disabling access to infringing material expeditiously. Based on these significant aims, Section 512(c) (3) (A) (iii) emphasises that the copyright owner or its authorised agent should provide ISPs with information that is “reasonably sufficient to permit the service provider to locate the material”. According to the legislative history of Section 512, such sufficient information would be “a copy or description of the allegedly infringing material and the URL address of the location (web page) which is alleged to contain the infringing material”.

The court also asserted the importance of the duty of the copyright holder concerning providing the specific location of each copyright infringement, as applied in the *Perfect 10 Inc. v. CCBill LLC*¹⁸¹ case, in which Perfect 10 claimed that it had submitted notification that complied with the DMCA requirements for notification. It argued that its notification constituted the location of infringement material, as could be proven by the letters that it had sent. The first was a letter from Perfect 10’s counsel to Fisher that was dated 10 August 2001. The letter was sent to identify several websites that Perfect 10 claimed contained infringement of Perfect 10’s copyrights, but the court stated that the notification did not comply with the requirements because the letter only identified the websites that contained the allegedly infringing material; it did not identify the URLs of the images, nor did it identify which of Perfect 10’s images were being infringed. Moreover, it did not identify Perfect 10’s images or give the defendants (CCBill and CWIE) sufficient information to locate the infringing material. These websites could contain more than 100 images at different URLs; it was Perfect 10’s responsibility, under the DMCA, to provide the defendants with enough information to allow them to locate the infringing material. Another letter had been sent to Fisher with an Excel

¹⁸¹ 340 F. Supp. 2d 1077, 1100-01 (C.D. Cal. 2004).

spreadsheet that identified the websites and the names of Perfect 10 models that appeared on those websites. It was not recognised as valid notification due to the court being unable to locate a single URL that was the URL for the actual infringing image. Most of the URLs provided referred to the ‘members only’ area of the website, not to the URLs of the specific images within the ‘members only’ area. In other words, access to the URLs of specific images is only possible by members of the website. Again, this is not the type of notification contemplated by s.512(c) (3) (A). Moreover, Perfect 10 had also sent several emails to CWIE regarding password-hacking websites that provided passwords to Perfect 10’s website, Perfect10.com, hosted by CWIE. However, the court found that they were not “reasonably sufficient to permit the service provider to locate the material”.

In *Hendrickson v. eBay Inc.*¹⁸², there was also a lack of information “reasonably sufficient to permit the service provider to locate the material”. The plaintiff failed to comply substantially with the requirement to provide eBay with sufficient information to identify the various listings that purportedly offered pirated copies of ‘Manson’ for sale. The plaintiff only provided general notification without specific item numbers or a copy or description of the allegedly infringing material. The information provided by the plaintiff did not indicate what distinguished an authorised copy of ‘Manson’ from an unauthorized copy. In short, the court established that proper identification under Section 512(c) (3) (A) (iii) should have included the specific item numbers of the listings that were allegedly offering pirated copies of ‘Manson’ for sale, not general information. Hence, the court held that the plaintiff failed to comply substantially with the identification requirement of Section 512(c) (3).

In *Arista Records Inc. v. MP3Board Inc.*¹⁸³, the court recognised only one out of three notices as containing specific information regarding the location of infringing material and as a sufficient form of notice under the DMCA, because it was accompanied by printouts of screenshots of the MP3Board

¹⁸² 165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001).

¹⁸³ [2002] No. 00 Civ. 4660, 2002 WL 1997918, U.S. Dist. LEXIS 16165(S.D.N.Y. Aug. 28, 2002).

website. In these screenshots, the RIAA (the Recording Industry Association of America) highlighted and placed an asterisk next to 662 links which the RIAA believed were infringing their copyrights, and so this notice was held to comply substantially with the DMCA's notification requirements.

This case is in contrast with *ALS Scan v. RemarQ Communities Inc.*¹⁸⁴, in which it was held that the absolute compliance notification concerning the location of infringing material was not required to establish actual knowledge, and only location information was required to meet the terms of Section 512(c) (3) for actual knowledge or awareness of infringement. This difference is because of the different nature of this particular case, in which all the infringing copies of the copyright work were in fact offered on two particular sites that were created for the sole purpose of publishing and exchanging the plaintiff's copyrighted works.

In this case, the court concluded that Section 512 does not require absolute compliance¹⁸⁵. The court demonstrated the fact that knowledge through non-absolute compliance seems closer to the tort of constructive knowledge or the 'red flag' test than actual knowledge. Actual knowledge requires sufficient and specific information that permits the service provider to remove or disable access to the infringing material, which requires a specific location to be specified. Therefore, identifying copies of works as per the ALS Scan case on two websites does not require the service provider to find specific locations of infringement for themselves.

ii. Appraisal

From a review and analysis of *Arista Records Inc. v. MP3Board Inc.*, *Hendrickson v. eBay Inc.*, and *Perfect 10 Inc. v. CCBill LLC*¹⁸⁶ as some notable cases, it can be seen that US case law has applied a strict interpretation regarding the identification of copyrighted works and infringing material. The courts have indicated that identification is a duty of the copyright holder (for

¹⁸⁴ 239 F. 3d 619 (4th Cir. 2001).

¹⁸⁵ *ibid*; See Jennifer M. Urban Laura Quilter, 'Efficient Process or Chilling Effects – Takedown Notices under Section 512 of the Digital Millennium Copyright Act' (2006) 22(4) (1) Santa Clara Computer & High Technology Law Journal 629.

¹⁸⁶ 340 F. Supp. 2d 1077, 1100-01 (C.D. Cal. 2004).

instance, the court rejected Perfect 10's claim concerning the combination of notices) and have interpreted that the copyright holder must provide specific information such as the names, titles, and specific URLs (and in *Hendrickson v. eBay Inc.*, specific listing numbers), rather than general information and information with technical and non-technical errors. It is worth mentioning that the elements of the identification of copyrighted works and infringing material compared with other elements of notification to attach actual knowledge to an ISP have undeniable significance for providing a chance of immunity for ISPs and preventing copyright infringement. For this reason, strict interpretations could benefit both parties (ISPs and copyright holders) through clarifying the responsibilities of each of them for their conduct in practice. Furthermore, a strict interpretation of these elements of actual knowledge could lead to advances in technology and ecommerce. Hence, this interpretation of the notice required to establish an ISP's actual knowledge should, it seems, be preserved. However, having examined these cases and provisions concerning actual knowledge, it can be seen that actual knowledge as subjective knowledge has a high threshold that is very difficult to meet and does not prevent ISPs from ignoring or avoiding obtaining knowledge of copyright infringement. The actual knowledge standard is free from the objective knowledge element: it only has subjective evidence through notices.

Thus, it appears that the lack of an objective standard could affect ISPs' cooperation on protecting copyright and copyright owners' rights¹⁸⁷. Therefore, a single actual knowledge standard is insufficient in the extensive online copyright piracy environment, and so an additional knowledge standard for ISPs' liability seems to be needed. To respond to this necessity and to address the failure of the actual knowledge standard¹⁸⁸, Section 152 of the DMCA introduced an objective knowledge standard through awareness of

¹⁸⁷ Tackling copyright infringement on the internet requires balancing the competing interests of several groups. The first set of competing interests includes those of copyright holders and end users. The DMCA "intended to balance the need for rapid response to potential infringement with the end-users [sic] legitimate interests in not having material removed without recourse." *Rossi v. Motion Picture Assoc. of America*, 391 F. 3d 1000, 1003 (9th Cir. 2004) (quoting S. Rep. No. 105-190, at 21 (1998)).

¹⁸⁸ See *Ellison v. Robertson*, 357 F. 3d 1072, 1076 (9th Cir. 2004); *In re Aimster Copyright Litigation*, 334 F. 3d 643, 655 (7th Cir. 2003); and DMCA, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

infringement so as to examine and impose liability on an ISP when the ISP had knowledge of infringement through other evidence, such as an incomplete notice or material facts, but turns a blind eye to awareness of the apparent infringement (it is worth adding that the application of an objective standard could also release ISPs from liability for less apparent infringement).

3.2.2.3.3 Awareness of Infringement Standard

Although the awareness of infringement standard is not based on copyright owners' notices like the actual knowledge standard is, it is based on the 'red flag' test, which contains both subjective and objective elements to examine ISPs. The 'red flag' test was introduced to prevent monitoring, according to the legislative history, and its objective element is based on the 'reasonable man' test. In this regard, the point that might need to be addressed is the ambit of the 'reasonable person' test; in other words, how it can avoid judgments in practice based on constructive knowledge, due to the similarities between the two tests.

i. The 'Red Flag' Test

As mentioned before, the 'red flag' test enables ISPs to avoid seeking out copyright infringement but it requires ISPs not to turn a blind eye to the 'red flags' of obvious infringement if they wish to benefit from the DMCA safe harbours and prevent discriminating judgments about potential copyright infringement. In regard to what can be considered a 'red flag', the legislative history has introduced some guidelines, such as including the terms 'pirate' or 'bootleg' or other slang terms in the page URL and header information to make illegal purposes obvious to pirate directories and other internet users. These guidelines are designed for information location tool services but have also been applied to host services, even though the courts did not follow the legislative history exactly, as in the following cases¹⁸⁹.

¹⁸⁹ It should be mentioned that the 'red flag' test can be found through most secondary copyright infringement cases, such as *UMG v. MP3.com*, *Perfect 10 Inc. v. Amazon.com Inc.*, *Perfect 10 Inc. v. CCBill LLC*, and *UMG Recordings Inc. v. Veoh Networks Inc.*, 665 F. Supp. 2d 1099 (C.D. Cal. 2009). It can also be found in the cases of *Corbis Corp. v. Amazon.com*

In *Corbis Corp. v. Amazon.com Inc.*¹⁹⁰, the plaintiff did not make an effort to notify Amazon that zShops vendors on Amazon's site were selling images that violated its copyright. However, the plaintiff contended that although it had not notified Amazon and complied with the DMCA's notice provisions, it had some proper and important evidence that proved the defendant's knowledge through the evidence that other copyright holders were displaying non-Corbis photos. Moreover, Corbis provided evidence suggesting that Amazon was aware that Corbis's celebrity photos were vulnerable to copyright infringement. Therefore, according to this evidence, Corbis argued that Amazon should have known that zShops vendors were selling infringing Corbis images.

Corbis attempted to prove that Amazon "knew or should have known" that zShops vendors were selling infringing Corbis images. However, the issue was "what a reasonable person would have deduced given all the circumstances"¹⁹¹, rather than whether the service provider was "aware of facts or circumstances from which infringing activity was apparent"¹⁹² or if the service provider turned a blind eye to 'red flags' of obvious infringement "in the time of viewing"¹⁹³. The court focused attention on the Congressional Committee Report and noted that a 'red flag' is related to a 'blatant' or 'obvious' infringement that can be found even from a brief and casual viewing. Therefore, the court did not focus on the terms 'pirate' or 'bootleg' or other slang on the site, but instead introduced the legislative history report for information location tool services as a 'red flag' test. Hence, the court, based on Congress's suggestions, defined a 'red flag' as evidence of blatant copyright infringement that will often be derived from information on the offending site¹⁹⁴. Furthermore, it pointed out how to prove blatant copyright infringement, because "Corbis failed to show that those sites contained the

Inc., 351 F. Supp. 2d 1090 (W.D. Wash. 2004); *CoStar Group Inc. v. LoopNet Inc.*, 164 F. Supp. 2d 688; *Perfect 10 Inc. v. CCBill LLC*; and *IO Group Inc. v. Veoh Networks Inc.*

¹⁹⁰ 351 F. Supp. 2d 1090 (W.D. Wash. 2004).

¹⁹¹ *ibid.*

¹⁹² 512(c) (1) (A) (ii).

¹⁹³ H.R. Rep. No. 105-551, pt. 2, at 42.

¹⁹⁴ H.R. Rep. No. 105-551, pt. 2, at 42.

type of blatant infringing activity that would have sent up a red flag for Amazon”¹⁹⁵.

In *Perfect 10 Inc. v. CCBill LLC*, the ‘red flag’ test was addressed by the court because Perfect 10 maintained that CWIE (a web hosting service) and CCBill (an online payment service) were aware, from the ‘red flags’ of infringing photos of Perfect 10, that infringing activity was apparent. Its evidence was that CWIE and CCBill provided services to illegal.net and stolencelebritypics.com. It argued that, according to the ‘red flags’ from the headings and URLs, the defendants must have been aware of apparent infringing activity. The court rejected the plaintiff’s claims that the ‘red flag’ established awareness of apparent infringement, because there might be other reasons for the use of the terms ‘illegal’ or ‘stolen’ other than announcing the infringement, such as “an attempt to increase their salacious appeal”¹⁹⁶.

Furthermore, Perfect 10 also argued that a disclaimer posted on illegal.net made it apparent that an infringing activity had taken place but the court declared that the disclaimer (“The copyrights of these files remain the creator’s. I do not claim any rights to these files, other than the right to post them”) did not mean that the burden was on the service provider to determine the infringing material: it only stated that the webmaster had the right to post the files. Therefore, it is not sufficient to raise a ‘red flag’ of copyright infringement based on this disclaimer, nor is it sufficient to raise a ‘red flag’ that these websites were obviously pirate websites with infringing content.

Other Perfect 10 claims were in relation to password-hacking websites hosted by CWIE. Perfect 10 argued that such sites contributed to direct infringement and it quoted the judgment of the *Grokster* case to support its claims, arguing that providing passwords that enable users to access websites with copyrighted

¹⁹⁵ *ibid.*

¹⁹⁶ “When a website traffics in pictures that are titillating by nature, describing photographs as ‘illegal’ or ‘stolen’, it may be an attempt to increase their salacious appeal, rather than an admission that the photographs are actually illegal or stolen. We do not place the burden of determining whether photographs are actually illegal on a service provider”; *Perfect 10*, 488 F. 3d [1114].

content illegally means contributing to infringement¹⁹⁷. The court rejected the claim that providing a password is a ‘red flag’ for copyright infringement, because it does not show obviously that such websites instructed or enabled users to infringe another’s copyright¹⁹⁸. In addition, it was not possible for the service provider to identify whether the password would lead to the infringing of copyright or not without trying the password. Furthermore, the password might have been provided to “help users maintain anonymity without infringing on copyright” or the owner of the protected content might have supplied the passwords as a short-term promotion or as an attempt to collect information from unsuspecting users “when a website could be a hoax, or out of date”.

Overall, the court in the Perfect 10 case imposed no such investigative duties on the service provider. It noted that “Password-hacking websites are thus not *per se* ‘red flags’ of infringement” and that it is necessary to establish ‘red flag’ proof of a website instructing or enabling users to infringe another’s copyright.

In the case of *IO Group Inc. v. Veoh Networks Inc.*, IO Group claimed that Veoh allowed its site to view streaming media of various adult entertainment producers of IO Group’s films¹⁹⁹. It argued that there were several examples of apparent infringing activity to prove that Veoh was aware of those ‘red flags’. IO Group described this evidence by quoting 17 U.S.C. s.205(c): copyright registration is evidence of constructive knowledge relating to ownership of work. In addition, the work was created professionally and one of them contained a trademark; therefore, the evidence proved an obvious ‘red flag’ because the absence of labels required under 18 U.S.C. s.2257 (f) (4) could be a ‘red flag’ indicating that “the uploading user did not have authority to submit the content in question, while none of the files uploaded by the user had the IO

¹⁹⁷ In *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 US 913, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005), the defendant also did not itself infringe, but did enable users to swap infringing files. *Grokster* held that “instructing [users] how to engage in an infringing use” could constitute contributory infringement; at 936, 125 S. Ct. 2764.

¹⁹⁸ The court applied the decision in *A & M Records Inc. v. Napster Inc.*, 239 F. 3d 1004, 1013 n. 2 (9th Cir. 2001) as evidence.

¹⁹⁹ 586 F. Supp. 2d 1132 (N.D. Cal. 2008).

Group’s copyright notices”. Furthermore, as the court clearly stated, “Nor is this court convinced that the professionally created nature of submitted content constitutes a *per se* ‘red flag’ of infringement sufficient to impute the requisite level of knowledge or awareness to Veoh”²⁰⁰. The court disputed whether Veoh could have identified whether a video was a professional or amateur production; especially nowadays that high-quality video equipment is available to the general public.

In this regard, the court also negated acceptance of the absence of labels on the sexually explicit nature of the works as a ‘red flag’ of apparent copyright infringement because it is not the duty of the service provider to know that no legitimate producer of sexually explicit material would have omitted the requisite labels on the video clips in question, in accordance with the Perfect 10 case decision²⁰¹.

Analysis of these cases shows that the courts focused on the subjective element of the ‘red flag’ test in order to use strict interpretations of it. The courts explained the ‘obvious’ and ‘blatant’ infringements in the light of a subjective element and noted that a ‘red flag’ does not appear from words such as ‘illegal’ or ‘stolen’. However, the weakness is that the courts did not give any guidelines as to which images or words do qualify for a ‘red flag’. It seems that the courts (especially in the case of Perfect 10) did not make an effort to find out other elements of the ‘red flag’ test like the objective elements (the ‘reasonable man’ test), which are cited in the legislative history and the DMCA provisions.

It is not clear why the court deliberately stopped the effort to find the objective elements of a ‘red flag’ test through the numerous pages that Perfect 10 was sent: an incomplete notification might be suitable for the objective knowledge elimination element (the ‘reasonable man’ test) because it can help to find awareness of apparent infringement. Similarly, the courts did not clarify the reason and rationale behind separately analysing the subjective elements of the

²⁰⁰ District Court Opinion [21].

²⁰¹ 340 F. Supp. 2d 1077, 1100-01 (C.D. Cal. 2004).

‘red flag’ test (the terms ‘illegal’ or ‘stolen’ and the disclaimer of the webmaster in the Perfect 10 case) from its objective elements, whereas a simultaneous analysis of both elements of the ‘red flag’ test necessary for finding the service provider’s knowledge. It is undeniable that the separate observation of these elements would affect the application of the ‘red flag’ test and focus the attention of the court in future on evaluating knowledge of infringement in the wide scope of the wilful blindness of constructive knowledge and ignoring subjective elements.

ii. Awareness of Infringement and Constructive Knowledge

This traditional knowledge standard has not been limited by the DMCA s.512, which provides actual knowledge and awareness of apparent infringement (‘red flag’ test) standards to strike a balance between the liability of ISPs and the copyright holder’s duty and to protect ISPs from liability for potential infringement that may be less apparent. As case law shows, the courts have applied strict interpretations of the notification requirements for defining actual knowledge, which thus clarify any ambiguities on the burden of the identification of copyrighted work and the identification of the locations of specific material. However, in many cases, the courts have evaluated constructive knowledge in terms of whether the service provider ‘should have known’ or ‘had reason to know’, as applied in the following cases.

In *ALS Scan v. RemarQ Communities Inc.*²⁰², the court interpreted awareness of infringing through applying the ‘had reason to know’ element of constructive knowledge. In this case, the court declared that immunity under Section 512 of the DCMA “is not presumptive, but granted only to ‘innocent’ service providers who can prove they do not have actual or constructive knowledge of the infringement, as defined under any of the three prongs of 17 U.S.C. s.512(c) (1)”. Based on this rationale, the court determined that although the copyright owner submitted an imperfect notification, the notification provided awareness of infringement. In line with this, the court declared that, substantially, notice according to the DMCA does not mean

²⁰²*ALS Scan v. RemarQ Communities Inc.*, US Court of App 4th Cir. February 6, 2012, 39 F. 3d 619, 57 USP Q2d 1996.

‘perfect notification’, and it explained that the DMCA and legislative history require notice with any of the prongs of section 512(c) (3) (A) in order to prove awareness of infringement. Therefore, the court agreed with ALS Scan’s argument²⁰³ that “the district court’s application of the DMCA was overly strict and that Congress did not intend to permit internet service providers to avoid copyright infringement liability merely because a cease and desist notice failed to technically comply with the DMCA”.

In addition, the DMCA’s protection of an innocent service provider disappears at the moment the service provider loses its innocence: in other words, at the moment it becomes aware that a third party is using its system to infringe²⁰⁴. Therefore, a notice by the copyright holder that provides a representative list²⁰⁵ of infringed work on the site is sufficient to impose contributory liability.

In the case of *A&M Records v. Napster Inc.*²⁰⁶ for a preliminary injunction, the court applied the test of whether the defendant had ‘reason to know’ of its users’ infringement of the plaintiffs’ copyright. The court made a decision on this according to the internal documents of Napster, which stated that Napster’s executives had recording industry experience. The court enforced the intellectual property rights and stated that “The other evidence indicates that the Napster executives downloaded infringing material onto their own computers using the service and promoted the website with screen shots listing infringing files”²⁰⁷. Therefore, the defendant had reason to know through their

²⁰³ *ibid.*

²⁰⁴ The court also mentioned that at that point, the Act shifts responsibility to the service provider to disable the infringing matter, “preserv[ing] the strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment.” H.R. Conf. Rep. No. 105-796, at 72 (1998), reprinted in 1998 U.S.C.C.A.N. 649.

²⁰⁵ The court noted that “This subsection specifying the requirements of a notification does not seek to burden copyright holders with the responsibility of identifying every infringing work – or even most them – when multiple copyrights are involved.”

²⁰⁶ This was the first major case to address the application of copyright laws for peer-to-peer file sharing.

²⁰⁷ *A & M Records Inc. v. Napster Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), at 919.

executives' conduct about the infringements of users but they failed to act and their conduct satisfies the objective test of constructive knowledge²⁰⁸.

iii. Appraisal of the 'Red Flag' Test and Constructive Knowledge

By analysing the 'red flag' test and the constructive knowledge standard through the aforementioned cases, it is clear that the courts interpreted the 'red flag' provisions and followed the precedents in legislative history by defining a 'red flag' as blatant and obvious. Such strict interpretations (which are accompanied by a lack of the examination of the objective elements of the 'red flag' test) lead courts towards implementing the traditional knowledge standard of contributory liability (constructive knowledge). Additionally, the discussed legislative interpretations did not list or give guidance on what a 'red flag' is and what the conditions are for it to apply. Moreover, the 'red flag' test may not motivate a copyright holder to share responsibility because, from a practical point of view, it is possible that the websites that are infringing the copyright might change their styles and other parts of their websites to hide themselves from being blatant or obvious as 'red flags'. Therefore, based on those weaknesses, constructive knowledge has been frequently assessed and the 'red flag' test has remained impractical.

The tendency towards applying the traditional knowledge standard, as seen in *A & M Records v. Napster Inc.* and other cases, has affected ISPs' immunity by the wide ambit of the 'human mind' test, instead of the 'ISP mind' test. The courts in this regard have not applied realism regarding knowledge of user infringement for secondary liability, as noted in Chapter I (the instrumentalist view on secondary liability). Due to the different processing of knowledge in the human mind and the computer mind, it appears that ISPs' computing machines (which are based on algorithms) do not have a mind and understanding like human beings, who can predict damage. For this reason, the DMCA focuses on defining the responsibilities of ISPs for secondary liability and limits the ambit of traditional knowledge by the notice-and-take-down

²⁰⁸ *ibid* [919]. The courts do not require actual knowledge; rather, a defendant incurs contributory copyright liability if he has reason to know of the third party's direct infringement; 'See also' *Sega Enterprises Ltd. v. Maphia*, 948 F. Supp. 923, 933 (N.D. Cal. 1996) ("Sega II").

option. However, the courts have ignored this rationale by way of the ‘should have known’ and ‘had reason to know’ standards and have forwarded the burden of preventing and finding infringements onto ISPs through notices. This appears to have had a negative effect on the ISPs’ services.

This appraisal shows that, on the one hand, the technical knowledge standard for ISPs’ awareness of apparent infringement suffers from a lack of guidance in terms of interpreting ISPs’ knowledge. On the other hand, ISPs are being challenged by the wide scope of constructive knowledge (the ‘reasonable man’ test), which is in contrast with the processing of knowledge in a computer and the possibility of foreseeing damage.

3.3 Knowledge Standard for ISPs’ Trademark Infringement

The knowledge standard for ISP secondary liability for user trademark infringement is rooted in contributory liability: in other words, the origin of this in the US is common law tort, such as copyright law. However, some differences in the term ‘knowledge standard’ exist between copyright and trademark law. As the Supreme Court of the US²⁰⁹ has argued, trademark law has “little or no analogy” to copyright law and these two bodies of law are different. For this reason, the courts put emphasis on assessing liability in trademark infringement and in copyright infringement according to different standards²¹⁰. Nonetheless, there is a failure to distinguish them and sometimes they are pleaded together, as case law shows²¹¹. In this regard, the Lanham Act

²⁰⁹ *Sony Corp. v. Universal City Studios Inc.*, 464. US 417, 439 n.19 (198).

²¹⁰ See *Lockheed Martin Corp. v. Network Solutions Inc.*, 985 F. Supp. 949, 965 (C.D. Cal. 1997), in which it was noted that the reason for these differences refers to the scope of property that is protected by trademarks, which is narrower than the scope protected by copyright. In this regard, there is a similar opinion in *Hard Rock Café Licensing Corp. v. Concession Servs. Inc.*, 955 F. 2d 1143, 1150 (7th Cir. 1992) ; Mark Bartholomew and John Tehranian, ‘The Secret Life of Legal Doctrine: the Divergent Evolution of Secondary Liability In Trademark and Copyright Law’21(4)Berkeley Technology Law Journal1368 <<http://papers.ssrn.com>> accessed 29 October 2010.

²¹¹ See Michael J. McCue, ‘Secondary Liability for Trademark and Copyright Infringement’ (2009) 5-8 <<http://www.lrlaw.com>> accessed 12 December 2012; In the *Louis Vuitton* case, the jury applied the same question for contributory trademark and copyright liability, even though the standards for establishing infringement are different. ; See In *Perfect 10 Inc. v. Visa Int’l. Service Ass’n*. (N.D. Cal. 2004), the plaintiff mistakenly pleaded copyright infringement; See also *Bangkok Broadcasting v. IPTV*, 742 F. Supp. 2d 1101, 1118 (C.D. Cal. 2010).

of the US does not contain explicit language for establishing secondary liability for trademark infringement or dilution²¹².

Overall, the “gravamen of a contributory infringement action is the defendant's knowledge”²¹³. Moreover, US trademark case law has applied a broad knowledge standard for evaluating knowledge about user infringement for secondary liability through the InWood case standard (1982)²¹⁴, which was drawn from common law tort for contributory liability²¹⁵. However, it is a higher than tort law employs²¹⁶. The InWood knowledge standard has been used prevalently by the Supreme Court. Before the InWood case, contributory trademark infringement was recognised by the courts from the case of *William R. Warner & Co. v. Eli Lilly & Co.* (1924)²¹⁷.

The InWood case was a violation lawsuit filed about the infringement of the trademark of a prescription drug manufacturer, Ives Laboratories. Ives Laboratories had the patent for the drug cyclandelate under the registered trademark Cyclospasmol, but its patent had expired and some generic drug manufacturers, including InWood Laboratories, began marketing the drug with some pharmacists by copying the appearance of its trademark capsules, which led Ives Laboratories to sue them. The Supreme Court cited the basic principles of trademark infringement and affirmed in the InWood case that “liability for trademark infringement can extend beyond those who actually

²¹² 15 U.S.C. sections 1051-129 (2006).

²¹³ *Sony Computer Entertainment America Inc. v. Gamemasters*, 87 F. Supp. 2d 976 (N.D. Cal. 1999).

²¹⁴ 456 US 844, 855 (1982); ‘See also’ *GMA Accessories Inc. v. BOP LLC*, 2010.

²¹⁵ “Although both theories [(contributory infringement and vicarious liability)] have been applied in the trademark context, theories of contributory liability are more likely to be relevant to the question of liability for online providers who allegedly aid in the sale or trafficking of counterfeit goods”: Deborah J. Peckham, ‘The Internet Auction House and Secondary Liability – Will eBay Have to Answer to Grokster?’ (2005) 95 *The Trademark Reporter* 977.

²¹⁶ Mark P. McKenna, ‘Probabilistic Knowledge of Secondary Trademark Infringement’ (2011) *Stanford Technology Law Review* 2 <<http://www.papers.ssrn.com>> accessed 29 October 2012.

²¹⁷ The reason for this is that, later on, the validity of federal common law rule was faced with questions through the case of *Warner*, which predated *Erie R. R. v. Tompkins*, 1938. The InWood case in 1982 confirmed the continued importance of secondary contributory liability under the federal statutory law, as stated in the case of *Transdermal Products Inc. v. Performance Contract Packaging Inc.* (1994).

mislabeled goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances²¹⁸. The court established what is now known as the InWood standard for evaluating contributory liability claims through a two-pronged test, where one aspect refers to the knowledge standard for secondary liability;

If a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as result of the deceit²¹⁹.

It appears that the InWood knowledge standard is a broad knowledge standard that consists of actual knowledge and constructive knowledge of infringement through the ‘had reason to know’ test. The question raised here refers to the possibility of applying the InWood standard to ISPs, because the prerequisite for the InWood knowledge standard is “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement”, whereas an ISP is only a service provider, not a product supplier.

This question has been answered according to case law. Case law has shown that supply terms in the InWood knowledge standard have been extended to services as well. As such, the modern courts have evaluated the knowledge of service providers with the InWood knowledge standard, as in the cases of *Perfect 10 Inc. v. Visa International Service Association*; *National Federation of the Blind, Inc. v. Loompanics Enterprises Inc.*; *Tiffany v. eBay*; and the

²¹⁸ The court declared that “the doctrine of contributory trademark infringement should not be used to require defendants to refuse to provide a product or service to those who merely might infringe the trademark”. See also *Lockheed Martin Corp. v. Network Solutions Inc.*, 194 F. 3d 980, 984 (9th Cir. 1999); *Fonovisa Inc. v. Cherry Auction Inc.*, 76 F. 3d 259, 264-265 (9th Cir. 1994); *Hard Rock Café Licensing Corp. v. Concession Servs. Inc.*, 955 F. 2d 1143, 1150 (7th Cir. 1992); *Tiffany v. eBay Inc.*, 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008).

²¹⁹ *ibid.*, at 845; ‘See also’ *Cartier International B.V. v. Liu*, No. 02 Civ. 7926(TPG), 2003, WL 1900852, at 3 (S.D.N.Y. Apr. 17, 2003) (finding an indirect actor liable for trademark counterfeiting when the party knew or had reason to know it was engaging in trademark infringement); ‘See also’ Lauren Troxclair, ‘Search Engines and Internet Advertisers: Just One Click Away from Trademark Infringement?’ (2005) 62 Wash. & Lee L. Rev. 1375.

Network Solution case²²⁰. In the latter case, the court acknowledged that the InWood standard could be applied to the internet if there is evidence of monitoring and control²²¹. The reasons behind extending the scope of the InWood standard are the growth of the online marketplace and the considerable number of infringement of trademark and notification cases²²².

3.3.1 Actual Knowledge Interpretations

Assessing the appropriateness of the InWood knowledge standard in evaluating ISPs' actual knowledge about users' trademark infringement is vital to uncover whether actual knowledge has been interpreted as general or specific knowledge and as human or machine knowledge. This assessment is also important to discover who the burden of the identification of trademarked work and the identification of the locations of trademark infringement is placed on and to identify the role of notice by the right holder in proving ISPs' knowledge and efforts to restrict trademark infringement.

3.3.1.1 Specific Knowledge

Concerning whether actual knowledge in the InWood knowledge standard requires specific knowledge or not, the answer can be found in the *Tiffany Inc. v. eBay Inc.* case²²³. Tiffany sued eBay for direct and contributory trademark infringement (based on the InWood case), unfair competition, and other infringements. The plaintiff argued that counterfeit Tiffany silver jewellery had been sold on the eBay website and that eBay had permitted hundreds of

²²⁰ *Lockheed Martin Corp. v. Network Solution Inc.*, 194 F. 3d 980 - Court of Appeals, 9th Circuit 1999.

²²¹ In this case, the court made an analogy between the ISP's service and the *Fonovisa* and *Hard Rock Café* cases, stating that there was the "actual storage and communications for infringing material". Therefore, the ISP had the ability to control and monitor infringing material and thus the ISP could be liable for secondary trademark infringement, like the landlord of a flea market; 'See also' *Gucci America, Inc. v. Hall & Associates*, 135 F. Supp. 2d 409 (S.D.N.Y. 2001) [421-42].

²²² "a report from the National Fraud Information Center indicates that Internet auctions are amongst top reported fraud online in 2007. In 2008, one in four complaints received by the Internet Crimes Complaint Centre involved Internet auction fraud"; Connie D. Powell 'The eBay Trademark Exception: Restructuring the Trademark Safe harbor for Online Marketplaces' (2011) 28(1) Santa Clara Computer & High Technology Law Journal 2-3 <<http://digitalcommons.law.scu.edu/chtlj>> accessed 1 November 2012.

²²³ 576 F. Supp. 2d 463 (S.D. New York. 2008).

thousands of counterfeit silver jewellery items to be offered for sale on the eBay website from 2003 to 2006²²⁴. Tiffany argued that it put eBay on notice, sent by email, but eBay ignored it and did not investigate and control the illegal activity. The 2nd Circuit²²⁵ concluded that eBay did not have the requisite level of knowledge to satisfy the InWood standard because “for contributory trademark infringement liability... a service provider must have more than a general knowledge or ‘reason to know’ that its service is being used to sell counterfeit goods”²²⁶. The information from Tiffany was general information and could not help the defendant to identify specific cases of infringement. Therefore, eBay was not liable for contributory trademark infringement.

Although the 2nd Circuit noted that general knowledge in this case was insufficient and defined the InWood knowledge test as requiring specific knowledge, it was not clear how much knowledge defines specific knowledge. In this regard, the Supreme Court drew attention to the InWood standard’s plain language: “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement”²²⁷. The case shows that the court explicitly linked specific knowledge to individual infringers. Similarly, in *Perfect 10 Inc. v. Visa International Service Association*, Perfect 10 filed against Visa International Service Association, alleging that some websites that were using the Perfect 10 trademark were stolen-content websites. Therefore, authorizing those websites to draw on the Perfect 10

²²⁴ “First, Tiffany sent eBay demand letters in 2003 and 2004, articulating its belief that large quantities of counterfeit Tiffany merchandise were being sold through the eBay website, and that any seller of a significant lot – e.g., of five or more pieces of purported Tiffany jewelry – was ‘almost certainly’ selling counterfeit merchandise. (Pl.’s Ex. 489, 490, 429.) Second, Tiffany appraised eBay of the results of its Buying Programs, particularly of the supposed finding that 73.1% of the Tiffany items it purchased in its 2004 Buying Program were counterfeit. (Pl.’s Ex. 492.) Third, Tiffany filed thousands of NOCIs alleging a good faith belief that certain listings were counterfeit or otherwise infringing on Tiffany’s marks and eBay received numerous complaints from buyers stating that they had purchased what they believed to be fake Tiffany jewelry through the eBay website.” Cited in *Tiffany v. eBay Inc.*, 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008).

²²⁵ *Tiffany v. eBay Inc.*, 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008).

²²⁶ *Tiffany v. eBay Inc.*, 600 F. 3d 93, 107 (2d Cir. 2010), at 109.

²²⁷ *ibid*, ‘See also’ David H. Bernstein & Michaelr. Potenza , ‘Why the Reasonable Anticipation Standard Is the Reasonable Way to Assess Contributory Trademark Liability in the Online Marketplace’(2011) 9 STAN. TECH. L. REV.<<http://stlr.stanford.edu/pdf/bernstein-reasonable-anticipation.pdf> > accessed 23 August 2013.

trademark led the public to believe that some websites belonged to Perfect 10. Moreover, Visa had been informed and was able to choose to stop processing payments to these websites, which might have had the practical effect of stopping or reducing the infringing activity. The court refused the plaintiff's argument due to the lack of specific knowledge of infringement and stated: "a defendant must have... continued to supply an infringing product to an infringer with knowledge that the infringer is mislabelling the particular product supplied"²²⁸. The plaintiff was not able to prove that the defendant had "induce[d] a third party to infringe the plaintiff's mark or supplied a product to a third party with actual or constructive knowledge that the product [was] being used to infringe the mark"²²⁹.

The court in *Lockheed Martin Corp. v. Network Solutions Inc.*, furthermore, held that a trademark owner's mere assertion that its domain name had been infringed was insufficient to impute knowledge of infringement. Moreover, the court stated that while "uncertainty of infringement [is] relevant to the question of an alleged contributory infringer's knowledge... [a] trademark owner's demand letter is insufficient to resolve this inherent uncertainty"²³⁰.

A close analysis of the above interpretations of the actual knowledge test in the InWood knowledge standard shows that actual/ISP knowledge (according to the InWood standard) requires specific knowledge about the infringer's act. In line with this, general information or machine knowledge do not suffice. Specific knowledge in these circumstances is related to knowledge processing in computer philosophy, as cited in Chapter 2, because affirming ISP liability based on general knowledge could lead to affirming the duty of infringement investigation for ISPs, although others have noted that the specific knowledge requirement is 'novel' and 'wrong'²³¹.

²²⁸ *Perfect 10*, 494 F. 3d, at 807.

²²⁹ *Perfect 10*, 2004 WI. 1773349, [6].

²³⁰ *Ibid* [964].

²³¹ Hong Cheong Wong, 'eBay's Liability for Counterfeits: A Transatlantic Comparison' (2010) 5(1) *Journal of Intellectual Property Law & Practice* <<http://jiplp.oxfordjournals.org>> accessed 1 October 2012.

Additionally, evaluating specific knowledge is another factor that needs to be addressed to understand how the courts deal with evaluating specific knowledge and what the guidelines are. The courts, as noted in the Sony and Tiffany cases²³², mostly seem to intend to restrict the extension of contributory liability and instead apply the nature of direct infringement, the plaintiff's argument, and evidence to evaluate the ISP's specific knowledge of users' trademark infringement. In addition, in the case of *Lockheed Martin Corp. v. Network Solutions, Inc.*, the court considered "direct control and monitoring of the instrumentality used by the third party to infringe the plaintiff's mark"²³³ in order to evaluate specific knowledge. However, implementing such criteria (direct control, monitoring, the nature of direct infringement, and so on) breaches the values of the narrow standard of trademark infringement set by the InWood knowledge standard, as the lack of guidance on specific knowledge can lead to divergent interpretations of such knowledge.

3.3.1.2 Identification of Infringement

According to the InWood standard, providing specific information about the location and identification of trademark infringement is the duty of the right holder or plaintiff, because of non-commercial use or fair use of trademarks and other legitimate situations that make it complicated to identify trademark infringement. In this regard, what needs to be addressed is whether when a plaintiff carries out its duty of the identification of infringement, it should do so by a notice through email or whether there are other acceptable approaches. This research analyses several cases as follows to examine the criteria for providing information to identify trademark infringement.

In the case of *Tiffany Inc. v. eBay Inc.*, Tiffany claimed that it had sent a demand letter "asserting that counterfeiting was rampant on eBay's website

²³² The Lockheed Martin test had previously been authorised by the Southern District of New York in *Tiffany Inc. v. eBay Inc.*, 576 F. Supp. 2d 463, 505 (S.D.N.Y. 2008), which considered contributory infringement in the context of a defendant that provided an online platform through which sales of counterfeit goods were made by direct infringers, and found that the relevant inquiry is "the extent of control exercised by the defendant over the third party's means of infringement."

²³³ Brian W. Brokate and Christina L. Winsor, 'Contributory Liability against Third Party Internet Infringers of Trademarks' (2010) IP Litigator 2.

and that any listing of five or more Tiffany items was presumptively counterfeit” and argued that the letter should not be dismissed as too general. There was no dispute regarding the type of such notice; the dispute only referred to the information, which was not adequate to identify the infringement that the plaintiff claimed. The court noted explicitly that to accept such a claim would:

Credit the potentially self-serving assertions of a trademark owner, particularly when those assertions... were unfounded, and when the trademark owner’s demands, if met, clearly would have eliminated even legitimate sales on eBay. The doctrine of contributory liability cannot be used as a sword to cut off resale of authentic Tiffany items²³⁴.

The court concluded that the letter from Tiffany that was presented did not provide sufficient information to identify the infringement, and the court declared that evidence of general knowledge of infringement on the eBay website was insufficient to impute knowledge to eBay of specific infringement items²³⁵. Here, it should be noted that an address or email by itself cannot prove knowledge of the identification of infringement and cannot prove that notice regarding the trademark was sent in good faith. This is because in most marketplaces, a direct infringer is able to delete one account and immediately post under a different email address or username²³⁶.

In *GMA Accessories Inc. v. Electric Wonderland*, GMA was the owner of the CHARLOTTE trademark, which was used for “clothing, footwear and headgear, namely hats, scarves, gloves and socks”. GMA sued Electric Wonderland, a corporation that supplied showroom services to the fashion industry and fashion accessories to prospective wholesale purchasers. GMA contended that their CHARLOTTE trademark had been used illegally, as the Solnicki goods in Electric Wonderland's showroom were labelled ‘Charlotte Solnicki’. GMA argued that Electric Wonderland had knowledge or reason to

²³⁴ *Tiffany*, supra [512].

²³⁵ “Mere assertions and demand letters are insufficient to impute knowledge as to instances not specifically identified in such notices, particularly where the activity at issue is not always infringing.” *Tiffany*, Supra [511].

²³⁶ Powell (n222) 4 accessed 14 Feb 2012.

know of the CHARLOTTE trademark because the GMA registration of the trademark could lead to constructive notice. Furthermore, Electric Wonderland was served with the complaint on 4 April 2008, but did not answer nor remove the infringing goods. The clerk of the court issued a certificate of default against Electric Wonderland on 30 April 2008.

Similarly to the *GMA* case, the court recognised the notice as knowledge in the *Louis Vuitton Malletier S.A. v. Akanoc Solutions Inc.* case²³⁷. The 9th Circuit had recently affirmed contributory trademark and copyright infringement claims against a web hosting company that hosted an allegedly infringing website. In the *Louis Vuitton* case, the plaintiffs sent 18 notices of infringement to the defendants²³⁸ from 2006 to 2007 and demanded the removal of the infringing websites from the web servers run by Chen and his companies²³⁹. The court acknowledged receipt of a notice that consisted of the names of the websites and the infringed trademark as actual knowledge for contributory liability. The court affirmed that for finding contributory liability, the test only mandates “actual or constructive knowledge that the users of services were engaging in trademark infringement”²⁴⁰, and intent is not necessary.

In *Sony Corp. of America v. Universal City Studios Inc.*, the court applied the InWood test and stated that the test’s ‘narrow standard’ requires knowledge of ‘identified individuals’ engaging in infringing conduct. In other cases also, notification was identified as an approach to providing knowledge or information regarding the identification of the trademark infringement, as can be found in *Gucci America Inc. v. Hall & Associates*²⁴¹.

²³⁷ Nos. 10-15909, 10-16105, 2011 US App. WL 4014320 (9th Cir. 2011).

²³⁸ MSG, Akanoc, and Chen.

²³⁹ These companies hosted some websites that were advertising products that caused an infringement of Louis Vuitton’s trademarks and copyrights. Although the websites did not sell the products directly, they facilitated the taking of orders by listing email addresses and the defendants were working as the host of these websites.

²⁴⁰ *ibid* [4].

²⁴¹ 135 F. Supp. 2d 409 (S.D.N.Y. 2001).

3.3.1.3 Appraisal

Close analysis of the aforementioned case law shows that the courts removed the chance of debate by explicitly placing the burden of the identification of trademark infringement on the plaintiff, which seems logical. Due to the possibility of passing off and other legitimate uses of a trademark, it is not possible for an ISP to identify infringement by itself. In regard to tort, the rationale of this duty can also be seen in the general rule of tort and the formalist theory of tort (Kant) concerning omission in negligence, which does not provide an affirmative duty to act for the benefit of another without right (although there is liability for misfeasance)²⁴². However, in terms of the approach to accomplish this duty, the courts have not strictly focused on a fixed format of notification but have widely admitted that such notification is an approach to supplying ISPs with information about the identification of alleged trademark infringement, as can be found in all of the discussed cases (*Tiffany Inc. v. eBay Inc.*, *GMA Accessories Inc. v. Electric Wonderland*, and *Louis Vuitton Malletier S.A. v. Akanoc Solutions Inc.*). The courts focused on notification through any method, whether through email, demand letter, or other ways. There is no requirement for a physical or electronic signature. In line with this, a question is raised as to whether a single notification for the infringement of multiple trademarks at a single online site is acceptable. It is also debatable just what constitutes reasonable information sufficient for finding the location of material in a statement of the complaining party with the good faith belief that the use of the trademark is wrong or not authorised by the trademark owner (or its agents or the law). Case law does not answer these questions.

Although the court in the Louis Vuitton case linked the notification to specific information rather than to general information, a legal gap exists regarding the concept of specific information, because it is not clear whether specific information requires the names of the website, trademark, infringer, complainer, and others. Furthermore, the court recognised receipt of the name of a website as specific information and evidence of actual knowledge in the

²⁴² William R. Wanner, 159 N.E. 896 (N.Y.1982) [898].

Louis Vuitton Malletier, S.A. v. Akanoc Solutions Inc. case²⁴³. However, this cannot be used as guidance for all cases, because a trademark could be linked to a website with a different URL at a different time, which makes finding such alleged infringement complicated. However, despite the lack of guidance in relation to notification in the above cases (chiefly the case of *Louis Vuitton Malletier S.A. v. Akanoc Solutions Inc.*), the lesson for plaintiffs is that they must be vigilant in their efforts in monitoring infringement through providing notices, in order to maintain their chance to impose secondary liability on a defendant. Regarding the specific knowledge required, the courts have taken a different approach to reach a conclusion and, consequently, both of trademark holders and ISPs does not know when a notice could be proof of specific knowledge.

3.3.2 Constructive Knowledge

In the absence of actual knowledge of a specific act of direct infringement, constructive knowledge is assessed to find out whether the defendant (the ISP) had reason to know it was contributing to infringement or not. In this regard, interpretations of the reason to know user infringement (probabilistic knowledge) have been made in the light of the capability or incapability of the plaintiff's proactive notifications to expose constructive knowledge based on the InWood standard and 'wilful blindness'.

3.3.2.1 Probabilistic Knowledge

In the Tiffany case, the central argument was the 'five-or-more' rule set out in its demand letters to eBay, which was the "operative framework through which [(according to Tiffany)] eBay should have known that a listing was counterfeit"²⁴⁴. The other substantial point that Tiffany applied to support its argument for illustrating constructive knowledge was the content of the demand letters that were sent by Tiffany to eBay, "asserting that counterfeiting was rampant on eBay's website and that any listing of five or more Tiffany

²⁴³ Nos. 10-15909, 10-16105, 2011 US App. WL 4014320 (9th Cir. 2011),

²⁴⁴ *Tiffany*, supra [512].

items was presumptively counterfeit”²⁴⁵. In short, Tiffany claimed that it had sent over 1,000 NOCIs (notices of claimed infringement) to eBay and that buyers complaining that they had purchased fake Tiffany jewellery had sent over 100 emails to eBay during a six-week period, which Tiffany argued could lead to constructive knowledge or ‘reason to know’. However, the court disagreed because the “service provider must have reason to know that its service is being used to sell counterfeit goods”²⁴⁶, while “evidence of general knowledge of infringement on its website was insufficient to impute knowledge to eBay of specific infringing items”²⁴⁷. The court applied the InWood knowledge standard rather than evaluating the probabilistic knowledge that someone merely might infringe the trademark in common law tort based on the ‘reasonable man’ test or deducing.

In the case of *GMA Accessories Inc. v. BOP LLC*²⁴⁸, GMA contended that its trademark had been registered and therefore registration was constructive notice to the defendant, and it could be the basis to provide constructive knowledge for contributory infringement. In addition, it supported its claims of the existence of ‘had reason to know’ through the notices and numerous emails that GMA had sent to BOP. The court quoted the 2nd Circuit’s language in *Tiffany v. eBay* (insufficiency of general knowledge)²⁴⁹ and refused the plaintiff’s argument for constructive notice (federal trademark registration as basis of knowledge)²⁵⁰.

Similarly to *GMA Accessories Inc. v. BOP LLC*, in the case of *Nomination Di Antonio E Paolo Gensini S.N.C. v. H.E.R. Accessories Ltd.*²⁵¹, the plaintiff based its claims on the fact that the licensor defendants continued to supply their own intellectual property to the supplier defendants despite their knowledge that the supplier defendants were infringing the plaintiff’s mark. The case also demonstrated the interpretation of the ‘had reason to know’ or

²⁴⁵ [511].

²⁴⁶ [520].

²⁴⁷ [520-521].

²⁴⁸ 765 F. Supp. 2d 457 (S.D. New York. 2011).

²⁴⁹ (2d Cir. 2010).

²⁵⁰ *GMA Accessories, Inc. v. BOP LLC*, supra [4].

²⁵¹ 2010 WL 4968072 5 (S.D.N.Y).

constructive knowledge standard in the scope of specific knowledge and did not recognise federal trademark registration as evidence of ‘had reason to know’, because such constructive notice is insufficient to provide knowledge for the individual infringer. However, the difference in this case was that the court applied the Lockheed Martin test, in contrast with other traditional criteria, to assess the knowledge by examining the defendant’s control and monitoring procedures, as clarified in the specific knowledge part. To assess the knowledge, the court noted and applied the 9th Circuit’s opinion in *Lockheed Martin Corp. v. Network Solutions, Inc.*²⁵², which ruled that:

when measuring and weighing a fact pattern in the contributory infringement context without the convenient ‘product’ mold dealt with in *InWood Lab.*, we consider the extent of control exercised by the defendant over the third party’s means of infringement [and thus the direct] control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.²⁵³

Thus, the court examined the plaintiff’s allegations in the light of the Lockheed Martin test. The plaintiff alleged that “the Licensor Defendants are sophisticated companies that regularly engage in and carefully control and monitor the licensing of their respective intellectual property”. The court found, however, that the fact that the licensor defendants monitored and controlled the licensing of their own marks did not mean that they also monitored and controlled the manufacture and distribution of the counterfeit bracelets produced by the supplier defendants²⁵⁴. The court concluded that because the plaintiff had not sufficiently shown that the licensor defendants exercised the necessary ‘direct control and monitoring’ of the supplier defendants’ activity, the claim for contributory infringement against the licensor defendants was deficient.

²⁵² 194 F.3d 980, 984 (9th Cir. 1999).

²⁵³ *ibid*

²⁵⁴ The licensor defendants also contended that the plaintiff had not adequately pleaded that they had knowledge of the direct infringement due to the notification of the supplier defendants, which is a necessary element under the *InWood* test.

In the case of *Global-Tech Appliances Inc. v. SEB S.A.*²⁵⁵, the court clarified the current situation: not only should knowledge of the patent infringement be actual knowledge, but the intent to induce, aid, or abet infringement should also be thoroughly assessed, as the two aspects are interrelated. The significant point here is that the court (in terms of imposing secondary liability in the same way as in the aforementioned trademark cases) evaluated the defendant's intent to supply a product, rather than the defendant's actual knowledge of the patenting and registration of a trademark²⁵⁶.

Moreover, potential infringement does not mean constructive knowledge, as ruled by the case of *Hendrickson v. eBay*²⁵⁷: the court's 'innocent infringer' ruling was premised on the court's determination that eBay had no affirmative duty to monitor its own website for potential trademark violation and that the plaintiff had failed to put eBay on notice that particular listings violated the plaintiff's Lanham Act rights before filing the lawsuit.

In contrast with the aforementioned cases, the court in the Tiffany case highlighted that probabilistic knowledge of third-party trademark infringement through Tiffany's notice was sufficient for establishing constructive knowledge. Tiffany supported its argument in line with the restatement test (rather than the InWood test), in which a party may be found liable for contributory trademark infringement when "the actor fails to take reasonable precautions against the occurrence of the third person's infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated"²⁵⁸. However, the court focused on the InWood test rather than the restatement test as the tort law test for constructive knowledge to avoid admitting the probabilistic knowledge of infringement as constructive knowledge for holding an ISP liable.

²⁵⁵ 563 US [2011].

²⁵⁶ 'See also' Stefano Barazz, 'Secondary Liability for IP Infringement: Converging Patterns and Approaches in Comparative Case Law' (2012) 7(1) *Journal of Intellectual Property Law & Practice*.

²⁵⁷ 165 F. Supp. 2d 1082 (C.D. Cal. 2001).

²⁵⁸ *Tiffany*, 576 F. Supp. 2d [502].

Considering the rulings in the aforementioned cases, attention has been paid to the differences in the scope of constructive knowledge in the InWood test and in its origin of common law tort. This is a vital factor because, in tort, liability is based more on negligence (a breach of duty) rather than on knowledge about a user's infringement. It should be considered that the courts, as applied in the Tiffany case, evaluate only two factors: one is whether the defendant provided a service for enabling infringement and had direct control over the means of infringement. The other is whether, based on the InWood test, the defendant continued to supply its services to one whom it knew or had reason to know was engaging in trademark infringement. The courts do not focus on the 'but for' test of tort in the light of causation of harm and do not require ISPs to follow the 'reasonable anticipation' standard to find out whether there was constructive knowledge or not²⁵⁹.

3.3.2.2 Wilful Blindness

When the defendant has knowledge of infringement through direct infringement conduct but does not respond by removing or ceasing infringement, knowledge can be affirmed by assessing for 'wilful blindness'. In this regard, there is some confusion as to how to distinguish wilful blindness from negligence. Case law has interpreted wilful blindness as being different from negligence. The court explicitly noted in the Hard Rock Café case²⁶⁰ that negligence refers to a failure to take reasonable steps (in that case, to detect and prevent the sale of counterfeit Hard Rock Café goods), and that a failure to take reasonable steps does not affirm wilful blindness, because to be wilfully blind a person must suspect wrongdoing and deliberately fail to investigate. The 'had reason to know' standard of assessing for contributory liability required to understand what a reasonably prudent person would understand.

²⁵⁹ The court especially noted that the InWood test does not require the 'reasonable anticipation' standard: the InWood majority, in response to Justice White's concurring opinion, explicitly rejected the notion that it was endorsing the 'reasonable anticipation' standard, holding that "[i]f the Court of Appeals had relied upon [the reasonable anticipation standard] to define the controlling legal standard, the court indeed would have applied a 'watered down' and incorrect standard"; *Tiffany*, 576 F. Supp. 2d [503].

²⁶⁰ *Hard Rock Café Licensing Corp. v. Concession Services Inc.*, 955 F. 2d 1134, 1149 (7th Cir. 1992); *Microsoft Corp. v. Black Cat Computer Wholesale Inc.*, 269 F. Supp. 2d 118, 123 (W.D.N.Y. 2002).

In other words, wilful blindness exists when the defendant knows and turns a blind eye to the conduct of the direct infringer and continues to contribute to the infringement in terms of providing services.

Similarly, in the *Tiffany* case, to assess for wilful blindness, the court required evidence of the defendant's specific knowledge of individual infringement and stated that wilful blindness "requires more than mere negligence or mistake and does not lie unless the defendant knew [there was a] high probability of illegal conduct and purposefully contrived to avoid learning of it, for example by failing to inquire further out of fear of the result of the inquiry"²⁶¹. The 2nd Circuit stated that "when [a service provider] has reason to suspect that users of its services are infringing a protected mark, it may not shield itself from learning of the particular transaction by looking the other way"²⁶². Therefore; constructive knowledge for wilful blindness is interpreted by the courts in a narrow way. Moreover, according to case law, the courts have ruled that through monitoring, controlling, and wilful blindness, constructive knowledge ('had reason to know') in the *InWood* test "does not extend so far as to require non-infringing users to police the mark for a trademark for a trade name owner"²⁶³. Similarly, in the *Tiffany* case, the court affirmed that a service provider does not have a duty to investigate and work as trademark police, and it noted that "without specific knowledge or reason to know, the plaintiff was under 'no affirmative duty to ferret out potential infringement'"²⁶⁴. Thus, constructive knowledge specifically for secondary liability of trademark infringement does not require ISPs to be trademark police.

In the case of *1-800 Contacts Inc. v. Lens.com Inc. d/b/a Lens.com, Justlens.com and Justlenses.com*²⁶⁵, 1-800 Contacts was a seller of contact lenses and products related to contact lenses and mostly did business through

²⁶¹ *Tiffany*, [515].

²⁶² *Tiffany*, 600 F. 3d, at 109. Put simply, it cannot be said that eBay purposefully contrived to avoid learning of counterfeiting on its website or that eBay failed to investigate once it learned of such counterfeiting.

²⁶³ *MDT Corp. v. New York Stock Exchange*, 858 F. Supp. 1028, 1034 (C.D. Cal. 1994). In other previous cases, the wilful blindness versus duty to investigate issue had been assessed in the same way, as in the *Hard Rock Café* case and the *Fonovisa* case.

²⁶⁴ 131 S. Ct. 647 (2010).

²⁶⁵ Dist. Court, D. Utah. 2008.

its e-commerce website. 1-800 Contacts sued Lens.com for infringement of the 1-800 Contacts trademark by having purchased 1-800 Contacts' trademarks as keywords to trigger sponsored advertisements from Google. 1-800 Contacts claimed that this confused potential purchasers of 1-800 Contacts' services by directing those purchasers to one of the Lens.com websites²⁶⁶. In this regard, 1-800 Contacts claimed that the defendant's action caused the likelihood of confusion. To evaluate whether there was wilful blindness, the court considered whether "the contributing party intended to participate in the infringement or actually knew about the infringing activities". One cannot be 'wilfully blind', however, and escape liability. To be wilfully blind, "a person must suspect wrongdoing and deliberately fail to investigate."

The court explicitly noted that "With respect to the 65,000 Infringing Impressions, the plaintiff has failed to show that the defendant knew about the infringement and failed to take action or was wilfully blind to it". The court acknowledged that, for contributory liability, specific knowledge and intent of infringing are factors and that the notification content was based on Lens.com advertisements appearing when search terms related to the plaintiff were entered into Google and other search engines. Attached to that notification were a number of screenshots depicting Lens.com advertisements and advertisements from other contact lens companies²⁶⁷.

Overall, the court refused the wilful blindness claim. The court questioned whether the notice (which was a spread sheet that listed specific URLs for the search results and link destinations) was enough for identification of trademark infringement and to fulfil the specific knowledge standard²⁶⁸. Commission Junction, an online advertising company, used the information in the notice to identify and contact the specific affiliates at issue. Commission Junction applied the information and informed Lens.com that "[a] number of the links are not associated with a Commission Junction publisher from what I can see". However, the court stated that highlighting such information could not make the defendant able to identify the exact affiliate by itself, owing to the fact that

²⁶⁶ *ibid* 2010.

²⁶⁷ *ibid* 2010.

²⁶⁸ *ibid* 2010.

it did not have information for its affiliate network like Commission Junction, which had this and was able to contact the affiliates. Furthermore, another noticeable point that the court considered was the time of processing a URL and notice in terms of whether the URL can be attached to the notice or not.

3.3.3 Appraisal

The evaluation of constructive knowledge has mostly involved applying an objective test to assess for wilful blindness and does not relate to the other elements that constructive knowledge shares with common law tort, for instance the ‘should have known’ standard, which is based on the ‘reasonable man’ test. Furthermore, as case law has shown (Tiffany), constructive knowledge focuses on the nature of the action of the individual infringer and the service provider’s role in control and monitoring, so as to assess the specific knowledge of the service provider. In this regard, it is clear that human intervention is required to interpret the constructive knowledge of ISPs, because constructive knowledge is based on the ‘reasonable man’ test. In other words, although the courts apply strict interpretations of the ‘had reason to know’ user infringement in the InWood standard, divergent interpretations are still possible, because most of the courts are guided towards focusing more on objective elements rather than subjective elements. Although the courts in assessing objective knowledge have focused on specific knowledge, they have not amplified any fixed approaches or guidance to show how a plaintiff can fulfil its duty by giving

ISP sufficient information to identify alleged trademark infringement. Therefore, it seems a difficult task for an ISP to evaluate whether the notice information provided by the plaintiff is reasonable or not.

Moreover, on the one hand, the case law concerning the identification of infringement is silent about the precise format of an identification-compliant notice. However, on the other hand, it requires notification with specific information, while the possibility of providing specific and reasonable information without a fixed notification format or procedure is open to question. However, this strict rule does not play a role in the final decision on

knowledge because, for evaluating both notification and specific information requirements, the courts apply the ‘reasonable man’ test based on the nature of the defendant’s conduct (although this does not fit with ISPs). Thus, it seems that constructive knowledge still has more links with common tort law due to the possibility of human deduce. Consequently, current interpretations cannot preserve the interests of both parties: for instance, ISPs do not know whether their practices may cause a challenge by other trademark holders; on the other hand, trademark owners do not know when particular knowledge can be attached to an ISP.

3.3.4 The Lanham Act Safe Harbour and ISP Knowledge Standards

In Section 32(b) of the Lanham Act, a safe harbour is provided for publishers and online providers of content written by others that violate a trademark:

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

This section of the Lanham Act provides a limited safe harbour to ISPs, noting that this limitation shall apply only to innocent infringers and innocent violators. In the case of *Hendrickson v. eBay*²⁶⁹, the court found that eBay had no knowledge of a potential trademark violation before the plaintiff filed his suit; therefore, eBay was an ‘innocent infringer’. Consequently, the plaintiff’s remedy was limited to an injunction against the future publication or transmission of the infringing advertisements on eBay’s website²⁷⁰. By

²⁶⁹ 165 F. Supp. 2d 1082 (C.D. Cal., 2001).

²⁷⁰ See 15 U.S.C. Section 1114(2) (B).

observing the above provision and the *Hendrickson* case, it is clear that the Lanham Act and current case law do not provide any exceptions to ISPs' liability via knowledge standard. Moreover, this limitation only refers to when an ISP does not have knowledge. It replaces the trademark owner's entitlement to obtain a remedy with an injunction against the defendant for future issues. The court in the *Hendrickson* case elaborated and limited such an injunction to the necessary time, as it refused the plaintiff's request due to the lack of necessity and ruled that:

No authority supports [the] Plaintiff's position. Indeed, such an injunction would effectively require eBay to monitor the millions of new advertisements posted on its website each day and determine, on its own, which of those advertisements infringe [the] Plaintiff's Lanham Act rights. As the Court previously noted, 'no law currently imposes an affirmative duty on companies such as eBay to engage in such monitoring'".

In the Lanham Act and case law, the safe harbour remains an unregulated one, and many ISP companies take some lessons from copyright provision to benefit from some exemptions to their secondary liability or knowledge by implementing private notice and take-down procedures so as to respond to both parties' interests²⁷¹. This self-regulation (e.g. eBay²⁷² applies notice and take-down procedures) could perhaps be evidence of a good faith effort to focus on the trademark owner's rights, but it has suffered legal issues like its origin of the DMCA Section 512. In short, the safe harbour gap in trademark law is still open.

²⁷¹ Another programme as applied eBay to protect its good faith belief is its VeRO Programme, as the court noted: "the record reveals that when eBay became aware, through its VeRO Program, of Tiffany's good-faith belief that a listing was infringing, it investigated and removed that listing from its website"; McCue (n211) accessed 2 June 2012.

²⁷² In AdWords, Google does not offer a service akin to eBay's notice and take-down regime: it only allows trademark owners to contact individual advertisers. Nor does it have a complaints procedure for trademark compliance against the natural result. For instance, according to Google (Recently Fixed Issues: AdWords Stats Delayed), on 12 December 2012, AdWords stats were delayed by several hours. This issue has been resolved. This was only a reporting delay, as the AdWords service was not affected; <<http://support.google.com>> accessed 1 September 2012; See Katja Weckstrom, 'Secondary Liability for Trademark Infringement in the United States', (2011) 49University of Louisville Law Review 562 <<http://papers.ssrn.com/sol3>> accessed 2 June 2012.

3.3.4.1 Appraisal of the InWood Knowledge Standard and the Lanham Act Safe Harbour

The InWood standard for evaluating ISPs' knowledge for secondary liability of trademark infringement has rigorous criteria compared with common law tort. The InWood test requires that a service provider must 'have known' or 'had reason to know' in both actual knowledge and constructive knowledge in relation to a particular third party who is engaging in trademark infringement. This is in contrast with the 'reasonable anticipation' standard, which has a wide scope and imposes secondary liability on ISPs by general knowledge or merely foreseeing wrongdoing by negligence (as in the Hines tort case). In other words, the courts provide strict interpretations of the term 'specific knowledge' and show that the InWood test is not based on probabilistic knowledge, which imposes more duties on ISPs. For instance, the plaintiff based its argument in the Tiffany case on the 'but for' test for causation to prove eBay's knowledge, but the court refused this argument. Even if the InWood test and its interpretation have some advantages, it does not provide any guidance for attaching knowledge to ISPs and finding such knowledge, as mentioned in the discussion of the identification of trademark infringement.

The InWood test and its interpretations address any disputes about the duty of the trademark owner to make available reasonable information sufficient for the identification of the trademarked work and its location, but the test is silent on how this must be done. Other questions that arise are: What is defined as reasonable information? Should reasonable information be done through notice? What should the terms and format of the notice be? What about a representative notice for multiple infringements? In line with this, what is the rule on bad faith belief (due to the possibility of illegal allegations being made by the other party)?

As analysed, there is a lack of guidance in the InWood standard regarding the above questions and this legal vacuum leaves both plaintiffs and defendants in complicated situations. In addition, to evaluate both notifications and specific information, the courts consider the nature of the defendant's conduct through the Lockheed Martin test. However, this approach places less focus on the

subjective knowledge measure and thus it could affect the ‘reasonable man’ test and lead to divergent approaches. Furthermore, concerning constructive knowledge, the InWood test has been applied in a strict way for imposing the duty of investigation onto an ISP. However, issues arise in the objective knowledge or ‘wilful blindness’ test, which are part of the ‘reasonable man’ test. In other words, even though the courts apply strict interpretations of the ‘had reason to know’ aspect of the InWood standard, the standard is still open to divergent interpretations because, in most decisions, the courts focus on the objective elements rather than the subjective elements.

The Lanham Act safe harbour is limited to when an ISP is innocent. Moreover, the Lanham Act safe harbour replaces the remedy with an injunction for future services. Other types of safe harbours exist for ISP companies; for example, notice and take-down procedures may be used as evidence to prove an ISP’s good faith belief. However, there are still legal issues, such as the DMCA safe harbour. Thus, the InWood knowledge standard and its interpretations, even though they have some advantages, still have the above legal ambiguities regarding knowledge standards.

3.3.5 Conclusion

It appears that the US knowledge standard for ISPs’ secondary liability for copyright infringement is in the form of a broad knowledge standard that consists of actual knowledge, traditional constructive knowledge, and awareness of infringement in the form of the ‘red flag’ test. Regarding the case law knowledge standard, it only consists of actual and constructive knowledge and the ‘red flags’ is absent. The case law knowledge standard is judicially interpreted widely and differently, although its scope has been limited by the Sony case (non-infringing use), the Grokster case (inducement), and the Perfect 10 case (evaluating specific knowledge and negligence in tackling infringement). The courts in this regard have been inconsistent in relation to ISPs’ functions and technical capabilities, and they have not tackled the possibility of ISPs having some duties without rights. Moreover, there is no cooperative approach that would reduce the possibility of imposing liability without knowledge and would guarantee freedom of expression and fair

competition, but there are possibilities of different interpretations due to the lack of specific guidance. Such uncertainty leads to a fear of liability.

Additionally, the DMCA tries to establish a balance between both parties and encourage cooperation and coexistence by facilitating the possibility of proving a claim to pursue ISPs for copyright infringement. On the other hand, an ISP is protected when it does not possess knowledge or awareness. The DMCA manifests actual knowledge in the light of notice and take-down procedures and defines awareness of infringement through the 'red flag' test. Despite the aforementioned advantages, in practice, ISPs have been faced with divergent interpretations in terms of notice duration, form, and elements, and put back system that can be in conflict with fair competition and other rights. Furthermore, the DMCA standard in the scope of the 'red flag' test has some uncertainty in its definitions and the courts have applied divergent interpretations of it.

Moreover, as case law proves, the courts (in contrast with US legislation) have intended to apply the traditional constructive knowledge. In addition, case law shows that the knowledge standard (which was initially one of the elements of traditional contributory liability) still in practice has its interpretations rooted in the formalist approach and receives its guidance and values from this initial source.

Thus, the foregoing evaluation of the ISP copyright liability legislation and case law interpretations answers the research question that was posed at the beginning of the chapter, finding that a broad knowledge standard is appropriate and a single standard does not suffice. However, there is no compatibility between the case law approach and the broad knowledge standard of the DMCA, as there are inconsistencies between the judicial interpretations and the DMCA rules regarding the real functions of ISPs. This could affect the efficiency of the approach for deterring copyright infringement and promoting the ISP industry. Therefore, the DMCA knowledge standard is a broad knowledge standard and notice and take-down procedures can be used as part of an effective knowledge standard, subject to some modifications as recommended in the final chapter.

The limited case law available leaves the law of contributory trademark infringement ill-defined, “especially when applying it to online marketplaces”²⁷³. However, based on the aforementioned cases, the potential for imposing secondary liability in favour of trademark owners exists but ambiguities also exist as to how the trademark owner can provide knowledge according to the InWood knowledge standard. This could affect the interests of both parties in cooperating to combat infringement. Although the courts apply the InWood standard test rather than other tests such as tort law standards (probabilistic knowledge, negligence, and ‘but for’ tests), current interoperations do not eliminate the ‘reasonable man’ test and divergent interpretations.

Regarding the role of differences of trademark and copyright, it seems that their potential differences (such as monitoring) does not have any consequence on criteria of evaluating ISP knowledge when ISP operate in a neutral manner and without inspecting of date (as would be more explained in chapter 5 and 6).

Consequently, the answer to the research question seems to be: the current broad knowledge standard seems appropriate in terms of the type of standard, but they suffer from legal weaknesses in the identification of infringement and the criteria for attaching specific knowledge and constructive knowledge to ISPs. Furthermore, current interpretations do not tackle these ambiguities and do not offer any proper guidance for upcoming cases or to encourage both parties’ interest in cooperation. Based on the current interpretations of the InWood standard, modifications and limitations to its scope (in the form of the ‘reasonable man’ test) seem to be needed. In this regard, are made in the final chapter.

²⁷³ *Tiffany*, 2010 WI 1236315, [9].

CHAPTER IV: Knowledge Standards for ISPs' Copyright and Trademark Liability in the EU E-Commerce Directive

4.1 Introduction

The knowledge requirement for imposing secondary liability for copyright and trademark infringement upon ISPs has been established explicitly in the European E-Commerce Directive (ECD) 2000/31²⁷⁴. It has been considered a vital factor for an information society service to benefit from the ECD's safe harbours. The ECD was also introduced to harmonise ISP regulations, because the countries involved were different in terms of the criteria depicting ISP knowledge standards and ISPs' liability. The divergence in the knowledge standards among the Member States affected the ISPs' functions concerning the expansion of cross-border services as it caused uncertainty. This claim is attested by the ECD Recital 40: "Both existing and emerging ISP disparities in Member States' legislation and case law concerning liability of service providers acting as intermediaries prevent the smooth functioning of the internal market, in particular by impairing the development of cross-border services and producing distortions of competition"²⁷⁵.

Before the ECD, the lack of harmonisation regarding the knowledge standards for ISPs' secondary liability prevented closer links being formed between the Member States and their people and prevented the free movement of information society services²⁷⁶. Meanwhile, some countries had specific regulations about ISPs or used case law or general tort in relation to ISP liability cases. Given this trend, the ECD knowledge standard was enacted to eliminate the aforementioned barriers and to contribute to the proper

²⁷⁴ The directive was adopted on 8 June 2000.

²⁷⁵ ECD Recital 40; 'See also' Anonymous, 'EU progress on Internal Services Directive At Last'(2006) 24(5) The Safety & Health Practitioner 8 <<http://search.proquest.com>> accessed 1 March 2013.

²⁷⁶ As quoted in Recital 1 of the ECD: "moreover, specific free movement is a part of a general principle of law in the European Electronic Community, namely freedom of expression based on Article 10 (1) of the European Convention on Human Rights and Fundamental Freedoms"; Pablo A. Baisterocchi, 'Liability of Intermediary Service Providers in the EU Directive on Electronic Commerce', (2003) 19 Computer & High Technology Law Journal 112.

functioning of the internal market by ensuring the free movement of information society services between the Member States²⁷⁷. In this regard, the European Commission provided some limitations to the liability of ISPs in Articles 12–14 in the form of knowledge requirements. The knowledge standard is split into two forms: a) actual knowledge and b) awareness of apparent infringement (constructive knowledge). The scope of the knowledge standard is limited to certain types of ISP services in the internal market but it has the capability of covering different types of infringement²⁷⁸ in certain types of ISP services. In sum, the ECD takes a horizontal approach to ISPs' knowledge²⁷⁹ i.e. it has recognized a criteria for assessing all types of infringement, like; copyright, trademark and other rights, whereas vertical approach is based on different critical for each type of infringement). Regarding the tendency of the Member States to implement the ECD knowledge standard in their national laws and as the First Commission Report noted, in Articles 12–14, the knowledge standard have been literally transposed to the national laws in most Member States²⁸⁰. However, copyright and trademark infringement legislation exists in many forms and this issue has

²⁷⁷ ECD art 1(1); The ECD aims to be a leading law that each Member State has to impose upon its own national law. See also The Treaty on the Functioning of the European Union, art 288, 2008 O.J. (115) 74 ;“a directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.”).

²⁷⁸ This knowledge standard is widely defined and it covers information society services, which, according to ECD Article 2 (b), consist of any natural or legal person providing an information society service; For finding international perspective on ISP liability ‘See also’ Lynda J. Oswald, *International Issues in Secondary Liability for Intellectual Property Rights Infringement*, (2008) *American Business Law Journal* 45(2)247–282.

²⁷⁹ Weckstrom, ‘Liability for Trademark Infringement for Internet Service Providers’ (2012) 16 *MARQ. Intell. Prop. L. Rev* 1 <<http://scholarship.law.marquette.edu/cgi>> accessed 11 February 2013.

²⁸⁰ The First Commission Report, at 67, 72 for instance. France implemented the E-Commerce Directive with the passage of the law on copyright and related rights in the information society on 1 August 2006. In 2002, Spain implemented the E-Commerce Directive as part of its law on information society services and electronic commerce (with safe harbours for ISPs). Germany did the same in 2007 as part of the Telemedia Act and Italy did this in 2003, without specifying notice and take-down procedures for ISPs; see Emerald Smith, ‘Lord of the files: International Secondary Liability for Internet Service Providers’(2011) 68 *Wash. & leel. Rev* 1575-1578.

raised some questions concerning the efficiency and clarity of the ECD knowledge standard²⁸¹.

This chapter focuses on the following research questions: *Whether Electronic Commerce Directive provisions and case law interpretations are able to afford the legal integration regarding criteria and approaches to ISP knowledge standards, to shield ISP and other parties' rights in information society.* Aside from these questions, the appropriateness of the legislation approaches (horizontal or vertical) to the knowledge standard and the knowledge-critical factors (i.e. constructive knowledge or awareness of apparent infringements) are explored.

To answer these research questions, this chapter firstly draws attention specifically the ECD knowledge standard for ISPs' liability for copyright and trademark infringement and then evaluates the application of the knowledge standard as a factor of the ECD's safe harbour provisions. Furthermore, this study attempts to examine the related law cases and statutes (in different countries) to better elaborate the deficiency or efficiency of the ECD knowledge standard.

4.2 ISP Knowledge Standard

Article 14 of the ECD provides the knowledge standard for ISPs; if an ISP complies with the provisions, it is eligible to benefit from the exemption to limited liability as a hosting and/or caching service. It is worth noting briefly that the ECD limitation only gives ISPs immunity from financial damage; it does not eliminate the issuing of any types of injunction that are compatible with the national laws of the Member States, as demonstrated in the final paragraphs of Articles 12–14²⁸² and Article 15 of the ECD²⁸³. In addition, the

²⁸¹ Due to the possibility of divergence in evaluating ISPs' knowledge among the Member States, ISPs could be held liable without knowledge of the existence of illegal or infringing content.

²⁸² Article 13-2 "This Article shall not affect the possibility for a court or administrative authority, in accordance with the Member States' legal systems, of requiring the service provider to terminate or prevent an infringement". Article 14-3 (hosting): "This Article shall not affect the possibility for a court or administrative authority, in accordance with the Member States' legal systems, of requiring the service provider to terminate or prevent an

ECD does not define the types of liability applicable to ISPs²⁸⁴. Article 14 of the ECD classifies the knowledge requirement/standard into two aspects: actual knowledge and constructive knowledge, as below:

Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that: (a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or (b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information²⁸⁵.

Article 14-1(a) (b) thus shows that the ECD knowledge standard is a broad knowledge standard because it comprises both actual and constructive knowledge. Alongside this, the ECD knowledge standard is based on the fault-based liability of tort, rather than strict liability²⁸⁶. The use of a broad knowledge standard seems reasonable because in the present digital age, many people can access the internet at low costs and can easily violate copyright, trademark, or other rights (see the report on eBay counterfeit goods)²⁸⁷. For this reason, a broad knowledge standard can protect the rights of right holders and can lead to better participation in the information society (on the internet).

Moreover, for the most part, the objective knowledge requirement (awareness) can lead to tackling some objective violations. Furthermore, the ECD's broad

infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information”.

²⁸³ In addition, the IP Enforcement Directive and the Copyright Directive are explained and addressed in the last part of this chapter in terms of the assessment of knowledge and providing injunctions.

²⁸⁴ Baisterocchi (n 276)118; if an ISP does not qualify to benefit from Article 14, its liability will be determined by the national law of the relative member. This is the same as in the US, where if the ISP does not comply with the provisions of the DMCA, its liability will be determined by general tort law.

²⁸⁵ art14-1.

²⁸⁶ This view indicates that the roots of ISPs' knowledge are in contributory liability, as explained in Chapter III; see Katri Havu, 'Horizontal liability for Damages in EU law - The Changing Relationship of EU and National Law'(2012) 18(3) European Law Journal 424.

²⁸⁷ eBay (n264)

knowledge standard comprises many types of infringement, like trademark, defamation, copyright, and other infringement. In other words, the knowledge standard is based on a horizontal approach²⁸⁸ instead of a vertical approach, applying different approaches to different types of infringement. Moreover, in the vertical approach, the terms and conditions for evaluating an ISP's knowledge of infringement are different, as the InWood standard for trademark infringement and the DMCA in the US show²⁸⁹.

Concerning the rationale and philosophy behind applying the horizontal approach in the ECD, some commentators have noted that it reinforces the prohibition of monitoring (Article 15), because the impossibility of monitoring and controlling users' data means that ISPs act as passive and neutral machines; therefore, implementing a horizontal approach seems to be in line with ISP functions²⁹⁰. However, in practice, there are differences between the types of infringements. For instance, a famous trademark does not need more monitoring or monitoring prohibition as trademark infringement is not the same as copyright infringement, as ruled in the InWood trademark standard in the US. It seems that, besides the monitoring prohibition, the logic behind implementing the horizontal approach is the result of a prevalent, instrumental, and economical view on the realism of tort that applies to the instrumental and economical view of protecting the economic advantages of ISPs, which are linked to the ECD's aims²⁹¹. Additionally, the horizontal approach of the knowledge standard links with fault-based liability, because fault-based

²⁸⁸ This is based on whether the ISP is a broker or passive host service; see Brandon Peene, 'Lux for Less: Ebay's Liability to Luxury Brands for the Sale of Counterfeit Goods' (2010) 40 SECTION HALL L.REW 1087-89; Michael Paroussis and Helen G. Papaconstantinou, 'Greece EU Directive Provides Little Help to Greek Patent Owners', (2010) Building and Enforcing Intellectual Property Value 125. It's worth noting that means of standard which applied in this part is knowledge standard for assessing ISP actual and constructive knowledge on user infringement.

²⁸⁹ They applied vertical approaches in terms of policing the owners of content on the web; Baisterocchi (n276)117.

²⁹⁰ See Kurt M. Saunders and Gerlind Berger-Walliser, 'The Liability of Online Markets for Counterfeit Goods: A comparative Analysis of Secondary Trademark Infringement in the United States and Europe', (2010) 32(1) Northwestern Journal of International Law and Business 55-63.

²⁹¹ The ECD has been broadly compared with the relevant US laws in Chapter V.

liability depends on the ISP's infringement with knowledge, rather than the types of rights that were infringed by the ISP.

Following from the above outline of the fundamentals of the ECD knowledge standard, the research moves to discuss the appropriateness of the ECD broad knowledge standard and the efficiency of case law's interpretations of it, in order to partly answer the research questions.

4.2.1 Actual Knowledge

The ECD only classifies the level of ISP knowledge for secondary liability, instead of defining what actual knowledge is. Which type of knowledge does actual knowledge require? Does it require human knowledge or computer knowledge on illegal activities or illegal information from the hosting or caching service? Does actual knowledge constitute intent and negligence? Overall, the ECD is silent regarding the concept of actual knowledge, preventing ISPs from easily recognising which activities or information are legal and which are illegal. In addition, it does not specify whether actual knowledge requires general knowledge or if it requires specific knowledge in relation to illegal content²⁹². In short, the ECD leaves it to the court to determine the levels and types of knowledge that actual knowledge requires.

In this regard, the courts provide different rules. For instance, Spain transposed actual knowledge to its Information Society Services and Electronic Commerce Act 2002²⁹³ (LSSICE) in Articles 16 and 17. In the case of *ajoderse.com*, the Spanish court applied a restrict interpretation relating to actual knowledge in Article 17 (concerning the immunity of information location tools). The court stated that for a service provider to be held liable:

²⁹² Saunders and Walliser (n312) 62.

²⁹³ "In July 2002, the Spanish Parliament approved Act 34/2002 on the Information Society Services and E-Commerce, by means of this new Act, which came into force in October 2002, the Spanish authorities incorporated the EC Directive 2000/31 ('Directive on electronic commerce') into Spanish law"; Alberto P. Gómez, 'Act on E-Commerce', (2002) IRIS Merlin <<http://Merlin.Obs.Coe.Int>> accessed 12 July 2012; 'See also' Carolina Gonzalez-Honorato, 'The Information Society Services and Electronic Commerce Spanish Act'(18th BILETA Conference, London, April 2003) <<http://www.bileta.ac.uk>> accessed 12 July 2012.

...there must be actual knowledge on the part of the service provider that the hyperlinked activity or information is illegal. However, even if the service provider knows that the linked pages are illegal, Law 34/2002 defines what is understood as actual knowledge in the final paragraph of Article 17.1²⁹⁴.

Furthermore, the German courts have stated that actual knowledge is specific knowledge about the illegal content, rather than general knowledge of the infringement²⁹⁵. In addition, the German courts have explicitly focused on the relationship between specific knowledge and negligence and have noted that actual knowledge is not dependent on negligence or intent, unlike constructive knowledge.

Generally, the lack of guidance for interpreting actual knowledge of infringement in the ECD causes the courts to admit general knowledge rather than specific knowledge in practice and to focus on finding out about actual knowledge. As mentioned by Poch²⁹⁶, the courts in Spain have decided some cases based on the nature of fact and general knowledge, whereas actual knowledge is seen as related to specific knowledge of illegal activities.

Admitting specific knowledge of infringement as actual knowledge does not close the debate on the efficacy of the ECD actual knowledge standard because this standard does not require ISPs to establish notice and take-down procedures to benefit from immunity of actual knowledge and to combat infringement. In this regard, the ECD (Recital4)only permits the Member State to “establish specific requirements which must be fulfilled expeditiously prior to the removal or disabling of information”²⁹⁷. To achieve this, ISPs need to harmonise their notice and take-down procedures, with specific elements across all EU Members States. The following section analyses some of the

²⁹⁴ Miquel P. egueraPoch, ‘I Just Know that I (actually) Know Nothing’: Actual knowledge and Other Problems in ISP Liability Case Law in Spain’, (2008), *European Intellectual Property Review*.

²⁹⁵ *Greatest Hits II* 12 O621/07, MMR [2008] and the case of *Rapidshare II* [1993] HCA 10; See Stefano Barazza, ‘Secondary Liability for IP Infringement: Converging Patterns and Approaches in Comparative Case Law’, (2012) 7(12) *Journal of Intellectual Property Law and Practice* 7.

²⁹⁶ Poch(n316)

²⁹⁷ Recital 46.

vital elements of notice and take-down procedures and their judicial interpretations.

4.2.1.1 Actual Knowledge and Notice and Take-Down Procedures

Notifications have been prevalent among the Member States as the mechanism for proving an ISP had actual knowledge of infringement. However, the fact is that the self-admitting notice as an approach to evaluate actual or specific knowledge of copyright or trademark infringement is not enough in establishing actual knowledge. In this regard, this research delves into the elements of notice and take down and its current law case interpretation:

4.2.1.1.1 Identification of Copyrighted and Trademarked Works and Their Locations

To obtain actual knowledge, an ISP needs information about the protection of copyright or trademarks and sufficient information about the location of the alleged infringement to find it among the vast content on the internet and numerous trademarks and goods. Regarding notice and take-down procedures, the ECD suffers from legal gaps in terms of offering useful guidance for clarifying how a proper notice must be formatted. It also suffers from a lack of clarity in the actual knowledge standard in terms of defining the entity responsible for providing reasonable information regarding the protection of copyright and trademarks and their locations. In this regard, there are differences in implementing the notice and take-down procedures and clarifying their elements:

a) Many Member States (like Germany and the Netherlands) do not have a formal format for notification procedures but their case law and legal doctrines give some criteria²⁹⁸.

b) Other Member States have not established formal notice and take-down procedures but notification is mandatory in their statutes (for instance in the UK).

²⁹⁸ Federico Poggi and Alis-Irena Riviere-Osipov, 'Legal Analysis of A Single Market for the Information Society'(2009) European Commission <http://ec.europa.eu/information_society> accessed 1 December 2011.

c) Some Member States have established formal notification procedures, such as France, Spain, and Italy²⁹⁹. However, Spain has imposed that a notification be sent to the ‘competent body’ instead of the ISP. Spain’s legislature also does not clarify which format the court requires a notice to follow. In addition, it does not clarify when the right holder has the right to send such a notice to the ‘competent body’³⁰⁰.

d) In contrast to all of the above, the UK’s statutes state that notification must explicitly enclose reasonable information about the location of the alleged infringing content and the unlawful nature of the infringement.

With respect to case law’s interpretations of notification and its elements, EU case law has recognised notification as an instrument to inform the defendant. The courts have applied this in the following cases: *Lancôme Parfums et Beaute & Cie v. eBay International AG*, *SABAM v. Scarlet*, *ROLE v. eBay (Germany)*, and *Louis Vuitton v. eBay (France)*.

In the case of *Louis Vuitton v. eBay (France)*, Louis Vuitton sued eBay and claimed that eBay did not take sufficient action to stop the sale of counterfeit goods on its online auction site. The issues went back to the admissibility of a general notice on the counterfeit goods and imposing investigative duties on a service provider, because eBay claimed that it did not have sufficient expertise to investigate and find out whether a product was counterfeit or if it violated the trademark of the protected goods³⁰¹. eBay stated that if the owner of the trademark provided evidence to support his claim, eBay would take down the infringing material.

²⁹⁹ See Laurent Szusk, Sophie Fourques de Ruyter and Jennifer Doucleff, ‘Beyond Counterfeiting: The Expanding Battle against Online Piracy’, (2009) 21 *Intellectual Property & Technology Law Journal* 4.

³⁰⁰ The official translation of Article 16 is as follows: “it will be understood that the service provider has the actual knowledge referred to in paragraph (a) when a competent body has declared that the data are unlawful or has ordered their removal or the disablement of access to them or existence of the damage has been detected and the removal of content that providers may apply by virtue of voluntary agreement and without prejudice to other means of actual knowledge that might be established.”; Poch(316).

³⁰¹ Patrick van Eecke and Barbara Ooms, ‘ISP liability and the E-Commerce Directive: A growing Trend Toward Greater Responsibility for ISPs’, (2007) 3 *Journal of Internet Law* 7 ; Patrick van Eecke and Maarten Truyens, ‘Recent Events in EU Internet Law’, (2010) *Journal of Internet Law* 21.

The case shows that a plaintiff can generally inform or notify a website concerning the identification of the location of the infringing material and does not need to illustrate clearly a specific location of trademark infringement. In addition, it has been proven that a notice has to consist of information regarding the protection of a trademark by trademark law, although there are no specific rules regarding the reasonable information that a notification requires. In practice, the courts have admitted general information rather than specific information for the identification of infringement. Since case law illustrates that a plaintiff can force a service provider to address infringing material by providing only general information, this claim is evidenced by considering the duty of the ISP to implement technical measures to search its network to find the infringing material. For instance, in the case of *SARL Zadig Productions, Jean-Robert Viallet et Mathieu Verboud v. Ste Google Inc. et AFA*³⁰², the court believed that when Google was informed about the existence of the infringing film, it was obliged to prevent any future dissemination of the plaintiffs' film. In short, case law interpretations frequently only require informing the ISP generally, rather than supplying the ISP with specific information. Other interpretations do not require copyright or trademark holders to send a notice with the specific location of the infringement or with reasonable information.

Consequently, in analysing these cases, it appears that case law interpretations do not establish any useful guidance in relation to reasonable information on the alleged trademark or copyright infringement for creating a notification. The court permits accepting a notice with general information rather than specific information regarding the identification of copyrighted and trademarked works and their locations. Thus, in spite of broadly admitting notice as a factor of actual knowledge, case law interpretations suffer from a lack of specific and useful guidance concerning reasonable information in providing a notification. These legal gaps, accompanied with admitting general information as reasonable information for notification, lead to an increase in

³⁰² *SARL Zadig Productions, Jean-Robert Viallet et Mathieu Verboud v. Ste Google Inc. et AFA*, Tribunal de Grande Instance de Paris (3d Chambers, 2d Section), decision of 19 October 2007; Seagull Haiyan Song, 'A Comparative Copyright analysis of ISP Liability in China Versus the United States and Europe' (2010) 27 *The Computer & Internet Lawyer* 13.

the risk of ISPs being held liable without knowledge. Furthermore, admitting general information as reasonable information for notification forces the ISP to investigate to identify the location of the infringement in its network, which forces ISPs to act against the prohibition of monitoring (in conflict with Article 15).

4.2.1.1.2 Expediently Removing or Disabling Access by Receiving Notice as Actual Knowledge

An investigation to find the location and intellectual property (IP) right protection of an alleged infringement requires time. The ECD, using the term ‘working expeditiously’, requires ISPs to remove or disable access to the alleged infringement upon receiving the notice and then to contact the customer, or it requires ISPs to wait for the result of the contact with the customer, remove or block access to the alleged infringement, and consider the good faith belief of the notice. An ISP offering hosting and/or caching services has to consider multiple parties’ rights, including those of the ISP itself, copyright and trademark holders, and users³⁰³. Users, like copyright and trademark holders, seek online freedom of expression and safe networking places. Therefore, forcing ISPs to take down or block access to alleged infringing content expeditiously upon receiving a notice from an alleged right holder without contacting the user or customer creates legal issues. The owner of the website can easily take legal action against the ISP to receive compensation because of the unjustified removal of material.

Consequently, to protect all parties, explicit definitions regarding the legal concept of ‘expeditious removal’ seem necessary³⁰⁴. In addition, the legal ambiguities about the rights and timescales involved for the ISP to contact the

³⁰³ See Ian King, ‘On-line Privacy in Europe--New Regulation for Cookies’, (2003) 12(3) Information & Communications Technology Law 228 ; Assafa Endeshaw, ‘Regulating the Internet: Clutching at a Straw?’ (1998) 20(16) Computer Communications 1520.

³⁰⁴ Some of the Member States have applied the word ‘expeditiously’ in their statutes, like Article 6.I.2 of the French CDEA: “They will similarly be exempt from liability if, upon obtaining such knowledge or awareness, they then act expeditiously to remove or disable access to the information”; ‘See also’ Huaiwen He ,’Safe harbor Provisions of Chinese Law: How Clear are Search Engines From Liability?’(2 0 0 8) Computer law & S e c u r i t y R e p o r t 2 4 4 5 4 – 4 6 0

customer or user need to be tackled. The legal ambiguities relating to the term ‘expeditiously’³⁰⁵ put ISPs in the middle of the door of³⁰⁶ being held liable: if an ISP ignores an alleged infringement notice (or addresses it too late), it might be sued by the right holder. If it recognises the notice and restricts access to the alleged infringing content, it might be sued by its users for breaching freedom of expression or breaching competition or other illegal actions³⁰⁷. The ECD does not address the above ambiguities. Likewise, EU case law does not have a fixed rule for responding to and clarifying the above ambiguities. For example, the Netherlands’ case law has interpreted the term ‘expeditiously’ as requiring the alleged infringing content to be immediately taken down, while other cases have defined and interpreted the term differently. In line with this discussion, the Nas study³⁰⁸ is one of the best examples illustrating the divergent interpretations of ‘expeditiously’ removing or blocking access to alleged infringing content. Nas, in the Multatuli Project, studied three dial-up ISPs (Freeler, Tiscali, and Wanadoo), three paid access providers (Demon, Planet Internet, and XS4ALL), three hosting providers (iFast, Ladot/Active 24, and Yourhosting), and one cable internet provider (UPC/Chello). The Nas study clearly shows the existence of divergent interpretations on the term ‘expeditiously’, as further elaborated in the following paragraphs.

Tiscali, as a large access provider in Europe, paid attention to a notice one day after receiving it, without sending a full complaint to the customer. The right holder’s representative told Tiscali to give the customer 48 hours to remove

³⁰⁵ For instance, French law also requires the immediate removal or blocking of access in criminal cases: “Article 6.I.3 sets a stricter standard for criminal liability, since in this case the limitation of liability is only lost where there is actual knowledge of the unlawful nature of the material. Naturally, liability is likewise avoided by the hosting service provider who removes or disables access to the information as soon as it acquires such actual knowledge, pursuant to the provisions of Article 14 of the DEC” ; See pp 27-29.

³⁰⁶ Consider the effect of such vagueness when national jurisprudence determines an ISP’s liability as a contributing factor for a crime by using the national penal code.

³⁰⁷ For instance, in the 2006 Appellate Court of the Hague, all claims were rejected and it was ruled that freedom of expression should prevail over copyrights ; See Sjoera Nas, ‘The Multatuli Project: ISP notice & take down’ (2004) <<http://www.bof.nl/docs>> accessed 1 December 2011.

³⁰⁸ *ibid.*

the alleged infringing content³⁰⁹. Furthermore, Wanadoo acted fast in response to a complaint by giving its customer 24 hours to remove the alleged infringing content without sending them a full complaint notice. It removed the offending website's homepage ten days after receiving the second notice³¹⁰. In addition, Yourhosting, a hosting service, received a complaint and removed the alleged infringing websites within three hours³¹¹.

In addition, related to the right of an ISP to contact the user and to allow a logical time for taking down the alleged infringement, the Ladot/Active 24 host service immediately contacted its customer to remove the alleged infringing content within 24 hours. Along with this, it contacted the copyright representative (Mr Droogleever) and stated that the content would be removed subject to customer response: if the customer claimed that the content had the copyright holder's permission to be used, Ladot/Active 24 could not remove the alleged infringing content and Mr Droogleever would need to take legal action³¹².

In line with the above host services, the iFast host service sent full details of the customer to the representative of the copyright owner and asked them to contact the customer directly. The representative of the copyright owner contacted the customer directly to remove the content and carbon-copied in iFast, insisting that if the customer ignored the takedown after 12 hours, it would take legal action against the customer. However, iFast complained within 12 hours³¹³.

In reviewing the above study in relation to recognising the service provider's right to contact the user and to specify the time to take down the alleged content after receiving the notice, it appears that the service providers did not send full complaints to their customers. Four ISPs removed the materials without even looking at the websites or demonstrating any evidence of basic

³⁰⁹ *ibid.*

³¹⁰ *ibid.*

³¹¹ Yourhosting contacted the customer and wrote to the representative of the copyright owner (Mr Droogleever) that "normally we only take materials off-line if we receive a written notification with proof, but in this case we have made an exception."

³¹² *ibid.*

³¹³ *ibid.*

copyright knowledge³¹⁴, and three hosting providers prevented their customers from defending their materials as not breaching IP rights.

This shows that removing alleged infringing materials expeditiously only upon receiving a notice affects access to actual knowledge because it forces the ISP to take down alleged infringing materials even if the notice has been sent in bad faith, for instance if the notice was sent by a competitor of the right holder. Without a statement (see following section), this can aggravate issues, especially when there is a lack of a proper mechanism in case law interpretations and the ECD has to be used identify whether the notice was sent in good faith. In particular, issues arise when ISPs take down alleged infringing materials without waiting for the user's response³¹⁵. In summary, there are divergent interpretations about expeditiously removing or blocking access to alleged infringing content, and these interpretations are inadequate in filling the legal gaps of the ECD knowledge standard to protect the rights of ISPs and other parties.

4.2.1.1.3 Good Faith, Put-Back Procedures and Statements

Sometimes, right holders send a notice to an ISP in good faith that contains mistakes (wrong information), send a notice mistakenly, or send a notice intentionally to make content be removed by the ISP for reasons other than right infringement³¹⁶. Therefore, the lack of a 'statement' from the sender as a precondition of taking down or blocking access threatens the ISP's protection by the actual knowledge standard. In addition, the lack of put-back procedures to return the data back³¹⁷ and a legal approach to evaluate the good or bad faith of a notice has effects on the efficacy of the actual knowledge standard.

³¹⁴ *ibid.*

³¹⁵ For more on the ECD's issues; Rosa Julià-Barcelo and Kamiel J. Koleman, 'Intermediary Liability in the E-Commerce Directive: So far so good, but it's Not enough' (2000) Institute for Information Law <<http://www.ivir.nl>> accessed 12 July 2012.

³¹⁶ This is especially true nowadays as there are more phishing attacks and because fake notifications can easily be sent; see Scott Larson, 'Enforcing Intellectual Property Rights to Deter Phishing', (2010) 22 Intellectual Property Technology Law Journal 3.

³¹⁷ Baisterocchi (n276)125.

Overall, it should be noted that the ECD actual knowledge standard is not adequate in helping ISPs determine whether to remove suspicious material or not. Finding out who the holder of a copyright or trademark alleged to have been infringed is or whether it is protected by fair use and so on requires specific knowledge, skills, and time, rather than expeditious action. It requires the evaluation of millions of bytes of data to find out which content is illegal. Imposing the above duties on an ISP forces the ISP to turn into a publisher rather than an intermediately service. Moreover, ISPs, in practice, receive numerous notices that are not sufficient as actual knowledge, are not sent in good faith, are sent in good faith but contain wrong information, or are sent wrongly to the ISPs. Indeed, complying with the ECD actual knowledge standard in current provisions causes ISPs to receive multiple complaints about an alleged infringement. In addition, the knowledge standard often leads to an ISP removing or blocking access to alleged infringing material automatically or systematically, without paying attention to others' rights. Overall, a private notice that does not include the name, address, and electronic signature of the complaining party; sufficient information to identify the work alleged to be infringed; the location of the alleged infringing material; and a statement of the accuracy of the notice cannot give the ISP a chance to benefit from the actual knowledge standard in Article 14 of the ECD. Expeditiously removing or blocking access to the alleged infringing content upon receiving such a notice as sufficient knowledge does not reflect the ECD's aim.

4.2.2 Constructive Knowledge (Awareness)

Article 14(1) (b) of the ECD considers constructive knowledge alongside actual knowledge for exempting ISPs from liability when the ISP “is not aware of facts or circumstances from which illegal activity or information is apparent”³¹⁸. Awareness of apparent infringement is the same as ‘should have known’ or ‘had reason to know’ user infringement, as implemented in tort law’s evaluation of constructive knowledge³¹⁹.

³¹⁸ art 14(1) (b)

³¹⁹ Jonina S. Larusdottir, ‘Liability of intermediaries for copyright infringement in the case of hosting on the internet’ (2010) Stockholm Institute for Scandinavian Law484.

The following sections analyse Article 14(1) (b) in terms of how ISPs' knowledge or awareness should be evaluated. An attempt is made to discover whether the ECD constructive knowledge standard comprises subjective and objective tests³²⁰. Alongside this, it explores the judicial interpretations of the term 'apparent'.

Considering the requirement that the service provider "is not aware of the facts or circumstances from which the illegal activity or information is apparent" it seems that subjective knowledge is limited to the service provider's awareness of the alleged infringement. The legal challenges concerning awareness refer to the constructive knowledge criteria for evaluating and defining the term 'apparent'. Should it be evaluated by a 'reasonable man' test (a tort law measure) or by a technical test (the same as the subjective elements of the 'red flag' test)? In order to find criteria for defining the term 'apparent', some EU countries' legislations and law cases are explored.

4.2.2.1 Act Criteria for Defining the Terms 'Apparent' and 'Awareness' in Assessing Constructive Knowledge

The UK Copyright, Designs and Patents Act (CDPA) states in Section 23 that "an article which is, and which he knows or has reason to believe is, an infringing copy of a copyright work"³²¹. In considering the wording of "has reason to believe" in evaluating constructive knowledge and the Court of Appeal's decision in the *LA Gear Inc. v. Hi-Tec Sports Plc.*³²² case, it appears that the UK courts pay attention to the 'reasonable man' test rather than technical criteria in defining the terms 'awareness' and 'apparent'.

³²⁰ A subjective test requires that an ISP be aware of the facts and objectives.

³²¹ "Work is infringed by someone who, without licence from the first owner, copies, issues copies to the public, performs plays or shows in public, broadcasts or adapts a work or authorises another to do so... Copyright is infringed if a person: (a) possesses in the course of business; (b) sells or lets for hire or offer or exposes for sale or hire; (c) in the course of a business exhibits in public or distributes; or d) distributes otherwise than in the course of business to such an extent as to affect prejudicially the owner of the copyright, an article which is, or which he has reason to believe is, an infringing copy"; <<http://www.uwe.ac.uk/finance/sec/copyright/F18.pdf>> accessed 1 April 2012.

³²² [1992] FSR 121 (HC).

Germany applies an assessment of ‘should have known’³²³ user infringement based on the ‘reasonable man’ test for evaluating subjective knowledge; therefore, the German courts define ‘awareness of apparent infringement’ in the same way as constructive knowledge. In other words, there are no specific interpretations of ‘apparent’ infringement.

In contrast, Austrian legislature (according to the Commission Report) defines ‘apparent infringement’ as manifestly illegal content and as infringement that is obvious to non-lawyers without further investigation³²⁴. In addition, in France, the Paris Court of Appeal ruled that the sale of copyrighted video games well below counter prices is considered manifestly illegal content³²⁵.

Analysing the above interpretations and legal criteria for interpreting the phrase ‘awareness of apparent infringement’, it appears that some countries have the tendency to implement the ‘reasonable man’ test to interpret and evaluate awareness of infringement. The fact is that implementing this test imposes aggregative issues on ISPs because it is based on general law grounds, which are not compatible with ISPs. An ISP needs clear guidance regarding apparent infringement rather than the varied ‘reasonable man’ test, in order to avoid confusion.

4.2.2.2 Case Law Criteria for Defining the Terms ‘Apparent’ and ‘Awareness’ in Assessing Constructive Knowledge

EU case law has provided some guidance for evaluating and interpreting awareness or constructive knowledge. For instance, in the *L’Oréal* case, the court considered whether eBay had been aware of facts or circumstances from which the illegal activity or information was apparent, because offers for sale were at issue and infringed L’Oréal’s trademarks³²⁶. The court interpreted the terms ‘awareness’ and ‘apparent’ widely by noting that:

³²³ See commission report, p.35.

³²⁴ *ibid* p34. It is worth noting that the illegal content could be found without investigation into the trademark.

³²⁵ *ibid*

³²⁶ para, 120; Iain Irvine, ‘The eBay Cases – Secondary Liability for E-Market Trade mark Infringement’ (2012)/15Internet Law Bulletin63.

...it is sufficient, in order for the provider of an information society service to be denied entitlement to the exemption from liability provided in Article 14 of Directive 2000/31, for it to have been aware of facts or circumstances on the basis of which a diligent economic operator should have identified the illegality in question and acted in accordance with Article 14(1) (b) of Directive 2000/31³²⁷.

The court also explicitly admitted that ‘awareness’ must cover situations where the service provider concerned becomes aware, in one way or another, of such facts or circumstances³²⁸. Additionally, the court ruled that ‘apparent’ infringement is infringement that a ‘diligent economic operator should have identified’; therefore, ISPs have to pay attention to the illegality of their users’ content. This shows that the court extended the scope of ‘awareness’ to cover all situations that could lead to obtaining knowledge about illegal content, instead of limiting it to obvious illegal activity or information. As illustrated in paragraph 122:

The situations thus covered include, in particular, that in which the operator of an online marketplace uncovers, as the result of an investigation undertaken on its own initiative, an illegal activity or illegal information, as well as a situation in which the operator is notified of the existence of such an activity or such information. In the second case, although such a notification admittedly cannot automatically preclude the exemption from liability provided for in Article 14 of Directive 2000/31, given that notifications of allegedly illegal activities or information may turn out to be insufficiently precise or inadequately substantiated, the fact remains that such notification represents, as a general rule, a factor of which the national court must take account when determining, in the light of the information so transmitted to the operator, whether the latter was actually aware of facts or circumstances on the basis of which a diligent economic operator should have identified the illegality³²⁹.

When considering the phrase ‘diligent economic operator should have identified’, it seems that the courts focus on the terms ‘apparent’ and ‘awareness’ in light of the objective test, rather than offering any definitions.

³²⁷ para,120

³²⁸ para,121.

³²⁹ para123

This focuses on the ISP's 'active role' regarding the infringement, as cited in paragraph 123: the operator plays such a role when it provides assistance that entails, in particular, optimising the presentation of the offers for sale in question or promoting them³³⁰. Therefore, an ISP is liable if it is aware of the facts or circumstances on the basis of which a diligent economic operator should have realised that offers for sale or the provision of other services for trademarks or copyright were unlawful and, in the event of it being so aware, failed to act expeditiously in accordance with Article 14(1) (b) of Directive 2000/31³³¹.

When analysing it closely, it seems that the ECJ only links the phrases 'awareness' and 'apparent' to the phrases 'diligent economic operator' and 'active role'. In other words, it only uses a subjective and objective test for constructive knowledge without clarifying how an ISP can assess the phrases 'diligent economic operator' and 'active role'. In addition, the ECJ has concluded that it depends on the national courts to evaluate whether an ISP can pass these tests or not. This seems to allow the national courts to evaluate constructive knowledge by the 'reasonable man' test or other general criteria.

Overall, it is clear that the current rules of EU case law are inadequate in offering a stable and reliable approach for ISPs to identify when a website is exhibiting apparent illegal infringement.

4.2.2.4 Constructive Knowledge and Preventing Future Infringement with Injunctions

The possibility of issuing injunctions raises questions regarding the ECD's definition of constructive knowledge and how an ISP can accomplish preventing duty with general knowledge of infringement, because investigation and monitoring are in contrast with the general rule of Article 15. Article 15 of the ECD states that Member States shall not impose a general obligation on service providers to monitor the information they transmit or

³³⁰ Ibid ,In view of this discussion, it can be noted that Article 14 (1) of Directive 2000/31 must be interpreted as applying to the operator of an online marketplace where that operator has not played an active role allowing it to have knowledge or control of the data stored.

³³¹ See para, 124.

store by performing mere conduit, caching, and hosting services, nor should they be they under a general obligation to actively seek facts or circumstances indicating illegal activity³³². However, the general obligation of non-monitoring has some exceptions, according to Article 15-1, Recital 47,³³³ and Article 15-2:

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 agreements³³⁴.

In general, the national courts have permitted the issuing of injunctions to order ISPs to prevent further infringement, as stated in Articles 12-3, 13-3, 14-3³³⁵, 18-1³³⁶ and Recital 45³³⁷ of the ECD and in other EU directives (i.e. Directive 2001/29/EC on the harmonisation of certain aspects of copyright and

³³² art15-1.

³³³ “Member States are prevented from imposing a monitoring obligation on service providers only with respect to obligations of a general nature; this does not concern monitoring obligations in a specific case and, in particular, does not affect orders by national authorities in accordance with national legislation.”

³³⁴ See Article 13 of Directive 95/46: “Member States may adopt legislative measures to restrict the scope of the obligations and rights provided for in Articles 6 (1), 10, 11 (1), 12 and 21 when such a restriction constitutes a necessary measure to safeguard: (a) national security; (b) defence; (c) public security; (d) the prevention, investigation, detection and prosecution of criminal offences, or of breaches of ethics for regulated professions; (e) an important economic or financial interest of a Member State or of the European Union, including monetary, budgetary and taxation matters; (f) a monitoring, inspection or regulatory function connected, even occasionally, with the exercise of official authority in cases referred to in (c), (d) and (e); (g) the protection of the data subject or of the rights and freedoms of others.”

³³⁵ “This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States’ legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of the access to information.”

³³⁶ Article 18 of Directive 2000/31 provides: “Member States shall ensure that court actions available under national law concerning information society services’ activities allow for the rapid adoption of measures, including interim measures, designed to terminate any alleged infringement and to prevent any further impairment of the interests involved.”

³³⁷ “The limitations of the liability of intermediary service providers established in this Directive do not affect the possibility of injunctions of different kinds; such injunctions can in particular consist of orders by courts or administrative authorities requiring the termination or prevention of any infringement, including the removal of illegal information or the disabling of access to it.”

related rights in the information society, Directive 2004/48/EC on the enforcement of intellectual property rights, Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and Directive 2002/58/EC on privacy and electronic communications)³³⁸. The possibility of issuing an injunction in line with the above directives poses an issue regarding the application of the ECD knowledge standard; furthermore, such injunctions force ISPs to violate their users' privacy rights because it causes their data to be monitored through implementing technical features like filtering³³⁹. In other words, it brings the harmonisation of the directives into question. To remedy this and to highlight the application of the ECD knowledge standard for accomplishing such injunction orders without breaching others' rights, the ECJ provides some rules for the national courts when interpreting these directives and their conflicts, as discussed below³⁴⁰.

In the case of *L'Oréal SA v. eBay*³⁴¹, the court ruled that Member States have the right to order the operator of an online marketplace to take a measure that helps them to bring to an end the infringement of a copyright or trademark holder's rights and to prevent further infringement. The court submitted that the third sentence of Article 11 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights must be interpreted in line with the possibility of ordering an injunction to protect intellectual property. In addition, the court stated that injunctions must be effective, proportionate, and dissuasive and should not create barriers to legitimate trades. The court admitted the right of right holders to order an injunction against a hosting service to prevent further

³³⁸ See Matthias Leistner, 'Copyright Law in the EC: Status Quo, Recent Case Law and Policy Perspectives' (2009) 46(3) *Common Market Law Review* 871-873.

³³⁹ See *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd* [2012] EWHC 268 (Ch) and [2012] EWHC 1152 (Ch); 'See also' Managing Intellectual Property, Can I ask an ISP to block a website? (2012) <<http://search.proquest.com/docview/1033698857>> accessed 22 September 2012.

³⁴⁰ See Andreas Rühmkorf, 'the Liability of Online Auction Portals: Toward a Uniform Approach?' (2010) 14(4) *Journal of Internet Law* 3-4.

³⁴¹ Judgment of the Court (Grand Chamber), 12 July 2011; 'See also' Patrick Van Eecke, 'Online Service Providers and Liability: A Plea for a Balanced Approach' (2011) 48 *Common Market Law Review* 1574.

infringement. However, it did not offer any approach as to how a hosting service can prevent future infringement with general knowledge and without the right holder's cooperation to supply the host service with reasonable information. In sum, although the court focused on the protection of IP rights in light of injunctions, it did not focus on the negative role of injunctions on ISPs when there is no legal approach to find the specific infringing item in the ISP's network. It also did not discuss preventing users' privacy rights from being infringed when an ISP searches for copyright or trademark infringement. Thus, the *L'Oréal* case ruling does not seem to have eliminated these legal conflicts.

In the case of *Promusicae v. Telefónica*³⁴², Promusicae requested that Telefónica disclose the personal data³⁴³ of users (29 people) who had used the Telefónica internet connection for the Kazaa file exchange programme (for peer-to-peer file sharing) and who had provided access to shared folders on their personal computers including phonograms in which the members of Promusicae held the exploitation rights. Promusicae stated that this data was needed to be able to bring civil proceedings against the people concerned, but Telefónica refused the request³⁴⁴. On 28 November 2005, Promusicae made an application to the Commercial Court No. 5, Madrid, for preliminary measures against Telefónica on the grounds that users of Kazaa were engaging in unfair competition and infringing IP rights. The court admitted this request on 21 December 2005³⁴⁵. Telefónica appealed to the court and claimed that the order, according to what the LSSICE disclosed, was only authorised for a criminal investigation or for the purpose of safeguarding public security and national defence, not in civil proceedings or as a preliminary measure relating to civil proceedings. The legal issues were about the legal interpretation of Directives 2000/31, 2001/29, and 2004/48 and with Articles 17(2) and 47 of the Charter. Promusicae submitted that the Member States, according to the purposes of these directives, must interpret Article 12 of the LSSICE in accordance with

³⁴² Case C-275/06, 29 January 2008 *Productores de Música de España (Promusicae) v. Telefónica de España SAU* <<http://eur-lex.europa.eu>> accessed 22 September 2012].

³⁴³ para , 30.

³⁴⁴ para, 32.

³⁴⁵ para , 32.

these provisions³⁴⁶. In this regard, the court (the Grand Chamber)³⁴⁷ ruled that the directives “do not require the Member States to lay down, in a situation such as that in the main proceedings, an obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings”. In addition, the court ruled that when transposing the directives, they should be interpreted in a way that allows a fair balance to be struck between the various fundamental rights protected by the community legal order.

As a consequence, the case shows that compliance with the principle of proportionality³⁴⁸ is necessary for parties in order to make a balance between IP rights and fundamental rights. Therefore, an ISP must consider this balance when it prevents further infringement according to a preliminary order or injunction with constructive knowledge on infringement³⁴⁹. Here, the legal issue is the lack of guidance regarding how ISPs can accomplish the duty of preventing further copyright and trademark infringement and the difficulty of taking into account fundamental rights with general knowledge or constructive knowledge (Article 14.2(b)) at the same time, because complying with these duties requires specific knowledge on the copyrighted or trademarked work and the locations of alleged infringing materials, rather than general knowledge. In addition, requiring ISPs to implement technical measures for the investigation of users is also in conflict with fundamental rights. These barriers have been illustrated by the ECJ rulings in the following cases.

The first case to be discussed is *Scarlet v. SABAM*³⁵⁰. SABAM is a management company that represents the authors, composers, and editors of

³⁴⁶ *ibid.*

³⁴⁷ para , 71.

³⁴⁸ “Further, when implementing the measures transposing those directives, the authorities and courts of the Member States must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality”, para 71.

³⁴⁹ See Patrick van Eecke and Barbara Ooms, ‘ISP Liability and the E-Commerce Directive: A Growing trend Toward Greater Responsibility for ISPs’, (2007) 3 *Journal of Internet Law* 7.

³⁵⁰ Case C-70/10. *Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, 24 November 2011 The Court (Third Chamber); ‘See also’

musical works and authorises the use of their copyrighted works by third parties. SABAM sued Scarlet (as an ISP) as its users were downloading works in SABAM's catalogue from the internet. It argued that, without authorisation and without paying royalties, such use (by means of peer-to-peer networks) was copyright infringement. SABAM made a copyright infringement claim³⁵¹ and sought an order requiring Scarlet to bring such infringements to an end by blocking these files or making it impossible for its customers to send or receive them in any way³⁵².

Scarlet appealed that complying with the injunction would be impossible since the effectiveness and permanence of filtering and blocking systems are in question and implementing such systems has numerous practical obstacles in terms of network capability. Moreover, it is in conflict with Article 21 of the Law of 11 March 2003, on certain legal aspects of information society services, which transposes Article 15 of Directive 2000/31 into national law and does not allow the monitoring of information. Furthermore, it also supported its appeal by referencing European Union law on the protection of personal data and the secrecy of communications: such filtering involves the processing of IP addresses, which constitute personal data. In short, it argued that complying with the injunction would affect the general surveillance of all the communications passing through its network³⁵³. In view of this, the referring court "took the view that, before ascertaining whether a mechanism for filtering and blocking peer-to-peer files existed and could be effective, it had to be satisfied that the obligations liable to be imposed on Scarlet were in accordance with European Union law". The ECJ, for a preliminary injunction,

Virginia Keyder, 'Scarlet Extended SA v. Société Belge des Auteurs, Compositeurs et éditeurs SCRL (SABAM)' (2012) *International Legal Materials*, 51(2) 382-392

³⁵¹ On 24 June 2004, para, 18.

³⁵² para, 20; Based on the judgment of 26 November 2004, the court, despite admitting the claim of SABAM for infringement, appointed an "expert to investigate whether the technical solutions proposed by SABAM were technically feasible, whether they would make it possible to filter out only unlawful file sharing, and whether there were other ways of monitoring the use of peer-to-peer software, and to determine the cost of the measures envisaged". The expert reported that the feasibility of filtering and blocking the unlawful sharing of electronic files could not be entirely ruled out. para, 22.

³⁵³ para, 27.

paid attention to fundamental rights: it ruled that the relevant directives³⁵⁴ must be read together and construed towards the protection of fundamental rights. It therefore ruled that this combined reading:

... must be interpreted as precluding an injunction imposed on an ISP to introduce a system for filtering all electronic communications passing via its services, in particular those involving the use of peer-to-peer software; which applies indiscriminately to all its customers; as a preventive measure; exclusively at its expense; and for an unlimited period, which is capable of identifying on that provider's network the movement of electronic files containing a musical, cinematographic or audio-visual work in respect of which the applicant claims to hold intellectual property rights, with a view to blocking the transfer of files the sharing of which infringes copyright³⁵⁵.

Given the above case, it is argued that the ECJ does not preclude monitoring: it makes monitoring possible when it is not in conflict with fundamental rights. Therefore, regardless of the negative effects on ISPs' services and the costs of such filtering to protect copyright and trademarks, it is clear that permitting filtering and monitoring to comply with an injunction (or to accomplish the duty of preventing further infringement) eliminates any debate on the knowledge application for holding ISPs liable. In line with this, it should be added that, by permitting ISPs to do the filtering, exploring the prevention of further infringement as the subject of constructive knowledge application will be bounded or closed.

Similarly, in 2012, the ECJ made a preliminary ruling in the proceedings of the *SABAM v. Netlog* case³⁵⁶ concerning Netlog's obligation to introduce a system for filtering information stored on its platform in order to prevent files that are infringing copyright to be available. The issues related to an ISP's capability to

³⁵⁴ 2000/31/EC Electronic Commerce; 2001/29/EC Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society; 2004/48/EC Enforcement of Intellectual Property Rights; 95/46/EC Protection of Individuals with Regard to the Processing of Personal Data and on the Free Movement of Such Data; and 2002/58/EC Privacy and Electronic Communications.

³⁵⁵ *ibid*

³⁵⁶ *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog NV*, Judgment of The Court (Third Chamber), 16 February 2012.

comply with an injunction of the national court to prevent future infringement because complying with such an injunction is in conflict with Article 15 of the ECD (precluding monitoring) and other directives. The court (the Third Chamber) made the same ruling as in the *Scarlet* case.

those directives, must be interpreted as precluding a national court from issuing an injunction against a hosting service provider which requires it to install a system for filtering:– information which is stored on its servers by its service users;– which applies indiscriminately to all of those users;– as a preventative measure;– exclusively at its expense; and– for an unlimited period, which is capable of identifying electronic files containing musical, cinematographic or audio-visual work in respect of which the applicant for the injunction claims to hold intellectual property rights, with a view to preventing those works from being made available to the public in breach of copyright.

Taking a close look at the aforementioned cases, it can be argued that the ECJ focused on balancing fundamental rights with protecting copyright and trademarks by focusing on the no-monitoring general obligation and protecting users' rights. Overall, prohibiting monitoring is more in line with ISPs' interests due to the conflict of monitoring with user interests and its high cost. In spite of the advantages of prohibiting filtering, an ISP can experience a complicated situation due to the injunction rule. An injunction requires an ISP to prevent or terminate further infringement without breaching fundamental rights, which is not possible without actual knowledge of specific infringement rather than constructive knowledge. Furthermore, it is not possible without the participation of both parties (the ISP and the right holder) through an appropriate mechanism that facilitates the possibility of obtaining actual knowledge. The ECJ, in the above cases, did not offer any approach for the ISPs to achieve knowledge to comply with the injunctions to balance fundamental rights with protecting copyright and trademarks.

4.2.3 Appraisal of Actual Knowledge and Constructive Knowledge

The ECD, in view of it having both actual and constructive knowledge standards, seems in accordance with the protection of copyright and

trademarks. However, its broad knowledge standard suffers from some legal issues in practice. Its actual knowledge standard (Article 14) is inadequate in decreasing the risk of an ISP being held liable, due to the lack of stable and reliable guidance on obtaining knowledge and the ambiguities in terms of the current approach for proving an ISP's actual knowledge (like through notification). Although notification has been frequently used as an instrument to attest that the ISP received actual knowledge, in case law there are legal challenges on the required notification elements. In this regard, the ECD actual knowledge standard suffers from a lack of rules regarding the identification of copyrighted and trademarked work. It is not clear who has the duty of identification and what type of information is required to establish actual knowledge. This weakness affects the ISP's chance of benefitting from actual knowledge immunity because without the cooperation of the right holder regarding the identification of protected work and the locations of alleged infringing materials, an ISP will be forced to investigate billions of different types of information. It is impractical for an ISP to be sued for breaching user privacy³⁵⁷. Aside from this, there is a lack of stable and reliable guidance on good faith, put-back procedures, statements (on knowingly materially misrepresenting take-down notices), and the duration of take-down notices, which makes it possible to conclude that the ECD actual knowledge standard is not effective in keeping ISPs safe from being held liable when they do not have knowledge and do not have the capability to combat the copyright and trademark infringement and protect their users' rights. Similar to the actual knowledge standard, the constructive knowledge standard ("is not aware of facts or circumstances from which the illegal activity or information is apparent"³⁵⁸) suffers from some legal issues. The ECD and EU case law do not have any adequate guidance for assessing constructive knowledge: EU case law has only ruled that the court should pay attention to the phrases 'active role' and 'diligent economic operator'; it forwarded evaluation of the ISP's conduct based on these phrases to the national courts. It therefore seems there is the possibility for divergent interpretations of these terms based on the

³⁵⁷ See Mike Conradi, 'ISP Liability – UK: Liability of an ISP for Allowing Access to File Sharing Networks', (2003) 19(4) Computer Law & Security Review 292-293.

³⁵⁸ art 14.

‘reasonable man’ test, rather than a specific technical test. Moreover, constructive knowledge imposes a duty on ISPs to prevent future infringement based on general knowledge, while there is no valid way for an ISP to achieve this knowledge (according to Article 15 and recent case law). Aside from this, the constructive knowledge standard of Article 14 does not have any specific rules preventing ISPs from ignoring apparent infringement. As a result, the case law rules are also not adequate in this regard.

4.3 ECD Knowledge Standard Application Scope

There is debate on the scope of the ISP in the EU owing to the fact that the scale of the ECD knowledge standard is narrow, unlike the knowledge standards in the US. ISPs (which are identified as only having three specific functions) are entitled to benefit from the ECD limitation on liability because the ECD provides objective exemptions for an ISP’s mere conduit function if the ISP complies with Article 12. Through Articles 13 and 14, the ECD has enshrined subjective exemptions for caching and hosting services. However, it is worth noting that these subjective exemptions are subject to the objective criteria of Article 12 and other duties. Based on the importance of these services in evaluating the efficiency of the ECD knowledge standard, this chapter briefly highlights and examines them.

4.3.1 Mere Conduit

This objective exemption means that no knowledge of infringement is equal with no liability because the functions have a sole purpose. The ISP mere conduit service of Article 12 comprises “transmission in a communication network of information provided by a recipient of the service”³⁵⁹, where the ISP acts as a mere carrier of the data provided by third parties through its network. It is not doing anything more than performing a passive role. Other types of mere conduit activities refer to the “provision of access to a communication network”³⁶⁰ or merely providing internet access. ISPs are not liable for the aforementioned transmit information functions because they have

³⁵⁹ art 12.

³⁶⁰ *ibid.*

been recognised as functioning without knowledge, which includes the automatic, intermediate, and transient storage of the information transmitted. Accordingly, such transmissions have the sole purpose of transmitting with a limited period of storing that data which is necessary for transmission. These functions can be seen as “packet-switching transmissions”³⁶¹, which allow ISPs to store information in small pieces for a short time. The ISP only uses copies of the information for transmitting purposes, without permitting them to become available to the subsequent user.

The rationale behind these objective exemptions refers to the role of the ISP, which “does not initiate the transmission, select transmission and select or modify the information contained in the transmission”³⁶². In short, the capability to control, select, and modify data is the condition for the knowledge requirement and the cause of the liability debate. In other words, a lack of control in the data transmitted in an ISP’s network is equal to no knowledge about infringing the data that it is carrying.

4.3.2 Caching Services

An ISP is safe from liability when it automatically, intermediately, and temporarily stores information for the sole purpose of making this information more efficient in transmissions to other recipients for the services they request³⁶³. Caching subjective immunity depends on an ISP performing the caching functions without modifying the information and complying with the conditions to access the information and the rules concerning updating the information, which are specified in a manner widely recognised and used by the industry³⁶⁴. In addition, an ISP, significantly, has to pay attention to the

³⁶¹ Webopedia, Packet Switching <<http://www.webopedia.com/>> accessed 1 July 2012.

³⁶² art 12(1) (a,b,c).

³⁶³ Caching in the ISP process aims to increase performance and decrease the repetitive storage of high-demand materials on remote servers, which allows materials to be delivered to users who are looking for them quickly, since the data has less distance to travel; Baisterocchi (n276)121.

³⁶⁴ ECD, art 13 (1) a,b,c.

lawful use of the technology that is widely recognised and used by the industry to obtain data on the use of the information³⁶⁵.

More challengeable terms in the ECD refer to ISPs acting ‘expeditiously’ to remove or disable access to the information that they have stored upon obtaining actual knowledge of the fact that the information is infringing or if a court or administrative authority has ordered such a removal or disablement³⁶⁶. Obtaining the actual knowledge needed to remove or disable access to information expeditiously can often occur through a simple process but finding all of the required information accurately is quite hard, especially when there is a lack of proper guidance to discover if the information is correct or not.

The fact is that Article 13 is silent concerning how an ISP caching service receives actual knowledge and what actual knowledge is. Is it specific knowledge or general knowledge? Furthermore, who has the responsibility for obtaining actual knowledge? If obtaining such knowledge is the duty of the ISP, then it needs to conduct investigations to obtain actual knowledge. However, such investigations are in conflict with Article 15, which prohibits monitoring³⁶⁷. For this reason, the standard for obtaining actual knowledge for ISP caching services is open to question. It is analysed in this chapter in reference to the actual knowledge standard along with the hosting service knowledge standard due to their similarities in the type of knowledge evaluated (both standards evaluate subjective knowledge).

4.3.3 Hosting Services

Hosting services are one of the key internet services and are vital in providing storage space to help the online market to survive. ISPs offer these services to

³⁶⁵ ECD, art 13 (1) d.

³⁶⁶ ECD, art 13 (1) e.

³⁶⁷ There is no general obligation to monitor: “1. 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. 2. Member States may establish obligations on the 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.”

companies, individuals, and organisations. These services may be free of charge and may allow the customer to store any kind of data and information in the storage space. The ECD has acknowledged the value of this type of service, ruling that ISPs will not be held liable for third-party information stored in their storage space subject to these conditions: the ISP does not have actual knowledge of illegal activities or information³⁶⁸, and they may not be “aware of facts or circumstances from which illegal activity or information is apparent”³⁶⁹. The above standard acknowledges the lack of ISPs’ control in storing data because the data is stored by a third party directly in the ISP’s storage space, as noted in Article 14-3³⁷⁰.

A notable subject regarding application of ECD knowledge standard in hosting services is the interpretation of non-free hosting ISP services like Google’s AdWords service (and keyword advertising in general), online auctions like eBay, content sharing services and Wikis. Article 14-3 relates to such services, discussing users acting under the authority or the control of the provider. Especially when interpreting the phrase “consists of the storage of information provided by a recipient of the service”³⁷¹, the term ‘consists’ can lead to some legal challenges, if applied as a criterion of hosting of the new service rather than the provision of web space for storing a personal website. For instance, in France, the Artistic Commission discussed the issues regarding hosting services and Web 2.0 thus: “the Commission cannot conclude how participatory Web 2.0 websites should be qualified so that one arrives at the boundaries of the concept of hosting provider”³⁷². This poses the question as to whether an ISP is neutral and without knowledge and control of the hosted data or not. Such measures for defining a host can lead to narrowing the scope of the implementation of actual and constructive knowledge standards for protecting such ISP services because of the limited scope of hosting. In

³⁶⁸ ECD, art 14 (a).

³⁶⁹ *ibid.*

³⁷⁰ Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

³⁷¹ ECD, art 14 (a).

³⁷² Poggi and Osipov, (n298)

general, the different interpretations of hosting services have given rise to practical legal problems within EU Member States³⁷³.

4.3.3.1 Hosting Services in Case Law Interpretations

There are various interpretations regarding ISP hosting services in case law to make ISPs eligible for benefiting from the ECD knowledge standard. In the case of *Laffess v. MySpace*³⁷⁴, it was stated that a service provider offering an editing tool and forcing its users to implement a certain structure in the content meant controlling and publishing the activities. The court noted that the social website (MySpace) was really the host of the information provided by its users. MySpace did more with the data than solely providing space for storing the data. Furthermore, the court elaborated that MySpace was an editor that offered a presentation structure via frames to its users and displayed banners during each visit, from which it clearly drew profits. Therefore, it had to take responsibility like an editor, so MySpace could not benefit from the hosting limitation on liability (Article 14). The reason for the court's decision was that the court focused on the result that it obtained from evaluating the relationship between MySpace and its users and the possibility of MySpace controlling its users' activities with the existence of actual knowledge.

Similarly, an action was brought about in 2002 by two publishing houses against Tiscali Media (currently Telecom Italia) because a comic had been illegally reproduced and communicated on one of the websites hosted by this ISP³⁷⁵. Tiscali provided free web space in which its customers could publish personal webpages, and the webpages could be created in a predefined structure (using a template and editing tools provided by Tiscali). Advertisements managed by Tiscali were displayed.

³⁷³ Patrick van Eecke and Maarten Truyens, 'Recent events in EU internet law', (2010) *Journal of Internet Law* 21.

³⁷⁴ T.G.I. Paris, ref. 22 June 2007; Poggi and Osipov(n320)

³⁷⁵ Ignacio G. Fernández-Díez, 'Comparative analysis of the National Approaches to the Liability of Internet Intermediaries for Infringement of Copyright and Related rights', *World Intellectual Property Organization* 24 <<http://www.wipo.int/copyright/>> accessed 12 December 2012.

The court found that the hosting function of the Tiscali service posed the question of whether Tiscali had relinquished its passive role by virtue of supplying a service whereby end users could design their own webpages (in the case in question, the infringer had used this service) and then inserted advertising into such pages, from which a financial reward was obtained³⁷⁶.

The court, in the first instance (in 2005), decided that Tiscali qualified as a hosting service and was protected against the copyright claim of the plaintiffs. Conversely, on appeal (in 2006), the court ruled that Tiscali did not qualify as a hosting provider as its customers were required to use the predefined editing templates and tools of Tiscali and because Tiscali published their advertisements on the personal websites³⁷⁷. Later on, the French Supreme Court confirmed the decision and stated:

Considering that Tiscali has offered internet service users the possibility to create personal web pages on its website and has also purposed to advertisers to create advertisement space directly on these pages, managed by Tiscali; that these sole Tiscali exceed the simple technical function of storage as provided by [the French Act that implements the E-commerce Directive] so that Tiscali could not benefit from these legal provisions, and the decision of the court of Appeal was consequently justified³⁷⁸.

In contrast to the above decision, one month later, another Paris court interpreted ‘editing tools’ differently in the *Dailymotion* case³⁷⁹.

In the case of the *Share Hosters II* and *Rapidshare* cases in Germany³⁸⁰, the courts found that the defendants were hosting services because they provided users with the space to upload content (i.e. other users could access the content if the user who uploaded the content shared the link with others). It might be true that the courts in these cases adopted a broader definition compatible with the hosting roles of the defendants, as also occurred in the recent European

³⁷⁶ *ibid*, p25.

³⁷⁷ Eecke and Truyens (n373) 21.

³⁷⁸ *ibid*, p22.

³⁷⁹ T.G.I. Paris, 13 July 2007, Nord-Ouest Production c.s.a. *Dailymotion*.

³⁸⁰ ‘See also’ Rita Mantulionyte and Sylvie Nerisson, ‘The French Route to an ISP Safe Harbour, Compared to the German and US Ways’, (2011) *International Review of Intellectual Property and Competition Law*.

Court of Justice (ECJ) rulings in the *AdWords* case³⁸¹ and the *Rolex v. eBay* case.³⁸²

Other significant cases that raised questions regarding the information host in light of control and knowledge were the *Google France* cases. Google allows internet users free access to its search engine. The search engine gives two types of results in general: natural search results and sponsored search results. When entering keywords into the search engine, users are presented with a list of natural results selected and ranked according to their relevance to the keywords, determined by objective criteria. Google also operates an advertising system called AdWords, which enables ads to be displayed alongside the natural results in response to the keywords³⁸³. Three cases against Google were referred to the ECJ in the French Court de Cassation and were joined together. The first was the case of *Louis Vuitton* (case C-236/08), in which the Louis Vuitton keyword was entered into the Google search engine and triggered a display of sponsored links that led to counterfeit products. The second case was the *Bourse des Voyages* (BDV) case (case C-237/08), in which a keyword was linked to an identical and similar product in Google results. The third case was the *Eurochallenges* case (case c-238/08), in which a Google query led to displaying a similar or identical product.

The Court de Cassation asked the ECJ three questions: concerning the trademark infringement, concerning the search engine as an information society service, and concerning the interpretation of the ECD and the application of hosting exemptions to AdWords services (application of Article 14)³⁸⁴. In this regard, the Advocate General (AG) argued that Google stores

³⁸¹ *ibid.*

³⁸² ‘See also’ Case C-323/09 *Interflora v. Marks & Spencer* 2011 (1).

³⁸³ These ads typically consist of a short commercial message and a link to the advertiser’s site; they are differentiated from the natural results by their placement and design. Through AdWords, Google allows advertisers, in return for payment, to select keywords so that their ads are displayed to internet users in response to the entry of those keywords into Google’s search engine. Google supports its search engine with its income from AdWords.

³⁸⁴ The Court de Cassation asked whether Article 14 of Directive 2000/31 is to be interpreted to mean that a sponsored link service “...constitutes an information society service consisting in the storage of information supplied by the advertiser, with the result that the information is the subject of ‘hosting’ within the meaning of that article and the referencing service provider

texts of ads and their links at the request of its users, which is in accordance with the terms of Article 14³⁸⁵. The Court of Appeal did the same:

...it cannot be disputed that the referencing service provider... stores, that is to say, holds in memory on its server, certain data, such as the keywords selected by the advertiser, the advertising link and the accompanying commercial message, as well as the address of the advertiser's site. The AG also added that: '...information society services will rarely consist of activities which are exclusively technical, and will normally be associated with other activities which provide their financial support'³⁸⁶.

Given the decision, it seems that the court was inclined to extend the scope of the hosting service exemption because it did not apply a traditional view regarding the storage of data on the web when interpreting a hosting service. The AG interpreted Article 15 widely by noting that the article has two sides: one of them refers to imposing a negative obligation for liability exemption on Member States, whereas the other side dictates that "service providers which seek to benefit from a liability exemption should remain neutral regarding the information they are carrying or hosting". The ECJ did not endorse the neutral concept but it paid attention to Article 14, in which the exemptions are only deemed applicable to intermediaries: "the conduct of that service provider should be limited to that of an 'intermediary service provider' within the meaning intended by the legislature according to the content of Section 4 of that directive"³⁸⁷. In line with this, the court paid attention to Recital 42 of the ECD³⁸⁸. It should be noted that although Google controls the terms of payments, this does not mean that it must be excluded from Article 14³⁸⁹. In addition, the court stated that there is the possibility that Google AdWords could benefit from the hosting immunity of Article 14 if their activities are

therefore cannot be held liable prior to its being informed of the unlawful conduct of that advertiser", para. 106.

³⁸⁵ Ibid, para. 339 (Google's opinion).

³⁸⁶ ibid, para. 140 (Google's opinion).

³⁸⁷ ibid.

³⁸⁸ See Polanski (n17) 42

³⁸⁹ *Google case*, para. 117. See Alexander von Muhlendahl, 'Internet (information society) Service Providers and Trademark Infringement', (2012) *Annual Brand Lecture on Trade Mark and the Internet*, February 2012, London.

technical, automatic, and passive in nature. This is because when service providers work in this manner, they do not have knowledge and control over the data stored.

Aside from the above, it could be argued that the ECJ applied an economic instrument of thought in interpreting Google's AdWords service as a hosting service³⁹⁰. Implementing Article 14 broadly is in accordance with the advance of technology and e-commerce, as per the ECD's aims. In other words, narrowing the scope of Article 14 affects the advantages of Web 2.0 and online auctions. Moreover, the expression of Article 14 means that service providers avoid liability when they have the chance to prove a lack of knowledge and a lack of control over the data. However, a proper mechanism is needed for evaluating service providers' knowledge.

In the *Google France* cases, the court paid attention to a proposal of the European Parliament and Council Directive on certain legal aspects of electronic commerce in the internal market (COM, 1998) and the working paper of the Council Directive dated 21 May 1999, which broadly defines the scope of the information and the host³⁹¹. In addition, as can be understood from the practices of service providers, hosting is restricted to the sole management of the technical infrastructure rather than having an administrative role in the content. As such, placing the focus on the technical infrastructure for interpreting hosting services seems reasonable.

However, the legal issues arise from the lack of attention paid to the 'neutral' scope, which makes it possible for the courts to interpret hosting differently because the ECD does not offer specific guidelines for interpreting the technical, automatic, and passive nature of a service provider, as criticised by the AG in the *L'Oreal v. eBay* case³⁹².

³⁹⁰ Conversely, there are possibilities for national courts to consider the storage of information via the traditional view on the web; Polanski (n17) 42.

³⁹¹ See Jonina S. Larusdottir, 'Liability of Intermediaries for Copyright Infringement in the Case of Hosting on the Internet', (2010) Stockholm Institute for Scandinavian Law 481-483.

³⁹² Weckstrom(n 86)18-19

In the case of *L'Oréal v. eBay Europe*³⁹³, the legal issue was the trademark infringement of the keyword advertisement and counterfeit goods on eBay's online marketplace. eBay stored data supplied by its customers; eBay received remuneration as it charged a percentage on the transactions completed, on the basis of those offers for sale. In this regard, the referring court asked the ECJ, in essence, whether the service provided by the operator of an online marketplace is covered by Article 14(1) of Directive 2000/31 (hosting), as the listing information is provided by the sellers (in this case, eBay's customers)³⁹⁴. The ECJ delved into the definition of an 'information society service' to respond this. The court ruled that:

As has been pointed out by, inter alia, the United Kingdom Government, the Polish Government and the Commission, as well as by the Advocate General at paragraph 134 of his Opinion, an internet service consisting in facilitating relations between sellers and buyers of goods is, in principle, a service for the purposes of Directive 2000/31³⁹⁵.

The court's analysis of the marketplace hosting service question took a similar approach to those approaches applied by the court in the *Google France* cases. It quoted Section 4 and stated that, in "information society services, in particular electronic commerce", the operation of an online marketplace can bring all those elements into play³⁹⁶. In line with this, the court explicitly ruled that to benefit from Article 14's safe harbour, eBay should fall within the scope of Article 14(a) and (b). It is worth noting that although the court defined the term 'host' broadly, it restricted the exemption of the EU

³⁹³ In Case C-324/09, 12 July 2011. It is worth noting that cases against eBay have been frequent in France, Germany, Italy and Spain; Smith (n280)1575-1578.

³⁹⁴ para 106. Concerning liability, Articles 12 to 15 of Section 4 of Directive 2000/31 seek to "restrict the situations in which intermediary service providers may be held liable pursuant to the applicable national law. It is therefore in the context of that national law that the conditions under which such liability arises must be sought, it being understood, however, that, by virtue of Section 4 of that directive, certain situations cannot give rise to liability on the part of intermediary service providers" (*Google France and Google*, para, 107).

³⁹⁵ para,109.

³⁹⁶ In this regard, the court has already stated that, in order for an internet service provider to fall within the scope of Article 14 of Directive 2000/31, it is essential that the provider be an intermediary provider within the meaning intended by the legislature in the context of Section 4 of Chapter II of that directive (see *Google France and Google*, para, 112).

knowledge requirement by requiring the host to be neutral³⁹⁷. Moreover, the guidance concerning an ISP's active role (the low threshold for exemption), as elaborated in the *L'Oréal v. eBay Europe* case, does not lead to the possibility of interpreting an ISP as a passive host, because the court deferred to the national court in deciding what an active or passive role is³⁹⁸.

Analysing the ECJ ruling in the *L'Oréal v eBay* case, one can argue that the ECJ still holds to the previous rule, as ruled in the *Google France* case. Moreover, the court similarly extended the scope of the term 'hosting' in Article 14-1. Therefore, search engine, online auction and Web 2.0 services are host services if their functions are technical, automatic, and passive. If this is the case, the service provider is eligible to benefit from the hosting services exemption because, in the absence of the aforementioned preconditions, the ECD ISP knowledge standard (Article 14(a) and (b)) is not applicable to its functions³⁹⁹. There are other cases where the courts have also recognised hosting services as benefitting from the knowledge standard exemption, like *Lancôme Parfums et Beaute & Cie v. eBay International AG*⁴⁰⁰; *SARL Zadig Productions, Jean-Robert Viallet et Mathieu Verboud v. Ste Google Inc. et AFA*⁴⁰¹; *SABAM v. Scarlet*; and *Pirate Bay 2009 (Sweden)*⁴⁰². In general, in

³⁹⁷ para 115: "the mere fact that the operator of an online marketplace stores offers for sale on its server, sets the terms of its service, is remunerated for that service and provides general information to its customers, cannot have the effect of denying it the exemptions from liability provided for by Directive 2000/31"; see, by analogy, *Google France and Google*, para. 116); see a similar viewpoint in Christine Riefa, 'The End of Internet Service Providers Liability as We Know It – Uncovering the Consumer Interest in CJEU Case C-342/09 L'Oréal v eBay', (2012) 2 Journal of European and Market Law 109. In *Google France*, para 114, it is noted that "in order to establish whether the liability of a referencing service provider may be limited under Article 14 of Directive 2000/31, it is necessary to examine whether the role played by that service provider is neutral, in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge or control of the data which it stores".

³⁹⁸ *ibid*, Riefa, 109.

³⁹⁹ Especially in implementing the ECD in most Member States and providing the limitation on liability for providers of search engines; see the first commission report, *supra* note 35, at 67.72.

⁴⁰⁰ See A/07/06032 *Lancôme Parfums et Beaute & Cie v. eBay International AG, eBay Europe S.A.R.L. and eBay Belgium*, 2008 <<http://oami.europa.eu>> accessed 22 September 2012.

⁴⁰¹ *SARL Zadig Productions, Jean-Robert Viallet et Mathieu Verboud v. Ste Google Inc. et AFA*, Tribunal de Grande Instance de Paris (3d Chambre, 2d Section), decision of 19 October 2007. Cited in Song, (n106)13. In Spain, the court also considered not only the basic activity of website hosting but other situations like hosting third-party comments on a blog or wiki.; As

these cases, Article 14 exposed different criteria for judging whether the service could be considered a host. For instance, the French court, in the Laffess case, focused on the editing tools and forcing users to adopt a specific structure in the content to evaluate “the storage of information provided by a recipient of the service”⁴⁰³ and, consequently, did not recognise the defendant as a host. Controversy, in the *Dailymotion* case and also in the *YouTube* case, the courts acknowledged their functions as host services⁴⁰⁴. For this reason, there are divergent criteria for defining a host service, as proved by the rulings of the courts in the *L’Oréal v. eBay Europe* case and the *Google France* case. In the latter two cases, the ECJ acknowledged eBay’s online marketplace and Google’s AdWords service as hosting services by interpreting the scope of the terms ‘information society service’ and ‘intermediate service’ widely⁴⁰⁵.

This prevents the national courts from paying attention to free services or the non-financial interest nature of a service in interpreting hosting services⁴⁰⁶, because the ECJ did not highlight what the elements of a hosting service are: it imposed this duty on the national courts. Due to all of the aforementioned preconditions, a proper ISP knowledge standard is required for developing the internal mark.

4.4 Conclusion

The ECD, by providing safe harbours (Articles 12 to 14), establishes a knowledge requirement to impose liability on certain types of ISP services (i.e. mere conduit, caching services, and hosting services). However, the ECD does

noted by Poch, some cases (like the *Mafius Blog* and *ajoderse.com* cases) considered as a host in Spain; Poch(n316)

⁴⁰² *ibid*,13.

⁴⁰³ ECD, Article 14-1.

⁴⁰⁴ For instance, in the case of dividing the facilitation of infringements by a third party and by services, the UK explicitly authorises infringements by a third party; see the case of *Bunt v. Tilley*, [2006] EWHC 407 (QB) 22 ;see Poggi and Osipov(n298) 17 ; ‘see also’ the Swiss perspective concerning the responsibility of the host in private advertising and the application of Article 14 of the ECD for ISP services depending on the circumstances; Rolf H. Weber, Zurich, ‘Internet Service Provider Liability - the Swiss Perspective’, (2010) (1) *Jiptec*148.

⁴⁰⁵ Andreas Rühmkorf, ‘The Liability of Online Auction Portals: Toward a Uniform Approach?’, (2010) 14(4) *The Journal of Internet Law* 5.

⁴⁰⁶ For a discussion of the legal challenges of the horizontal approach; see Sophie Stalla-Bourdillon, ‘Uniformity v. Diversity of Internet Intermediaries’ Liability Regime: Where Does the ECJ Stand?’, (2011) 6(1)*Journal of International Commercial Law and Technology*.

not present any explicit guidance to show how EU Member States should define ISP hosting services that are not free services and are mostly used for business, like online auctions, AdWords and Web 2.0. This legal vacuum causes divergent interpretations among Member States (e.g. the *Google France* case), but the ECJ has offered some rules and has emphasised that the definition of a hosting service should be widely interpreted to make an ISP able to benefit from Article 14's knowledge standard.

Regarding the efficacy of the ECD knowledge standard, it seems appropriate in terms of the knowledge type (broad knowledge) and the horizontal approach. However, in terms of specific elements, it has some drawbacks and loopholes: the ECD constructive knowledge standard (awareness) does not focus on the right holder's cooperation and does not focus on the objective elements or constructive knowledge required to establish general knowledge. It imposes a duty on ISPs to prevent future infringement based on general knowledge about infringement rather than specific knowledge. The evaluation of an ISP's constructive knowledge is based on the 'reasonable man' test, which is not compatible with ISPs' technical functions.

Consequently, the current ECD knowledge standard increases the possibility of holding ISPs liable, even when they do not have knowledge. In addition, the efficacy of evaluating actual knowledge, in the absence of notice and take-down procedures (and in the absence of definitions and guidance on the interpretation of the actual knowledge standard), is open to question. In line with this, current interpretations on actual knowledge and constructive knowledge do not provide any positive answers to the research questions. Furthermore, the case law interpretations are inadequate so are not reliable or useful guidance for the courts for current and upcoming issues regarding ISPs' knowledge of infringement.

In short, ISP surveillance and the proper functioning of the internal market by ensuring the free movement of information society services between the

Member States seem complicated in the current knowledge standard and its interpretations⁴⁰⁷.

⁴⁰⁷ ECD Article 1 (1). The ECD aims to be a leading law that each Member State has to impose upon its own national law. ‘See also’ Treaty on the Functioning of the European Union, Article 288, 2008 O.J. (115) 74 (“A directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.”).

CHAPTER V: Comparative Analysis and Evaluation of the Knowledge Standards in the US and the EU

5.1 Introduction

This chapter focuses on the similarities and differences between the US and EU knowledge standards for ISPs' copyright and trademark secondary liability in the light of the research questions and research objectives. This chapter also evaluates their weaknesses and strengths to find better solutions and to understand the implications of the different approaches. By considering the above structure, this chapter presents the US knowledge standards and then explores EU knowledge standards. In this regard, the research separately examines the US knowledge standards for ISPs' secondary liability for copyright infringement and for trademark infringement due to their differences.

5.2 US Knowledge Standards for ISPs' Copyright Infringement

In US law, the knowledge standards for ISPs' secondary liability for copyright infringement can be divided into the copyright case law knowledge standard, which has roots in tort contributory liability (consisting of pre-DMCA cases and cases that do not comply with DMCA terms), and the DMCA knowledge standard.

5.2.1 The Knowledge Standard for Copyright in Case Law (Tort)

The US case law (tort) knowledge standard comprises both actual knowledge (knew about user infringement) and constructive knowledge (had reason to know about user infringement) as crucial elements of contributory liability. However, it has narrowed the common law tort contributory knowledge standard, as can be seen in the Sony⁴⁰⁸, Grokster⁴⁰⁹, and Perfect 10⁴¹⁰ case rulings. For instance, actual knowledge of copyright infringement has been narrowed to knowledge of non-infringing use of products by the Sony case and

⁴⁰⁸ *Sony Corp. of America v. Universal City Studios Inc.*, 464 US 417 (1984).

⁴⁰⁹ In *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 US 913, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005).

⁴¹⁰ *Perfect 10 Inc. v. CCBill LLC* [2004] 340 F.Supp.2d 1077, 1100-01 (C.D.Cal. 2004).

has narrowed mere knowledge of infringement to knowledge of an actual instance of copyright infringement, instead of relying on constructive knowledge. Later on, ‘infringing use’ was combined with intent to ‘infringe copyright’⁴¹¹ (inducement liability as per the *Grokster* case) and a duty of preventing further infringement by technical measures (as per the *Perfect 10* case).

In addition, in terms of ISPs’ constructive knowledge, US case law implements contributory liability with evaluations of whether the ISP ‘should have known’ or ‘had reason to know’ about users’ copyright infringement⁴¹². It requires ISPs to prevent current and upcoming infringement based on the knowledge that infringement exists; failure to comply leads to ISPs’ secondary liability. Constructive knowledge is critical for assessing whether an ISP should have known or had reason to know about infringement. This is part of the ‘reasonable man’ test, rather than technical tests based on a computer mind’s understanding.

Thus, although case law has narrowed the scope of the tort contributory knowledge standard, the criterion for evaluating ISPs’ knowledge of infringement is still the ‘reasonable man’ test. This leads to divergent rules in assessing actual knowledge and constructive knowledge and leads to liability based on the negligence.

5.2.2 The DMCA Knowledge Standard

The DMCA knowledge standard is a broad knowledge standard. Unlike the case law (tort) knowledge standard, its objective knowledge standard is based on the ‘red flag’ test as a technical test with both objective and subjective elements. Furthermore, the DMCA knowledge standard illustrates an approach for better cooperation between parties to eliminate any duties that force ISPs to

⁴¹¹ In *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 US 913, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005).

⁴¹² Another point is that the US case law knowledge standard has shown that evaluations of ISPs’ knowledge for indirect copyright infringement have mostly applied constructive knowledge, because such evaluations focus on the ‘should have known’ element in evaluating internal factors, rather than the ‘had reason to know’ element. This has been shown in *Religious Technology Center v. Netcom On-Line Communication Services Inc.*

work as copyright police. In this regard, the DMCA provides safe harbours and rules⁴¹³ for ISPs' conduct: when an ISP fulfils the measure of contributory infringement, the ISP's functions at issue might fall within the provisions of the safe harbours' exemptions, which may remove the ISP's liability.

Overall, the DMCA knowledge standard in both forms (actual knowledge and awareness of apparent infringement) only consists of four types of ISP services. Actual knowledge is considered to be specific knowledge of specific infringement, about which the ISP receives a notification that it is in line with section 512(c) (3) (b) (i) of the US Copyright Act, because such notifications must comply with the requirements stated by the statute. In short, the criterion for evaluating ISPs' actual knowledge or awareness of infringement is notification (no notification = no actual knowledge or awareness of infringement). It should be noted that for ISPs to benefit from the DMCA safe harbour provisions, they must provide notice and take-down procedures in their systems, otherwise the DMCA knowledge standard is not applicable and the case will be evaluated through the case law copyright knowledge standard (tort contributory liability). Section 512(c) (3) (A) of the US Copyright Act sets out six elements needed to use the notification as evidence and the right holder must ensure that these elements are fulfilled. In this regard, the US courts have the tendency to apply a stringent interpretation regarding the identification of the copyrighted works and the identification of infringing material, as has been proven in the following cases: *Arista Records Inc. v. MP3Board Inc.*⁴¹⁴, *Hendrickson v. eBay Inc.*⁴¹⁵, and *Perfect 10 Inc. v. CCBill LLC*⁴¹⁶.

The DMCA's 'red flag' test of objective knowledge has both objective and subjective elements. In assessing the subjective element of the 'red flag' test,

⁴¹³ See *Perfect 10 Inc. v. CCBILL LLC*, 340 F. Supp. 2d 1077 (Dist. Court Cal. 2004); H.R. Conf. Rep. No. 105-796, at 72 (1998), reprinted in 1998 U.S.C.C.A.N. 649; H.R. Rep. No. 105-551(1), at 11 (1998); and *ALS Scan Inc. v. RemarQ Communities Inc.*, 239 F. 3d 619, 625 (4th Cir. 2001).

⁴¹⁴ *Arista Records Inc v MP3Board Inc* [2002] No. 00 Civ. 4660, 2002 WL 1997918, U.S. Dist. LEXIS 16165(S.D.N.Y. Aug. 28, 2002).

⁴¹⁵ *Hendrickson v eBay Inc* [2001] 165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001)

⁴¹⁶ *Perfect 10 Inc. v. CCBill LLC*, 340 F. Supp. 2d 1077, 1100-01 (C.D. Cal. 2004).

the court examines whether the ISP was aware of a ‘red flag’ or not. To evaluate the objective element of the ‘red flag’ test, the court conducts the assessment based on the ‘reasonable man’ test, in order to prevent ISPs from having the chance to exhibit wilful blindness to ‘red flags’ of obvious infringement.

5.2.3 The US Knowledge Standard for ISPs’ Secondary Liability for Trademark Infringement

It is worth noting that the US Lanham Act, as trademark legislation, does not contain explicit language for establishing ISPs’ secondary liability for trademark infringement. The US broad knowledge standard for ISPs’ secondary liability for trademark infringement has stemmed from common law tort and trademark case law (the InWood standard). The InWood⁴¹⁷ knowledge standard consists of actual knowledge (‘knew’) and constructive knowledge of infringement (‘had reason to know’), and the courts have applied this standard in numerous cases for evaluating ISPs’ knowledge of infringement, for example *Perfect 10 Inc. v. Visa International Service Ass’n*.⁴¹⁸, *National Federation of the Blind Inc. v. Loompanics Enterprises Inc.*⁴¹⁹, *Tiffany v. eBay*, and the *Lockheed Martin* case⁴²⁰.

An ISP has actual knowledge when it receives knowledge about individual infringement in any form, like an email or other forms, because the InWood knowledge standard does not require a specific form of notice. Moreover, it explicitly specifies the duty of providing information about individual infringement as the plaintiff’s duty.

In addition, in assessing specific knowledge, the courts also consider “direct control and monitoring of the instrumentality used by the third party to infringe the plaintiff’s mark”⁴²¹. In terms of constructive knowledge, an ISP

⁴¹⁷ 456 US 844, 855 (1982); ‘See also’ *GMA Accessories Inc. v. BOP LLC*, 2010.

⁴¹⁸ 494 F.3d 788 (9th Cir. 2007).

⁴¹⁹ [1996] 936 F.Supp. 1232, 1244 (D. Md).

⁴²⁰ *Lockheed Martin Corp. v. Network Solution Inc.*

⁴²¹ *Lockheed Martin Cop v. Network Solutions Inc.*, at 111. See Brian W. Brokate and Christina L. Winsor, ‘Contributory Liability against Third Party Internet Infringers of Trademarks’ (2010) IP Litigator 2.

does not have an affirmative duty to monitor its own website for potential trademark violation. Constructive knowledge has mostly been considered in an objective test to detect ISPs' wilful blindness to 'red flags' and other elements of common law tort, for instance 'should have known' user infringement based on the 'reasonable man' test⁴²².

5.3 The Knowledge Standard in the ECD

The ECD broad knowledge standard consists of actual knowledge and awareness of apparent infringement, which is called constructive knowledge because it is similar to constructive knowledge in tort law for imposing contributory liability on conduct. The ECD does not define the subject of actual knowledge but its case law has recognised a notice given by the right holder to the ISP as evidence of the ISP's actual knowledge, as the following cases have shown: *Lancôme v. eBay*⁴²³, *Rolex v. eBay*⁴²⁴, *Louis Vuitton v. eBay (France)*⁴²⁵, and *SABAM v. Scarlet (Belgium)*⁴²⁶. The aforementioned cases were not constricted and specified the type of notice needed to hold ISPs liable under actual knowledge of infringement; case law has widely admitted any type of notice as evidence of actual knowledge.

The ECD ruled that once an ISP has received a notice, it expeditiously has to remove or block access to material that is infringing copyright or trademarks. The ECD and EU case law in relation to specific information on intellectual property rights and the location of alleged copyright and trademark infringements do not provide specific guidelines, and current interpretations of case law concerning actual knowledge show that the courts have focused on the nature of the ISP's conduct and other factors to assess the ISP's specific knowledge about user infringement. Along with this, the absence of awareness of apparent infringement gives immunity to ISPs that offer certain types of services. Case law has interpreted awareness of apparent infringement as

⁴²² *Tiffany v. eBay Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008), at 503.

⁴²³ *Lancôme Parfums et Beautie & v. eBay international AG, eBay Europe S.A.R.L., eBay Belgium* [2008].A/07/06032 *Lenz v Universal Music Corp* [2008] 572 F. Supp. 2d 1150, 1154-55 (N.D. Cal. 2008).

⁴²⁴ (*Germany*)

⁴²⁵ (09-16.811) December 2010

⁴²⁶ Case C-70/10

involving an ISP being a ‘diligent economic operator’ playing an ‘active role’ in order to assess whether the ISP was aware of the infringement or not. To evaluate this, the courts rely on the ‘reasonable man’ test instead of paying attention to technical measures or technical standards such as the ‘red flag’ test. Moreover, in the ECD (Article 15), a right holder may order an injunction against an ISP requiring it to prevent further and future infringement when the ISP has constructive knowledge about an infringement (general knowledge).

5.4 Loopholes in the US Knowledge Standards for ISPs’ Secondary Liability for Copyright and Trademark Infringement

The loopholes in the US knowledge standards can be divided into two parts: (1.) Loopholes in the copyright case law knowledge standard and the DMCA knowledge standard for ISPs’ secondary liability for copyright infringement. (2.) Loopholes in the US trademark knowledge standard for ISPs’ secondary liability for trademark infringement. These are explored in the following sections.

5.4.1 Loopholes in the US Copyright Case Law Knowledge Standard

Although US case law has limited scope in terms of tort contributory liability⁴²⁷, it does not provide any explicit criteria as guidance to assess the actual knowledge of ISPs. Evidence of substantial ‘non-infringing use’ (e.g. in the Sony case) and ‘affirmative intent’⁴²⁸ is in the favour of the defendant. However, there is a lack of explicit criteria with respect to when and how non-infringing use can be proved and through which legal mechanism actual knowledge can be achieved. Hence, this allows different interpretations of assessing knowledge of infringement. Moreover, recognising the ability of the ‘reasonable man’ test to evaluate an ISP’s knowledge puts the ISP service into a complicated situation because it forces it to protect copyright based on this test, which is a high-risk task that is technically impossible for ISPs. Thus, the uncertainty regarding the knowledge standard for achieving knowledge of copyright infringement and the wide tendency to implement the ‘reasonable

⁴²⁷ By the *Sony* case, the *Grokster* case, and other cases.

⁴²⁸ *ibid*

man' test to evaluate ISPs' knowledge could affect their services, as it could easily allow ISPs to be liable for secondary liability or increase their fear of being liable. In addition, recognising general knowledge about infringement as constructive knowledge of infringement through the 'should have known' and 'had reason to know' test poses an affirmative duty on ISPs to prevent current and upcoming infringement, similar to the knowledge requirement for imposing fault or negligence in common law tort contributory liability. It forces ISPs to predict and understand upcoming infringement without requiring the copyright owner's cooperation and forces ISPs to be copyright police. It also forces ISPs to implement some non-compatible technical systems, as cited in the Perfect 10 case. This creates a heavy burden for ISPs because complying with the above duties based only on general knowledge means forcing ISPs to directly control and monitor users' activities to identify alleged infringement and make a judgement; ISP services are reluctant to do this, as accomplishing the duty of preventing copyright infringement is impossible without specific knowledge.

As a result, recognising probabilistic knowledge as constructive knowledge causes a heavy burden for ISPs to prevent or identify and foresee upcoming infringement without the right holder's cooperation. Furthermore, recognising probabilistic knowledge as the ISP's knowledge of infringement has a profound effect on ISP services since they will face serious damage from having users' content removed according to self-probabilistic knowledge of infringement.

5.4.2 Loopholes in the DMCA Knowledge Standard

The DMCA knowledge standard (s.512), in terms of both actual knowledge and awareness of apparent infringement, consists of some loopholes that affect the efficacy of this broad knowledge standard in the course of notice and take-down procedures, as presented below.

5.4.2.1 Lack of Consistency between the DMCA Knowledge Standard and Freedom of Expression

When considering the differences between the processing of knowledge in human minds and computers, it appears that an ISP's ability to predict indirect infringement depends on the capability and ambit of the ISP's algorithms, unlike the human mind. For this reason, the DMCA focuses on the processing of knowledge in ISPs to define their responsibility for secondary liability. It narrows the ambit of traditional knowledge in the notice and take-down procedures, even though the courts, in practice, have ignored the rationale behind the DMCA knowledge standard by evaluating a 'should have known' or 'had reason to know' user infringement element in the knowledge standard. They have also done this by admitting incomplete notices, which place the burden of preventing and finding infringement on ISPs. Consequently, this practically forces ISPs to investigate their network data; investigations involving user privacy have a negative influence on freedom of expression and user participation online.

5.4.2.2 Effects of the Notice and Take-Down Procedures in the DMCA Knowledge Standard

According to the requirements for notice and take-down procedures, ISPs must consider notices from copyright holders on alleged infringing content to benefit from the DMCA safe harbours. This makes ISPs evaluate alleged infringements and take down alleged infringing material based on the copyright holder's notice without a right of investigation. This affects online businesses and enterprises in e-commerce because when the right holder's claim or notice is wrong, returning the user's data back can take 10 to 14 days. This could therefore restrict the online market, especially when there is a lack of a specific body to make judgements or assess the alleged infringing content before the ISP takes down the content. The ISP may inadvertently restrict the market of the alleged copyright holder's competitor by its judgement on the copyright protection of alleged infringing content.

5.4.2.3 The ‘Red Flag’ Test of Objective Knowledge

The ‘red flag’ test is a technical measure that has a number of weaknesses, as follows.

5.4.2.3.1 High Potential Risk of ISP Liability Due to the Wide Scope of Wrong Activity

Section 512 of the DMCA does not describe the awareness of facts or circumstances from which infringing activity is apparent; it only forwards the facts or circumstances to activity ambits which refer to the wide scope of wrongful activity that accrue in the provider’s system or network. The wide scope of wrong activity has created more ambiguities about the ‘red flag’ test, as case law has shown. For instance, in the Perfect 10 case, the court rejected the plaintiff’s claim that the terms ‘illegal’ and ‘stolen’ on the website were ‘red flags’ showing awareness about infringement. The court stated that there might be reasons for the use of such terms, such as “an attempt to increase their salacious appeal”, other than announcing the infringement⁴²⁹. The court also admitted that “Password-hacking websites are thus not *per se* ‘red flags’ of infringement”⁴³⁰.

Thus, the wide scope of the term ‘wrong activity’ makes it possible to make different interpretations of the ‘red flag’ test. Alongside this, the lack of case law guidance for interpreting or defining wrong activity is a remarkable loophole that could expand the potential risk for ISP liability, as a ‘red flag’ can be interpreted differently by an ISP.

5.4.2.3.2 Possibility of Hiding Websites as Being Blatant ‘Red Flags’

Legislation interpretations do not list or guide what a ‘red flag’ is and how content can be qualified as such. In practice, it is possible for websites that infringe copyright to change their styles and other parts of their websites to hide themselves from being ‘red flags’. There are no specific approaches to assessing whether an ISP knew of a ‘red flag’ or for the copyright holder to

⁴²⁹ *Perfect 10*, 488 F. 3d, at 1114.

⁴³⁰ (n197)

prove there was ‘blatant’ copyright violation. Such a flaw cannot encourage parties to cooperate in combatting the violation. In short, these flaws divert the right holder’s attention to the constructive knowledge standard because this standard does not have a complicated threshold like the ‘red flag’ test.

Overall, the aforementioned legal ambiguities can make the copyright holder reluctant to combat copyright infringement via cooperation with ISPs by proving the ISP had reasonable information on the alleged infringement, because their chance to hold ISPs liable in any way is safe with the possibility of suing ISPs via constructive knowledge.

5.4.2.3.3 The ‘Red Flag’ Test Causes the Assessment of Constructive Knowledge

The courts’ interpretations limit the subjective element of ‘red flags’ to be ‘blatant’ or ‘obvious’; evaluating whether an ISP exhibited wilful blindness in regard to an apparent infringement uses an objective test based on the ‘reasonable man’ test. This criterion reduces the efficacy of the ‘red flag’ test as a technical criterion because it allows the ISP’s objective knowledge (wilful blindness) to be assessed as constructive knowledge (‘had reason to know’ or ‘should have known’, based on the ‘reasonable man’ test). However, the rationale behind establishing whether there was a ‘red flag’ must be whether the service provider was “aware of facts or circumstances from which infringing activity was apparent”, rather than what a ‘reasonable person’ would have deduced given all the circumstances. Thus, the objective element of the ‘red flag’ test leads to the implementation of a constructive knowledge test in light of the ‘reasonable man’ test and puts ISPs at risk of being held liable, even if the potential infringement was not apparent to the ISP.

5.4.2.4 Keeping the Traditional Case Law Knowledge Standard in Practice

Section 512 of the DMCA does not require the service provider to have notice and take-down procedures and does not force the copyright holder to notify the service provider. However, to receive immunity from liability, the service provider must install a notice and take-down system. Thus, this non-

compulsory term means that the technical test (the ‘red flag’ test) and the structure of the s.512 knowledge standard (based on the ‘reasonable man’ test in the objective element of the ‘red flag’ test) have kept the contributory liability element of US case law in practice. This has encouraged the tendency to evaluate constructive knowledge with the ‘reasonable man’ test for imposing secondary liability; this has numerous disadvantages, as highlighted throughout the previous chapters.

5.4.3 Loopholes of the US Knowledge Standard for ISPs’ Secondary Liability for Trademark Infringement

The knowledge standard for ISPs’ trademark infringement is ambiguous in terms of notice and take-down procedures and whether the ISP and right holder must cooperate in favour of combatting trademark violations, as illustrated below;

The InWood knowledge standard does not specify any required notice and take-down procedures but it does admit notifications in different formats as proof of knowledge, as case law has shown (e.g. *Tiffany v. eBay*, *GMA Accessories Inc. v. Electric Wonderland*, and *Louis Vuitton Malletier S.A. v. Akanoc Solutions Inc.*). If an ISP admits all notices, this could provide opportunities for a trademark holder’s competitor to send a notice to the ISP to take down the holder’s trademark without fear of liability for sending the notice. Consequently, ensuring fair competition and e-commerce development is complicated in the InWood knowledge standard due to the lack of specific guidance for notice and take-down procedures, as well as the admittance of all types of notices to prove knowledge of infringement.

Moreover, the lack of notice and take-down procedure requirements provides the following ambiguities: a) whether a single notification for multiple trademarks on a single online site is acceptable; b) what information is considered sufficient to find the location of the material; c) whether a statement is needed attesting that the complaining party is of the good faith belief that the use of the trademark is not authorised by the trademark owner, its agent, or the law (a statement attesting that the information in the

notification is accurate and is under the penalty of perjury, and that the complaining party is authorised to act on behalf of the owner of the exclusive right that was allegedly infringed); and d) there is no guidance on reverting content that did not infringe a trademark or on protesting the notification by submitting a counter notification. Thus, such loopholes make the functions of ISPs complicated and do not guarantee freedom of expression and fair competition.

In addition, the loopholes may reduce the cooperation between ISPs and right holders, even though both can benefit from working together in terms of notice and take-down procedures. The lack of notice and take-down procedure requirements can put ISPs in unsafe situations because they may not know whether the ISP function results are being sued by trademark holders. Furthermore, the lack of notice and take-down procedure requirements leads to trademark owners facing the difficulty of knowing when knowledge of infringement can be attributed to an ISP. Hence, these legal concerns affect the progress of the information society service, which has a significant effect on the advancement of society.

5.5 Loopholes in the ECD Knowledge Standard for ISPs' Secondary Liability for Copyright and Trademark Infringement

The ECD knowledge requirement for imposing secondary liability on ISPs has numerous weaknesses and loopholes, as illustrated below.

5.5.1 Limited Scope for the Application of the ECD Knowledge Requirement

One of the loopholes is the scope of the ECD knowledge requirement for the secondary liability of ISP services that only offer certain types of services: mere conduit, caching, and hosting services. Additionally, other significant ISP services (like information location tool services) are excluded from the scope of the ECD knowledge standard. Therefore, the limited scope of the ECD knowledge requirement can affect the informative and commercial role of the ISP service to expand electronic commerce. In evaluating the knowledge of other ISP services (such as information location tools), the courts thus have

to implement existing tort law knowledge standards, even though there are no fixed tort law knowledge standards and interpretations that are applicable to all Member States. Consequently, the limited scope of the knowledge standard for other types of services causes legal uncertainty and prevents the advancement of ISP functions. This therefore contradicts the ECD's aims in respect of facilitating the expansion of e-commerce.

This limited scope suffers from a lack of criteria in relation to interpreting host services, while the surveillance of ISPs is dependent on non-free hosting services⁴³¹. For instance, the French Court in the *Laffesse v. MySpace* case focused on the editing tools provided by the service provider, as well as the service provider forcing the adoption of a specific structure in the content, to evaluate "the storage of information provided by a recipient of the service"⁴³². Consequently, the court did not recognise the defendant as a hosting service. In contrast, in the *Dailymotion and YouTube* (2009), the *eBay* (in Europe) case and the *Google France* case, the courts acknowledged the service providers' functions as hosting services. Given the results of the aforementioned cases, it seems that there is the possibility for the courts to interpret a hosting service differently. Therefore, this could affect ISPs' business plans, especially nowadays as many ISPs host storage space services. It is worth mentioning that although the European Court of Justice (ECJ) in the *eBay* case and the *Google France* case acknowledged an online market and AdWord or new webs as hosting services through a broad interpretation of an 'information society service' and 'intermediate service', these rulings do not prevent national courts from focusing attention on the non-financial interest nature of hosting services in interpretations. This is because the ECJ did not specify the hosting element and forwarded the interpretation of the hosting element to the national courts. In other words, defining an ISP's service as a hosting service depends on the national law of each Member State. Hence, the legal limitations of the hosting concept put the ISP in danger of giving the service to their subscribers in the single market.

⁴³¹ Article 14 exposes different criteria for judging ISPs as hosts.

⁴³² ECD, art 14-1.

5.5.2 The Lack of Notice and Take-Down Procedures

Notice and take-down procedures for allowing cooperation between right holders and ISPs (to replace liability with responsibility) in combatting infringement are absent in the ECD knowledge standard. This legal vacuum is able to create complexity in many aspects with reference to the constitution of knowledge.

In reference to the actual knowledge standard in the ECD (Article 14), notification is a key factor. However, the ECD does not provide an adequate statute or guidance on the subject of the elements of notification required. As case law has shown, an ISP is likely to be held liable for the reason that the ECD admits receiving any type of notification as a reason for taking down an alleged infringement, even if the notice is not flawless in terms of containing reasonable information with reference to the location of the alleged infringement and identifying the protected copyright or trademark. Admitting notices with a lack of reasonable information forces ISPs to investigate a vast amount of data to find the location of the alleged infringement and to make a judgement as to whether the alleged infringement is under the protection of the copyright or trademark. However, the ISP, unlike the publisher, does not have adequate knowledge about the source and content of the alleged infringing material.

In addition, the lack of guidance in relation to the ‘reasonable information’ needed for obtaining actual knowledge as an element of notice allows national existing tort law to be used to assess ISPs’ knowledge and to interpret the duty of providing reasonable information. While this means permitting the ‘reasonable man’ test criterion in interpreting ISPs’ knowledge of infringement, this is not in agreement with the real nature of ISPs’ conduct (which is more technical and dependent on ISP algorithms, as explained in Chapter II) and computer knowledge. The lack of guidance on notice and take-down procedures forces ISPs to make judgements about alleged infringement without adequate knowledge and causes some contradiction with Article 15 (especially in countries that require monitoring) and users’ privacy in accomplishing the duty of preventing infringement.

5.5.3 Admitting Private Notices without a Notice and Take-Down Regime

The knowledge standard of the ECD forces ISPs to decide whether to remove suspicious materials from their networks. Obviously, ISPs need more knowledge and skills to do this and making such a decision will take time, as it requires identifying the owner of the copyright or trademark, their protection duration, and fair use or other exceptions. Therefore, the expeditious action element of the ECD is in disagreement with ISPs' functions and capabilities. Having an infringement taken down is achievable by supplying an ISP with reasonable information. In the absence of reasonable information about the location of the infringement and the copyright or trademark protection, ISPs have to investigate millions of bytes of data to uncover the infringement; this burden makes ISPs into publishers, rather than intermediately services. Moreover, ISPs in practice receive numerous notices that are not sufficient regarding actual knowledge. They are not done in good faith or they are done in good faith but contain mistakes. Indeed, an ISP can receive multiple complaints about an alleged infringement.

In addition, complying with the actual knowledge standard of the ECD upon receiving a private notice requires the ISP to adopt and implement a policy that can terminate the user's service on the basis of a mere allegation. It leads ISPs to remove or block access to alleged infringing materials automatically or systematically in order to prevent being sued, in spite of the fact that this may violate other rights.

Another issue with private notification is that it threatens the ISP's chance to benefit from the actual knowledge standard of Article 14 of the ECD, which gives the ISP immunity to liability if it does not have specific knowledge of infringement due to the notice not including the name, address, and electronic signature of the complaining party; sufficient information to identify the copyrighted/trademarked work; information identifying the location of the alleged infringement; and a statement of the accuracy of the notice. Obviously, the term 'expeditiously' is problematic for ISPs: if the ISP ignores the alleged infringement notice (or takes a while to respond), it might be sued by the right holder. On the other hand, if the ISP removes the alleged infringing material, it

might be sued by the user for breaching their freedom of expression or competition or other legal rights⁴³³.

Hence, the need for the expeditious removal of alleged infringing material upon receipt of any type of notice, in the absence of notice and take-down procedures, can aggravate issues. In particular, there is a lack of proper guidance in relation to identifying whether a notice is sent in good faith. In other words, in practice, ‘expeditiously’ removing or blocking access to alleged infringing material upon receiving an incomplete notice makes the ISP the same as a censorship body.

5.5.4 The Lack of a Technical Test for Evaluating ISPs’ Objective Knowledge

The ECD does not offer guidance related to ‘apparent’ infringement. It does not make available any technical knowledge test for assessing ISPs’ objective knowledge. Therefore, this permits Member States to implement their own national tort law constructive knowledge standards with a ‘should have known’ test. Evaluating awareness of apparent infringement by this test leads us to use general grounds as a source of knowledge. It means that the court can evaluate awareness of apparent infringement with the ‘reasonable man’ test instead of a technical test like the ‘red flag’ test. Furthermore, constructive knowledge in the ECD is not dependent on the subjective test, as the ECD permits the court to evaluate constructive knowledge separately without actual or subjective knowledge. This means that court interpretations of awareness of apparent infringement are based on the internal and external factors of the ‘reasonable man’ test, which restricts cooperation between right holders and ISPs. Therefore, the lack of a technical test in the knowledge standard and the lack of a proper legal regime for notice and take-down procedures cause the courts to assess constructive knowledge, which could force an ISP to make a decision about an infringement with probabilistic knowledge; this increases the risk of liability for the ISP and causes other legal conflicts.

⁴³³ Nas (n307)

5.5.5 Case Law (ECJ) Rules are Inadequate

The court, regardless of actual knowledge (by notice), establishes constructive knowledge with a subjective test. This test involves evaluating whether a ‘diligent economic operator’ should have identified the infringement and uses an objective test to assess whether the operator plays an ‘active role’ when it provides assistance that entails optimising the presentation of offers for sale in question or promoting them⁴³⁴. Therefore, an ISP cannot rely on exemption from liability if it is aware of facts or circumstances on the basis of which a ‘diligent economic operator’ should have realised that the offers for sale or a provision of another service were unlawful in terms of copyright and trademark infringement and, in the event of it being so aware, failed to act expeditiously in accordance with Article 14 (1) (b) of Directive 2000/31⁴³⁵. The ECJ only uses subjective and objective tests for constructive knowledge without giving an explanation of how ISPs could obtain such knowledge. In addition, the ECJ concluded that it depends on the national courts to evaluate whether a service provider passes these tests or not. It elaborated that there is the possibility of evaluating the service provider by the ‘reasonable man’ test or on other general grounds. Practically, it confirmed that case law does not provide any specific guidance for how ISPs can obtain constructive knowledge or can find out when a website is exhibiting apparent infringement.

In sum, the ECJ’s ruling on awareness of apparent infringement has put ISPs in an uncertain and confused position because the court only provides subjective and objective tests for constructive knowledge, instead of tackling how such knowledge can be gathered. The ECJ adds a duty for ISPs: before providing any service, an ISP must attempt to learn what an ‘active role’ is in its national law and how this role will be interpreted. As a consequence, this rule for evaluating knowledge does not provide certainty for ISPs. It is worth noting that using the ‘active role’ measure for evaluating knowledge (due to the lack of specific elements on to how to characterise knowledge of

⁴³⁴ See ECJ on *L’Oréal* case, explained in Chapter IV

⁴³⁵ See para, 124.

infringement) can confuse ISPs because the term does not give certainty about which services involve the ISP playing an ‘active role’.

5.5.6 Constructive Knowledge and the Duty to Prevent Future Infringement

The ‘should have known’ or ‘had reason to know’ constructive knowledge elements permit right holders to require their national court to issue an injunction forcing ISPs to prevent future infringement by general knowledge about user infringement. It puts ISPs in a complicated situation because, besides accomplishing the duty of preventing future infringement, the ISP has to account for fundamental rights, like user privacy and freedom of expression. In this regard, current case law gives credit to the non-general obligation for monitoring information because it leads to monitoring all the communications that pass through the ISP’s network or leads to a conflict with other fundamental rights, as ruled by the ECJ in the *SABAM v. Netlog* case⁴³⁶. Although the case law rulings seem reasonable, the ECD and ECJ cases do not give any guidance regarding preventing duty through parties’ participation in the course of an appropriate mechanism that can facilitate the possibility of obtaining actual knowledge to end an infringement, as a replacement for classifying it as an ISP’s duty. Thus, such loopholes are a barrier for ISP services and will push ISPs towards being censorship or filtering bodies in practice by breaching the no-monitoring and no-filtering obligations.

5.5.7 The ECD Knowledge Standard and National Legislation

The ECD allows EU Member States to interpret the ISP knowledge standard and Articles 12 to 14 of the ECD differently. Member States may thus establish their own procedures for dealing with the knowledge requirement concerning ISPs’ secondary infringement for copyright and trademarks. For instance, instead of establishing a system for notice and take-down procedures, the ECD permits national legislation to define such a system. This means there is a lack of a complete protective mantle for ISPs because the different

⁴³⁶ *SABAN v. Netlog Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog NV* [2012] Third Chamber) [2012]

legislations will provide different interpretations on knowledge of infringement. In practice, this can cause ambiguities about ISP functions.

5.6 Advantages of the US Knowledge Standards

The notice and take-down procedures in US law are incentives for both ISPs and copyright owners to work together to combat online copyright infringement and to co-exist in the information society. The guidance for these procedures shows that the US recognises the nature of the computing mind by placing the duty of the identification of the alleged infringement and its location on the right holder. In practice, notice and take-down regimes benefit both parties because ISPs can be safe from liability without knowledge of negligence and the right holder can protect their right through the ISP's notice and take-down system. In line with this, the knowledge standard can prevent a copyright owner from making false notifications and can decrease the misuse of take-down procedures by competitors. Moreover, evaluating ISPs' knowledge of infringement for secondary liability for copyright infringement with a notice and take-down regime protects ISPs that perform certain activities when they act to restrict or impede infringements. In other words, the notice and take-down procedures protect ISPs from any liability that may arise in relation to the take-down procedures. Another advantage of the DMCA is that the take-down procedures are in line with the instrumentalist legal view on tort liability, because it realises that actual knowledge (as subjective knowledge) does not prevent ISPs from ignoring infringement or staying away from receiving knowledge of copyright infringement. The knowledge requirement through the notice and take-down regime also prevents misrepresentation on behalf of the right holder because the DMCA establishes that any person who consciously misrepresents such a notice is liable for the damage incurred as a result of the ISP acting upon such a notice. Therefore, in practice, a proper notice and take-down regime can ensure fair competition and freedom of expression in the online society.

US copyright case law has applied a rigorous interpretation of this regarding the identification of copyrighted work and infringing material. The US courts have indicated that the identification of copyrighted work and infringing

material is the duty of the owner of the copyright. The courts have interpreted that the copyright holder must make available specific information, such as the name, title, URL and information on technical and non- technical errors relating to the alleged infringement, rather than general information. In line with this, the court rejected Perfect 10's claim concerning a combined notice. For this reason, in practice, meticulous interpretations can aid both ISPs copyright holders because they clarify the parties' responsibilities. Furthermore, such interpretations on the subject of the elements of actual knowledge will encourage technological and e-commerce expansion.

The InWood knowledge standard evaluates ISPs' knowledge in relation to trademark infringement and it has rigorous standards compared to common law tort. It assesses particular knowledge to impose secondary liability and requires 'knew' or 'had reason to know' user infringement in assessing actual knowledge and constructive knowledge in relation to a particular third party who is engaging in trademark infringement. This is in contrast with the reasonable anticipation standard, which has a wide scope and imposes secondary liability on the ISP via general knowledge or via merely foreseeing the wrongdoing by the unknown and negligent. The advantage is that the courts can provide tight interpretations regarding the specific knowledge of infringement required to impose liability. It has been established that the InWood test does not rely on probabilistic knowledge, which imposes more duties on ISPs. For instance, in *Tiffany v. eBay*⁴³⁷, Tiffany made a claim based on a 'but for' causation test to prove eBay's knowledge, but the court refused this claim. Likewise, trademark case law interpretations have ruled that the courts do not intend to extend contributory liability, as cited in the *Sony* and *Tiffany* cases. Therefore, the tendency to narrow the scope of traditional contributory liability is a significant help to ISPs' advancement. Furthermore, the US constructive knowledge standard regarding ISPs' secondary liability for trademark infringement eliminates the opportunity for a trademark owner to request an ISP to act as trademark police. Furthermore, in terms of an ISP's wilful blindness to apparent infringement, the courts have also interpreted constructive knowledge in a constricted way, stating that constructive

⁴³⁷ *Tiffany v. eBay* [2010]600 F.3d 93, 106 (2d Cir. 2010)

knowledge ('reason to know') in "InWood does not intend so far as to require non-infringing users to police the trademark for a trade name owner"⁴³⁸. An advantage of such a rule is that it can decrease the potential risk of an ISP's liability without knowledge or an ISP's secondary liability when the trademark infringement is less apparent to the ISP.

5.7 Advantages of the ECD Knowledge Standard

The advantages of the ECD knowledge standard can be divided into a) abroad knowledge standard and b) its horizontal approach.

Article 14.1(a) (b) of the ECD applies a broad knowledge standard that comprises both actual and constructive knowledge. Implementing a broad knowledge standard seems reasonable and logical because, in the digital age, many people can access the internet cheaply and can easily violate copyright, trademark or other rights and avoid liability. Therefore, using a broad knowledge standard can prevent parties from avoiding liability and exhibiting wilful blindness to awareness of apparent infringement. Overall, it facilitates the better participation of users, right owners, and ISPs in the information society.

Another advantage of the ECD is that the broad knowledge standard approach comprises all types of infringement (like trademark, defamation, copyright, and other infringements), because the ECD knowledge standard employs a horizontal approach instead of a vertical approach⁴³⁹. The horizontal approach is appropriate for different circumstances involving different types of infringement. The horizontal approach defends the prohibition of monitoring (Article 15) by ISPs and confirms that ISPs act as passive and neutral machines. Furthermore, the horizontal approach does not pay attention to the type of data transmitted by ISPs in terms of whether the service involves caching or hosting. The horizontal approach's focus is on the fault element

⁴³⁸ *MDT Corp. v. Network Stock Exchange*, 858 F. Supp. 1028, 1034 (C.D. Cal. 1994); similarly, with *eBay*, (131 S. Ct. 647 (2010)) the court affirmed that an ISP does not have a duty to investigate and work as trademark police; the court noted "without specific knowledge or reason to know, the plaintiff was under no affirmative duty to ferret out potential infringement".

⁴³⁹ Baisterocchi (n 276)117.

(rather than the type of infringement) and it pays attention to knowledge of infringement as a vital element of fault. Hence, the ECD assists the development of online businesses with the enforcement of the horizontal approach.

5.8 Comparison and Evaluation

In this part, the study compares the US and ECD knowledge standards for secondary liability and evaluates them in specific areas.

5.8.1 Approaches

The approach of the US copyright (tort law contributory) knowledge standard for ISPs' secondary liability is a vertical approach that is only applicable for copyright infringement in light of contributory liability, while the ECD knowledge standard is a horizontal approach that is applicable to all types of infringement. The knowledge standards of US copyright case law and the ECD are similar in terms of the application of a broad knowledge standard. However, one difference is that the US copyright case law knowledge standard constricts the scope of the traditional tort knowledge standard for ISPs' copyright infringement with new rulings in copyright case law. For instance, the extensive scope of the tort law knowledge standard was narrowed by the Sony case to consider non-infringing use and in the Grokster case to consider ISP inducement. Additionally, the Perfect 10 case restricted the scope of the tort law contributory knowledge standard regarding copyright infringement to specific knowledge to impose liability. However, the ECD (in both its articles and case law interpretations) does not have a particular standard for the ISP knowledge requirement to narrow the broad scope of national tort law knowledge requirements so as to make its scope in accordance with the role of ISPs. The lack of a particular standard for the ISP knowledge requirement is a barrier to the cross-border development of ISPs among Member States.

Comparing the ECD and the DMCA, they differ in terms of approach. In contrast with the ECD knowledge requirement, the knowledge standard approach of the DMCA is a vertical approach that is only applicable to copyright infringement. Similarly, the US knowledge standard for ISPs'

secondary liability for trademark infringement (the InWood knowledge standard) is only applicable to trademark infringement. Considering the role of ISPs and secondary liability based on knowledge about user infringement, the horizontal approach seems more relevant to the functions of ISPs compared with the vertical approach, which requires ISPs to follow different knowledge standards to identify whether their conduct may lead to liability.

In sum, the ECD knowledge standard approach seems more appropriate than the DMCA and InWood knowledge standards. All of these standards differ on the subject of providing certainty to ISPs, guaranteeing freedom of expression, and in their capability to omit human interventions in the interpretation of technical knowledge. These factors are further discussed in the following sections.

5.8.2 ISP Protection

The ECD knowledge requirement suffers from the lack of a mechanism to protect ISPs when they take down allegedly infringing material incorrectly on the basis of good faith. In this situation, ISPs may face a dilemma, as they have to respond immediately to a notification of alleged infringement with the purpose of exempting themselves from being held liable. At the same time, such take-down procedures may lead to ISPs being sued if they take down material that they reasonably believed to be infringing copyright or trademarks but it later turned out that the material was not infringing such rights. For this reason, an ISP is in an insecure situation, as it can be sued easily for taking down alleged infringing material incorrectly on the basis of good faith. In this regard, the ECD knowledge standard is the same as the InWood knowledge standard. The US copyright case law knowledge standard does not offer any specific protection to an ISP in this regard but the DMCA has specific uniformity on the subject of protecting an ISP against such possible liability. However, a legal weakness of the DMCA knowledge standard is that s.512 requires ISPs to comply with incomplete notices by taking down alleged infringing material. Additionally, the DMCA notice and take-down regime requires ISPs to establish a reversion procedure to decrease the risk of the ISP being held liable and to decrease the need for probabilistic knowledge, which

can protect the ISP's development and freedom expression on the web. Moreover, the DMCA protects ISPs by requiring a statement from the copyright holder of the alleged infringing content (or their representative) attesting that the notification is correct. However, this requirement is absent in the ECD knowledge standard.

The ECD knowledge standard does not offer certainty regarding the identification of alleged infringing material and does not offer specific guidance on the reasonable information needed for the identification of infringement, and these legal gaps force ISPs to work as intellectual property right police to find alleged infringement. By contrast, the DMCA explicitly tackles the above legal concerns about the identification of alleged infringement to protect ISPs from performing non-relevant duties.

In addition, the ECD knowledge requirement forces ISPs to become censorship bodies because the term 'expeditiously' in Article 14 requires an ISP to remove or block access to an alleged infringement upon receiving a notification. This means that the ISP itself evaluates and judges the alleged infringement and decides whether the material should be removed or should be made available to the public. However, this is not possible because an ISP does not have the right to investigate user data to identify alleged infringement. Also, an ISP may be reluctant to investigate or judge what is right and what is wrong. In this regard, the ECD knowledge standard seems inappropriate. Conversely, by establishing a reversion system and notice and take-down procedures, the DMCA has brought its knowledge standard in line with the cooperation of the copyright holder, instead of requiring ISPs themselves to judge what an inappropriate duty is, which can lead to increasing the risk of an ISP being held liable. Furthermore, the ECD knowledge standard focuses on eliminating the divergent standards and interpretations among EU Member States relating to the matter of ISPs, while the broad knowledge standard of the DMCA focuses on providing an incentive for both ISPs and copyright owners to cooperate with one another in order to combat copyright infringement.

The scope of the DMCA knowledge requirement, compared with the scope of the ECD knowledge requirement, covers more ISP services such as information location tools. In essence, a service like an index or referencing service cannot benefit from the ECD knowledge requirement and its safe harbours. Thus, this legal vacuum has a negative effect on the digital economy, fair competition, and information society service providers. Overall, the DMCA knowledge standard (due to its notice and take-down regime) offers more protection than the US copyright case law knowledge standard, the InWood knowledge standard, and the ECD knowledge standard in terms of the protection of ISPs and users.

5.8.3 Protection of Other Rights

When an ISP acts in accordance with a notification to take down alleged infringing material but afterwards it turns out that the alleged infringement was incorrect, the material must be reinstated in 10 to 14 days, according to s.512 of the DMCA. Conversely, the InWood knowledge standard for ISPs' trademark infringement and the ECD knowledge standard do not identify any specific periods on the subject of reverting material back.

In addition, the DMCA knowledge standard prevents unfair competition as it requires a validity statement be sent with the notification to prevent competitors from sending faults or incorrect notifications. However, but the InWood and ECD knowledge standards do not specify the need for such a statement.

Regarding the protection of user privacy right, these knowledge standard has different level in reference to prevent monitoring of user data to protect IP right. The InWood knowledge standard for ISPs' trademark infringement also permits the control and monitoring of data to protect trademarks. However, the DMCA provisions provide a non-general obligation for ISPs to monitor their networks to protect copyright (s.512 (m)). This is the same as the ECD (Article 15), which prohibits a Member State from imposing a general duty of monitoring on ISPs. In practice, an ISP can be forced by an injunction to prevent an upcoming infringement; therefore, despite the general principle of

the prohibition of monitoring, an ISP can be forced to monitor their network to comply with injunctions, since this is not possible without probabilistic knowledge and constructive knowledge. This requires the ISP to investigate its entire network or to apply technologies (such as filtering technology) to monitor its systems and identify infringing material. In this regard, there are some countries that, in line with the ECD knowledge requirement (Article 14), have admitted monitoring. However, the US DMCA knowledge standard, instead of monitoring, focuses on providing an approach that encourages right holders and ISPs to cooperate to combat copyright infringement. Moreover, it rules that, to benefit from the broad knowledge standard of s.512, ISPs have to accommodate the technical standards that are utilised by copyright owners to identify or protect copyrighted work, rather than filtering technology. In conclusion, the lack of a monitoring requirement in the broad knowledge standard of the DMCA plays a big role in the advancement of information society services.

5.8.4 Constructive Knowledge and ISPs' Duties

The US copyright case law constructive knowledge standard, unlike the DMCA knowledge standard, confirms ISPs' affirmative duty to prevent copyright infringement. Similar to the DMCA, the InWood knowledge standard eliminates an ISP's duty to prevent infringement with constructive knowledge. In other words, unlike the US copyright case law knowledge standard, the DMCA and InWood knowledge standards are limited in scope in terms of constructive knowledge; using these standards, the courts have the tendency to narrow the ambit of the tort contributory liability knowledge standard. In contrast, the ECD knowledge standard requires ISPs to prevent an infringement with constructive knowledge. However, this requirement places a heavy burden on ISPs and permits different contributory liability knowledge standards. Overall, the DMCA knowledge standard seems more compatible with the functions of an ISP, the computing mind, and instrumentalist views on secondary liability. This harmony restricts constructive knowledge and gives benefits to both ISPs and right holders. Moreover, the DMCA offers a cooperative approach to combat copyright infringement and specifies that the

identification of the copyrighted work and alleged infringement is the duty of the right holder. This advantage guarantees online freedom of expression and prevents the ISP from monitoring users or breaching users' rights. Conversely, the ECD knowledge standard does not have any specific rule regarding the duty of the identification of copyrighted work or providing reasonable information about the location of alleged infringement. Furthermore, the ECD constructive knowledge standard (which has its roots in tort contributory liability) imposes the duty of the identification of copyrighted/trademarked work and the location of alleged infringement (among vast amounts of data) on ISPs. In fact, imposing such a duty on an ISP to prevent infringement puts the ISP in contradiction with protecting users' privacy and online expression.

The DMCA constructive knowledge (awareness) standard also differs from the ECD constructive knowledge standard because the DMCA implements a 'red flag' test (with objective and subjective tests as constructive knowledge) to establish certainty for ISPs, whereas the ECD constructive knowledge standard still has flaws in terms of the technical test and its basis in different national tort laws. As a result, the ECD standard is inadequate in providing certainty for ISPs.

5.8.5 Providing Certainty and Guaranteeing Freedom of Expression

The US copyright case law actual knowledge standard has a narrow scope compared with the tort actual knowledge standard (contributory liability). However, in terms of giving certainty to ISPs, it sounds inappropriate and is similar to the ECD knowledge requirement, because neither standard has a notice and take-down regime. By contrast, the DMCA explicitly establishes a knowledge standard by setting the requirements that have to be met in order to constitute actual knowledge. The ECD criteria for attaching knowledge of infringement to ISP functions stem from the national laws of the Member States. The criteria allow the national laws to be used to evaluate ISPs' knowledge in a suitable way. Therefore, by considering the differences between the case law and legislation of one country with those of other countries, it seems that the ability of the ECD knowledge standard to establish certainty for ISP services to predict when they can be held liable and to retain

freedom of expression in the virtual world is open to question. The same can be said for the US copyright case law knowledge standard for ISPs' copyright contributory liability.

Furthermore, the InWood knowledge standard for ISPs' trademark infringement and the ECD knowledge standard do not have reversion systems: they do not provide a user whose material has been taken down with the opportunity to put their material back when the user proves that the alleged infringement was incorrect. By contrast, the DMCA recognises freedom of expression by providing a reversion system in the notice and take-down regime.

5.8.6 Existing National Tort Laws for Interpreting ISP Knowledge

The US copyright case law knowledge standard for ISPs' secondary liability for copyright infringement has a limited scope of contributory tort through new cases, but it has widely authorised the implementation of national tort law in interpreting ISPs' knowledge of copyright infringement. Similarly, the knowledge requirements of the ECD and the DMCA have authorised the implementation of national tort law for interpreting and evaluating ISPs' knowledge. In contrast, the InWood knowledge standard for trademark infringement offers a restricted chance of using the tort law knowledge standard, compared with the ECD and the DMCA. The authorisation to use a national or existing law in interpreting and evaluating ISPs' knowledge causes ISPs to face divergent knowledge standards, rather than providing legal certainty for ISPs. This is because evaluating an ISP's knowledge of infringement by different standards based on the 'reasonable man' test instead of using a technical test cannot allow ISPs to predict when an infringement can be attached to their services.

5.9 Conclusion

The US knowledge standards and the ECD knowledge standard apply broad knowledge standards to evaluate ISPs' knowledge, but they differ in terms of their elements and conditions for permitting ISPs and copyright holders to co-exist and combat copyright infringement. The US copyright case law

knowledge standard, the InWood knowledge standard, and the ECD knowledge standard are deficient in terms of offering a suitable notice and take-down regime to reduce the duties of the ISP and to tackle the high risk of the ISP being held liable without knowledge, whereas the DMCA is free from such legal concerns because of its established notice and take-down procedures. Thus, this legal vacuum causes uncertainty on the subject of the parties' rights and obligations and makes divergent interpretations of the knowledge requirement possible. In addition, it affects the development of fair online competition and freedom of expression.

Overall, the DMCA standard provides more protection. This is taken into account in the recommendations that are given by the current research in the final chapter.

CHAPTER VI

Summary and Conclusion

6.1 Conclusion

This thesis has shown that ISP strict liability has been replaced to limited liability in rational of divert the costs of copyright and trademark infringement to those who have knowledge of infringement and are in the best positions to prevent infringement, by implementing fault based theory and instrumentalism theory (an economic realist) on the secondary liability as demonstrated in Chapter I and II. Consequently, knowledge about user infringement has been prevalently recognized as a crucial element of ISPs' secondary liability, but its elements and approaches are different in the knowledge standards in US copyright case law (traditional tort), the US DMCA, US trademark infringement (the InWood standard) and in the ECD. These differences have raised questions on the efficacy of current knowledge standards (broad and single knowledge standards) and the effectiveness of case law interpretations to omit current legal ambiguities and to offer appropriate guidance for interpreting ISPs' knowledge of user infringement to avoid liability without knowledge and protect all parties' rights.

As revealed in Chapter III, the US knowledge standards for copyright infringement have been divided into: the copyright case law knowledge standard (with contributory liability elements) and the DMCA knowledge standard for secondary liability (with a specific legal statute on the subject of ISPs' knowledge of copyright infringement). In this regard, actual knowledge and awareness of infringement have been interpreted in case law by the US courts under the direction of the legislative history of the DMCA.

The US copyright case law knowledge standard recognizes the advancement of technology by limiting the scope of the tort contributory knowledge requirement in the form of replacing mere knowledge of infringement as knowledge of infringement to include non-infringing use (the Sony case ruling), ISPs' inducement role (the Grokster case ruling), and (the Perfect 10 case ruling) specific knowledge. However, as discussed in Chapter III, these

rules are not adequate in protecting ISPs from the risk of liability, due to the lack of certainty on the subject of how specific knowledge can be interpreted and evaluated. In other parts, copyright case law allows for ISPs' knowledge to be evaluated based on the 'reasonable man' test or probabilistic knowledge. Moreover, the US copyright case law knowledge standard suffers from a clear statute with respect to cooperation between ISPs and right holders. Also, it forces ISPs to act as censorship bodies or copyright police, because the constructive knowledge requirement for imposing contributory liability on an ISP is fulfilled by a negligent failure to prevent a violation.

As revealed in Chapters III and V, s.512 of the DMCA clearly applies a broad knowledge standard and focuses on the parties' cooperation relating to combatting online copyright infringement, instead of attempting to impose burdensome and non-relevant duties on ISPs. It clearly emphasizes sending a notification as a vital approach to making parties' cooperation possible. Section 512 undoubtedly specifies the duty of identifying copyrighted work and the location of infringement as a copyright holder's duty, in order to limit the chance of forcing ISPs to monitor their networks to perform such identification. In addition, it supports ISPs by protecting them from false notices by requiring a verification statement; at the same time, it protects the rights of users and right holders by requiring ISPs to establish a material reversion system. Furthermore, as the present research has shown in Chapters III and V, the DMCA knowledge standard protects both ISPs and right holders from false notifications and it also limits competitor abuse chances by setting a high threshold for notices.

Furthermore, as revealed in the analysis of the DMCA knowledge standard in Chapters III and V, evaluating actual knowledge as subjective knowledge is not sufficient to prevent ISPs from ignoring or avoiding receiving knowledge of copyright infringement. Therefore, the DMCA knowledge standard recognises the role of technical criteria for assessing ISPs' wilful blindness to apparent infringement with the 'red flag' test. In this regard, strict interpretations have been applied by the courts, even though there are

divergent and inadequate interpretations. This is elaborated later in this chapter.

In addition, as indicated in Chapters III and V, the US knowledge standard for ISPs' trademark infringement is based on the InWood knowledge standard, which is a rigorous standard compared with the contributory liability knowledge standard for trademark infringement (common law tort). It specifies the knowledge requirement of secondary liability by requiring specific knowledge about a particular third party, rather than the reasonable anticipation standard. As discussed in Chapter III, the InWood knowledge standard prevents any chance of inflicting a duty on ISPs to prevent trademark infringement with general knowledge, if the standard is interpreted strictly (as illustrated by the Tiffany case and other cases).

This research has submitted(in Chapters III) that the limited scope and strict interpretation of the trademark knowledge standard can prove the implementation of instrumentalism in the US knowledge standard for trademark infringement as it focuses on the capability of the ISP to impose a duty in combatting online trademark infringement.

Chapter IV states that the ECD knowledge standard applies a broad knowledge standard with a horizontal approach for all types of online infringement, as stated in Article 14 and as ruled by case law. The present research has revealed that the ECD knowledge standard focuses on fault for holding ISPs liable, rather than focusing on the type of infringement. Moreover, the ECD knowledge standard broadly recognizes notification as a factor for proving that ISPs have actual knowledge. In addition, it specifies the ISP's duty to prevent current and upcoming infringement in the following ways: 1) by permitting the national courts to issue injunctions against ISPs to stop copyright and trademark infringement and 2) by acknowledging constructive knowledge as a requirement for secondary liability. With respect to the duty of preventing infringement, Chapter IV submitted that the ECJ's interpretation does not offer adequate guidance for the parties' cooperation while keeping ISPs safe from liability when they do not have real knowledge of infringement. In addition, the ECD knowledge standard permits national law to remain intact in terms of

establishing a legal approach for the parties' collaboration and for assessing ISPs' secondary liability.

6.2 Research Findings

The research questions have been explored in Chapters II, III, IV, and V and the broad knowledge standards of the US copyright case law and the DMCA and their judicial interpretations have been examined. In the same line, the research has examined the InWood case knowledge standard and the Lanham Act, as well as the ECD knowledge standard.

The US and EU Electronic Commerce Directive knowledge standards for ISPs' copyright and trademark infringement apply broad knowledge standards but differ in their notice and take-down procedures, types of knowledge, and level of reliance on tort knowledge standards. Thus, the knowledge standards seem appropriate in terms of the use of broad knowledge standards to evaluate ISPs' knowledge of infringement, but they are inadequate in criteria and other aspects, as discussed in the following sections.

6.2.1 The US Copyright Knowledge Standard (the DMCA)

The present research has examined US copyright case law (tort), the DMCA, and the judicial interpretations of both in relation to ISPs' secondary liability for copyright infringement. It has found that the US copyright case law knowledge standard is not appropriate due to the following legal vacuums.

US copyright case law (tort contributory liability) has flaws in terms of providing explicit guidance and legal procedures for both ISPs and right holders to know when actual knowledge infringement is attachable to an ISP service, the court permitted evaluating knowledge through the 'reasonable man' test as courts applied in *Sony Corp. of America v. Universal City Studios Inc.*,⁴⁴⁰ *MGM Studios Inc. v. Grokster Ltd.*,⁴⁴¹ , Perfect 10⁴⁴².

⁴⁴⁰ 464 US 417 (1984) [37]; See applications of this theory in the cases of *NCR Corp. v. Korala Assocs., Ltd.*, 512 F. 3d 807, at 816 (6th Cir. 2008) and *Gershwin Publishing Corp. v. Columbia Arts Management Inc.*, 443 F. 2d 1159, 1166 (2d Cir. 1971).

⁴⁴¹ 545 US 913 (2005).

⁴⁴² *Perfect 10 Inc. v. Amazon.com*, 487, F. 3d 701, 727 (9th Cir. 2007) [729].

Similarly, its constructive knowledge requirement allows divergent interpretations concerning ISPs' knowledge of copyright infringement and leads to force ISPs to prevent infringement with probabilistic knowledge. Thus, this requirement increases the risk for ISPs to be held liable without knowledge and imposes non-relevant duties on ISPs, like preventing infringement, because of the implementation of the 'reasonable man' test (with the 'should have known' or 'had reason to know' test) instead of a technical criteria for evaluating ISPs' knowledge. In this regard, the research has found that current judicial interpretations of the US case law knowledge standard are inadequate in addressing the aforementioned legal issues. Consequently, the copyright case law knowledge standard emphasizes the liability instead of the responsibilities of parties in combatting copyright infringement to protect ISP and other parties' rights as well. Furthermore, this knowledge standard is not in line with the process of gaining knowledge for ISPs (computing knowledge epistemology) and it cannot guarantee the safety of ISPs' and right holders' rights online.

In contrast with US copyright case law (tort contributory liability), this research has found that the DMCA knowledge standard establishes a broad knowledge standard and focuses on ISPs' and right holders' responsibilities instead of liability (for instance in *Perfect 10 Inc. v. CCBill LLC*,⁴⁴³. It does this by providing notice and take-down procedures to make the parties' responsibilities in combatting copyright infringement clear as law cases shown (*ALS Scan Inc. v. RemarQ Communities Inc.*,⁴⁴⁴ *Hendrickson v. Amazon.com Inc.*,⁴⁴⁵ *Recording Industry Ass'n. of America v. Verizon Internet Services Inc.*,⁴⁴⁶ and other law cases).

Furthermore, this research has revealed that the DMCA knowledge standard is in harmony with the ISP industry and ISPs' ability to combat online copyright infringement because of the implementation of strict judicial interpretations and a technical test (the 'red flag' test) to assess objective knowledge of

⁴⁴³ 340 F. Supp. 2d 1077 (Dist. Court Cal. 2004)

⁴⁴⁴ 239 F. 3d 619, 625 (4th Cir. 2001)

⁴⁴⁵ 298 F. Supp. 2d 914, 917 (C.D. Cal. 2003)

⁴⁴⁶ 351 F. 3d 1229, 1234 (D.C. Cir. 2003)

copyright infringement. In spite of the above advantages, the DMCA broad knowledge standard needs some amendments in certain areas: the notice and take-down procedures do not prevent human interference when defining ISPs' knowledge about users' copyright infringement to impose secondary liability. Moreover, the notice and take-down procedures do not omit the possibility of the elements of s.512 being interpreted differently. Furthermore, notification as a criterion of ISPs' actual knowledge of copyright infringement has some issues in terms of the efficiency of reversion systems, notice duration, notice form, and incomplete notices⁴⁴⁷. These legal issues put ISPs in contradiction with other rights like freedom of expression, privacy and so on as illustrated in chapter V. They also restrict the cooperation of parties through the notice procedures and allow copyright holders to keep their rights via constructive knowledge.

Current judicial interpretations are inadequate in offering guidance to assist ISPs and right holders in cooperating better to combat copyright infringement. They also do not give adequate immunity to ISPs from being forced to act as censorship bodies and being held liable through the negligent (this inadequacy is provable by *ALS Scan v. RemarQ Communities Inc.*, and other cases as submitted in chapter III)⁴⁴⁸.

In addition, in this study it was found that the DMCA knowledge standard suffers from ambiguity in the scope of the 'red flag' test to evaluate ISPs' objective knowledge, due to insufficient guidance in defining the scope of the test (*IO Group Inc. v. Veoh Networks Inc.*). In line with this, this research has found that the 'red flag' of infringement test (as an objective test via the 'reasonable man' test) has a negative effect on ISPs' functions because 1) it increases ISPs' risk of being held liable, even when they do not have knowledge of copyright infringement, due to the possibility of different

⁴⁴⁷ The law cases can prove that fact, it has been widely discuss in chapter III through the analyzing the following cases' *Recording Industry Ass'n. of America Inc. v. Verizon Internet Services Inc.*, 351 F. 3d 1229, 1236 (D.C. Cir. 2003) (citing H.R. Rep. at 56). According to Section 512(c) (3) (B) (ii), *Hendrickson v. eBay Inc.* 165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001)., *Perfect 10 Inc. v. CCBill LLC*, 481 F. 3d 751 (Court of Appeals, 9th Cir. 2007), *Arista Records Inc. v. MP3Board Inc.*[2002] No. 00 Civ. 4660, 2002 WL 1997918, U.S. Dist. LEXIS 16165(S.D.N.Y. Aug. 28, 2002).

⁴⁴⁸*ALS Scan v. RemarQ Communities Inc.*, US Court of App 4th Cir. February 6, 20012, 39 F. 3d 619, 57 USP Q2d 1996.

interpretations and 2) it leads courts towards a direct tendency to use traditional constructive knowledge for assessing ISPs' subjective knowledge, as case law has shown⁴⁴⁹ for instance *In A & M Records v. Napster Inc* *ALS Scan v. RemarQ Communities Inc.* and other cases like⁴⁵⁰, *ALS Scan v. RemarQ Communities, Inc*⁴⁵¹, *Sega Enterprises Ltd and Sega of America Inc. v. Maphia*⁴⁵², *Hendrickson v. eBay, Inc*⁴⁵³. *NCR Corp. v. Korala Assocs. Ltd.*⁴⁵⁴, *A&M Records v. Napster*⁴⁵⁵, *Netcom case*⁴⁵⁶.

Thus, based on the findings of this research, it can be concluded that the DMCA's broad knowledge standard (with its notice and take-down regime)

⁴⁴⁹ Moreover, as case law proves, court law in contrast with the American legislature intended to provide a stringent system and applied the traditional constructive knowledge which arises from the weakness of critically evaluating objective elements of the red flag test which is based on the human mid test like traditional constructive knowledge. Apart from that, the case law has shown that knowledge standard which is initially one of the elements of traditional contributory liability is still in practice and its interpretation has roots in the formalism approach and gets its guidance and values from the initial source.

⁴⁵⁰ They are rooted in the traditional theory of tort law as factors that establish fault.

⁴⁵¹ [2001] 39 F.3d 619 (4th Cir. 2001)

⁴⁵² *Sega Enterprises Ltd and Sega of America Inc. v. Maphia*, 857 F. Supp. 679, US. (N.D. Cal.1994)

⁴⁵³ The District Court of *Hendrickson v. eBay, Inc.*, referred to the 'awareness of infringement' stipulated in Section 512(c) (1) (A) (ii) as 'constructive knowledge' several times in its decision. As to whether the defendant had knowledge of the infringement, the court stated that "the limited information that the plaintiff provided to eBay cannot, as a matter of law, establish actual or constructive knowledge that particular listings were involved in infringing activity" ;165 F. Supp. 2d 1082, 60 U.S.P.Q.2d (BNA) 1335 (C.D. Cal. 2001).

⁴⁵⁴ 512 F.3d 807, at 816 (6th Cir. 2008)

⁴⁵⁵ the court did not use the awareness and 'red flag' test; instead, it used constructive knowledge for evaluating the ISP's liability and the Ninth Circuit Court found that Napster, by its conduct, had performed both actual and constructive knowledge infringement, and had knowingly encouraged as well as assisted in the infringement of the plaintiff's copyright. This concerned the first generation of file sharing systems. Napster had designed and operated a free software program that permitted the transmission and sharing of sound recordings employing digital technology. In this case, the use of Napster's system by users who uploaded and downloaded copyrighted music was qualified by Napster as fair use, but the court rejected this argument and the Ninth Circuit noted that, traditionally, "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". The Ninth Circuit found that Napster, by its conduct, had both actual and constructive knowledge of direct infringement and had knowingly encouraged as well as assisted in the infringement of the plaintiff's copyright.

⁴⁵⁶ The court accepted constructive knowledge as the ISP's liability; *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D.Cal.1995).

can be an effective knowledge standard, subject to some modifications: these are recommended in the final part of this chapter.

6.2.2 The US Trademark Knowledge Standard

Regarding the US trademark knowledge standard, the present research has found that the InWood knowledge standard for ISPs' secondary liability for trademark infringement protects both parties' rights because it limits actual knowledge of trademark infringement to specific knowledge of individual infringement for instance court ruled by *Tiffany Inc. v. eBay Inc.* case⁴⁵⁷), and it specifies that identifying trademarks and the locations of alleged infringements is the duty of the trademark owner (*Tiffany v. eBay Inc.*,⁴⁵⁸ .. In addition, the InWood standard is implemented by the US courts rather than other tests, such as the tort law standard (using probabilistic knowledge, negligence assessment, and the 'but for' test). However, the InWood knowledge standard and its contemporary judicial interpretations do not establish certainty for ISPs and trademark owners in relation to how specific knowledge of individual infringement is interpreted. This thus allows divergent interpretations on the specific knowledge of individual infringement⁴⁵⁹.

Consequently, in this regard, the current study has concluded that the current broad InWood knowledge standard seems appropriate in terms of the type of standard but it suffers from legal weaknesses. Its current interpretations do not eliminate these weaknesses and do not offer any proper guidance encouraging the parties' cooperation in combatting trademark infringement⁴⁶⁰.

⁴⁵⁷ 576 F. Supp. 2d 463 (S.D. New York. 2008).

⁴⁵⁸ 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008) and other cases like *Lockheed Martin Corp. v. Network Solutions Inc.* In *GMA Accessories Inc. v. Electric Wonderland*

⁴⁵⁹ *Louis Vuitton Malletier, S.A. v. Akanoc Solutions Inc.* Nos. 10-15909, 10-16105, 2011 US App. WL 4014320 (9th Cir. 2011), it admitted name of web as specific information.

⁴⁶⁰ *Louis Vuitton Malletier, S.A. v. Akanoc Solutions Inc.* Nos. 10-15909, 10-16105, 2011 US App. WL 4014320 (9th Cir. 2011) it admitted name of web as specific information; *Nomination Di Antonio E Paolo Gensini S.N.C. v. H.E.R. Accessories Ltd.*, 2010 WL 4968072 5 (S.D.N.Y) as discussed in chapter III

6.2.3 The ECD Knowledge Standard

Regarding the ECD knowledge standard, which was discussed in Chapters IV and V, the findings of the present research have shown that although the ECD implements knowledge requirements with safe harbours (Article 12 to 14) and by imposing liability on certain types of ISP services (mere conduit, caching, and hosting services), its knowledge standard's limited scope creates barriers for other types of ISP services, like information location tools. Furthermore, concerning the concept of hosting services, although the ECJ ruled that hosting services should be interpreted widely to give ISPs the chance to benefit from Article 14, ISP hosting services that offer non-free services are in a difficult situation, such as online auctions, Google AdWords, and Web.20⁴⁶¹.

Overall, this research has found that the ECD knowledge standard is appropriate in terms of the type of knowledge (broad knowledge) and its horizontal approach, but it has drawbacks and loopholes in some elements which does not shield the ISP from being held liable without knowledge and in while at the same time protect other parties right through the takedown or keep content or services. Its constructive knowledge (awareness) requirement does not focus on right holders' collaboration with ISPs and does not offer any technical test (as chapter IV discussed through the *L'Oréal SA v. eBay*)⁴⁶² for assessing objective knowledge of infringement. It offers a similar approach to using probabilistic knowledge to prove ISPs' objective knowledge of infringement (*Scarlet v. SABAM*⁴⁶³, *Promusicae v. Telefónica*⁴⁶⁴, *SABAM v. Netlog* case⁴⁶⁵). Its constructive knowledge requirement forces ISPs to prevent future infringement, which contravenes users' privacy⁴⁶⁶. Moreover, based on

⁴⁶¹ See *Laffess v. MySpace Share Hoster II* and *Rapidshare* cases in Germany, *Google France* cases. *L'Oréal v. eBay Europe* as applied in chapter IV.

⁴⁶² Judgment of the Court (Grand Chamber), 12 July 2011.

⁴⁶³ Case C-70/10. *Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, 24 November 2011 The Court (Third Chamber),

⁴⁶⁴ Case C-275/06, 29 January 2008 *Productores de Música de España (Promusicae) v. Telefónica de España SAU* <<http://eur-lex.europa.eu>> accessed 22 September 2012].

⁴⁶⁵ *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog NV*, Judgment of The Court (Third Chamber), 16 February 2012.

⁴⁶⁶ It has been submitted in chapter IV through analyzing the rule of case law ; *SARL Zadig Productions, Jean-Robert Viallet et Mathieu Verboud v. Ste Google Inc. et AFA*, Tribunal de Grande Instance de Paris (3d Chambers, 2d Section), decision of 19 October 2007; Seagull

the results obtained in this study, using the ‘reasonable man’ test as a criterion for evaluating ISPs’ knowledge of infringement seems incompatible with ISPs’ functions and can increase the possibility of ISPs being held liable when they do not have knowledge of infringement by negligent rule like forcing ISP through the constructive knowledge for injunction *SABAM v. Netlog* case⁴⁶⁷. In addition, it was found that the efficiency of the actual knowledge requirement in protecting both parties’ rights and in encouraging cooperation between the parties is open to question. This is due to the absence of a notice and take-down regime and the lack of definitions and guidance on interpreting the knowledge standard’s elements. In line with this, current case law interpretations concerning ISPs’ actual knowledge and constructive knowledge suffer from a lack of fixed guidance⁴⁶⁸ for assessing ISPs’ knowledge of infringement and ISP encountered with divergence interpretation to participate in the European information society service.

In short, the ECD knowledge standards and their interpretations are inadequate to protect ISPs in terms of making them able to offer proper functions in the online market by ensuring the free movement of information society services between the Member States and addressing the above legal vacuums⁴⁶⁹. The divergence of rule and interpretation and approach for cooperation among member states confirm inadequacy of current knowledge standard to achieve consistency of national law with the ISP as research submitted in chapter IV and V.

Haiyan Song, ‘A Comparative Copyright analysis of ISP Liability in China Versus the United States and Europe’ (2010) 27 *The Computer & Internet Lawyer* 13. The ECJ, in the above cases, did not offer any approach for the ISPs to achieve knowledge to comply with the injunctions to balance fundamental rights with protecting copyright and trademarks.

⁴⁶⁷ *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog NV*, Judgment of The Court (Third Chamber), 16 February 2012.

⁴⁶⁸ For instance *Scarlet v. SABAM* Case C-70/10. *Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, 24 November 2011 The Court (Third Chamber), does not offer any technical approach.

⁴⁶⁹ ECD, Article 1(1), it worth noting that the ECD aimed to be a leading law that each member state has to impose upon its own national law; ‘See also’ treaty on the functioning of the European Union, art, 288, 2008 O.J. (L115) 74; ‘a directive shall be binding, as to the result to be achieved, upon each member state to which it is addressed but shall leave to the national authorities the choice of form and methods’.

6.3 Recommendations

This research provides the following recommendations for both US copyright and trademark law and ECD knowledge standards.

6.3.1 Recommendations for the US Knowledge Standard for ISPs'

Secondary Liability for Copyright Infringement (the DMCA)

a) This research recommends that a special body be established to cooperate with ISPs in removing or blocking access to infringing content in an inexpensive and fast way (when a notice is not complete and for urgent request). Also, this special body could prevent ISPs from being forced to take down materials upon receiving notices that are sent in good faith but contain mistakes. Besides, special body could decrease ISP risk of being held liable without knowledge by providing chance to ISP to take - down based on special body conform, which this approach in the same time is in accord with user and IP rights holder as well. Furthermore, the special body cost is fewer compares with ISP cost for doing flitting or investigating in (all) numerous numbers of data.

b) It is also recommended that the DMCA be amended in terms of the objective element of the 'red flag' test, which is currently based on the 'reasonable man' test. This should be changed to use a technical method to prevent the courts from focusing on constructive knowledge using the 'reasonable man' test and to encourage copyright owners to participate in combatting infringement. In this regard, the current research recommends that the law get assistance from computer science to establish a technical approach in order to omit human intervention in interpreting apparent infringement or awareness of infringement; this would bring the knowledge standard more in line with the philosophy of the computer mind and ISPs' functions. Alternatively, the DMCA could codify and establish a special body for assessing the 'red flagging' of content on the web.

c) It is recommended that the DMCA provide a reasonable timeframe for a subscriber to reply to the ISP's contact and provide a logical timeframe for reverting data, to avoid any abuse. An appropriate time frame could clarify

each party's responsibility regarding the freedom of expression, access on online free movement, online mark and other services. For instance, reverting an online auction data by 24 hours instead of reverting in 14 days has remarkable effect on online market and online parties rights to access and participate in information in the online society. In line with that, as discussed in chapters III and V, there are ambiguities in notice and take-down section 512 concerning the representative list for notification and expeditiously remove or block access. Therefore, to have an effective notice, it is time to prevent divergent interpreting (as shown in a number of cases) by providing an explicit standard grounded on the technical possibility.

d) It is recommended to make adherence to the DMCA's provisions compulsory for both parties to encourages parties' cooperation in the light of the notice and take-down system and avoid the implementation of the tort law knowledge standard with vary interpretations (tort copyright case law). Furthermore, by considering the impact of tendency of courts to apply the single knowledge standard (constructive knowledge) on effectiveness of s.512 knowledge standards, as addressed in chapters III and V, the current researchers recommend the application of broad knowledge for imposing secondary liability to ISP be compulsory.

6.3.2 Recommendations for the US Knowledge Standard for ISPs' Secondary Liability for Trademark Infringement

a) This research recommends that the Lanham Act codify the InWood standard for ISPs' secondary liability for trademark infringement to make it more certain and principled in evaluating ISPs' knowledge.

b) By considering the flaws of the current knowledge standard, this study recommends that a notice and take-down regime be added to the Lanham Act to tackle the possibility of interpreting ISPs' knowledge differently and encourage parties to participate on combatting trademark infringement. It should specify when and how knowledge of infringement exists to avoid confusion for ISPs.

6.3.3 Recommendation for an Alternative to the US Knowledge Standards for Both Copyright and Trademark Infringement

This research recommends an alternative to the US knowledge standards for both trademark and copyright infringement: take advantage of the horizontal approach of the ECD and apply it, including specifying notice and take-down procedures.

6.3.4 Recommendations for the ECD Knowledge Standard for ISPs' Secondary Liability for Copyright and Trademark Infringement

a) The current research recommends that the ECD focus on realism in secondary liability rather than formalism to move from the legal focus on the liabilities of ISPs towards the parties' responsibilities by providing appropriate notice and take-down procedures with specific elements (format, detailed internet address, opportunity for provider to explain its reason behind the technical claim, put back with reasonable time frame, statement and reasonable information for identification of copyright and trademark infringement and other elements). In this regard, it is suggested that ECD implement the DMCA's notice and takedown (after applying the recommended amendments to DMCA like Special body) to deal with the roles of ISPs and parties' rights. It is worth noting that the cost of assistance of the special body to ISPs when they need assistance to assess and attend to a notice and other factors for preventing copyright and trademark infringement is lesser than the cost of an ISP investigating and examining all network data. Moreover, compelling the ISP industry to monitor their network to protect copyright or trademark discourages users from using the ISP services. This further imposes massive expenses on ISP business targets and other invisible costs.

b) In line with the above recommendations, this research recommends that Article 14-3, which permits Member States to establish their own notice and take-down regimes, be revised to force Member States to implement a standard notice and take-down regime in their national laws, preventing Member States from implementing their different existing laws to provide a consistency in EU members concerning the ISP knowledge standard.

c) For implementation of an injunction (article15) by ISPs to prevent upcoming infringements, it is suggested that its implementation be subject to the ISP receiving a complete notice from the right holder to prevent ISP from being forced to apply injunction via probabilistic knowledge or through breaching other parties' rights.

6.4 Final Remarks

By considering the differences between the processing of knowledge in human minds and ISPs, it appears that an ISP's ability to assess indirect infringement depends on the capability and ambit of the ISP's algorithms, unlike the human mind. Therefore, it is time to implement instrumentalism in designing broad knowledge standards for ISPs. In this regard, it is recommended that the US and EU knowledge standards focus on the role of the ISP and the philosophy of computer knowledge in order to enhance the parties' cooperation (by implementing notice and take-down procedures) and limited wide application of negligence based on the human mind test. Consequently, the parties could combat intellectual property right infringement and develop their industries and public interest.

6.5 Future Research Avenues

The knowledge standards for imposing secondary liability have been considered by a few studies in accordance with the research knowledge. The current study is one of the first to investigate them from a law perspective. Therefore, there is a need for more research in different fields of law and technology, as well as a need for the literature to fill the gap relating to ISPs' knowledge standards to preserve the co-existence and cooperation of all parties on the internet.

6.6 Contributions to Knowledge

The first contribution of this study is that it can assist in filling the gap in the literature concerning current knowledge standards in the US and the EU from a law perspective. The second contribution is that it suggests reforms to the current knowledge standards to align them with realism and the nature and role

of ISPs in practice. The final contribution is that the given recommendations protect the parties' rights due to the application of broad knowledge standards with relevant and appropriate legal mechanisms like notice and take-down procedure which lead to responsibility of all parties to cooperate rather focusing on ISP liability.

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