

Ius Comparatum – Global Studies in Comparative Law

Graeme B. Dinwoodie *Editor*

# Secondary Liability of Internet Service Providers



 Springer

# **Ius Comparatum – Global Studies in Comparative Law**

Volume 25

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Graeme B. Dinwoodie  
Editor

# Secondary Liability of Internet Service Providers

 Springer

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ISSN 2214-6881

ISSN 2214-689X (electronic)

Ius Comparatum – Global Studies in Comparative Law

ISBN 978-3-319-55028-2

ISBN 978-3-319-55030-5 (eBook)

DOI 10.1007/978-3-319-55030-5

Library of Congress Control Number: 2017941537

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Printed on acid-free paper

This Springer imprint is published by Springer Nature

The registered company is Springer International Publishing AG

The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

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# Chapter 1

## A Comparative Analysis of the Secondary Liability of Online Service Providers

Graeme B. Dinwoodie

### Introduction

Any comparative analysis of the “secondary liability” of online service providers (OSPs) confronts a set of threshold definitional questions: most importantly, who is an “online service provider” and what is meant by “secondary liability”? Determining who is an online “service provider” primarily involves interpretation of definitions contained in various pieces of relatively recent legislation. The latter question—what is “secondary liability”—presents far more fundamental challenges, though

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This Chapter draws heavily on national reports prepared by national reporters in advance of the Congress of the International Academy of Comparative Law in Vienna in July 2014, some of which have in turn been revised for publication as chapters in *Secondary Liability of Internet Service Providers* (Graeme B. Dinwoodie ed., Springer 2017) to which this is the Introductory Chapter. I am extremely grateful to the various National Reporters for that Congress on whose work this Chapter builds: Graeme W. Austin; Christoph Busch; Lung-Sheng Chen; João Fachana; Vincenzo Franceschelli, Oreste Pollicino, and Elisa Bertolini; Xawery Konarski and Tomasz Targosz; Ivana Kunda and Jasmina Mutabžija; David Lametti and Abby Shepard; Caitlin Mulholland; Clement Petersen; Radim Polčák; Cyrill Rigamonti; Jaani Riordan; Tatiana Synodinou and Philippe Jougleux; Marketa Trimble and Salil K. Mehra; Pierre Trudel; Katja Weckstrom; and Georgios N. Yannopoulos. These reports were authored in 2013–2014, although this Chapter takes into account subsequent developments. This Chapter also draws in part on Graeme B. Dinwoodie, *Secondary Liability for Online Trademark Infringement: The International Landscape*, 36 COLUMBIA. J. L. & ARTS 463–501 (2014). Thanks also to Matthew Kruger for editorial assistance with the book in which this Chapter appears.

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G.B. Dinwoodie (ed.), *Secondary Liability of Internet Service Providers*,

Ius Comparatum – Global Studies in Comparative Law 25,

DOI 10.1007/978-3-319-55030-5\_1

these are of types not unknown to comparative law scholars generally. Some of these challenges are terminological—by what *name(s)* do we call the different bases on which an online service provider might be held liable for some way enabling third parties to engage in unlawful activity? But others are more conceptual: for example, to what extent is “secondary liability” dependent upon actual or notional proof of primary liability; is there a horizontal legal concept of “secondary liability” that delineates liability independently of the particular nature of (or policies animating) the alleged primary liability; does the term “secondary liability” encompass obligations that the law may impose upon service providers without suggesting that they might be monetarily “liable” for the unlawful conduct of the third party users of their services; and, is *online* service provider liability simply an application of traditional principles long applied in the offline environment? This Chapter seeks to address these conceptual challenges while also adumbrating the underlying doctrine now developing at the national level.

The Chapter proceeds as follows. Part I addresses definitional questions (both terminological and conceptual). Part II explains the reasons for the rise of secondary liability claims and the policy concerns that are implicated by the imposition of secondary liability. Part III discusses a range of standards adopted in different countries (in different contexts) to delineate the secondary liability of intermediaries. There, I highlight two different approaches to establishing the circumstances when an intermediary might be liable: a “positive” or “negative” definition of the scope of liability. The former flows from the standards for establishing liability; the latter grows out of the different safe harbour provisions that immunize intermediaries operating in particular ways, although there can obviously be connections between the standard for liability and the conditions for immunity.

Part IV considers the mechanism (“Notice and Takedown”) that in practice has come in many countries to mediate the responsibilities of right owners and service providers for a range of unlawful conduct that occurs using the facilities of the service providers, as well as noting some variants (such as “Notice and Notice” in Canada). These mechanisms typically reflect OSP responses to potential secondary liability, and have developed both in contexts when that liability is defined positively and when it is framed in negative terms. But regardless of the varying impetus for the mechanisms, they are largely implemented through private ordering (with some of the concerns that attends any such activity) that is subject to differing level of public structuring and scrutiny.<sup>1</sup>

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<sup>1</sup> “Public structuring” refers to the legal framework that might be established to shape (whether by compulsion or incentive) private ordering and thus give some greater comfort regarding the form the latter takes. See generally Graeme B. Dinwoodie, *Private Ordering and the Creation of International Copyright Norms: The Role of Public Structuring*, 160 J. Instit. & Theor. Econ. 161 (2004). And, separately, private actors (largely, OSPs) are increasingly making public on an ex post basis aggregated information concerning this private activity, which affords some level of public scrutiny. See, e.g., Google, Inc., Transparency Report, at <https://www.google.com/transparencyreport/?authuser=1> (listing 40 major internet companies that release such data). Between 4 January 2016 and 4 January 2017, Google removed 916 million URLs as a result of takedown requests from copyright owners.

Part V focuses on the concept of (judicially-enforceable) “responsibility without liability”, a growing feature of the landscape in this area, especially but not exclusively in the European Union (EU).<sup>2</sup> Service providers in several fields, most notably intellectual property law, are being required actively to assist in preventing wrongdoing by third parties regardless of their own fault (but for example, engaging in so-called “web-blocking” of allegedly infringing sites). These mechanisms, found in several legislative instruments but developed in greater detail by courts through applications in private litigation, operate to create a quasi-regulatory network of obligations without imposition of full monetary liability. It is not clear that the obligations that might be ordered against intermediaries under this rubric should truly be conceptualised as instances of secondary liability; indeed, they are clearly something different in juridical character.<sup>3</sup> But these obligations are of great importance to the scope of secondary liability, and they do impose costs on intermediaries. Efforts to internationalise such mechanisms such as via the Anti-Counterfeiting Trade Agreement (ACTA)<sup>4</sup> or the Transpacific Partnership Agreement (TPP)<sup>5</sup> have met with fierce resistance, as have several pieces of legislation in the United States that critics saw as mimicking some of the developments in the European Union.<sup>6</sup>

Reflecting the bulk of both legislation and case law in which the secondary liability of OSPs has been addressed, this Chapter focuses in large part on claims under copyright law, trade mark law, and defamation law.<sup>7</sup> Part VI concludes, however, by considering briefly whether generally applicable principles can be derived from,

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<sup>2</sup>The most recent jurisdiction to adopt such an approach is Australia. *See* *Roadshow Films Pty Ltd. v Telstra Corporation* [2016] FCA 1503 (Dec 15, 2016); § 115A of the Copyright Act 1968 (Cth); *see also* § 193DDA of Copyright Act (Sing.) (orders to disable access to flagrantly infringing online locations).

<sup>3</sup>*See* JAANI RIORDAN, *THE LIABILITY OF INTERNET INTERMEDIARIES* at §§ 1.49–1.60, at 12–14 (Oxford Univ. Press 2016) (using terminology of “primary”, “secondary” and “injunctive” liability, and describing these mechanisms as “injunctions without wrongdoing”); MARTIN HUSOVEC, *INJUNCTIONS AGAINST INTERMEDIARIES IN THE EUROPEAN UNION: ACCOUNTABLE BUT NOT LIABLE?* (Camb. Univ. Press 2017) (forthcoming).

<sup>4</sup>Anti-Counterfeiting Trade Agreement, Dec. 3, 2010 [hereinafter ACTA], available at [http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc\\_147079.pdf](http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc_147079.pdf).

<sup>5</sup>Trans-Pacific Partnership Agreement, Chapter 18, Feb. 4, 2016, [hereinafter TPP] available at <https://ustr.gov/sites/default/files/TPP-Final-Text-Intellectual-Property.pdf>; *see also* Neha Mishra, *The Role of the Trans-Pacific Partnership Agreement in the Internet Ecosystem: Uneasy Liaison or Synergistic Alliance?* 20 J. INT’L ECON. L. 31, 55–56 (2017).

<sup>6</sup>*See, e.g.*, Stop Online Piracy Act (“SOPA”) H.R. 3261, 112th Cong. (2011); Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act, S. 968, 112th Cong. (2011) (“PIPA” or “Protect IP Act”); *see generally* Mark Lemley, David S. Levine & David G. Post, *Don’t Break the Internet*, 64 STAN. L. REV. Online 34 (2011).

<sup>7</sup>*See* *Sea Shepherd v. Fish & Fish* [2015] UKSC 10 at [40] (Lord Sumption, dissenting) (“In both England and the United States, the principles have been worked out mainly in the context of allegations of accessory liability for the tortious infringement of intellectual property rights. There is, however, nothing in these principles which is peculiar to the infringement of intellectual property rights. The cases depend on ordinary principles of the law of tort”). These contexts involve tortious liability. For a much fuller analysis, encompassing for example claims in contract, *see* PAUL S. DAVIES, *ACCESSORY LIABILITY* (Hart, 2015).



and extended beyond, the specific context in which they first arose. This analysis leads to two central propositions, which it is argued hold true descriptively and warrant endorsement prescriptively. First, an assessment of secondary liability cannot be divorced from (and indeed must be informed by) the scope of primary liability or other legal devices by which the conduct of service providers or their customers is regulated.<sup>8</sup> And, second, despite the claims that secondary liability is simply the application of general principles of tort law, secondary liability is rarely a subject-neutral allocation of responsibility among different potential defendants according to autonomous principles of fault; rather, it maps in part to the policy objectives of the different bodies of law where the claim of (secondary) liability arises.<sup>9</sup>

## ***1. Definitional Questions***

The scope and content of this Chapter depends in large part on the meaning of the terms “service provider” and “secondary liability.” Each is discussed below.

### **A. Online Service Providers**

The term “service provider” (let alone “online service provider”, or “internet service provider” or “ISP”, with which “OSP” is sometimes used interchangeably both in this Chapter and more generally) has no consistent meaning across borders; indeed, defining “service providers” operating in the bricks-and-mortar world is also a difficult task. An equally (perhaps more) common usage in the literature is “intermediary”. But, like “online service provider”, this term lacks a single, common and consistent usage.

Each of these terms has in recent years received some legislative definition (along with yet other synonyms) in provisions creating safe harbours, or *immunity* from liability, for such actors.<sup>10</sup> The terms make more fleeting appearances outside this context, primarily in defining which actors are subject to certain disclosure obligations vis-à-vis customers and enforcement authorities.<sup>11</sup> For example, the UK’s Digital Economy Act 2010 required an “internet service provider” to

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<sup>8</sup> See *infra* text accompanying notes 58–75.

<sup>9</sup> See National Report of the United Kingdom, at 5 (“although the connecting factors for secondary liability are uniform, the different elements of primary wrongdoing will mean that attaching secondary liability is attended by very different practical considerations depending on the cause of action.”).

<sup>10</sup> See, e.g., National Report of New Zealand, at 3 (citing section 2(1) of the Copyright Act 1994 (NZ)).

<sup>11</sup> See National Report of the United Kingdom, at 6 (“there is no general concept of a ‘service provider’ that is used specifically to impose secondary liability. However, a small number of English statutes do create secondary liability for online services in particular contexts.”)

participate in a subscriber notification regime, and for that purpose defined an “internet service provider.”<sup>12</sup>

But even in supposedly harmonised schemes of immunity (such as in the implementation of the E-Commerce Directive in the Member States of the European Union), there has been variation in interpretation of who comes within the definition (or the safe harbour, which will be a more fact-specific question and vary from case to case). For example, the Court of Justice of the European Union has found that both the eBay auction site and the Google search engine are *potentially* entitled to the benefit of safe harbours offered an information society service provider by the E-Commerce Directive.<sup>13</sup> But national application of the principles to those entities (and their subsidiaries, sometimes performing different online roles, such as YouTube) has varied across Europe.<sup>14</sup>

To some extent, the apparent variation in decisions at the national level may be because the *definition* of those actors who are potentially immune may implicitly contain some of the *conditions* for availing oneself of immunity.<sup>15</sup> (Indeed, in some jurisdictions this occurs quite explicitly<sup>16</sup>). Strictly, these conditions do not define who is a service provider but rather whether the service provider is acting a way that will allow them to take advantage of the immunities conferred.<sup>17</sup> Thus, for example,

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<sup>12</sup> See National Report of the United Kingdom, at 6 (defined as “a person who provides an ‘internet access service’, which in turn means an electronic communications service consisting wholly or mainly of access to the internet, where an IP address is allocated to each subscriber to enable access”); see also Digital Economy Act 2010, §§ 3–4.

<sup>13</sup> See Joined Cases C-236/08–C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-2417, ¶¶ 106–20; Case C-324/09, *L’Oréal SA v. eBay Int’l AG*, 2011 E.C.R. I-6011; Directive 2000/31 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, 2000 O.J. (L 178) 1, 11 (EC) [hereinafter E-Commerce Directive].

<sup>14</sup> See *infra* text accompanying notes 185–188 (discussing liability of eBay and YouTube under French, Spanish and Italian law).

<sup>15</sup> Even within a single jurisdiction, different safe harbours may also contain different specific conditions. See National Report of the United Kingdom, at 16 (“The scope of the safe harbours and limitations ... is delimited by two criteria: first, the defendant must be a “service provider” ... Second, the activity of the defendant said to give rise to liability must fall within one of the protected activities. The specific nature of these activities is usually a more significant limitation than the identity of the service provider.”). Thus, a service provider may be protected under one safe harbour but not another. See National Report of the United Kingdom, at 17 (discussing immunity of search engines under the different safe harbours of the E-Commerce Directive).

<sup>16</sup> See National Report of Taiwan, at 7 & 12–13 (defining internet service provider in terms of the different types of service that might bring them within a safe harbour); cf. National Report of New Zealand, at 2 & 5–6 (quoting section 2(1) of the Copyright Act 1994, which does the same but with a much smaller set of conditions; instead, conditions appear outside the definition of the safe harbours themselves).

<sup>17</sup> The same approach can be found in provisions defining service provider for the purpose of imposing regulatory obligations. Thus, the UK Digital Economy Act only required “qualifying ISPs” to participate in its subscriber notification regime. See National Report of the United Kingdom, at 6.

the Italian courts have developed a distinction between passive and active intermediaries that has its roots in the conditions under which the protections of the E-Commerce Directive will be available.<sup>18</sup> One could read this case law as refining the notion of service provider (for these purposes) or simply imposing conditions on when immunity will be available. The latter is probably the better reading because a service provider may be active in one scenario but passive in another. Likewise, and relatedly, statutes providing immunity for different kinds of service provider performing different online roles will frequently define the term “service provider” in varying ways to accommodate those differences. For example, an “access provider” will inevitably be defined differently from a host provider at a certain level of detail.<sup>19</sup>

In the context of the E-Commerce Directive of the European Union, one of the most influential legislative instruments in the field, a “service provider” is a person providing an information society service. This basically means “any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.”<sup>20</sup> This is a broad definition but does exclude some commercial actors such as internet cafés (because not provided remotely), and broadcasters (who, rather than the user, determines when and what transmissions occur).<sup>21</sup> And “although the safe harbours [to which such providers can have recourse] apply only to economic operators rather than non-commercial services, English courts have held unequivocally that personal websites, such as blogs and discussion fora, which have no profit motive or revenue model, may qualify for protection.”<sup>22</sup>

This Chapter adopts a broad view of the term “service provider”. But it might also be helpful to set out briefly the types of cases and defendants that are considered; these leading examples, as much as any formal definition, establish the parameters of the analysis in this Chapter.

The principal bodies of law where secondary liability of online service providers has been addressed are copyright law, trade mark law, defamation law, and privacy law.<sup>23</sup> The principal cases have revolved around relatively similar fact patterns in

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<sup>18</sup> See National Report of Italy, at 5.

<sup>19</sup> See 17 U.S.C. 512(k)(1)(A)-(B) (providing narrower definition of providers able to come within the scope of the copyright infringement immunity conferred by Section 512(a) on access providers).

<sup>20</sup> See E-Commerce Directive, recital 17.

<sup>21</sup> See National Report of the United Kingdom, at 16–17.

<sup>22</sup> See *id.* at 17 (citing *Kaschke v Gray* [2010] EWHC 690 (QB), [43]); see also National Report of New Zealand, at 2 (commenting that the definition of a “hosting” service provider for the purposes of the copyright safe harbour “would extend the concept of ‘Internet service providers’ to ‘Web 2.0’ platforms, bulletin boards, blogs, or even websites operated by firms, public entities, and private parties”); Case C-484/14, *Tobias McFadden v Sony Music*, ECLI:EU:C:2016:689 (CJEU 2016) (discussing free public wifi offered by small business in the vicinity of the business under Article 12 of the E-Commerce Directive).

<sup>23</sup> Cf. *Sea Shepherd v. Fish & Fish* [2015] UKSC 10 at [40] (Lord Sumption dissenting).

different jurisdictions. For example, copyright owners have sued manufacturers of copying technologies for infringements caused by those who use their equipment,<sup>24</sup> purveyors of peer-to-peer file sharing software for the activities of those who download material without rights holders' permissions,<sup>25</sup> and social media sites (such as YouTube) that host allegedly infringing clips from copyrighted audio-visual works.<sup>26</sup>

In the context of trade mark law, the leading modern exemplars of secondary liability claims are actions brought against online auction sites, each essentially alleging that the auction site could have done more to stop the sale of counterfeits or other allegedly infringing items by third parties on its Web site; and claims brought against search engines alleging that the sale of keyword advertising consisting of the trade marks of parties other than the mark owner resulted in infringement (normally, by causing actionable confusion).<sup>27</sup>

In defamation or libel law, web sites (such as the retailer Amazon.co.uk) have been sued where a third party posted an allegedly defamatory book review on the claimant's book product page.<sup>28</sup> And search engines such as Google have been sued for allegedly "publishing" defamatory material that appeared within "snippets" summarising search results for the claimant,<sup>29</sup> or "processing" personal data the publication of which within snippets violated the privacy of individuals to whom the personal data related (even if the data is not removed from the actual publisher's website).<sup>30</sup>

This illustrates the wide variety of online intermediaries pursued as liable for enabling wrongs perpetrated by others, but core internet service providers, such as companies providing access to the internet or web hosting services, are potential defendants in any of these scenarios.<sup>31</sup> And as right-holders—and potentially policymakers—adopt "follow the money" or "least cost avoider" strategies to identify defendants of first resort, the list of relevant online intermediaries may grow further.

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<sup>24</sup> See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

<sup>25</sup> See, e.g., *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); see generally Jane C. Ginsburg, *Separating The Sony Sheep from the Grokster Goats: Reckoning The Future Business Plans of Copyright-Dependent Technology Entrepreneurs*, 50 ARIZ. L. REV. 577 (2008).

<sup>26</sup> See *Viacom International, Inc. v. YouTube Inc.*, 676 F.3d 19 (2d Cir. 2013), *on remand*, 940 F. Supp.2d 110 (S.D.N.Y. 2013).

<sup>27</sup> See generally Graeme B. Dinwoodie, *Secondary Liability for Online Trademark Infringement: The International Landscape*, 36 COLUMBIA. J. L. & ARTS 463–501 (2014); see also *Free Kick Master LLC v. Apple Inc.*, 2016 WL 77916 (N.D. Cal. Feb 29, 2016) (app store sued for trade mark infringement with respect to apps sold by third parties in its app store).

<sup>28</sup> See *McGrath v Dawkins*, [2012] EWHC B3 (QB) (discussed in National Report of the United Kingdom, at 15).

<sup>29</sup> See, e.g., *Metropolitan Schools v DesignTechnica*, [2009] EWHC 1765 (QB) (UK); *A v Google New Zealand Limited* [2012] NZHC 2352 (NZ).

<sup>30</sup> See Case C-131/12, *Google Spain SL, Google Inc. v. Agencia Española de Protección de Datos (AEPD)*, Mario Costeja González, 2014 ECLI:EU:C:2014:317 [hereinafter *Google Spain*].

<sup>31</sup> See, e.g., *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011).

Thus, companies who process credit card payments have also been sued for facilitating unlawful transactions,<sup>32</sup> and companies merely providing customers access to the internet have been required to block websites in other countries where allegedly infringing content resides.<sup>33</sup>

## B. “Secondary” Liability

The term “secondary liability” is an umbrella term encompassing a number of different types of claims. But it causes some terminological difficulties for comparative analysis. In many countries, the term “secondary liability” has a meaning in discrete statutory regimes that covers conduct that would be thought in other countries to be quite clearly a species of primary infringement.<sup>34</sup> I do not regard these statutory labels as sufficient in and of themselves to bring these claims within the scope of the Chapter; often, conceptually, the causes of action relate to what are in substance well-understood as primary acts of infringement. The concept of copyright “authorisation” (in UK, New Zealand and Australian law) inverts this difficulty by establishing an act of *nominally* primary liability that clearly maps in substance to conventional forms of secondary or joint tortfeasor liability.<sup>35</sup> I regard those claims as encompassed by the substantive concept of “secondary liability.”<sup>36</sup>

<sup>32</sup> See, e.g., *Gucci Am., Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228 (S.D.N.Y. 2010) (allowing secondary infringement claim to proceed against credit card processing companies who provided services to online merchant allegedly selling counterfeit goods); *but cf.* *Perfect 10, Inc. v. Visa Int’l Serv., Ass’n*, 494 F.3d 788 (9th Cir. 2007) (affirming dismissal of actions against credit card companies).

<sup>33</sup> See, e.g., *Cartier Int’l AG v. British Sky Broadcasting Limited* [2016] EWCA Civ 658.

<sup>34</sup> See National Report of the United Kingdom, at 5 (“Many statutory wrongs define further so-called ‘secondary’ torts—such as dealing commercially with articles that infringe primary rights ...”); see also Copyright, Designs and Patents Act 1988, §§ 22–26 (UK). The term “secondary infringement” has a different (narrow) meaning in U.K. trademark law. See LIONEL BENTLY & BRAD SHERMAN, *INTELLECTUAL PROPERTY LAW* 1044 (4th ed. 2014).

<sup>35</sup> See Copyright, Designs and Patents Act 1988, § 16(2) (UK); National Report of the United Kingdom, at 10 (“the definition of primary liability includes a party who authorises another to engage in acts restricted by copyright. Such an authorising party is primarily liable, even though their liability is secondary in the sense that it cannot exist until there has actually been a primary infringement of copyright carried out by the third party whom they have authorised to act.”); Copyright Act 1968, §§13(2), 36(1), 101(1) (Aus.); National Report of New Zealand, at 2. The statutory concept of authorisation has perhaps been most fully fleshed out—both statutorily and in decisional law—in Australia. See *Roadshow Films Pty v iiNet Ltd.*, [2012] HCA 16 (finding Internet service provider not liable for authorising copyright infringement when subscribers infringed copyright by using file sharing software). For discussion of authorisation in UK law, see Richard Arnold and Paul S Davies, *Accessory Liability for Intellectual Property Infringement: The Case of Authorisation*, 133 LAW Q. REV. \_\_\_\_ (2017) (forthcoming).

<sup>36</sup> In the United States, the insertion into the 1976 Copyright Act of the language rendering “authorisation” of an infringing act itself actionable has been explicitly explained as simply offering a statutory hook for secondary liability. See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) (en banc). In the United Kingdom, there is some—but very

Moreover, causes of action that are the subject of this Chapter are not always *denominated* as actions for “secondary liability”; other common terms used for this type of liability include “accessory liability” or “indirect liability.”<sup>37</sup> In this Chapter, I will for convenience use the term “secondary liability” as an umbrella term for these different forms of liability.<sup>38</sup>

Secondary liability can be participant-based or relationship-based. Participant-based liability occurs by virtue of the secondary defendant inducing or contributing to or facilitating the harmful conduct of the primary wrongdoer. This type of claim tends to revolve around the level of knowledge of the defendant concerning the wrongful conduct, sometimes constructively imputed through proxies, and the extent to which the defendant has actively contributed to cause the harm regarded as actionable by the applicable primary law. “Contributory infringement” under U.S. copyright law is an example of this type of liability, holding that “one who, with knowledge of the infringing activity, induces, causes, or materially contributes ... may be held liable as a contributory infringer.”<sup>39</sup>

Alternatively, secondary liability may arise where the defendant benefits from the harm and is sufficiently close in relationship to the primary wrongdoer that the law will treat them as one and the same (often because the relationship is sufficiently close that the intermediary could have prevented the primary unlawful acts from occurring).<sup>40</sup> This relationship-based liability reflects the principle of respondeat superior and informs, for example, U.S. law on vicarious trademark or copyright infringement.<sup>41</sup> In U.S. copyright law, vicarious liability arises when the defendant “has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.”<sup>42</sup>

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little—daylight between the concept of authorisation and joint tortfeasorship (or accessory liability). See Arnold and Davies, *supra* note 35, at [21]–[22] (discussing differences). But it is clearly understood as part of the picture of accessory liability.

<sup>37</sup>For use of the term “accessory” liability, see National Report of the United Kingdom, at 2; National Report of Switzerland, at 5. See generally Paul Davies, *Accessory Liability: Protecting Intellectual Property Rights* [2011] INTELLECTUAL PROPERTY QUARTERLY 390; DAVIES, *supra* note 7. The term is also found in criminal law. See National Report of the United Kingdom, at 4.

<sup>38</sup>Service providers may also be criminally liable as accessories where they participate in criminal wrongdoing. In some jurisdictions, accessorial *criminal* liability has been set out in detail by statute. See National Report of the United Kingdom, at 4–5 (discussing Accessories and Abettors Act 1861 and Serious Crime Act 2007, and noting judicial interpretation). This Chapter focuses on civil liability. But there are certain circumstances where criminal accessory liability might be broader than civil liability. See National Report of the United Kingdom, at 4.

<sup>39</sup>See *Gershwin Publishing Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

<sup>40</sup>*Cf. RIORDAN, supra* note 3, at § 5.13, at 116 (suggesting that one feature distinguishing participatory from relational liability is the lack of causative analysis).

<sup>41</sup>See *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992) (noting that vicarious liability for trademark law requires “a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product”).

<sup>42</sup>See *Shapiro, Bernstein and Co. v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).



Most countries have these latter extensions of liability, and they are largely uncontroversial, albeit with local differences as to the type of relationships (e.g., employees, agents, suppliers, landlords, etc.) that are regarded as sufficiently close to impose liability.<sup>43</sup> These relationship-based forms of liability will tend to be more common across different primary causes of action because the extension of liability derives from the (constant) nature of the connection between the parties rather than the (varying) contribution to the conduct that offends one or more laws.

The essence of secondary liability, as reflected in both these concepts, is that the defendant is held responsible for harm caused by the wrongful conduct of a third party.<sup>44</sup> That is to say, liability is derivative. This feature of secondary liability is seen mostly clearly in common law countries.<sup>45</sup> But some civil law countries have also adopted formulations that emphasise the indirect or derivative nature of liability. This might be because formally such liability often arises from code provisions that are expressed in term of “joint liability,” which seems to tie the “secondary” defendant’s liability closely to the primary act.<sup>46</sup> And in practice those provisions are frequently applied in ways that emphasise the same elements that have been characterised in common law countries as contributory infringement.<sup>47</sup> For example, Article 185(2) of the Taiwanese Civil Code provides that “[i]nstigators and accomplices are deemed to be joint tortfeasors,” which appears to parallel the twin bases of inducement and common design (contributory) infringement found in UK law.<sup>48</sup>

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<sup>43</sup> See National Report of Taiwan, at 4 (“[P]aragraph 1, Article 188 of the Civil Code provides employer’s liability for their employees’ conducts. The concept of employer’s liability under the statute is similar to the concept of vicarious infringement”); National Report of the United Kingdom, at 4.

<sup>44</sup> See *OBG Ltd. v Allan* [2008] 1 AC 1, 27 (Lord Hoffmann) (UK) (characterising accessory liability as “principles of liability for the act of another”); *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984) (explaining that “the concept of contributory infringement is merely a species of the broader problem of identifying circumstances in which it is just to hold one individually accountable for the actions of another”).

<sup>45</sup> See National Report of the United Kingdom, at 2; see also *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1092 (9th Cir. 1994) (en banc) (“Contributory infringement under the 1909 Act developed as a form of third party liability. Accordingly, there could be no liability for contributory infringement unless the authorized or otherwise encouraged activity itself could amount to infringement.”).

<sup>46</sup> See National Report of Czech Republic, at 2–3 (discussing application of provision creating “joint liability”). The doctrine of accessory liability in U.K. law is also frequently treated under the label of “joint tortfeasorship”. See generally DAVIES, *supra* note 7, at 177 (“The wide umbrella of ‘joint tortfeasance’ has engulfed accessory liability in tort and obscured its constituent elements”); *Sea Shepherd v. Fish & Fish* [2015] UKSC 10.

<sup>47</sup> See National Report of Taiwan, at 3–4 (“Taiwan’s legal system does not expressly recognize concepts of contributory or vicarious liability. Nonetheless, this does not necessarily mean that an ISP will never be held liable for its users’ conduct. [A]n ISP is likely to be held liable for indirect infringement under the Civil Code ... [which] states that “[i]f several persons jointly conducted a tort with another person, they are jointly liable for the damage arising therefrom”).

<sup>48</sup> Taiwan also has a copyright-specific statutory form of secondary liability. See *id.*, at 5 (reporting liability for copyright infringement under Article 87 where providing “to the public computer programs or other technology that can be used to publicly transmit or reproduce works, with the intent to allow the public to infringe on others’ economic rights by means of public transmission

However, even in countries insisting on the derivative nature of secondary liability, it is not always necessary to *prove* the primary infringement.<sup>49</sup> Thus, Jaani Riordan notes that although “all secondary liability is in some sense derivative from primary liability ... the picture becomes somewhat more complicated when one considers that secondary liability does not actually require primary liability to be alleged, much less established, against anyone in particular; a service provider could be targeted alone, and frequently is in internet disputes—where the primary wrongdoer is often anonymous, insolvent or beyond jurisdiction.”<sup>50</sup> Instead, U.K. courts have often made relatively cursory assessments of the specific details of the primary infringement and moved on.<sup>51</sup> This is more noticeable—and perhaps most understandable—when the relief being sought against the defendant intermediary is not a determination of monetary liability as an accessory but an order requiring assistance in preventing infringement by typically numerous third parties.<sup>52</sup> The regulatory nature of such orders, and the often blatant piracy or counterfeiting

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or reproduction by means of the Internet of the copyrighted works of another, without the consent of or a license from the economic right owners, and to receive benefits therefrom”). The provision was added in 2007 to adopt the reasoning of the U.S. Supreme Court in *MGM v. Grokster*, and (based upon the meaning of the “intent” element of the claim) in particular the intentional inducement action articulated in *Grokster*. See *id.*, at 6 (“[T]he ISP’s intent [as required by the cause of action] is satisfied if the ISP instigates, solicits, incites, or persuades its users to make use of the computer program or other technology the ISP provides for the purpose of infringing copyrights of others by advertising or other active measures”). This cause of action appears to duplicate the “instigation” or “inducement” version of secondary liability under Taiwan’s general joint tortfeasorship provision. However, unlike a joint tortfeasorship claim, this extra statutory copyright liability does not depend upon a primary infringement; if the elements of the statutory inducement cause of action exist, the claim is made out. See *id.*, at 8 (“A comparison of the general standard for establishing secondary liability under the Civil Code and that under the Copyright Act reveals differences between them. For an ISP to be held liable for others’ conducts under the Civil Code, there must be a direct infringement. However, under the Copyright Act, an ISP is liable when the four elements are satisfied. In other words, no direct infringement of others is required to establish secondary liability of an ISP under the Copyright Act.”)

<sup>49</sup> See National Report of Taiwan, at 4 (noting that under the Civil Code of Taiwan the joint liability provision applies “even if the infringed person cannot indicate that who in fact did commit the tort”); cf. National Report of Switzerland, at 2; National Report of Portugal, at 6.

<sup>50</sup> National Report of the United Kingdom, at 9.

<sup>51</sup> See, e.g., *Twentieth Century Fox Film Corporation v Newzbin Ltd.* [2010] EWHC 608 (Ch) (*Newzbin I*) at [97] (“I am prepared to proceed on that basis because I am satisfied that the claimants’ copyrights have indeed been infringed by the defendant’s premium members. The number of active premium members is very substantial, as evidenced by the defendant’s turnover, and those members are primarily interested in films, as the Newzbin website makes clear. In the light of these matters, the nature of Newzbin as I have described it and the interaction between the defendant and its members as shown by the sharing forums, I consider it overwhelmingly likely that the defendant’s premium members have made use of the facilities to which they have subscribed and that in doing so a number of them have downloaded copies of the claimants’ copyright films, including those specifically identified in these proceedings, all of which are popular titles. The claimants are unable to identify which particular films individual premium members have copied only because the defendant has chosen not to record details of the NZB files they have downloaded...”).

<sup>52</sup> See, e.g., *Cartier Int’l AG v. British Sky Broadcasting Limited* [2016] EWCA Civ 658 at [84]–[85].



involved (which makes the issues primarily factual), easily dissuades courts from insisting on a finely-grained analysis of individual primary liability. But it may make sense in secondary liability actions generally insofar as the attractiveness of the secondary relief is often its capacity to restrain multiple primary infringements by focusing on a single choke point.

The derivative nature of the secondary liability claim may structure the assertion and vindication of rights even when proof of primary liability is not required. For example, as a result of recent legislation in the United Kingdom, a court cannot hear a defamation claim against a secondary party unless the court is satisfied that it is not reasonably practicable for the claimant to proceed against the primary party.<sup>53</sup> It is not clear how courts will apply the limit on secondary liability where the primary defendant acted online under conditions of anonymity.<sup>54</sup> And there remains disagreement among national courts in Europe whether web blocking orders must as a matter of proportionality be sought first from host providers before actions are brought against access providers; this is a slightly different exhaustion of remedies rule, differentiating among service providers rather than between primary and secondary defendants.<sup>55</sup> Finally, in any event, proving primary liability could also be relevant to relief.<sup>56</sup>

In many other countries, however, courts will treat a fact pattern handled by common law jurisdictions under the rubric of secondary liability as involving *direct* liability under tort law for failure to conduct business in a particular way or a failure to take certain reasonable precautions.<sup>57</sup> The ultimate result of this conceptually different

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<sup>53</sup> See Defamation Act 2013 (UK).

<sup>54</sup> See National Report of the United Kingdom, at 9 n. 35.

<sup>55</sup> Some commentators have suggested that whether the third party's conduct is notionally unlawful is always relevant under English law, even when the relief sought against an intermediary is non-monetary (and not based upon a finding of illegality by the intermediary). See *id.*, at 20 ("English law recognises a number of [non-monetary] remedies against non-wrongdoers. . . Although they are independent of any finding of primary or secondary liability against the service provider, they require some kind of primary wrongdoing to be demonstrated to the relevant standard of proof.").

<sup>56</sup> See *id.*, at 10 ("The availability of relief against a primary wrongdoer is normally relevant only to proportionate liability. In general, where damage is "indivisible" as between a service provider and primary wrongdoer, both joint causes of harm will each be liable to compensate the whole of the damage. However . . . the service provider may have a claim against the primary wrongdoer under the Civil Liability (Contribution) Act 1978"); see *Sea Shepherd v. Fish & Fish* [2015] UKSC 10 at [57] (Lord Neuberger) ("I agree with Lord Sumption that, once the assistance is shown to be more than trivial, the proper way of reflecting the defendant's relatively unimportant contribution to the tort is through the court's power to apportion liability, and then order contribution, as between the defendant and the primary tortfeasor.")

<sup>57</sup> See *e.g.*, Tribunal de commerce [TC][court of trade] Paris, June 30, 2008, No. 200677799, 11–12 (Fr.) (*Louis Vuitton Malletier S.A. v. eBay, Inc.*); See, *e.g.*, TC Paris, June 30, 2008, No. 200677799, 11–12 (Fr.) (*Louis Vuitton Malletier S.A. v. eBay, Inc.*) (unpublished); Tribunal de grande instance [TGI] Troyes, civ., June 4, 2008, No. 060264 (Fr.) (*Hermés Int'l v. eBay, Inc.*) (unpublished). This is explicitly not the approach taken in the United Kingdom. See, *e.g.*, *Cartier Int'l AG v. British Sky Broadcasting Limited* [2016] EWCA Civ 658, at [54] ("it is clear in light of the decision of the House of Lords in *CBS Songs Ltd. v Amstrad plc* that [the access providers] do not owe a common law duty of care to [trade mark owners] to take reasonable care to ensure that their services are not used by the operators of the offending websites.").

approach to the question may not be hugely different in concrete cases. Liability flowing directly from the failure to conduct business in a particular way or a failure to take certain reasonable precautions might be understood as an isolated culpability determination giving rise to a claim in tort or unfair competition. But such failures can also be relevant to questions of knowledge and level of contribution, which normally inform claims of secondary liability that are expressly framed in derivative terms.<sup>58</sup>

Moreover, the relationship between primary and secondary liability is important in other respects. As a policy matter, the availability of primary claims to address potentially wrongful conduct should affect the need for development of secondary claims. For example, in the United States, the treatment of the sale by search engines of trade marks as triggers for keyword advertising as a potential act of primary infringement has largely forestalled the litigation of the question of secondary liability for such acts.<sup>59</sup> In contrast, in the European Union, the Court of Justice has held that a search engine is not involved in the type of use that can give rise to primary trademark liability under EU trademark law simply by selling keyword advertising that consists of the trademark of another.<sup>60</sup> This forces trade mark

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<sup>58</sup> Cf. Stacey L. Dogan, *Principled Standards vs. Boundless Discretion: A Tale of Two Approaches to Intermediary Trademark Liability Online*, 37 COLUM. J.L. & ARTS 503, 509 (2014).

<sup>59</sup> See, e.g., *Gov't Emps. Ins. Co. v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005) (finding for defendant search engine because no likelihood of confusion was proved at trial); see also Eric Goldman, *Google Defeats Trademark Challenge to Its AdWords Service*, Forbes Online (Oct. 22, 2012, 12:35 PM), <http://www.forbes.com/sites/ericgoldman/2012/10/22/google-defeats-trademark-challenge-to-its-adwords-service/> (“In a remarkable litigation tour-de-force, Google has never definitively lost any of these cases in court (though it has occasionally lost intermediate rulings).”). There has as a result been less developed analysis by U.S. courts of the potential secondary liability of search engines for infringements committed by advertisers to whom they have sold keywords tied to the trademarks of others. This is notwithstanding the urging by some scholars that secondary liability is the only appropriate vehicle for assessment of such claims. See Stacey L. Dogan & Mark A. Lemley, *Trademark and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777 (2004). The only substantial resistance to this occurred in the Second Circuit in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, see 1-800 Contacts, Inc. v. [WhenU.com](http://www.whenu.com), Inc., 414 F.3d 400 (2d Cir. 2005), and that circuit brought keyword advertising cases back within the primary infringement rubric in its 2009 *Rescuecom Corp. v. Google Inc.* decision. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); cf. *Kelly-Brown v. Winfrey*, 717 F.3d 295 (2d Cir. 2013). Assessing culpability of search engines under primary infringement standards does not appear to be altering the pro-defendant outcomes that one would expect as a matter of secondary infringement under *Tiffany*. On the whole, search engines are prevailing. To be sure, Google could (even under the *Tiffany* standard) be held contributorily liable if an advertiser is found to be primarily infringing and Google, after notice, does not disable the ad. The frequency of that will however depend upon evolving case law on advertiser liability, which also seems still to be largely pro-defendant. See, e.g., *J.G. Wentworth, S.S.C. Ltd. P’ship v. Settlement Funding L.L.C.*, No. 06-0597, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007) (awarding summary judgment to defendant purchaser of keywords on question of confusion); *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011); cf. *1-800 Contacts*, 722 F.3d 1229.

<sup>60</sup> *Joined Cases C-236/08–C-238/08, Google France SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-2417, ¶ 55 (CJEU 2011). Only uses by a search engine “in its own commercial communication” would fall within the proscription of trademark law; the Court found that this was not the case with the sale of keyword advertising. *Id.* ¶¶ 55–56.

owners either to pursue the primary infringers (the purchasers of the advertisements) or sue the search engines for secondary liability.

To date, mark owners in the European Union have had marginally more success bringing primary infringement claims based upon keyword purchases against advertisers than their counterparts in the United States, but any restriction of that option might shift their focus back to the filing of secondary liability claims against search engines.<sup>61</sup> Of course, insofar as the claim against the search engine in such cases is truly derivative of advertiser liability, restricting the liability of the advertisers might also limit the claims against search engines. The focus would then possibly turn to autonomous search engine conduct that appears to be detached from particular advertiser behaviour (e.g., the manner of presentation of search results generally on a search engine page).<sup>62</sup>

This set of dynamic interactions in keyword advertising litigation shows the importance of the relationship between primary and secondary infringement. And it works in both directions. As a policy matter, a secondary liability standard that is unlikely to be satisfied will cause claimants to push for the expansion of the scope of primary liability. In contrast, the availability of secondary liability claims (or orders mandating intermediary assistance but falling short of monetary liability) might moderate the demand to hold intermediaries primarily liable.<sup>63</sup>

This type of argument arguably lay behind the submission of the European Copyright Society in *Svensson v Retriever Sverige AB* that hyperlinking was not an act of communication to the public, but might in certain circumstances be actionable for facilitating primary acts of infringement.<sup>64</sup> But any effort to regulate intermediary liability as a matter of accessory liability was rejected by the Court of Justice. Instead, rather than assessing liability for linking to a copyright-protected work as a matter of secondary liability, the Court dealt with the issue by asking whether the act involved communication of the work at issue to a “new public.”<sup>65</sup> This is an (at best) enigmatic concept that is still being fleshed out by the Court of Justice in several recent and pending references. It may well be that the variables that determine that question reflect (inter alia) policy concerns that might typically inform assessments

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<sup>61</sup> See *Interflora v Marks & Spencer*, [2013] EWHC 1291 (Ch), *rev'd*, [2014] EWCA Civ 1403; *Cosmetic Warriors Ltd. v Amazon.co.uk Ltd.*, [2014] EWHC 181 (Ch); Birgit Clark, *Fleurop: When Keyword Advertising May Exceptionally Be a Trade Mark Infringement After All*, 9 J. INTELL. PROP. L. & PRAC., 693 (2014) (discussing German Federal Court of Justice (Bundesgerichtshof), Case I ZR 53/12—“Fleurop” 27 June 2013).

<sup>62</sup> See Graeme B. Dinwoodie and Mark D. Janis, *Lessons From the Trademark Use Debate*, 92 IOWA L. REV. 1703, 1717 (2007).

<sup>63</sup> See *infra* Part V.

<sup>64</sup> European Copyright Society, Opinion on the Reference to the CJEU in Case C-466/12 *Svensson*, at 7, available at <https://europeancopyrightsociety.org/opinion-on-the-reference-to-the-cjeu-in-case-c-46612-svensson/>

<sup>65</sup> See Case C-466/12, *Svensson v Retriever Sverige AB*, [2014] E.C.D.R. 9 (CJEU 2014).

of secondary liability. *GS Media* certainly elevates intent and responding to take down notices as relevant to primary infringement.<sup>66</sup>

In the European Union context, an additional institutional consideration often goes unstated. If these concerns are developed as a matter of primary infringement, then it will fall to the Court of Justice to guide their development (as would not have been the case had the matter been treated under unharmonised national standards of secondary liability).<sup>67</sup> And elements of the primary claim may also be the locus of the debate handled in other jurisdictions in the context of secondary claims as a result of the historical development of doctrine.<sup>68</sup> Thus, evolution of the concept of actionable “publication” in defamation law would appear to have occurred with an eye to the variables that we might think relevant to questions of secondary liability, such as levels of knowledge and the nature of the intermediary’s contribution.<sup>69</sup> In the United Kingdom or New Zealand, a “successful [defamation] claim against a secondary publisher (such as a service provider) is usually treated as an example of primary liability for a second and distinct publication, even though it is derivative from another wrong (the original publication).”<sup>70</sup> Thus, search engines such as Google have been formally found not liable for defamatory material that appeared

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<sup>66</sup> See Case C-348/13, *BestWater Int’l GmbH v Mebes and Potsch* EU:C:2014:2315 (CJEU 2014); Case C-348/13, *C More Entertainment AB v Sandberg*, ECLI:EU:C:2015:199 (CJEU 2015); Case C-160/15, *GS Media BV v. Sanoma Media Netherlands BV*, ECLI:EU:C:2016:644 (CJEU 2016).

<sup>67</sup> In copyright, national courts in the E.U. appear to be quick to assess service provider liability as a matter of primary infringement, perhaps following the lead of the Court of Justice. See, e.g., *Public Relations Consultants Association Ltd. v The Newspaper Licensing Agency Ltd.* [2013] UKSC 18 (UK) (liability of an online news aggregator service turned on whether it engaged in acts which amounted to reproduction of news headlines without coming within the statutory defence of incidental use); cf. Case C-610/15, *Stichting Brein v. Ziggo BV*, EU:C:2017:99 (AG Szpunar Feb 8, 2017) at ¶3.

<sup>68</sup> See National Report of the United Kingdom, at 8–9 (noting that “[i]n trade mark cases, as in other areas of law, English courts frequently call upon primary liability rules as means of demarcating the liability of secondary parties).

<sup>69</sup> See National Report of New Zealand, at 3 (discussing *Wishart v Murray* [2013] 3 NZLR 246, 262, and noting that the liability of the operator of the Facebook page where allegedly defamatory material was posted was plausibly a publisher of the third party material but the degree of the defendant’s responsibility for and control over the content of the Facebook page was considered as a matter of primary liability); National Report of the United Kingdom, at 9 (noting that “in defamation cases the courts apply the ‘long established line of authority’ that exempts secondary disseminators from responsibility for conveying a third party’s material unless they knew or ought reasonably to have known that the material was likely to be defamatory”); see also *id.*, at 19 (“[M] any of the safe harbours mirror devices in substantive liability doctrines which serve to immunise passive and neutral platforms from *prima facie* liability for third parties’ activities (though these depend on different considerations depending on the type of wrongdoing involved). Doctrines of innocent dissemination in defamation and authorisation liability in copyright provide the clearest examples of this tendency in English law”).

<sup>70</sup> See National Report of the United Kingdom, at 9; National Report of New Zealand, at 3 (“in the current state of New Zealand law, the defendant [search engine] would have been liable primarily as a ‘publisher’ of the defamatory material. Secondary liability principles are therefore not apposite.”)

within “snippets” summarising search results for the claimant because they were not a publisher of the material.<sup>71</sup>

Similarly, the reasons proffered by the United States Court of Appeals for the Second Circuit in *Rescuecom v. Google* for distinguishing its prior decisions on trade mark liability for the sale by search engines of keyword advertising reek of the considerations that inform analysis of secondary infringement claims: to what extent did Google’s Keyword Suggestion Tool effectively induce the primary infringing conduct, and to what extent did the selling by Google of particular marks affect the level of contribution and causality relevant to Google’s culpability?<sup>72</sup> Certainly, these do not seem questions typically relevant to assessing primary trademark infringement. Indeed, this disjunction has caused Stacey Dogan to label the *Rescuecom*-endorsed cause of action as a “curious branch of direct trademark infringement designed to distinguish between the innocent intermediary, and one whose technology and business model deliberately seeks to confuse.”<sup>73</sup>

In light of the permeability of the line between primary and secondary liability, it should not be a surprise therefore that service providers are often sued under every conceivable basis, nor that courts are not always careful about the precise basis on which liability is found.<sup>74</sup> Thus, in the United Kingdom “in *Twentieth Century Fox Film Corp v Newzbin Ltd*, the operator of a Usenet binary storage service was liable both for itself communicating and for authorising the communication to the public of copyright works uploaded by others, and also for procuring and engaging in a common design with users to infringe copyright. It made little difference... whether liability was classified as primary or secondary.”<sup>75</sup>

## II. The Rise of Secondary Liability Claims

Claimants might strategically prefer to bring a secondary liability claim instead of suing the third party wrongdoer for any number of reasons. A secondary infringement action may increase efficiency by allowing the claimant to secure, in a single

<sup>71</sup> See, e.g., *Metropolitan Schools v DesignTechnica*, [2009] EWHC 1765 (QB); *A v Google New Zealand Limited* [2012] NZHC 2352 (NZ).

<sup>72</sup> See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 129 (2d Cir. 2009). On this latter point, the Second Circuit distinguished between the practice of the defendant in *1-800 Contacts*, which had sold advertising keyed to categories of marks (e.g., selling the right to have an ad appear when a user searches for a mark connected to eye care products, but not disclosing to the advertiser the proprietary mapping of marks and categories), and that of Google (which sold advertising tied directly to single marks). See *id.* at 128–29.

<sup>73</sup> Stacey L. Dogan, “*We Know It When We See It*”: *Intermediary Trademark Liability and the Internet*, 2011 STAN. TECH. L. REV. 7 at [19] (2011).

<sup>74</sup> See Dogan & Lemley, *supra* note 59 (discussing trademark liability of intermediaries).

<sup>75</sup> National Report of the United Kingdom, at 10 (citing *Newzbin* [2010] EWHC 608 (Ch)).

proceeding, relief against a party whose conduct is simultaneously enabling multiple wrongful acts by a number of primary tortfeasors. The intermediary offers a “choke point.” As a result, it may ensure more *effective* enforcement of rights.<sup>76</sup> The advent of the Internet has only enhanced these benefits. The efficiency gains are magnified substantially when the number of wrongs to which the secondary liability defendant contributes are multiplied many times over and the “whack-a-mole” problem becomes even more acute (as it is online with ease of replication and distribution).

The effective consolidation of complaints can occur across borders as well as across defendants. Thus, secondary liability claims might also allow de facto worldwide relief depending upon the extent to which the intermediary’s business is globally integrated.<sup>77</sup> As the territorial nature of much law comes under increasing pressure in an era of free trade and cross-border digital communication, this is an attractive feature to claimants (though one that might undermine good reasons for territorial laws, such as the ability of different countries to regulate conduct within their borders according to their different policy preferences).<sup>78</sup>

A secondary liability action might shift some of the costs of enforcement to intermediaries. This occurs whether the claimant directly secures relief from a court that requires an intermediary to undertake certain detection and prevention measures, or because the intermediary adjusts its practices to be more conservative in light of an award made against it (or similarly situated OSPs) under principles of secondary liability. Secondary liability actions may thus enable certain claimants (such as copyright or trade mark owners) to affect the future structure of business models employed by intermediaries and the direction of technological development considered by intermediaries.<sup>79</sup> Thus, the benefit to right holders of efficient enforcement simultaneously creates the specter of intrusive regulation of the business of intermediaries operating in the online environment.<sup>80</sup> And this could hamper the substantial contribution that internet services have made to recent economic

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<sup>76</sup> See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (making point in relation to copyright and patent law).

<sup>77</sup> See Graeme B. Dinwoodie, Rochelle C. Dreyfuss & Annette Kur, *The Law Applicable to Secondary Liability in Intellectual Property Cases*, 42 N.Y.U. J. INT’L. L. & POL. 201 (2009).

<sup>78</sup> See GRAEME B. DINWOODIE & ROCHELLE C. DREYFUSS, *A NEOFEDERALIST VISION OF TRIPS: THE RESILIENCE OF THE INTERNATIONAL INTELLECTUAL PROPERTY REGIME* (Oxford University Press 2012).

<sup>79</sup> See National Report of the United Kingdom, at 1 (“Service providers point out that wider secondary liability could hinder [economic] growth and have harmful effects upon innovation, while also doubtlessly threatening to erode their business models”).

<sup>80</sup> As a result, the U.S. Supreme Court has been reluctant to find secondary liability based upon design choices *alone*. But the Court has recognized the relevance of design choice to determinations of inducement liability when combined with other evidence. See *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 939 (2005) (“[T]his evidence of unlawful objective is given added significance by MGM’s showing that neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software ...”).