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“First things first” – German Federal High Court provides guidance on the scope of secondary liability of internet service providers for online copyright infringement

Name/citation of relevant case/legislation/material

BGH, Urteil vom 26.11.2015 - I ZR 3/14; BGH, Urteil vom 26.11.2015 - I ZR 174/14 – [Störerhaftung des Access-Providers]

Single sentence summary

The German Federal High Court has held in two decisions from 26th November 2015 that internet service providers can generally be held liable for illegal contents disseminated through their services by third parties with the caveat that claimants would first need to exhaust all reasonable measures to enforce their rights against the primary infringers.

Legal context

The German Federal High Court has taken the opportunity to discuss and further develop the possible liability of intermediaries for the dissemination of infringing files containing copyright protected works according to the German doctrine of “Störerhaftung” (this could be described as liability for disturbances or interferences but could also be considered as a breach of duty of care). This doctrine was developed by German courts through an analogy from property law. It foresees that someone who, albeit not directly involved in an infringement of an absolute right such as copyright, can still be found liable where his or her actions or omissions are adequately-causal for the infringement of such a right. The party is liable because it has the factual power over the occurrence of the disturbance (i.e. the infringement of copyright). Omissions by the defendants are particularly relevant in the present context of internet service providers’ (ISPs) liability since the courts generally have regarded that negligence with regards to certain monitoring duties would trigger liability. The claimant can demand removal of the disturbance and prevention of further disturbances but no damages.

The German legislator envisaged that this doctrine would be applicable in cases of Article 8(3) of Directive 2001/29/EC (InfoSoc Directive). According to this provision, Member States have to “ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right”. The discussed decisions come after the CJEU’s decision on *UPC Telekabel* (C-314/12; 27 March 2014). There, the European Court has held that ISPs are intermediaries pursuant to Article 8(3) of the InfoSoc Directive. This has the important consequence that ISPs can be the target of an injunction of right holders when their services are used by third parties to infringe copyright. The CJEU underlined that national law of the Member States would govern the conditions and procedure of injunctive relief against intermediaries. The German Federal High Court now discussed the particularities of liability for internet access providers under “Störerhaftung”.

Facts

The claimant of the first proceeding (I ZR 3/14) was GEMA, the collecting society for performers rights in Germany. The defendant was Germany's largest telecommunication company whose services provided its clients with internet access. This service enabled the defendant's clients to access the website "3dl.am". The claimant alleged that this website provided access to a collection of links and URLs to so-called "sharehosters" such as "rapidshare", "netload" and "uploaded" where musical works have been uploaded without authorisation of the right holders. Alleging that this would violate GEMA's copyright, it demanded that the defendant would cease to provide access to these works through their services. Both, first and second instance courts (the Regional and Higher Regional Court of Hamburg) however discarded the claims made by GEMA.

A similar factual scenario underlies the second case (I ZR 174/14). Claimants here were music publishers, while the defendant was again an internet access provider. The claimants argued that the defendant provided access to the website "goldesel.to" ("Goldesel" means "golden donkey" in German). This website displayed links to musical works from the file-sharing network "eDonkey" which have been uploaded there without authorisation of the right holders. Similarly to the first decision, the claimants sought from the defendants to cease providing access to the "Goldesel" website based on the "Störerhaftung"-doctrine. Again, both first and second instance courts (the Regional and Higher Regional Court of Cologne) rejected this claim.

Analysis

Both decisions of the German Federal High Court agreed with the findings of the respective second instance courts that copyright was violated in both cases. With regards to the first decision, the Court held that the links to the relevant works which could be found on and were downloadable from the "3dl.am" website would violate the making available right pursuant to § 19a of the German Author's Rights Act. The second decision also affirmed that the claimants' copyright was violated. The internet access provided by the defendant would enable access to the website "goldesel.to" where the protected works could be downloaded by its customers. Both decisions by the Federal High Court, however, concluded that the internet access provider would not be liable as primary infringers since they were neither perpetrator nor participants of the copyright infringement.

What remained was the claimants' argument that the respective defendants were liable pursuant to the "Störerhaftung"-doctrine. The Court outlined the application of the doctrine for internet access providers in a textbook manner in these two factually similar scenarios. It emphasised that, while third parties could be found liable for the actions of primary infringers under this doctrine, it could only be raised where the defendants violated certain monitoring duties. This caveat serves to set limits to the liability as "Störer". Such a limitation would be necessary since parties potentially found liable under this doctrine are not committing the actual infringement themselves. The Court held that the scope of such monitoring duties would generally depend on whether and how for such duties could be considered as being reasonable for the defendant under the given circumstances.

The Court provided some guidance as to what considerations influence the assessment of such reasonableness expected by internet access providers. On the one hand, a general monitoring obligation would not be considered as reasonable since this would contravene § 7 (2)(1) the German Telemedia Act which implements Article 15 (1) Directive 2000/31/EC (E-Commerce Directive). The latter provision establishes that providers do not have “to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity”. On the other hand, the Court emphasised that both Article 8 (3) of the InfoSoc Directive and Article 11 S. 3 of Directive 2004/48/EC (Enforcement Directive) would be relevant in the assessment of reasonableness of monitoring duties of internet service providers. These provisions generally enable right holder to seek for injunctive relief against intermediaries whose services are being used by third parties to violate copyright. The Court specifically used the “spider-in-the-web” argument from Recital 59 of the InfoSoc Directive whereby service providers are often best placed to terminate copyright violations on the internet.

By applying these principles, the Court held that internet access providers would provide an adequately-causal contribution to the copyright infringement of third parties in the discussed cases. This is because the defendants’ services would enable the contact between their clients and the infringing third party. This finding, however, is not unproblematic. The Court has held that the copyright infringement in question was the making available of the copyright protected work without authorisation and relied here on a similar finding in paragraph 31 of the CJEU in *UPC Telekabel*. Strictly saying, the making available of a work without authorisation by third parties and the resulting copyright infringement would also occur where the defendants, i.e. internet access providers, would have no involvement at all. This is because the primary infringers commit the copyright infringement in question by uploading the infringing material which does not require the involvement of the defendant’s service. These services are rather causally linked to the reproduction of persons downloading the work. This unclear approach to causality may stipulate that the Court’s line of argumentation is motivated by “forging” the “Störerhaftung” doctrine to meet with European parameters provided by *UPC Telekabel*.

With respect to the necessary monitoring duties, the Court added an important differentiation between the services provided by the defendants from other services. It held that the defendants’ services in providing internet access are generally legal and socially desirable which would not necessarily purport and enhance the possibility of copyright infringements. Such services, however, need to be contrasted with other factual constellations where the service providers’ business model is aimed at purporting copyright infringements by its users or where the service provider furthers such copyright violations due to its own actions. By referring to its previous decision in *Cybersky* (I-ZR 57/07; 15 January 2009), the German Federal High Court has held that in this latter scenario service providers would have an *ex-ante* monitoring duty.

In the present cases, however, the Court found that there would not be a general monitoring duty by the defendants. Otherwise, this would make the economic model of the defendants business not viable, as the Court argued, and underlined this finding by reference to the CJEU decisions in *L’Oréal v Ebay* (C-324/09; 12 July 2011) and *SABAM v Netlog* (C-360/10; 16 February 2012). It added that, while a general, *ex-ante* monitoring duty would not exist in the present scenario, a duty to monitor would arise where the respective claimants made the defendants aware of concrete copyright violations of specific musical works. It referred to its *Alone in the Dark* – decision (I-ZR 18/11; 12 July 2012) which discussed the liability of the

file hosting service “rapidshare” for making infringing material available uploaded by its customers. By applying this finding to the discussed decisions, the Court sees such duties to also apply to internet access providers.

Both decisions discussed the fundamental rights aspects surrounding the question of reasonableness which led the Court to criticise some findings by the second instance courts with this regards. The Federal Court initially mentioned the possible affected rights such as the property right of the copyright holder, the occupational freedom of the internet service provider and the freedom of information of internet users. In doing so, the Court provided an interesting analysis of the applicability of national fundamental rights *vis-a-vis* EU fundamental rights. It found that national fundamental rights could also be applied. The measures envisaged within Article 8(3) InfoSoc Directive and Article 11 sentence 3 of the Enforcement Directive would allow EU Member States to regulate the modalities of orders against service providers for alleged copyright infringement by users of the services. Since these modalities could be regulated by national legislators, German Fundamental Rights would remain applicable.

The Court then applied a classical fundamental rights discourse in both decisions to establish what would be considered to be reasonable monitoring duties for the defendants. It held that the copyright holder could, on the one hand, rely on the right to property based on Article 17(2) of the EU Charter and Article 14 (1) of the German Basic Law which is however not without limitations. On the other hand, it affirmed that the defendants could rely on their right on occupational freedom which primarily encompasses the freedom to freely distribute over ones financial, economic and technical resources. The Court found that the administrative, technical and financial resources to enforce blocking orders would need to be factored in when balancing the fundamental rights positions of claimants and defendants.

With regards to the rights enshrined in Article 7 of the EU Charter on Fundamental Rights (right to respect private communication) or Article 10(1) of the German Basic Law (privacy of correspondence, posts and telecommunications), the Court found that these rights would not play a relevant factor here. The Court held that these fundamental rights would generally encompass the non-public communication of concrete persons while communication to the public as a whole would not be covered. Hence, blocking such communication through the measures envisaged would fall outside of the scope of these fundamental rights

An important issue was discussed by the Court in relation to whether the effectiveness of the sought blocking measures would affect the reasonableness of monitoring duties by the defendants. Both Higher District Court decisions argued that such measures would not be reasonable because they lacked effectiveness. They argued that blocking would not totally eradicate the availability of websites displaying infringing material but only would make access more difficult. The German Federal Supreme Court, however, discarded this effectiveness argument by the Regional Higher Courts. The Court applied the CJEU’s reasoning in *UPC Telekabel* that actions which would not fully eradicate IP infringements are not as such disallowed. Based on this reasoning, the German Federal High Court applied a pragmatic approach within the second decision. It stated that not all internet users would be able and willing to circumvent the blocking measures. Additionally, these countermeasures would not make blocking orders unreasonable. Otherwise, right holders would be left without any remedy. The Court held that the habit of changing host providers or shifting the server from one country to another would rather make blocking orders against access providers a necessity.

Furthermore, the Court provided an interesting elaboration as to whether a blocking order remains to be a reasonable measure where it would also block access to legal material. In the first decision, the Higher Regional District Court argued that blocking legal content could amount to censorship. The second instance Court in the second decision held that the claimants would not have the right to enforce copyright on behalf of other right holders nor would they be able to enforce “copyright” for works which were in the public domain. With regards to this issue of “overblocking”, the Federal High Court considered again the jurisprudence of the CJEU in *UPC v Telekabel*. There, the CJEU held blocking measures would, *inter alia*, be possible where “(i) they do not unnecessarily deprive internet users of the possibility of lawfully accessing the information available”.

The Federal Court made an important point on this issue. It generally held that a blocking order is not only available where the entire material on a website would constitute infringing material and where the website’s business model is based on copyright violation. They are rather already available where the website inserts some legal contents. The Court supported this finding with its jurisprudence on file-hosting (e.g. *Alone in the Dark* – supra). There, it was held that compliance with monitoring duties would not be considered unreasonable for the sake of protecting copyright even where this leads to the deletion of legal contents in some isolate cases. This should, however, only impair the legal content of the service provider marginally and should not fundamentally challenge its business model. Hence, the German Federal High Court concluded here, in contrast to both appellate decisions, that a blocking order is not only available where the website exclusively hosts infringing material. Rather, it is also available where the amount of legal material on the website in question is only marginal in contrast to the illegal material.

Finally, the Court held that the order sought by the claimants based on the doctrine of “Störerhaftung” was not reasonable. This was because the claimants did not sufficiently seek to enforce their copyright against the primary infringers, i.e. the operator and the host provider of “3d.al in the first decision and the website operator of “goldesel” in the second one. The Court did so because the internet access providers were conducting a lawful and neutral business with regards to the copyright violations of their users. Based on the principle of proportionality, the defendants could only be found liable where all enforcement attempts against the direct infringers or host providers have been exhausted or were futile *ab initio*. Internet access providers can only be held liable after all these measures have been taken by the claimants. The Court found that otherwise a gap in protection would occur. In the present scenario, the liability based on “Störerhaftung” generally applies subsidiarily because the aforementioned parties are much closer to the infringement than the internet service provider that merely provides access to these materials. This marks a new approach since previously both primary infringers and such liable according to “Störerhaftung” could be sued together or alternatively.

The Court found that the claimants in the present cases have not exhausted all means against the primary infringers. In the first case, the claimants stated that they were granted an interim injunction against the operator of the website “3dl.to”. The order was, however, not deliverable because the address was fictitious with a wrong postcode. In the second case, the claimants argued that measures against the primary infringer were not possible since the website did not provide the identity of the website host. Additionally, they sought injunctive relief against the operator of the host server of the website in Russia but were unsuccessful.

For an action against the access provider to be successful, the Court, however, held that the claimant would need to apply more efforts to investigate the real identity of the primary infringers. It stated that further reasonable measure should have been conducted in both cases such as hiring private investigators or engaging with competent administrative bodies that deal with copyright infringement to investigate the identity or address of the infringer.

Practical significance

The Court acknowledged the obligation reiterated by the *UPC Telekabel* decision that Member States have to provide injunctive relief for right holders against internet service providers whose service have been used by third parties for copyright infringements. Hence, making “Störerhaftung” applicable for the possible liability of internet access providers seemed to be the *leitmotif* of the BGH in the discussed decisions. This has led to some questionable approaches, such as the issue of causality or the remaining question of how much legal material on a website would tilt the blocking of a website to be unreasonable.

With regards to the practical aspects, the German Federal High Court stated with some clarity when it would hold what actions with regards to enforcing copyright against the primary infringers as futile. Right holders are held to first attempt to enforce copyright against the primary infringers before seeking enforcement against internet access providers – so first things first!

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