Third Time's the Charm: Supreme Court Orders Luxury Watchmaker Cartier to Pay the Costs of Blocking Web Infringers

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Blocking injunctions; Compliance; Copyright; EU law; Expenses; Internet service providers; Online infringement; Trade marks; Websites

Article

The UK Supreme Court, overturning the lower courts' decisions, has held that right holders who obtain an injunction against internet service providers to block trade mark infringing websites are required to indemnify the ISPs for their reasonable costs of implementing that injunction.[1]

Background

The respondents (three members of the Richemont Group, collectively "Cartier") design, manufacture and sell a variety of luxury branded goods, including watches, pens and jewellery under well-known UK registered trade marks such as *Cartier* and *Montblanc*. Their products were subject to trade mark and copyright infringement by a number of websites selling low-quality counterfeit products at low prices.

In late 2014, Cartier obtained High Court injunctions requiring five of the largest UK ISPs (BT, Sky, Virgin, EE and TalkTalk) to block access to those infringing websites and any other website or IP address which has the purpose of allowing access to those infringing websites. This followed similar decisions in relation to online copyright infringement,[2] in which many claimants have managed to obtain similar blocking injunctions. Although s.97A of the Copyright, Designs and Patents Act 1988 provides an express website-blocking injunction remedy for online copyright infringement, a similar provision does not exist relating to trade mark infringement. However, the High Court found jurisdiction to order similar injunctions for trade mark infringement under its general powers under s.37(1) of the Senior Courts Act 1981.

In considering the form of order to grant, the High Court followed copyright infringement judgments and found that it is reasonable to require ISPs to cover the costs of implementing the website blocks (while the costs of the application for the injunction itself should be borne by the right holder). The relevant costs in contention were only the costs specific to each injunction obtained, i.e. the marginal costs of implementing the order, the costs of monitoring and upgrading the block to reflect new websites, and the costs of blocking malfunctions where the ISPs are not at fault (with the ISPs not complaining of the costs of acquiring and maintaining a blocking systems (despite the seven-figure sum in purchasing the blocking system), as those are costs that would not be incurred anymore as a result of other duties of ISPs.

In July 2016, the Court of Appeal upheld the High Court's decision both relating to jurisdiction to grant such injunctions for online trade mark infringement, and to whether the costs of implementation should be borne by ISPs. On the issue of apportionment of costs, the majority found that the Recitals of the Information Society Directive (2001/29) and Enforcement Directive (2004/48) made it appropriate for national courts to order the costs of implementation of any injunction to be borne by the ISP. The reasoning was that: (1) right holders should be in a position to apply for an injunction; (2) national courts are given the power to decide on the conditions of injunctions granted against ISPs; (3) the cost of implementing website-blocking orders was in return for the various immunities and exceptions from liability that ISPs benefited from as "mere conduits"; and (4) ISPs make profits from traffic through infringing websites and so should pay the costs of blocking those websites. Although the majority noted that there might be cumulative costs incurred by ISPs from multiple blocking injunctions, they also held that these would not be disproportionate and could be absorbed or passed on to ISPs' customers. Briggs LJ dissented on this point and opined that the right holder should be required to bear the costs of implementing a website-blocking injunction instead. It was on this split issue that the ISPs appealed to the Supreme Court for final judgment.

Decision

The Supreme Court undertook a detailed evaluation of English and EU law relating to the granting of injunctions and how the costs should be apportioned. Although the Supreme Court agreed with the lower courts, that the apportionment of website blocking injunction costs is a matter of national law, it disagreed with the Court of

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[1] *Cartier International AG v British Telecommunications Plc* [2018] UKSC 28; [2018] 1 W.L.R. 3259.
[2] See, e.g., *Twentieth Century Fox Film Corp v British Telecommunications Plc* [2012] 1 All E.R. 806 Ch D.

Appeal's decision that the wording of the relevant Directives led to the conclusion that all implementation costs should be borne by the intermediary (i.e. ISP). The relevant EU Directive provisions clearly require injunctions to be awarded against ISPs but provide no indication regarding the payment of costs. As such, the Supreme Court held that the overriding principle is that, unless there are good reasons to the contrary, an innocent intermediary should not have to pay the costs of complying with the website-blocking injunction.[3]

The critical factor in reaching this decision was the "legal innocence" of the ISPs in the underlying trade mark infringement and the fact that an injunction granted in a case of trade mark infringement is solely to protect the rights of the relevant right holder and, therefore, the cost of protection of those rights should be borne by the right holder. The Supreme Court noted the public interest in ensuring the proper protection of intellectual property rights, but emphasised that this is why the IP rights exist and does not translate to the costs of enforcement. As a result, the Supreme Court carried the day for the ISPs in finding that right holders should indemnify ISPs for their "*reasonable* costs" of compliance with website-blocking injunctions (which covered the three types of costs that the ISPs complained about).

Interestingly, the Supreme Court observed that a different conclusion might apply to other intermediaries which do not have the same "legal innocence", such as those involved in caching or hosting (i.e. where there is a greater degree of participation).

As to the costs of the litigation itself, the Supreme Court held that Arnold J was entitled to award them against the ISPs because, unusually, the ISPs had made the litigation a test case for the jurisdiction to make the order at all and had strenuously resisted the application.

Comment

Website-blocking injunctions paid for by the ISPs have become standard fare in the world of copyright infringement and, therefore, the notion that the same costs would need to be borne in relation to trade mark infringement as well must have kept ISPs awake at night. Better late than never, the Supreme Court's judgment swings the pendulum and will draw a sigh of relief from ISPs who were probably counting down the seconds until the next aggrieved company asked for a blank cheque to protect the trade mark owner's brand (although they will still need to dig into their pockets to pay the costs of acquiring and managing their blocking systems).

In copyright infringement cases such as *Twentieth Century Fox* one of the key factors swaying the court to require ISPs to pay was the financial benefit received by ISPs in the volume and appeal of the infringing material available (a view shared by the Court of Appeal in this case). However, in one stroke, the Supreme Court has discredited this argument, stating that it assumes "a degree of responsibility … which does not correspond to any legal standard".[4] It will be interesting to see whether this decision and its reasoning are followed by the English courts in relation to blocking injunctions under s.97A CDPA 1988 in cases of online copyright infringement as well. There is seemingly nothing in the Supreme Court's judgment which confines its decision to the realms of trade mark infringement.

[3] This follows broadly applicable decisions in cases such as *Norwich Pharmacal Co v Customs and Excise Commissioners* [1974] A.C. 133 HL.
[4] *Cartier v British Telecommunications* [2018] UKSC 28; [2018] 1 W.L.R. 3259 at [34].