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## **The Milan Court Condemns Video Sharing Platforms for Copyright Infringement**

### **in RTI v IOL and RTI v Yahoo!**

#### **Abstract**

On January 2011 and May 2011 the Court of Milan released two interesting decisions in *Reti Televisive Italiane S.p.A. v Italia On Line S.r.l.* (published on 7 June 2011) and *Reti Televisive Italiane S.p.A. v Yahoo! Italia S.r.l. and Yahoo! Inc.* (published on 9 September 2011). The Court found that the Internet Service Providers Italia On Line and Yahoo! Italia are liable for copyright infringement in connection with the uploading of several videos on their platforms and cannot rely on the hosting provider exemption under the E-Commerce Directive. The two decisions are particularly interesting as the Court of Milan “created” from scratch a new category of Internet Service Provider liability, i.e. the so-called “active hosting” liability.

#### **Legal context**

On January 2011 and May 2011 the Court of Milan released two interesting decisions in *Reti Televisive Italiane S.p.A. v Italia On Line S.r.l.* (published on 7 June 2011) and *Reti Televisive Italiane S.p.A. v Yahoo! Italia S.r.l. and Yahoo! Inc.* (published on 9 September 2011). The Court found that the Internet Service Providers Italia On Line (“IOL”) and Yahoo! Italia (“Yahoo!”) are liable for copyright infringement in connection with the uploading of several videos on their platforms and cannot rely on the hosting provider exemption under the E-Commerce Directive (while Yahoo! Inc. was not condemned as it limited its activity to the storage of data of its Italian subsidiary). The two decisions are similar and are based on an analogous reasoning.

In particular, the Court of Milan held that IOL and Yahoo! cannot invoke the application of Article 16 of Italian Legislative Decree no. 70 dated 9 April 2003, which offers Internet Service Providers (ISPs) a liability exemption for the storage of information provided by the recipient of their service. This provision implemented in Italy Article 14 of Directive 2000/31 (the so-called E-Commerce Directive). As is known, the exemption should be granted to ISPs, provided that they (i) do not have “actual knowledge” of the illegal activity carried out by their users and are unaware of facts or circumstances from which such illegal activity is apparent, or (ii) upon obtaining such knowledge or awareness, act expeditiously to remove or to disable access to the relevant information. As mentioned in Recital 42 of the E-Commerce Directive, the exemptions from liability cover only cases where the activity of the ISP is limited to the technical process of operating and giving access to a communication network over which information made available by third parties is transmitted or temporarily stored, for the sole purpose of making the transmission more efficient: this has been confirmed several times by the case law of the Court of Justice of the European Union (CJEU). Indeed in *L’Oréal v eBay* (C-324/09) it was held that the exemption under Article 14 E-Commerce Directive applies only if the ISP provides a mere technical and automatic process of data, without playing any active role of such a kind as to let him acquire knowledge of, or control over, those data (paragraph 113 CJEU decision). The CJEU had taken the same view in *Google France* (Joined Cases C-236/08, C-237/08, C-238/08, paragraphs 114 and 120 CJEU decision).

#### **Facts**

The IOL and Yahoo! video-sharing platforms allow users to upload and share videos. These videos often consist of, or contain, content which is protected by third parties’ copyright, such as television shows, movies

and musical videos.

The claimant Reti Televisive Italiane (“RTI”) is a broadcasting company totally owned by the Italian communication company Mediaset, which produces TV programmes and shows in Italy. RTI owns the copyright on certain videos posted by IOL and Yahoo! users on their platforms. RTI took legal action against IOL and Yahoo! before the Court of Milan and contended that the latter actively control and modify the information and contents posted by their users and should thus be considered as publishers and content providers: accordingly, they should be deemed liable for directly infringing its copyright as they unduly reproduce, distribute, publicly perform and display RTI audiovisual works. In particular the claimant maintained that the use policy adopted by IOL and Yahoo! (and accepted by their users) showed that their activity was not limited to mere intermediation services. Moreover, RTI stressed, the defendants actively selected copyrighted videos uploaded by their users, in particular through a system of suggestion of similar and/or related videos - and in some cases they directly uploaded copyrighted videos.

The defendants stressed that the videos in question were uploaded exclusively by their users, and thus that they were automatically inserted in their web platform. Only users therefore, IOL and Yahoo! noted, should be deemed as content providers and, depending on the circumstances, copyright infringers.

## **Analysis**

In the two decisions at issue the Court of Milan analysed the following issue: are IOL and Yahoo! publishers and content providers or merely hosting providers which offer just intermediation services?

The distinction between these two categories is critical. While in the case of a publisher the copyright owner need only to bring evidence that the former was at fault (in order to succeed in a copyright dispute), when it comes to ISPs right owners must demonstrate that the providers were aware of the unlawful activities carried out by their users and failed to act expeditiously to stop the infringement.

The Court of Milan first of all confirmed that ISPs are not requested to monitor the contents published by users on their websites. This is in line with Article 15(1) of E-Commerce Directive.

Yet, in deciding the case the Court “created” a new liability category, which is not envisaged in neither the E-Commerce Directive nor in the Italian implementing Legislative Decree. In particular, it introduced the concept of “active” hosting. Indeed, the Court noted that the recent technological evolution has led to the existence of a new category of ISPs, *i.e.* hosting providers which are not merely “passive” within the meaning of the above mentioned Recital 42 of the E-Commerce Directive. According to such Recital, “the exemptions from liability established in this Directive cover only cases where the activity of the information society service provider is limited to the technical process of operating and giving access to a communication network over which information made available by third parties is transmitted or temporarily stored, for the sole purpose of making the transmission more efficient; this activity is of a mere technical, automatic and passive nature, which implies that the information society service provider has neither knowledge of nor control over the information which is transmitted or stored”. The Court held that IOL and Yahoo! cannot be considered “passive” hosting providers (but instead should be deemed “active” hosting providers), since in their video platforms they carry out the following activities:

- they provide for a system that allows the publication of advertising links related to the videos;
- the user terms and conditions of the websites include a licence agreement, according to which users grant IOL and Yahoo! *inter alia* the right to display, edit, adapt, modify and use the uploaded videos;

- they provide a search engine service allowing the indexing of the uploaded videos and their contents, thus amplifying their visibility. Such service also allows the indexing of so-called “related videos”, *i.e.* videos which are related to those searched for by the person surfing in the Internet and using the service in question;
- finally, IOL and Yahoo! uploaded themselves on their websites some videos.

All these activities carried out by IOL and Yahoo! – the Court of Milan stressed - make them “active” hosting provider. It follows that they cannot rely on the hosting exemption offered by the E-Commerce Directive, as the latter only provides a shield for “passive” hosting providers (see again Recital 42). The event triggering defendants’ liability was (i) the receipt of the warning letter sent by the copyright holder and (ii) with reference to the videos directly uploaded by the ISPs, the uploading of said videos.

In light of the above, the Court concluded that IOL and Yahoo! cannot rely on the hosting exemption under Article 14 E-Commerce Directive and are thus liable for copyright infringement.

These decisions seem to be at odds with two rulings recently released by other courts in Europe, in particular in *Dailymotion v Carion, Nord- Ouest Production et al.* (Court of Paris, 4th Chamber, Section A, 6 May 2009) and in *Telecinco v YouTube* (Court of Madrid, 20 September 2010). In such cases it was substantially held that the video sharing platforms were “passive” hosting providers and could rely on the hosting exemption at issue. An analogous ruling was released in 2010 in the US case *Viacom Int’l Inc., et al., v. YouTube, Inc., et al.* (Nos. 07-Civ-2103 (LLS), 07-Civ-3582 (LLS)): indeed, the US District Court for the Southern District of New York confirmed that YouTube could invoke the hosting exemption under Section 512(c) Digital Millennium Copyright Act (DMCA) in connection with its video sharing platform.

### **Practical significance**

The decisions released by the Court of Milan are likely to be appealed by IOL and Yahoo!. They have already triggered debates amongst scholars and commentators, as they introduce a new category of liability which is not envisaged by the E-Commerce Directive and the Italian implementing legislation. The “active” hosting provider referred to by the court is likely to cover the most recent web platforms and thus apply to any ISP that does not restricts itself to provide mere hosting service, but which also offers additional services, such as search engine, indexing, suggestion, advertising and any management services referred to the contents uploaded by users. These “creative” decisions from the Court of Milan can have a strong impact in Italy, as video sharing platforms and websites providing the above mentioned services are currently mushrooming.