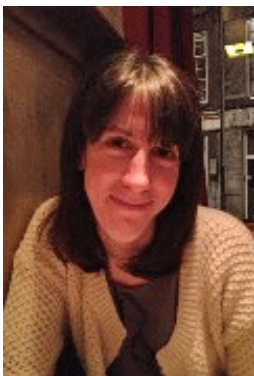


Kluwer Copyright Blog

CJEU in UPC Telekabel Wien: A totally legal court order...to do the impossible

Christina Angelopoulos (CIPIL, University of Cambridge) · Thursday, April 3rd, 2014



“This indicates the main danger of the ruling, that of fragmentation. This was foreseen by the Austrian referring court, which suggested that guidelines assessing the proportionality of blocking measures be laid down by the CJEU – that would have been welcome indeed! That absence is certainly the biggest deficiency of the ruling.”

Last Thursday, the Court of Justice of the European Union issued its judgment on Austria’s Oberster Gerichtshof reference for a preliminary ruling in Case C-314/12, *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH*.

The case began when film production companies Constantin Film Verleih and Wega Filmproduktionsgesellschaft GmbH noticed their copyrighted films being offered for download and streaming without authorisation on website *kino.to*. The companies requested the blocking of the site by Austrian internet access provider UPC. UPC declined, upon which the companies turned to the Austrian courts to request an injunction. In 2011 the *Handelsgericht Wien* ordered UPC to block access for its customers to *kino.to* by means of DNS blocking and blocking of the site’s current and future IP addresses, these being in the court’s opinion, although easily circumvented, the most effective methods of preventing access.

Upon appeal, the *Oberlandesgericht Wien* amended the injunction to a so-called *Erfolgsverbot* or “outcome prohibition”. An *Erfolgsverbot* is a peculiarity of Austrian procedural law that allows the judge to require that the defendants achieved a certain result without specifying the measures that should be taken for that purpose. Accordingly, UPC was instructed to do everything that could possibly and reasonably be expected of it to block *kino.to*. Whether all reasonable measures were taken was to be reviewed only in a subsequent “enforcement process”. If UPC could at that point show that the measures it chose were appropriate, it could avoid incurring coercive penalties for breach of the injunction. The defendant appealed to the *Oberster Gerichtshof* (Supreme Court), which submitted a series of four questions to the CJEU.

Table of contents

- First Question: When is an Infringer Using the Services of an Intermediary?
- Third Question: Are ‘Outcome Prohibitions’ Compatible with Fundamental Rights?

- Assessment: Easier Said than Done
- Conclusion

First Question: When is an Infringer Using the Services of an Intermediary?

According to Article 8(3) of the [Copyright Directive](#), “Member States shall ensure that rightholders 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 Austrian court queried whether the services of an intermediary whose customers access works that have been made available unlawfully by a third party would fall under the provision.

In view of the high level of protection that is to be afforded to right-holders according to Recital 9 of the Directive, the CJEU concluded that, given that the users’ internet service provider is an inevitable actor in any transmission of an infringement over the internet between its customers and another party, it must be seen as an intermediary whose services are used to infringe a copyright or related rights.

The Court’s analysis, which relies heavily on the teleological interpretation of Article 8(3), is significantly more convincing than that of [AG Cruz Villalón](#), who, although also answering the question in the affirmative, attempted to base his analysis on the wording of the provision, as well as its context, spirit and purpose, arguably thus distorting the phrase “using the services of” beyond its natural meaning. This is however, in this blogger’s opinion, the only way in which the Court’s judgment improved upon the AG’s Opinion.

As the answer to the first question was positive, the Courts skipped the second question on the legality of private copying from illegal sources. An answer will not be postponed indefinitely however, as the topic is a central feature of the questions submitted by the Dutch *Hoge Raad* in upcoming Case [C-435/12, ACI Adam](#).

Third Question: Are ‘Outcome Prohibitions’ Compatible with Fundamental Rights?

The CJEU next tackled the third referred question. With this the Austrian Supreme Court asked whether the fundamental rights recognised by the EU preclude a blocking injunction that does not specify the measures that should be taken to achieve the result, if the access provider can avoid coercive penalties for breach of the injunction by showing that it has taken all reasonable measures.

The Court identified a three-way conflict between: a) **copyright and related rights**; b) the intermediary’s **right to conduct a business**; and c) the **freedom of information** of internet users. It repeated its *Promusicae* conclusion that where several fundamental rights are at stake, a fair balance must be struck between the requirements of all.

The Court found that the injunctive order under consideration struck the right balance. With regard to the intermediary’s freedom to conduct a business, the Court stressed the freedom that the “outcome prohibition” allows to access providers to select the measures better adapted to their resources and more compatible with other obligations or challenges that might arise. At the same time, the intermediary will not, submitted the Court, be subjected to “unbearable sacrifices”, given that it can avoid liability if it has taken all reasonable measures that could be expected of it.

Somewhat bizarrely, the Court refused to enter into a similar analysis with regard to users’ rights,

instead deciding to pass this hot potato on to the intermediaries. Thus, according to the CJEU, in selecting the measures with which to comply with the injunction, intermediaries must be careful not to infringe users' freedom of information. The measures must be strictly targeted, in the sense that they must serve to bring an end to the infringement of copyright or related rights without affecting the accessibility of lawful information. Whether or not an intermediary has succeeded in striking this delicate balance must be subject to judicial review. As a result, according to the Court, national procedural rules must provide internet users with *locus standi* before the courts after the implementing measures have been taken by the ISP.

Finally, with regard to copyright protection, the Court stressed that a complete cessation of infringements might not be possible or achievable in practice; this does not pose a problem, given that, as previously emphasised in the Court's case law, there is nothing whatsoever in [Article 17\(2\)](#) of the Charter to suggest that intellectual property is inviolable and must be absolutely protected. In this context, the measures employed, although not required to offer watertight protection, "*must be sufficiently effective to ensure genuine protection, that is to say that they must have the effect of preventing unauthorised access to the protected subject-matter or, at least, of making it difficult to achieve and of seriously discouraging internet users who are using the services of the addressee of that injunction from accessing the subject-matter made available to them in breach of that fundamental right.*"

In conclusion, according to the CJEU, outcome injunctions that allow intermediaries to avoid penalties by showing that they have taken all reasonable measures are compatible with EU law, if; a) the measures taken do not infringe user rights, while; b) simultaneously preventing or at least impeding or discouraging access to the illegal content.

In view of the answer to the third question, the fourth question, asking whether specifically identified measures intended to block access to a website containing infringing material could be imposed by a court on an intermediary, was left unanswered.

Assessment: Easier Said than Done

ISPs might be forgiven if they consider this a rather tall order. According to the Court, internet access providers must make sure that both right-holders and users are kept happy, with no real guidance as to what measures might achieve that effect. As one disgruntled online commentator [quipped](#), "figuring out what content is legal against what content is infringing is too hard for us poor lawyers and judges!"

In practice of course things are probably not actually that dire: in effect what this ruling does is follow up on the [two SABAM cases](#), which found filtering incompatible with fundamental rights, by confirming that specific (in the sense of "targeted at a clearly indicated website") blocking injunctions are permissible, as long as they do not unreasonably infringe users' rights.

What is unfortunate is that this question should be brought before the CJEU by the courts of a Member State which allows for the rather curious construction of an "outcome prohibition". As a result, *what should have been a matter of simple application of Articles 12 and 15 of the E-Commerce Directive was turned into a convoluted attempt to declare the Austrian injunction compatible with EU law, while also preserving the existing framework of European intermediary liability*. It would, in my opinion, have been much more preferable if the Court had followed AG Cruz Villalón's Opinion, *which sensibly gave a negative answer to the third question and a*

positive one to the fourth one. The *Erfolgsverbot* would have been sacrificed (at least within the confined context of injunctions against intermediaries for online copyright infringement), but at the altar of legal certainty and good law.

The AG mentioned that “No [fair] balance can be said to exist in the case of an outcome prohibition not specifying the measures to be taken, which is issued against an ISP.” This is true: for all its postulating about the important of a “fair balance”, in its judgment the Court does not establish one nor even provide guidance on how to reach one, but in fact explicitly redirects the balancing exercise to a private enterprise and defers the assessment of its outcome to a later procedure. As the Commission submitted to the Court, “the possibility of avoiding incurring coercive penalties is no substitute for a proper review of proportionality when an injunction is issued.”

The Court emphasises the flexibility that an open-textured injunction leaves to the intermediaries. However, as Pekka Savola over at the 1709 Copyright Blog [observes](#), ISPs typically *want* specific orders to be laid out – they are much less eager to be asked to read that mind of the courts and apply guesswork regarding the legal rights of others, especially when their assessments are subject to reevaluation by the actual judicial authorities and a potential coercive penalty for themselves. What the Court is missing here is that, without specific instructions from the courts, the ISP has no real way of knowing what is and what is not “reasonable” in the eyes of the law. After all, in the case at hand, UPC maintained that DNS and IP address blocking were disproportionate – but if they now chose to stick by this assessment, they could find themselves facing penalties. As the AG astutely put it: *“If, in the interest of its customers’ freedom of information, it decides on a mild blocking measure, it must fear a coercive penalty in the enforcement process. If it decides on a more severe blocking measure, it must fear a dispute with its customers. The reference to a possible opportunity to defend itself in the enforcement process does not in any way alter the ISP’s dilemma.”*

One way out for intermediaries might be indicated by para. 60 of the ruling, which emphasises that a means of putting a complete end to the infringements might not exist or be achievable in practice. In such cases, measures which are capable of being circumvented might present an acceptable compromise. This would seem to hint that where an ideal solution that accommodates all conflicting objectives might not be possible and a choice must be made between measures that offer greater protection for copyright and related right, but infringe user rights and measures that are not as effective, but are more respectful of users’ freedom of information, the latter option is to be preferred. It is also stressed by the Court that the intermediary will not incur liability for not implementing measures that may be achievable, but which are not reasonable.

This is reinforced by the timid requirements that the measures must fulfil on the copyright enforcement side of matters to be found “reasonable”: the Court waffles considerably, going in the course of a single sentence from “genuine protection” to “effect of preventing unauthorised access” to “at least making it difficult” and finally landing on a minimum threshold of “seriously discouraging”. It then repeats this meandering musing for better effect in bold in its final conclusion as if this will lend this exercise in equivocation more authority. It’ll be reasonable, the Court seems to say, as long as it’s not entirely ineffective, or at least tries to not be entirely ineffective, or at least suggests that users shouldn’t do this... Not what might be called a firm stand at all.

Of course, even this muted approach leaves intermediaries with the factual problem of rampant

user disregard for copyright: one might wonder which measures are likely even to merely “seriously discourage” piracy, given that existing data suggests blocking has no noticeable effect on actual numbers. Indeed, in a [recent Dutch case](#), the court of appeal of The Hague overturned an injunction ordering access providers ZIGGO and XS4ALL to block the well-known torrenting site The Pirate Bay, after [studies confirmed](#) no effect at all on the number of downloads from illegal sources. It is possible that the Court is simply insisting that a symbolic “do something” gesture must be made to establish that the intermediary is opposed to piracy, even if it cannot achieve real results.

Finally, it is also unfortunate that the Court did not follow the AG’s advice regarding the subsidiarity of actions against the intermediary of the downloader. As he observed, “A claim against the ISP is, admittedly, not completely out of the question, but the originator must, as a matter of priority, so far as is possible, claim directly against the operators of the illegal website or their ISP.” Of course, such a requirement is not explicitly embedded in the wording of Article 8(3), but I would argue does have a place in the consideration of the proportionality of an injunction, as suggested by the AG.

Conclusion

The real negative effects of the decision are likely to be limited to Austria – most Member States do not have procedural constructions comparable to the *Erfolgsverbot*. Indicatively, the issue was already considered last year by the UK’s Justice Arnold in *EMI Records v British Sky Broadcasting*, who found that since UK courts must carefully consider fundamental rights and proportionality before any blocking order is made, the question would not apply to them.

This indicates the main danger of the ruling, that of fragmentation. This was foreseen by the Austrian referring court, which suggested that guidelines assessing the proportionality of blocking measures be laid down by the CJEU – that would have been welcome indeed! That absence is certainly the biggest deficiency of the ruling: in *Scarlet* and *Netlog* the Court establishes that filtering orders are illegal. We now know that blocking injunctions may be ok – but under what conditions? Do DNS blocking and IP address blocking pass the test? What is the precise outline of the balancing test? It would be nice if the Court had delved into these questions.

The incongruence of allowing an “outcome prohibition” while simultaneously acknowledging that fully achieving said outcome is in all likelihood impossible cannot be ignored. What the court has in effect suggested is not achieving a specific result, but doing the least useless thing the ISP can think of that is also respectful of the rights of others. As a result, the injunction is not really an “outcome injunction” at all anymore, but rather an “reasonable attempt at an outcome injunction” – in which case why not outline exactly what such a reasonable attempt might look like? UPC is likely to cave and adopt the measures ordered by the Austrian court of first instance, without actually having a CJEU ruling that says it must – and then keep its fingers crossed that that the national courts then agree that is enough.

It is worth noting that *kino.to* was taken offline following an action of the German police forces against its operators. It has since been replaced by *kinox.to*.

CA

To make sure you do not miss out on regular updates from the Kluwer Copyright Blog, please [subscribe here](#).

Kluwer IP Law

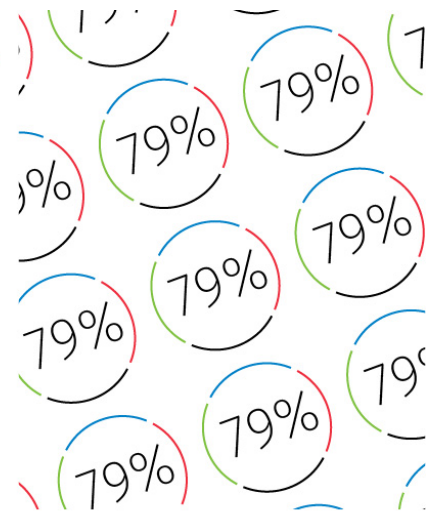
The **2022 Future Ready Lawyer survey** showed that 79% of lawyers think that the importance of legal technology will increase for next year. With Kluwer IP Law you can navigate the increasingly global practice of IP law with specialized, local and cross-border information and tools from every preferred location. Are you, as an IP professional, ready for the future?

Learn how **Kluwer IP Law** can support you.

79% of the lawyers think that the importance of legal technology will increase for next year.

Drive change with Kluwer IP Law.

The master resource for Intellectual Property rights and registration.



2022 SURVEY REPORT
The Wolters Kluwer Future Ready Lawyer
Leading change

This entry was posted on Thursday, April 3rd, 2014 at 4:47 pm and is filed under [Austria](#), [Case Law](#), [European Union](#), [Infringement](#), [Jurisdiction](#), [Liability](#)

You can follow any responses to this entry through the [Comments \(RSS\)](#) feed. You can skip to the end and leave a response. Pinging is currently not allowed.