

TMFT Enterprises LLC - Break Media v. Reti Televisive Italiane S.p.A. (RTI)
 Court of Rome, No. 8437/2016 of 27 April 2016, general docket number 2476/2012

A recent judgment by the Court of Rome has raised considerable interest among e-commerce operators, as the ruling seems to question certain key aspects of the commonly accepted internet service provider ('ISP') liability regime.

The case involved the liability of a hosting services provider for alleged breach of copyright and neighbouring rights of TV programmes. RTI, a reference player in the Italian TV market and the broadcaster of several top-shelf TV programmes, sued the US company managing the website www.break.com (the 'Site'), claiming that it hosted and made available to Italian users fragments of several of its copyrighted TV shows. RTI informed Break Media of its claims through warning letters dated 14 July 2011 and 28 September 2011, but the contents remained online, apparently because such letters merely indicated the relevant TV shows but did not provide the URLs at which the corresponding fragments were located on the Site. Consequently, the contents were removed only after the start of the litigation, following the filing, on 27 November 2012, of technical expertise by RTI that provided a list of the relevant URLs. RTI's main claims in the litigation were: (a) breach of copyright of TV programmes; (b) breach of trademark rights (since RTI's trademark appeared on the screen during the TV shows); and (c) parasitical competition.

Break Media defended itself by arguing, amongst other things, that: (a) from a procedural standpoint, it is an American company, and therefore is not subject to the jurisdiction of the Italian court; and (b) as to the merits of the case, it acted, in respect of the Site and related contents, as a mere hosting service provider. In this regard, it had no actual view and/or control of the content uploaded by users and it was subject to the liability limitation regime set forth in the European E-Commerce Directive (2000/31/EC) as well as in the Italian legislative decree 70/2003

(implementing the latter). Pursuant to such regulation, hosting services providers, among others: (i) are not liable for the stored information, on the condition that they have no actual knowledge of the unlawfulness of the latter and, upon obtaining such knowledge and further to a communication from the competent authorities, they remove the unlawful content (Section 14 of the E-Commerce Directive and Section 16 of the legislative decree 70/2003); (ii) are exempted from any obligation to monitor the stored and transmitted data and/or to actively seek for facts or circumstances indicating the illegality of the latter (Section 15 of the E-Commerce Directive and Section 17 of the legislative decree 70/2003).

The Court of Rome rejected Break Media's arguments. After having reasserted Italian jurisdiction (since Italy was the place in which RTI suffered the claimed damages)¹ the judge ruled that the defendant could not benefit from the above ISP liability limitation regime, since it could not be qualified as a mere hosting services provider. This is because, from the Court's standpoint, the Site was not a mere video sharing platform, but a so called "active hosting provider," meaning a sophisticated aggregator and provider of content, that, among others, sorted videos into a wide array of categories and allowed users not only to search among them but to enjoy a "related videos" function that indicated content similar to those already viewed. On top of that, the Court pointed out that Break Media had set up detailed general conditions of use for the Site that warned users, *inter alia*, not to upload content infringing third party copyrights and also provided a notice and take down protocol in

respect of unlawful material. Additionally, also the fact that Break Media derived significant income (in form of advertising revenue) from the presence online of the uploaded content was taken into account.

That being stated, the Court deemed Break Media liable for not having removed the content indicated by RTI in its cease and desist letters. Indeed, the lack of any indication of the URLs corresponding to the allegedly unlawful material was not sufficient to prevent Break Media, according to the Court, from pinpointing and removing all the infringing videos. This was for several reasons: To begin with, the Court confirmed that any ISP is exempted from the duty of monitoring all the files stored on (or passing through) its servers, as indicated by the above mentioned provisions of the E-Commerce Directive and the legislative decree 70/2003, and confirmed by the CJEU in its decisions in *Scarlet* (24 November 2011, C-70/10) and *Netlog* (16 February 2012, C-360/10). However, the overall liability regime does not exempt ISPs, according to the Rome Court, from searching for specific content, whose presence on the ISP's servers has been indicated by a third party, typically through written notices asking for the material's removal. As to the content of such letters, the Rome Court did not deem necessary any clear indications of the correspondent URLs, since this is not required by the E-Commerce Directive or the legislative decree 70/2003. Also, URLs do not correspond to the contents themselves but only to the location to which they have been uploaded. Finally, should the validity of the infringement notices be conditioned on such a requirement, it would become harder for small entities (not

supported by adequate technical infrastructure) to successfully enforce their IP rights.

Based on the above reasoning the Court sentenced Break Media to pay damages to RTI of €115,000. This was calculated according to the so-called 'price of consensus' criterion (which basically consists of quantifying the penalty on the basis of the price that the infringer would presumably have had to pay in order to get from the rights owner a licence for the legitimate exploitation of the protected work). The Court also took into account the length of time the videos remained online after Break Media had received RTI's warning letters (approximately a year, from autumn 2011 to autumn 2012).

The conclusions reached by the Court of Rome in this judgment (that has been followed by a similar decision in a case also pending between RTI and an ISP, Kevego.it, issued on 5 May 2016) seem questionable. It is true that Italian case law has in several instances deemed certain so-called 'active providers' not eligible for liability limitations. This category, not provided in existing regulations and created by certain case law and scholarship, encompasses, according to those who apply it, the ISPs that do not just host on their servers the users' uploaded content but perform certain activities (e.g. manipulation, categorisation and suggestion of related content) that theoretically enables them to acquire knowledge of the uploaded material. Based on this, whilst 'passive' ISPs are not obliged to take down content, unless ordered to do so by the competent authorities (Section 16 of the legislative decree 70/2003), 'active' providers should swiftly react to notices where owners of the infringed rights provide notice about the presence online of

unlawful content. This position has been shared, by way of example, by the Court of Milan in its judgment No. 10893/2011 (issued in a case almost identical to the one analysed in this article, brought by RTI against the well-known ISP Yahoo!) and by the Court of Turin in its decision of 23 June 2014.

However, the validity of the 'active provider' theory *per se* has been questioned both in case law and scholarship. Indeed, several Italian courts and scholars have denied that the mere performance of activities similar to those mentioned by the Rome Court on the hosted content (at least in an automated and 'technical' way) can disqualify the provider from enjoying the liability limitation regime. In this respect, it is noteworthy that the above mentioned 2011 decision of the Milan Court has been completely overturned by the Court of Appeal in the second degree, that exempted the defendant ISP from any liability *vis-à-vis* RTI (decision No. 29 of 7 January 2015).

However, also among the supporters of the 'active providers' theory is the opinion that notices of infringement should include detailed indications of the URLs corresponding to the unlawful content (see a prior decision of the Court of Rome, 11 July 2011). Indeed, in instances that lack any such indication, ISPs would be forced to search among the thousands of files hosted on their servers for the unlawful materials and to evaluate if the latter have been posted legitimately or not, thereby devoting to such an effort a significant amount of time and resources with the risk that such actions may not be fully accurate. This could be too burdensome for smaller ISPs that would possibly be forced out of the market, to the detriment to the freedom of economic enterprise and plurality

of thoughts. Not to mention that finding the right criteria for spotting the unlawful content (lacking the relevant URLs) may be quite challenging: by way of example, search criteria based on the file name may prove to be inefficient, since obviously a video file can be labelled with names not corresponding to its actual content. Consequently, URLs should be indicated by the claimant no matter what. This conclusion is confirmed from a comparative law perspective: pursuant to the US Online Copyright Liability Limitation Act. A notice of infringement is valid to the extent that it complies with strict formal requirements and, among others, includes 'identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material' (17 U.S. Code, § 512, (c) (3) (A) (iii)).

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1. In this respect it was worth noting that Directive 2000/31 and the legislative decree 70/2003 do not apply to ISPs located outside of the European Union (see Section 1, paragraph 2, of the legislative decree 70/2003). However, such regulations are nevertheless sometimes taken into account by Italian courts that consider them general principles governing ISP liability.