

COSTS OF BLOCKING INJUNCTIONS

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It is trite to state that the infringement of intellectual property rights over the internet poses substantial problems to rightholders.¹ More interesting are the methods employed by rightholders to combat these problems. Bringing claims against individual infringers is possible,² assuming they can be identified and are within the court's jurisdiction, but present obvious difficulties: it may be excessively cumbersome to sue a huge number of individuals who may not even be in a position to provide satisfactory redress. It is therefore understandable why rightholders have found it more efficient and effective to bring claims against third parties who are implicated in wrongdoing. Claimants have found some success in bringing claims against "bad-acting" websites – such as, perhaps most notoriously, The Pirate Bay websites – which participate in the tortious infringement of the claimant's rights.³ Such websites may be considered to be accessories, and to commit wrongs themselves.⁴ But claims against third-party websites do not necessarily provide adequate remedies, so rightholders have recently sought to stem infringement by going after internet service providers (ISPs) as a more effective content access "choke point".⁵ ISPs are a

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¹ In *Cartier International AG v British Sky Broadcasting Ltd* [2016] EWCA Civ 658, [2017] 1 All ER 700 at [12] Kitchin LJ said: "There can be no doubt that a good deal of the business of counterfeiters is conducted using the internet. In 2008 the Organisation for Economic Co-operation and Development published a report entitled *The Economic Impact of Counterfeiting and Piracy* in which it observed that the online environment attracted counterfeiters for various reasons including anonymity, flexibility, the size of the market and the ease with which customers can be deceived. The European Commission also observed in its 2014 report [*Report on EU Customs Enforcement of Intellectual Property Rights: Results at the EU Border*] that the top six categories of goods seized were all goods of a kind which are often shipped by post or courier after an order placed via the internet."

² See eg R Piasentin, "Unlawful? Innovative? Unstoppable? A comparative analysis of the potential legal liability facing P2P end-users in the United States, United Kingdom and Canada" (2006) 14 *Intentional Journal of Law & Information Technology* 195

³ See eg *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd* [2012] EWHC 268 (Ch), [2012] 3 CMLR 14.

⁴ For further consideration of such claims in this journal see P Davies, 'Accessory Liability: Protecting Intellectual Property Rights' [2011] IPQ 390. See too P Davies, *Accessory Liability* (Hart Publishing, 2015). It should be noted that the CJEU has, somewhat controversially, recently held that The Pirate Bay can even be primarily liable for its own acts of communication to the public with full knowledge of the infringement of copyright: *Stichting Brein v Ziggo BV* (Case C-610/15).

⁵ For a comparative overview, see G Dinwoodie, 'A Comparative Analysis of the Secondary Liability of Online Service Providers' in G Dinwoodie (ed), *Secondary Liability of Internet Service Providers* (Springer, 2017). See too L Edwards, *Role and Responsibility of Internet Intermediaries in the Field of Copyright and Related Rights* (WIPO Report, 2010); Nina Elkin-Koren 'After Twenty Years: Revisiting Copyright Liability of Online

step further removed from the “direct” infringement of the individual wrongdoer than any particular websites, but an injunction which compels the ISP to block users from accessing certain websites may be the most effective form of relief for a rightholder. However, blocking orders raise a number of important questions. Is a court able to grant such an injunction? Assuming the court does have jurisdiction to make a blocking order, should an injunction be granted? Who should bear the costs of the injunction?

This article will consider these three key questions in turn. Most of the blocking orders granted in England and Wales have been made in the context of copyright infringement,⁶ but it is suggested that little should turn upon the precise nature of the intellectual property right protected; the focus of this article will be upon trade mark infringement. This is because the first blocking orders in this area have been recently made following the decisions of Arnold J in *Cartier International AG v British Sky Broadcasting Ltd*,⁷ which were upheld by the Court of Appeal.⁸ In *Cartier*, the claimants were members of the Richemont group, which produce and sell luxury goods under very well-known trade marks such as Cartier, Montblanc and IWC. The claimants successfully sought injunctions against the five main British ISPs⁹ to compel them to block target websites selling (virtually exclusively) counterfeit pens, jewellery, and watches. *Cartier* is something of a “test case” which “is likely to be followed by other applications by Richemont and other trade mark owners, both here and in other countries”.¹⁰

Intermediaries’ in S Frankel & D Gervais (eds), *The Evolution and Equilibrium of Copyright in the Digital Age* (CUP, 2014)

⁶ See eg the decisions of Arnold J in *Twentieth Century Fox Film Corp v British Telecommunications plc* [2011] EWHC 1981 (Ch), [2012] Bus LR 1471; *Twentieth Century Fox Film Corp v British Telecommunications plc (No 2)* [2011] EWHC 2714 (Ch), [2012] Bus LR 1525; *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd* [2012] EWHC 268 (Ch), [2012] 3 CMLR 14; *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd (No 2)* [2012] EWHC 1152 (Ch), [2012] 3 CMLR 15; *EMI Records Ltd v British Sky Broadcasting Ltd* [2013] EWHC 379 (Ch), [2013] ECDR 8; *Football Association Premier League Ltd v British Sky Broadcasting Ltd* [2013] EWHC 2058 (Ch), [2013] ECDR 14; *Paramount Home Entertainment International Ltd v British Sky Broadcasting Ltd* [2013] EWHC 3479 (Ch), [2014] ECDR 7. See too *Paramount Home Entertainment International Ltd v British Sky Broadcasting Ltd* [2014] EWHC 937 (Ch) (Henderson J).

⁷ See [2014] EWHC 3354 (Ch), [2015] 1 All E.R. 949; [2014] EWHC 3915 (Ch); [2015] 1 All E.R. 1027 and [2014] EWHC 3765 (Ch); [2015] 1 All E.R. 1023.

⁸ [2016] EWCA Civ 658, [2017] 1 All ER 700.

⁹ Sky, BT, EE, TalkTalk and Virgin, which have a market share of some 95% of UK broadband users: [2014] EWHC 3354 (Ch), [2015] 1 All E.R. 949 [1] (Arnold J).

¹⁰ [2014] EWHC 3354 (Ch), [6] (Arnold J). Indeed, the Supreme Court of Canada has already discussed the litigation in *Cartier: Google Inc. v. Equustek Solutions Inc.* 2017 SCC 34. For further discussion of treatment of *Cartier* in foreign courts, see eg J Riordan, ‘Website Blocking Injunctions under United Kingdom and European Law’ in G Dinwoodie (ed), *Secondary Liability of Internet Service Providers* (Springer, 2017) 20-21.

The Supreme Court has refused permission to appeal on the question of whether the blocking injunctions were correctly granted. This sensibly recognises that blocking injunctions are an important and useful tool for rightholders seeking to protect their rights.¹¹ However, the Supreme Court has granted permission to appeal on the issue of costs. A majority of the Court of Appeal (Kitchin and Jackson LJJ) agreed with Arnold J that the ISPs should bear both the costs of the application and the costs of implementing the blocking order. Briggs LJ dissented, on the basis that the rightholders should have to bear the costs of implementation. It is suggested that the judgment of Briggs LJ is more consistent with general equitable principles underpinning injunctive relief if the ISPs are not considered to be wrongdoers. On the other hand, if the ISPs are considered to be wrongdoers, probably as accessories (which the Court of Appeal did not contemplate) then the majority decision seems entirely orthodox.

The jurisdiction to grant blocking injunctions

The ability of courts in England and Wales to grant a blocking injunction is made explicitly clear in the context of copyright infringement. This is as a result of section 97A of the Copyright, Designs and Patents Act 1988,¹² which gives effect to Article 8(3) of the Information Society Directive.¹³ That provision requires that rightholders must be able to apply for an injunction “against intermediaries whose services are used by a third party to infringe a copyright or related right”.¹⁴ Article 11 of the Enforcement Directive¹⁵ imposes a similar requirement as regards IP rights more generally, which includes trade mark infringement, but there has been no legislative implementation of the provision in the United Kingdom.¹⁶ It is therefore especially important in this context to consider whether the court has jurisdiction to grant a blocking order.

¹¹ Their availability is also required under EU law: see Article 8(3) of the Information Society Directive and Article 11 of the Enforcement, considered immediately below.

¹² This was inserted into the Act via the Copyright and Related Rights Regulations 2003, SI 2003/2498.

¹³ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, transposed into domestic law by the Copyright and Related Rights Regulations 2003, SI 2003/2498.

¹⁴ See too recital (59).

¹⁵ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, transposed largely into domestic law by the Intellectual Property (Enforcement, etc) Regulations 2006, SI 2006/1028.

¹⁶ The Government thought that this was not necessary: see Patent Office, “Consultation Paper: The UK Implementation of the Directive on the Enforcement of Intellectual Property Rights” (August 2005), Annex B, transposition note for art.11.

Section 37(1) of the Senior Courts Act 1981 is framed in strikingly broad terms:

“The High Court may by order (whether interlocutory or final) grant an injunction ... in all cases in which it appears to be just and convenient to do so.”

However, it has become settled practice that although the courts have the jurisdiction to grant injunctions in a very wide range of circumstances, the court will refuse to grant an injunction unless certain criteria are met. It would appear that granting an injunction in *Cartier* does represent an extension of the court’s practice in granting injunctions, but that this has happened in an incremental manner which should not cause alarm.

Injunctions against wrongdoers

If the ISPs are considered to be wrongdoers, then the explanation for injunctive relief is straightforward. Injunctions are often granted to prevent wrongful conduct. However, it is not easy to explain injunctive relief in this manner – either on the basis of primary, free-standing liability or accessory liability. ISPs are generally considered to be ‘innocent’ intermediaries, as opposed to ‘bad-acting’ intermediaries. Intermediaries in the latter category may well be considered to be wrongdoers;¹⁷ the focus here is on intermediaries in the former category.¹⁸

It is, rightly, difficult to establish that the intermediary should be “primarily” liable to the rightholder, when the intermediary does not itself infringe the rightholder’s intellectual property rights. That infringement is carried out by another individual who commits the primary tort. Moreover, English courts have long been reluctant to impose upon intermediaries any form of primary liability through a duty of care imposed by the law of negligence.¹⁹ This is sensible: an intermediary should not be liable for mere negligence when

¹⁷ See further See R Arnold and P Davies, ‘Accessory Liability for Intellectual Property Infringement: The Case of Authorisation’ (2017) 133 LQR 442. See too *Stichting Brein v Ziggo BV* (Case C-610/15).

¹⁸ For further comparative discussion see eg C Angelopoulos ‘Beyond Safe Harbours: Harmonising Substantive Intermediary Liability for Copyright Infringement in Europe’ [2013] IPQ 253 and *European Intermediary Liability in Copyright* (Kluwer Law International, Information Law Series, 2016).

¹⁹ *CBS Songs Ltd v Amstrad plc* [1988] 1 AC 1013 (Lord Templeman); *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [54]. It is unclear what effect the recent decision of the CJEU in *Stichting Brein v Ziggo BV* (Case C-610/15) will have on domestic law; that case may perhaps be restricted to the particularly egregious nature of The Pirate Bay websites.

it has not directly infringed the claimant's rights. There is no reason for negligence to engulf this entire area of law.²⁰

Accessory liability is potentially a more promising route to viewing intermediaries, including ISPs, as wrongdoers. The principles of accessory liability in intellectual property law have not yet been the subject of harmonisation at a European level. As a matter of domestic law, it is important to bear in mind that accessory liability in the context of copyright or trade mark disputes rests upon the same principles as tort law more generally. As Lord Sumption put it in *Fish & Fish Ltd v Sea Shepherd UK*, cases on intellectual property in this area “depend on ordinary principles of the law of tort”.²¹ Unfortunately, the law on accessory liability in tort law is somewhat murky;²² there are strong arguments in favour of finding a party liable as an accessory if he or she assists a primary tort,²³ and this may encompass ISPs who assist or facilitate trademark infringement. However, the Supreme Court in *Fish & Fish Ltd v Sea Shepherd UK* thought that assistance alone was insufficient, and accessory liability should only arise if a person induces or authorises a primary tort, or participates in a common design with the primary tortfeasor.²⁴ It is unclear whether an ISP will satisfy these requirements for accessory liability. It will generally be difficult to establish authorisation of any particular infringement,²⁵ and a passive intermediary will not have induced or procured any wrong. It may, however, sometimes be possible to argue that an intermediary could be liable for participating in a common design. By hosting infringing websites, for example, the intermediary could be considered to be participating in wrongful conduct in a more than minimal way, and once the intermediary actually knows²⁶ of the primary tort then a common design may be found. It is arguable that once the rightholder informs the intermediary of the primary tort, then the intermediary has sufficient knowledge to be liable as an

²⁰ Cf T Weir, ‘The Staggering March of Negligence’, in P Cane and J Stapleton (eds), *The Law of Obligations: Essays in Celebration of John Fleming* (Oxford, Clarendon Press, 1998).

²¹ [2015] UKSC 10; [2015] A.C. 1229 [40]. A difficulty arises concerning confidence, which straddles both common law and equity, and some cases analyse accessory liability under the banner of dishonest assistance, see eg *Thomas v Pearce* [2000] FSR 718. This raises a difficult question of taxonomy, although ultimately it is suggested that similar principles of accessory liability should apply across the common law/equity divide: P Davies, *Accessory Liability* (Hart, 2015) 100-102.

²² See generally P Davies, *Accessory Liability* (Hart, 2015) ch 6.

²³ P Davies, *Accessory Liability* (Hart, 2015) 195-202, 213-220. For discussion in the context of breach of confidence, see R Arnold, ‘Accessory Liability for Breach of Confidence’ (2014) 36 EIPR 554.

²⁴ [2015] UKSC 10; [2015] A.C. 1229 [39].

²⁵ See R Arnold and P Davies, ‘Accessory Liability for Intellectual Property Infringement: The Case of Authorisation’ (2017) 133 LQR 442.

²⁶ With the requisite degree of specificity: see further P Davies, *Accessory Liability* (Hart, 2015) 206-209.

accessory on the basis of a common design.²⁷ If so, then injunctive relief should clearly be available to prevent future wrongdoing.

This analysis could cause great concern to intermediaries. Two major factors may assuage their fears. First, they are unlikely to have to pay damages as a result of the “safe harbour” defences.²⁸ These may help to allay concerns of a “chilling effect”²⁹ upon the development of ISPs, for example. Secondly, even absent the influence of European Directives, and even assuming the requirements for prima facie liability as an accessory were met, it may often be the case that the intermediary would have a defence to accessory liability because the intermediary could not be expected to act as a judge and decide whether the rights of the rightholder should trump the fundamental rights enjoyed by the primary wrongdoer and other third parties – in particular, that of freedom of expression.³⁰ If the intermediary has acted entirely reasonably then it would seem harsh to impose accessory liability.³¹ It therefore seems generally appropriate for the intermediary to seek the authority of the court before blocking websites, for example.³² (There are exceptions to this approach in the most egregious cases – concerning terrorism or child pornography, for example³³ – but the present focus involves less extreme instances of wrongdoing.)

Nevertheless, considering the remedies available against an intermediary to fall within the scope of accessory liability would help to explain why there is no liability to pay damages, but injunctive relief is available. The intermediary could not reasonably have been expected to prevent another party from operating its website without the reassurance of a court order; as a result, the intermediary should not bear responsibility to compensate for past losses. On

²⁷ “Common design” is now defined very broadly; in *Fish & Fish* Lord Sumption recognised that ‘the evidence of common design may fairly be regarded as thin’ [2015] UKSC 10; [2015] A.C. 1229, [38]; for further discussion see G McMeel, ‘Joint and Accessory Liability for Wrongs in Private Law’ [2016] LMCLQ 29; P Davies, ‘Accessory Liability in Tort’ (2016) 132 LQR 16.

²⁸ See eg Articles 12-15 of the E-Commerce Directive (European Parliament and Council Directive 2000/31 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market [2000] OJ L178/1, which was transposed into domestic law by the Electronic Commerce (EC Directive) Regulations 2002, SA 2002/2013).

²⁹ Cf *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* 545 US 913 (2005), 960 (Breyer J).

³⁰ Cf Aldous LJ in *Totalise plc v The Motley Fool Ltd* [2001] EWCA Civ 1897; [2002] 1 W.L.R. 1233, [22]: “It is for the applicant to satisfy the court that the order should be made, not for the defendant to take a view which could be wrong”.

³¹ On defences generally, see P Davies, *Accessory Liability* (Hart, 2015) ch 7

³² This is consistent with recital (4) of the E-Commerce Directive, which allows Member States to establish specific requirements which must be fulfilled expeditiously prior to the removal or disabling of information. See too *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH* Case C-314/12, [2014] Bus LR 541.

³³ Blocking systems are commonly used by ISPs to implement the blocking regime of the Internet Watch Foundation, for example: see *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [14].

the other hand, once the intermediary has knowledge of the infringement, and a court has decided that it should be prevented, then the intermediary could be liable as an accessory if it took no further action, and injunctive relief should be available to prevent such future wrongs. Little turns on whether this injunction is granted *quia timet*.

Viewing the intermediaries as accessories and therefore wrongdoers would provide an orthodox foundation for injunctive relief. It would also explain why intermediaries need “safe harbours” as “immunities” for liability. After all, if the accessories would not be liable either as primary wrongdoers or accessories, it is hard to see why they require any immunities at all. Moreover, this view is perhaps consistent with the requirement, in the copyright context, that the intermediary must have “actual knowledge” that another person is using its service to infringe copyright; such knowledge may be acquired through a notice from the rightholder.³⁴

It is not certain whether the European Directives adopt a similar view towards wrongdoing. The European approach may have been influenced by the German doctrine of “Störerhaftung”, or “disturber liability”,³⁵ which is said not to be based on tortious principles of negligence. Rather, the only remedy is an injunction to protect property rights.³⁶ However, an injunction will only be granted against “disturbers” if three conditions are satisfied: (i) the defendant has made an adequate causal contribution to an infringing act of a third party; (ii) it was both legally and factually possible for the defendant to prevent the direct infringement; (iii) the defendant violated a reasonable “duty of care” or “monitoring duty” to prevent the infringement.³⁷ It would appear that this last requirement could suggest that an injunction is based upon wrongful – or at least unreasonable – behaviour. It is suggested that considering ISPs to be wrongdoers – preferably as accessories – would provide a sound theoretical explanation both for the award of an injunction, and also for why ISPs should have to bear the costs of that injunction. Nevertheless, the more prevalent view appears to be that ISPs are not wrongdoers, and on that basis a different explanation for injunctive relief is required.

³⁴ Copyright, Designs and Patents Act 1988 s97A(2).

³⁵ For further explanation, see eg A Kur, ‘Secondary Liability for Trademark Infringement on the Internet: The Situation in Germany and the Throughout the EU’ (2014) 37 Columbia Journal of Law & The Arts 525.

³⁶ By analogy with § 1004 of the German Civil Code (BGB).

³⁷ See further M Leistner, ‘Structural aspects of secondary (provider) liability in Europe’ (2014) 9 Journal of Intellectual Property Law & Practice 75; see too C Busch, ‘Secondary Liability for Open Wireless Networks in Germany: Balancing Regulation and Innovation in the Digital Economy’ in G Dinwoodie (ed), *Secondary Liability of Internet Service Providers* (Springer, 2017).

Injunctions against non-wrongdoers

In *Cartier*, the Court of Appeal was prepared to accept that the ISPs were “innocent” and “not guilty of any wrongdoing”.³⁸ This raises the spectre of accountability without liability.³⁹ However, it is suggested that even on the basis that the ISPs do not commit a wrong, injunctive relief can be readily explained by analogy with the *Norwich Pharmacal* jurisdiction. In *Norwich Pharmacal Co v Customs and Excise Commissioners*,⁴⁰ the House of Lords held that an innocent third party could be compelled to assist the victim of a wrong by giving the latter relevant information. Lord Reid said “that if through no fault of his own a person gets mixed up in the tortious acts of others so as to facilitate their wrongdoing he may incur no personal liability but he comes under a duty to assist the person who has been wronged by giving him full information and disclosing the identity of the wrongdoers”.⁴¹ That principle can easily be extended to apply to intermediaries.⁴² In *Cartier*, Kitchin LJ framed it as a duty to take proportionate measures to assist the person wronged when requested to do so.⁴³

This approach helps to explain injunctive relief against intermediaries in a manner which is consistent with more general principles of equitable relief. However, it is important to note that the *Norwich Pharmacal* jurisdiction is itself a departure from the more common situation where an injunction is granted against an actual wrongdoer.⁴⁴ Moreover, the language of “duty” may perhaps confuse. The intermediary, as an innocent party, does not owe a duty to the rightholder such that a breach would give rise to a claim for damages. Indeed, even after an injunction has been granted, any perceived “duty” would be owed to the court issuing the injunction, rather than to a rightholder. The key point is that a person innocently mixed up in wrongdoing can be compelled by the court to help to untangle that wrongdoing, and intermediaries might therefore fall within the jurisdiction of the court to grant equitable relief.

³⁸ Eg [2016] EWCA Civ 658, [2017] 1 All ER 700 [54] (Kitchin LJ). See too [166] (Kitchin LJ), [200]-[210] (Briggs LJ).

³⁹ See generally M Husovec, *Injunctions Against Intermediaries in the European Union: Accountable But Not Liable?* (CUP, 2017).

⁴⁰ [1974] AC 133.

⁴¹ [1974] AC 133, 175.

⁴² The Court of Appeal in *Cartier* agreed with the first instance judge ([106]) that it was “not a long step” from *Norwich Pharmacal* to granting injunctions against intermediaries: [52].

⁴³ [2016] EWCA Civ 658, [2017] 1 All ER 700 [52].

⁴⁴ “you cannot have an injunction except against a party to the suit”: *Iveson v Harris*: 32 E.R. 102, 104; (1802) 7 Ves. Jr. 251, 257 (Lord Eldon LC).

Perhaps the major difficulty on the facts of *Cartier* was that the injunction sought was not in support of further substantive proceedings. In *Fourie v Le Roux*,⁴⁵ the House of Lords held that although the court did have jurisdiction to grant a freezing order, the discretion to grant an injunction had not been properly exercised: the injunction ought not to have been granted since there were no subsisting proceedings to which the freezing order could be ancillary and no undertaking to commence such proceedings had been given. The same approach has often been taken to *Norwich Pharmacal* orders: an injunction should only be granted against the innocent third party if that would help to support primary litigation. An injunction against a party who is not a wrongdoer should be in support of substantive relief in ancillary proceedings

Steven Gee QC has therefore criticised the decision to grant an injunction in *Cartier* as departing from the guidelines laid down by the House of Lords in *Fourie v Le Roux*.⁴⁶ Given the breadth of section 37(1), the court in *Cartier* clearly had jurisdiction to grant an injunction in the “strict sense”,⁴⁷ but Gee has argued that it was not a *proper* exercise of the court’s jurisdiction “in the absence of substantive proceedings on the merits in England to which the injunction was ancillary and in the absence of justification under s.25(1)” of the Civil Jurisdiction and Judgments Act 1982 in support of proceedings abroad against infringers.⁴⁸ There is some force to Gee’s criticisms, especially since the injunction in *Fourie* was discharged by the House of Lords for similar reasons.

Nevertheless, it is suggested that the injunction in *Cartier* was properly granted. One reason is that the English legislation should be interpreted consistently with Article 11 of the Enforcement Directive⁴⁹ in accordance with the *Marleasing*⁵⁰ principle in order to achieve a result which is consistent with European law. But that is a narrow explanation, the force of which may reduce post-Brexit. It would not help beyond the context of rights which have been considered by the European legislators, yet the principles seem to be of more general application.⁵¹ At first instance, Arnold J considered that the court could

⁴⁵ [2007] UKHL 1; [2007] 1 W.L.R. 320. See too *Siskina (Owners of cargo lately laden on board) v Distos Compania Naviera S.A.* [1979] A.C. 210.

⁴⁶ [2014] EWHC 3354 (Ch), [2015] 1 All E.R. 949 para 1-009. Although Gee criticised the decision of Arnold J on this point, the criticisms are equally pertinent to the decision of the Court of Appeal.

⁴⁷ [2007] UKHL 1; [2007] 1 W.L.R. 320 [16], [25]-[31] (Lord Scott)

⁴⁸ S Gee, *Commercial Injunctions* 6th ed (Sweet & Maxwell, 2016) 1-009.

⁴⁹ Which requires Member States to ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right: see n15 above.

⁵⁰ See *Marleasing SA v La Comercial Internacional de Alimentacion SA* (C-106/89) [1990] E.C.R. I-4135; [1992] 1 C.M.L.R. 305 at [8].

⁵¹ Indeed, similar principles appear to be applied throughout the common law world: see eg *Roadshow Films Pty Ltd v Telstra Corporation Ltd* [2016] FCA 1503; *Equustek Solutions Inc. v. Google Inc.* 2017 SCC 34.

properly grant an injunction even without invoking European influences,⁵² and it is suggested that he was right to do so. In the Court of Appeal greater emphasis was placed upon the *Marleasing* principle,⁵³ but it is suggested that that was unnecessary.

Cartier can be distinguished from cases such as *Fourie v Le Roux* because in *Cartier* the substantive relief sought was the injunction itself. The injunction against the intermediary was more important to the rightholder than claims against the primary wrongdoer, since the main concern of the rightholder was to prevent access to the infringing websites. This turns *Fourie v Le Roux* on its head: whereas in *Fourie v Le Roux* the freezing order should be ancillary to primary, substantive proceedings, forcing the rightholder in *Cartier* to bring a claim against primary wrongdoers would itself have been ancillary – from the rightholder’s perspective – to the main goal of obtaining injunctive relief. This might be criticised since it could be perceived as making claims against third parties easier to establish than claims against primary tortfeasors who are actually committing the wrongs, and this might seem unpalatable as accessory liability should not be an easy work-around which effectively allows rightholders not to bother with difficult claims against those most culpable. There is much force in these criticisms, but the decision in *Cartier* might nevertheless be viewed as a pragmatic solution to a difficult problem. The ISPs represent the “choke point” and are perhaps the best cost-avoiders;⁵⁴ a claim for injunctive relief against an intermediary is much more effective in protecting a claimant’s rights than a huge number of claims against individual primary infringers.

This pragmatic approach accords with the flexibility of the equitable jurisdiction to grant injunctions, which has evolved over time to meet the demands of commercial litigation.⁵⁵ It is, however, unclear whether the requirement for a substantive cause of action has been dispensed with entirely,

⁵² [2014] EWHC 3354 (Ch) [94]-[111].

⁵³ [2016] EWCA Civ 658, [2017] 1 All ER 700 [56].

⁵⁴ In *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [163], Kitchin LJ said: “the economic logic of granting injunctions against intermediaries, whether they be website hosts or ISPs, is that it is economically more efficient to require intermediaries to take action to prevent infringement occurring using their services than it is to require rightholders to take action directly against the infringers.” Similarly the decision of Arnold J [2014] EWHC 3354 (Ch), [2015] 1 All E.R. 949 at [251]. See too Recital (59) of the Information Society Directive.

⁵⁵ The importance of “a market-based demand for effective pre-emptive relief” in response to continuing developments in commercial law generally was accurately noted by Lord Neuberger in his Foreword to S Gee, *Commercial Injunctions* 6th ed (Sweet & Maxwell, 2016) xiv.

or rather limited to internet intermediaries.⁵⁶ It is suggested that it is generally appropriate to require the claimant to initiate substantive proceedings, such that *Norwich Pharmacal*-type orders should only be made in support of those proceedings.⁵⁷ Equity should not act in vain. However, in the context of injunctions against intermediaries involved in the infringement of intellectual property rights, there is generally no danger of Equity acting in vain,⁵⁸ since the blocking order is the remedy that is truly desired. It might be thought to be overly formalistic to require the rightholder to sue one individual in order to obtain an injunction against an intermediary, at least where it is not contested that there are many wrongdoers; the relief obtained from one individual alone would be highly unlikely to satisfy the rightholder, even though a large number of such claims may be possible. Following *Cartier*, it would appear that there is no need to bring substantive proceedings against one particular wrongdoer, or against “defendants unknown”,⁵⁹ where the court is satisfied that there are inevitably individuals, who infringe intellectual property rights over the internet, against whom claims could be brought. This parallels the courts’ approach towards accessory liability where individual primary wrongs are not established in the context of intellectual property rights; where it is clear that primary wrongs have been committed, the court will not demand strict proof of any wrong in particular.⁶⁰

The availability of injunctive relief against intermediaries may have important consequences beyond ISPs.⁶¹ This should be clarified through future decisions. In any event, it is suggested that the Court of Appeal was correct in agreeing with Arnold J that three key points pointed to the availability of a principled basis for the blocking order:⁶² first, injunctions are not only granted against infringers of the right in question; second, an analogy can be drawn with the equitable protective duty described in *Norwich Pharmacal*; third, the court’s

⁵⁶ Interestingly, in *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH* Case C-314/12, Advocate General Cruz Vilalón thought that the claim against the operators of the illegal website should be pursued as a matter of priority (Opinion, para [107]), but this was not followed by the Court of Justice.

⁵⁷ This appears to have been accepted post-*Cartier* in *Octagon Overseas Ltd v Coates* [2017] EWHC 877 (Ch) [17]-[22] (HHJ Karen Walden-Smith).

⁵⁸ See eg the fears of Lord Scott in *Fourie v Le Roux* [2007] UKHL 1; [2007] 1 W.L.R. 320 [37].

⁵⁹ See eg *Secretary of State for the Environment, Food and Rural Affairs v Meier* [2009] UKSC 11; [2009] 1 W.L.R. 2780.

⁶⁰ See eg *Twentieth Century Fox Film Corp v Newzbin Ltd* [2010] EWHC 608 (Ch), [2010] ECC 13 [110] (Kitchin J).

⁶¹ For example, injunctions may be available against physical intermediaries, such as those who run physical marketplaces: *Tommy Hilfiger LLC v Delta Center* Case C-494/15.

⁶² [2016] EWCA Civ 658, [2017] 1 All ER 700 [55]

jurisdiction under s37(1) is able to be applied in new ways.⁶³ The court's practice towards granting injunctions is not set in stone, and can continue to evolve in a typically incremental manner.⁶⁴ The blocking orders granted in *Cartier* represent a further stage in the evolution of the equitable jurisdiction to grant injunctions, but this may be welcomed as a pragmatic response to the new and difficult challenges posed by the infringement of intellectual property rights over the internet.

Conditions underpinning blocking orders

Although courts have jurisdiction to grant blocking orders, that does not mean that they should always do so. After all, injunctions are coercive remedies, and blocking orders in particular may have severe effects. It is often said that injunctions will only be awarded where damages are “inadequate”, but that does not really apply to claims against ISPs where damages would not be awarded.⁶⁵ However, the principle that injunctions should only be awarded as a last resort may be applied in the context of claims against intermediaries too. Indeed, there are remedies available to a rightholder which are less extreme than blocking orders: disclosure, notice and takedown, de-indexing, and so on. Riordan has argued that “it is regrettable that English courts have not required claimants to exhaust the available alternatives before seeking blocking injunctions”.⁶⁶ However, it is suggested that it is understandable why courts have refrained from requiring rightholders to try all other possible remedies before applying for a blocking injunction. It would be unduly cumbersome, time-consuming (when removing infringing websites quickly may be important) and expensive for rightholders to apply for a range of remedies which will not be as effective or suitable on the facts of the case. Of course, if an alternative remedy would provide satisfactory redress that is a very significant factor for the court to take into account when deciding whether to grant a blocking

⁶³ See eg *Apple v Samsung* [2012] EWCA Civ 139, [2013] FSR 9, where the court granted a publicity order in favour of a non-infringer who had been granted a declaration of non-infringement. See too *South Carolina Insurance Co v Assurantie Maatschappij "De Zeven Provinciën" NV* [1987] AC 24, 44 (Lord Goff).

⁶⁴ [46], citing Lord Nicholls' dissenting judgment in *Mercedes Benz v Leiduck* [1996] AC 284. See too eg [54]; *South Carolina Insurance Co v Assurantie Maatschappij "De Zeven Provinciën" NV* [1987] AC 24, 44 (Lord Goff); *Broadmoor Special Hospital Authority v Robinson* [2000] QB 775, 785-786 (Lord Woolf MR). For further discussion, see recently *Football Association Premier League Ltd v British Telecommunications Plc* [2017] EWHC 480 (Ch); [2017] E.C.C. 17.

⁶⁵ Especially as a result of the “safe harbour” defences: see n 28 above.

⁶⁶ J Riordan, ‘Website Blocking Injunctions under United Kingdom and European Law’ in G Dinwoodie (ed), *Secondary Liability of Internet Service Providers* (Springer, 2017) 312.

injunction, but it is appropriate for the courts to consider whether to grant a blocking injunction without other alternatives having been exhausted. In *Cartier*, the court was not persuaded that alternative measure would have been equally effective but less burdensome.⁶⁷

The threshold conditions for granting a blocking order have largely been laid down by the Enforcement Directive⁶⁸ and E-Commerce Directive.⁶⁹ First, the ISPs must be intermediaries. Secondly, the users of operators of the target website must be infringing the claimant's intellectual property rights. Thirdly, the user or operators of the target websites must use the services of the ISPs. Fourthly, the ISPs must have knowledge of this.⁷⁰ All four criteria were sensibly held to be satisfied on the facts of *Cartier*.

Of more interest, perhaps, are the principles to be applied when considering whether to grant a blocking injunction. In *Cartier* the Court of Appeal agreed with Arnold J that seven factors must be considered: the relief must (i) be necessary; (ii) be effective; (iii) be dissuasive; (iv) not be unnecessarily complicated or costly; (v) avoid barriers to legitimate trade; (vi) be fair and equitable and strike a "fair balance" between the applicable fundamental rights⁷¹; and (vii) be proportionate. Moreover, the court should take into account the substitutability of other websites for the target website, and the remedies awarded should be applied in such a way as to provide safeguards against abuse.⁷²

These factors are all important, and it is likely that a large degree of leeway will be given to a trial judge who has heard all the evidence and balanced all considerations in a reasonable way. Outcomes of particular applications will clearly depend upon an intense focus upon the facts of the case.⁷³ In any event, *Cartier* confirms that it is not necessary for a rightholder to prove that a blocking injunction will reduce the overall level of infringement of its trade marks, although if there are a large number of other websites which are likely to be "equally accessible and appealing to the interested user" then a blocking order may not be proportionate.⁷⁴ The question of proportionality is

⁶⁷ [2016] EWCA Civ 658, [2017] 1 All ER 700 [174]-[178]. For further explanation, see [2014] EWHC 3354 (Ch) [197]-[217] (Arnold J).

⁶⁸ Articles 3 and 11.

⁶⁹ Articles 12-15.

⁷⁰ [2016] EWCA Civ 658, [2017] 1 All ER 700 [80].

⁷¹ Protected by the Charter of Fundamental Rights of the European Union, such as intellectual property rights (Art 17), the freedom to conduct a business (Art 16), and freedom of expression and information (Art 11).

⁷² See further [2016] EWCA Civ 658, [2017] 1 All ER 700 [100]-[183].

⁷³ See similarly *EMI Records Ltd v British Sky Broadcasting Ltd* [2013] EWHC 379 (Ch), [2013] ECDR 8 [100] (Arnold J).

⁷⁴ [2016] EWCA Civ 658, [2017] 1 All ER 700 [118].

obviously key,⁷⁵ and this could be greatly influenced by the issue of who should bear the costs of the blocking injunction. This difficult issue is set to trouble the Supreme Court, and is the focus of the next section.

Costs

Given that injunctive relief against intermediaries is increasingly entrenched as a potential remedy, it is necessary to determine who should bear the costs. This has become a commercially significant issue, and can clearly have an impact upon whether it is proportionate to grant an injunction. It is important to differentiate between the costs of the application and the costs of implementing the injunction. In *Cartier*, the majority of the Court of Appeal held that – on the particular facts of that case – all the costs should be borne by the intermediary.⁷⁶

The decision in *Cartier* would be relatively straightforward to explain if liability were based upon the intermediary being a wrongdoer (probably as an accessory, but equally on the basis of “Störerhaftung”⁷⁷). On that premise, it is understandable why, between a bad-acting intermediary and an innocent rightholder, it is the former who should bear all the (reasonable) costs.⁷⁸ Indeed, it would be unexceptional for an accessory to have to bear the costs of an injunction to prevent his or her own wrongdoing. *Cartier* would become an easy case. Yet the Court of Appeal thought that the intermediary was innocent of any wrongdoing, and this may well be supported by the Supreme Court. That makes *Cartier* much more difficult: if both the rightholder and the intermediary are considered to be innocent parties, it is not intuitively obvious which innocent party should have to pay.

Costs of the application

On the facts of *Cartier*, the Court of Appeal held that the intermediaries should bear the cost of the application following the issue of proceedings. This decision was largely motivated by the fact that the intermediaries resisted the

⁷⁵ It might be suggested that, if the ISP is not a wrongdoer, the requirement of proportionality is much easier to satisfy if the rightholder has to bear the costs of the injunction, contrary to the decision of the majority in *Cartier*: [2016] EWCA Civ 658, [2017] 1 All ER 700 [212] (Briggs LJ).

⁷⁶ At least after the issuing of proceedings; Richeumont had to bear the costs of the application prior to that point (which included the costs associated with gathering the evidence to establish both jurisdiction and the appropriateness of the order).

⁷⁷ See eg *Störerhaftung des Access-Providers* case I ZR 174/14 (decision of the Federal Supreme Court of 26 Nov 2015) translated in [2016] IIC 481, at paras 38-40.

⁷⁸ Senior Courts Act 1981 s51 provides that costs are at the discretion of the court.

application for an injunction.⁷⁹ The Court of Appeal applied the usual rule in England that costs follow the event, and required the unsuccessful intermediaries to pay. The majority of the Court of Appeal explicitly rejected an analogy with the *Norwich Pharmacal* jurisdiction which requires the rightholders to bear the cost of the application, noting that injunctive relief was the primary aim of the rightholders.⁸⁰

The costs in *Cartier* are very large.⁸¹ But the decision regarding the costs of the application rests very much on the particular facts of that case. Given the uncertainty surrounding the availability of injunctive relief and who should bear the costs of implementing any injunction, the intermediaries not unreasonably chose to argue the case fully before the court. However, by not simply taking a neutral stance as the granting of an injunction, but instead forcefully resisting the application,⁸² the majority was persuaded that the intermediaries had chosen to “fight”, and then “lost”, such that the “loser pays” principle was engaged.⁸³ Moreover, although Briggs LJ dissented regarding the costs of implementing the blocking order sought in *Cartier*, he did not dissent regarding the costs of the application. This may be somewhat harsh. After all, the innocent party generally only has to pay its own costs (and perhaps sometimes the applicant’s costs) when forced to disclose information if it is itself implicated culpably in wrongdoing or seeking to obstruct justice.⁸⁴ The intermediaries in *Cartier* were clearly not seeking to obstruct justice, but instead seeking legal clarity.

Perhaps the decision should be accepted since it would be unfair for these particular claimants to shoulder all the costs in a test case where the intermediaries incurred very large costs. To have made the rightholders pay for the cost of the application in *Cartier* would have placed a substantial burden on the claimants, which would not be shared by rightholders in subsequent actions.⁸⁵ In the future, intermediaries can be expected to have learned the lessons of *Cartier*, and either present a more neutral view to the court, or simply

⁷⁹ *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [188].

⁸⁰ [2016] EWCA Civ 658, [2017] 1 All ER 700 [189]-[194]; see too nn 54-60 above.

⁸¹ At first instance, Arnold J said that the costs already ran to over £620,000: see [2016] EWCA Civ 658, [2017] 1 All ER 700 [188].

⁸² Despite the intermediaries’ protestations to the contrary: *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [188].

⁸³ At [188] Kitchin LJ cited the observation of Arnold J at first instance ([6]) that “The proof of the pudding is in the eating. The ISPs have served a costs schedule in support of their application, if successful in principle with regard to costs, for interim payment, which does not purport to be a comprehensive statement of their costs, but nevertheless runs to over £620,000. A neutral party does not spend over £620,000 opposing an application”.

⁸⁴ S Gee, *Commercial Injunctions* 6th ed (Sweet & Maxwell, 2016) para 23-049.

⁸⁵ By contrast, all the major ISPs appeared in *Cartier*, and seemed to instruct jointly their legal representatives such that it is reasonable to suppose that the costs were shared between these ISPs. Admittedly, these ISPs bear the costs to advantage of other intermediaries in the future.

not appear before the Court at all when a rightholder seeks injunctive relief.⁸⁶ On this basis, the rightholder would have to bear the costs of the application. Yet not contesting applications could have the unfortunate effect that applications will generally be made unopposed, and as a result judges may naturally tend to grant the injunctions sought.⁸⁷ It may well be thought preferable to encourage balanced argument to be presented before the court,⁸⁸ even if that were to involve intermediaries not vigorously opposing an injunction but instead presenting a less partisan but more balanced and neutral view. This would be possible if the intermediaries were not liable to pay costs, and could therefore take a more relaxed and nuanced view of the matter. Indeed, this would be consistent with the approach taken by the Court of Appeal in *Totalise plc v The Motley Fool Ltd*,⁸⁹ where Aldous LJ said that, in the context of an application for a *Norwich Pharmacal* order, “in some cases it may be appropriate for the party from whom disclosure is sought to appear in court to assist. In such a case he should not be prejudiced by being ordered to pay costs”.⁹⁰ Innocent parties should not generally be penalised for asking that the claimant’s arguments be tested in court.⁹¹

Costs of implementation

As regards injunctions awarded following the infringement of copyright, in a series of decisions Arnold J established that a reasonable balance was struck between the innocent rightholder and innocent intermediary if the rightholder paid the costs of the application and the intermediary bore the costs of implementing the injunction.⁹² This approach was supported by the majority in *Cartier*, which insisted that the intermediaries would not be reimbursed by

⁸⁶ As was the case in *Cartier II*, the follow-up to the first decision in *Cartier*: [2016] EWHC 339 (Ch), [2016] E.C.C. 16 [4] (HHJ Hacon).

⁸⁷ For a similar phenomenon in the context of flawed decision-making by trustees, see the string of cases following *Re Hastings-Bass* [1975] Ch 25, which was finally reined in by the decision of the Supreme Court in *Pitt v Holt* [2013] UKSC 26, [2013] 2 AC 108; for further discussion, see P Davies and G Virgo, ‘Relieving Trustee’s Mistakes’ [2013] RLR 73.

⁸⁸ See too *Twentieth Century Fox v British Telecoms plc* [2011] EWHC 2714 (Ch), [2012] 1 All E.R. 869 [53].

⁸⁹ [2001] EWCA Civ 1897; [2002] 1 W.L.R. 1233 [29].

⁹⁰ [2001] EWCA Civ 1897; [2002] 1 W.L.R. 1233 [29].

⁹¹ Unless, perhaps, the answer is obvious in an egregious case, such as terrorism or child pornography.

⁹² See eg *Twentieth Century Fox Film Corp v British Telecommunications plc* [2011] EWHC 1981 (Ch), [2012] Bus LR 1471; *Twentieth Century Fox Film Corp v British Telecommunications plc (No 2)* [2011] EWHC 2714 (Ch), [2012] Bus LR 1525; *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd* [2012] EWHC 268 (Ch), [2012] 3 CMLR 14; *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd (No 2)* [2012] EWHC 1152 (Ch), [2012] 3 CMLR 15; *EMI Records Ltd v British Sky Broadcasting Ltd* [2013] EWHC 379 (Ch), [2013] ECDR 8; *Football Association Premier League Ltd v British Sky Broadcasting Ltd* [2013] EWHC 2058 (Ch), [2013] ECDR 14; *Paramount Home Entertainment International Ltd v British Sky Broadcasting Ltd* [2013] EWHC 3479 (Ch), [2014] ECDR 7. See too *Paramount Home Entertainment International Ltd v British Sky Broadcasting Ltd* [2014] EWHC 937 (Ch) (Henderson J).

the rightholders for implementing the blocking order. Kitchin LJ gave six reasons for this conclusion. None is compelling.

First, his Lordship thought it important to bear in mind that “Article 11 of the Enforcement Directive and Article 8(3) of the Information Society Directive require Member States to ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right”.⁹³ This is of course true, but it does not give any indication as to who should bear the costs of the injunction. After all, a rightholder would still be in a position to apply for an injunction even if it had to bear the costs.

Secondly, Kitchin LJ said that the same provisions “must be seen as a part of the larger scheme which includes the immunities from infringement claims and the exception from monitoring conferred on intermediaries”.⁹⁴ This is perhaps true, but it is not at all clear that the intermediaries would be liable to pay damages as a matter of English law anyway.⁹⁵ More fundamentally, Kitchin LJ thought that “the intermediaries make profits from the services which the operators of the target websites use to infringe the intellectual property rights of the rightholders, and the costs of implementing the order can therefore be regarded as a cost of carrying on the business”.⁹⁶ This was the crucial factor that influenced Jackson LJ, who thought that the costs “are part of the price which the ISPs must pay for the immunities which they enjoy under the two Directives”.⁹⁷ But this is ultimately an assertion which tends towards circularity.⁹⁸ Indeed, it might equally be suggested that if the rightholder wants to protect its rights through injunctive relief, then the rightholder should have to pay; this may itself be seen as the cost to the rightholder of doing business, or the cost of enforcing one’s rights.⁹⁹ It is not at all clear that the fact that the intermediaries make profits should mean that they have to pay to implement injunctions, or that this should be considered to be any sort of quid pro quo for the immunities granted (which may not even have been necessary). Making profits does not turn the intermediaries into wrongdoers. More generally, a party who deliberately acts in order to make profits at another party’s expense does

⁹³ [2016] EWCA Civ 658, [2017] 1 All ER 700 [142].

⁹⁴ [2016] EWCA Civ 658, [2017] 1 All ER 700 [143].

⁹⁵ See n 28 above.

⁹⁶ [2016] EWCA Civ 658, [2017] 1 All ER 700 [143], approving earlier decisions of Arnold J such as *Twentieth Century Fox Film Corp v British Telecommunications plc (No 2)* [2011] EWHC 2714 (Ch), [2012] Bus LR 1525.

⁹⁷ [2016] EWCA Civ 658, [2017] 1 All ER 700 [214].

⁹⁸ Despite the contrary protestations of Kitchin LJ: [2016] EWCA Civ 658, [2017] 1 All ER 700 [172].

⁹⁹ [2016] EWCA Civ 658, [2017] 1 All ER 700 [206] (Briggs LJ).

not commit any wrong if only lawful means are employed, and is free to continue to act in such a manner. Any other party who wishes to stop such conduct must persuade the profiting party to do so – often by paying money. *Cartier* may be considered to be a similar case: on the assumption that the intermediaries were acting lawfully, the rightholders should have to pay to stop the intermediaries from continuing to act in a lawful manner. It may be that the Court of Appeal was attracted to economic arguments which revolve around the intermediaries being best-able to absorb the costs. These appear to have been recognised at a European level,¹⁰⁰ but such arguments were not pressed in *Cartier*¹⁰¹ and it may be difficult to reach a clear consensus through careful economic analysis of this issue. A more principled approach might be to query why an innocent party should have to bear the costs of being compelled to do something at all.¹⁰²

Thirdly, Kitchin LJ observed that “recital (23) of the Enforcement Directive and recital (59) of the Information Society Directive provide that the conditions and procedures relating to applications for injunctions against an intermediary should be left to national courts but I think it is implicit in both recitals that it would be entirely appropriate for a national court to order that the costs of implementation of any such injunction should be borne by the intermediary”.¹⁰³ With respect, it is difficult to find any such implication in the recitals. Recital (23) provides that:

Without prejudice to any other measures, procedures and remedies available, rightholders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder's industrial property right. The conditions and procedures relating to such injunctions should be left to the national law of the Member States. As far as infringements of copyright and related rights are concerned, a comprehensive level of harmonisation is already provided for in Directive 2001/29/EC. Article 8(3) of Directive 2001/29/EC should therefore not be affected by this Directive.

This is entirely neutral on the issue of costs, and clearly leaves the matter to the national courts. Similarly, recital (59) provides that:

¹⁰⁰ See *Cartier* [2014] EWHC 3354 (Ch) [251] (Arnold J). See too the recent decision of the French Cour de Cassation in *SFR v Association of Cinema Producers*, 6 July 2017, ECLI:FR:CCASS:2017:C100909.

¹⁰¹ *Cartier* [2014] EWHC 3354 (Ch) [251] (Arnold J).

¹⁰² See, eg, the dissenting judgment of Briggs LJ in *Cartier*, discussed in the text to nn 115-126 below.

¹⁰³ [2016] EWCA Civ 658, [2017] 1 All ER 700 [144].

(59) In the digital environment, in particular, the services of intermediaries may increasingly be used by third parties for infringing activities. In many cases such intermediaries are best placed to bring such infringing activities to an end. Therefore, without prejudice to any other sanctions and remedies available, rightholders should have the possibility of applying for an injunction against an intermediary who carries a third party's infringement of a protected work or other subject-matter in a network. This possibility should be available even where the acts carried out by the intermediary are exempted under Article 5. The conditions and modalities relating to such injunctions should be left to the national law of the Member States.

Again, the conditions of the injunction are left to national courts, and there is nothing to suggest that the costs should be borne by the intermediaries.

Fourthly, Kitchin LJ thought that decisions of the CJEU in *L'Oreal v Ebay*¹⁰⁴ and *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH*¹⁰⁵ “contemplated that the intermediary would bear the costs of implementation”.¹⁰⁶ This is true, and is perhaps the strongest reason for the majority's decision on costs.¹⁰⁷ Nevertheless, it is not ultimately decisive because the issue of costs has not been the subject of European harmonisation, and remains a question for the national courts to decide.¹⁰⁸ Moreover, the European approach may have been influenced by other jurisdictions which consider the intermediary to be liable as some sort of wrongdoer.¹⁰⁹ Viewing the ISPs to be accessories and therefore wrongdoers could provide a compelling basis for the result in *Cartier*, but simply following suggestions of the CJEU might distort the question of costs when looked at through an English perspective if the latter considers ISPs to be entirely innocent. It should also be remembered that the requirement of proportionality does not only take into account the costs of the injunction, but also proportionality between the rightholder and affected website owner, for instance.¹¹⁰

¹⁰⁴ Case C-324/09, [2011] ECR I-6011.

¹⁰⁵ Case C-314/12, [2014] Bus LR 541.

¹⁰⁶ [2016] EWCA Civ 658, [2017] 1 All ER 700 [147]. See too [120], citing *Scarlet Extended SA Société Belge des Auteurs, Compositeurs et Editeurs Scrl (SABAM)* Case C-70/10, [2011] ECR I-11959 at [48] to much the same effect. See too Article 3(1) of the Enforcement Directive which requires that available remedies not be “unnecessarily complicated or costly”.

¹⁰⁷ However, it may also be that the Court of Justice was simply reflecting the specific factual presumptions underlying the references themselves.

¹⁰⁸ See eg [2016] EWCA Civ 658, [2017] 1 All ER 700 [208] (Briggs LJ).

¹⁰⁹ See for example the decision of the Court of Justice of the European Union in *L'Oréal SA v eBay International AG* [2012] Bus LR 1369, para 139. See too the discussion of *Störerhaftung* at nn 35-37 above.

¹¹⁰ *Cartier* [2014] EWHC 3354 (Ch) [184] (Arnold J).

Fifthly, Kitchin LJ rejected any analogy with the *Norwich Pharmacal* order since “the proceedings were not in any sense preparatory to proceedings against the wrongdoers, and there was never any real prospect of Rlichemont recovering the costs of the proceedings from the wrongdoers”.¹¹¹ As discussed above, this is a potential ground of distinction.¹¹² Nevertheless, the fundamental issue of whether it is appropriate for an innocent third party who has become mixed up in wrongdoing to have to bear the costs is similar in both *Cartier* and *Norwich Pharmacal*.¹¹³

Sixthly, Kitchin LJ emphasised that the approach of the court to the matter of costs was necessarily flexible. In some circumstances, the rightholder may have to pay some or all of the costs of implementation.¹¹⁴ It is not clear when this will arise: presumably if the costs are very high when balanced against the value of the rights protected, or perhaps even the profits made by the intermediary. In any event, this is not really a reason for imposing the costs upon the intermediary as a general rule.

It is therefore suggested that the reasons given by the Court of Appeal in *Cartier* are far from convincing. The more principled approach that generally applies when seeking injunctive relief against a non-wrongdoer is that the rightholder would be expected to pay for the costs of complying with the equitable order, and hope to recover those costs from the primary wrongdoer. Of course, the chances of a rightholder ultimately recovering from a primary wrongdoer in the context of infringement of intellectual property rights via the internet is small, but the general principle persists: third parties who innocently become embroiled in wrongdoing should not have to pay costs. By contrast, a rightholder may well be expected to pay to protect and enforce its rights. Briggs LJ considered it to be “a natural incident of a business which consists of, or includes, the exploitation of such rights, to incur cost in their protection, to the extent that it cannot be reimbursed by appropriate orders against wrongdoers”.¹¹⁵

It is suggested that the dissenting judgment of Briggs LJ on this issue is most persuasive, and should be adopted by the Supreme Court as consistent with general principles of equity. Briggs LJ demonstrated that equity does not require an innocent party to bear the costs of complying with an equitable duty

¹¹¹ [2016] EWCA Civ 658, [2017] 1 All ER 700 [148]. Cf *Morton-Norwich Products v Intercen (No.2)* [1981] F.S.R. 337

¹¹² See eg text to nn 54-60 above.

¹¹³ And was convincingly addressed by Briggs LJ: see text to nn 116-122 below.

¹¹⁴ See too [2014] EWHC 3354 (Ch) [240] (Arnold J).

¹¹⁵ [2016] EWCA Civ 658, [2017] 1 All ER 700 [206].

to assist the victim of the wrong. The victim must bear the costs of bringing his or her claim and seek to recover them from the wrongdoer. Briggs LJ was fortified in this conclusion by both the *Norwich Pharmacal* jurisdiction, and *Bankers Trust Co v Shapira*.¹¹⁶ In the latter case, an order was made against a bank to disclose information about one of its customers, notwithstanding its duty of confidentiality, since this would help the claimants seeking to trace and recover misappropriated property. The innocent bank needed a court order to divulge such information, just as the intermediaries in *Cartier* needed a court order to block another party's website. Briggs LJ rightly highlighted that "a standard condition or 'modality' for the grant of an injunction requiring the relevant disclosure was that the cost reasonably incurred by the innocent respondent should be reimbursed by the applicant. In both the leading cases, this is treated as an obvious condition, and the reasons for it are not spelt out in detail, beyond the common feature of all such cases, namely that the respondent has not, in becoming mixed up in the relevant wrongdoing, incurred any personal liability to the applicant".¹¹⁷ In other words, if the rightholder wants equitable relief, it should be prepared to pay for it. The innocent party "is not expected to have to put his hand in his own pocket for the purpose of performing his duties".¹¹⁸ Briggs LJ was unconvinced that *Cartier* could be distinguished on the basis that claims against primary wrongdoers were unlikely to lead to substantial recovery. After all, this was often the case following a *Bankers Trust* order: it may be impossible to identify a defendant worth suing.

Moreover, in *Totalise plc v The Motley Fool Ltd*,¹¹⁹ Aldous LJ said:

"In a normal case the applicant should be ordered to pay the costs of the party making the disclosure including the costs of making the disclosure. There may be cases where the circumstances require a different order, but we do not believe they include cases where: (a) the party required to make the disclosure had a genuine doubt that the person seeking the disclosure was entitled to it; (b) the party was under an appropriate legal obligation not to reveal the information, or where the legal position was not clear, or the party had a reasonable doubt as to the obligations; or (c) the party could be subject to proceedings if disclosure was voluntary; or (d) the party would or might suffer damage by voluntarily giving the

¹¹⁶ [1980] 1WLR 1274.

¹¹⁷ [2016] EWCA Civ 658, [2017] 1 All ER 700 [202].

¹¹⁸ [2016] EWCA Civ 658, [2017] 1 All ER 700 [203]. Furthermore, it might be argued that the intermediary is more likely to take greater care when responding to an equitable order in order to make sure problems such as over-blocking do not arise if it knows that it will be reimbursed for its costs: J Riordan, *The Liability of Internet Intermediaries* (OUP, 2016) 18.50.

¹¹⁹ [2001] EWCA Civ 1897; [2002] 1 W.L.R. 1233 [30].

disclosure; or (e) the disclosure would or might infringe a legitimate interest of another.”

Although such comments were made in the different context of an application for relief under *Norwich Pharmacal*, they appear pertinent to a dispute such as that in *Cartier*. The intermediaries might well have argued that all five criteria identified by Aldous LJ were at issue. After all, the intermediaries might have had a doubt about whether the blocking order was proportionate given opposing fundamental rights such as freedom of expression (a); the position was not clear (b); the blocked websites may have had legitimate grounds of complaint against the ISPs if the blocking orders were wrongly implemented (c); the ISPs might have suffered serious reputational damage by simply complying to the rightholder’s requests without a court order (d); the blocking order clearly infringed the interests of the affected websites, although there is perhaps a question mark over whether those interests should be characterised as legitimate (e).

However, Briggs LJ held that the cost of designing and installing the blocking software should be borne by the intermediaries.¹²⁰ This is sensible; after all, the software should be able to be used in response to a large number of applications, and it does not seem reasonable for the first applicant to bear all the costs to the advantage of subsequent applicants. That would be disproportionate.¹²¹ Indeed, there are good reasons for holding that intermediaries should be *equipped* to block infringing websites as part of carrying on their business. This perhaps echoes Arnold J’s earlier analysis in another context that the intermediaries should bear the cost of regulation like any other enterprise.¹²² However, it is suggested that this explanation should only extend to the *availability* of blocking software. The actual costs of implementing a particular order is not part of any regulatory regime; similarly, as Briggs LJ pointed out, it has never seriously been suggested that the costs of *Bankers Trust*-type orders should be borne by banks as part of the regulatory regime, and banks obviously operate within a heavily regulated environment. The fundamental principle remains that innocent third parties should not have to dig into their own pockets. Claimants seeking redress need to bear the costs of

¹²⁰ [2016] EWCA Civ 658, [2017] 1 All ER 700 [211].

¹²¹ Moreover, intermediaries will often already have the requisite blocking technology for other reasons; at first instance in *Cartier*, Arnold J observed that ISPs already have the technology to implement the IWF blocking regime and/or parental controls: [2014] EWHC 3354 (Ch) [241]. See too the Court of Appeal decision at [2016] EWCA Civ 658, [2017] 1 All ER 700 [13]-[17].

¹²² See eg the decisions of Arnold J in *Twentieth Century Fox Film Corp v British Telecommunications plc* [2011] EWHC 1981 (Ch), [2012] Bus LR 1471; *Twentieth Century Fox Film Corp v British Telecommunications plc (No 2)* [2011] EWHC 2714 (Ch), [2012] Bus LR 1525.

pursuing their claims, aware of the risk that recovery of substantial sums is ultimately never certain.

On the facts of the cases that have thus far been brought before the English courts, the actual costs of implementing the blocking orders appear to have been relatively moderate.¹²³ Perhaps because of this, there have not been any appeals from the copyright cases.¹²⁴ But there is clearly the possibility that costs will grow as claims multiply,¹²⁵ and, as Arnold J observed at first instance in *Cartier*, “the implementation costs are likely to increase, and it is difficult to foresee by how much”.¹²⁶ This danger might make the solution of the majority of the Court of Appeal in *Cartier* seem rather unfair, and force the innocent intermediaries to shoulder an increasingly large burden.

Conclusion

The court’s jurisdiction to grant blocking injunctions now appears to be well-established and should be welcomed. It will be interesting to see whether such injunctions are invoked in other contexts such as defamation or breach of privacy. A key factor will always be whether such an injunction is proportionate, and whether alternative measures may be equally effective and less burdensome.

The more pressing issue concerns costs. The approach adopted by Arnold J and the majority Court of Appeal may represent a pragmatic compromise given the current levels of costs and technological development: in general, the rightholder bears the costs of the application, whilst the intermediary bears the costs of implementation. Both parties thereby share the burden.¹²⁷ Yet it is accepted that this stance needs to be “kept under review”¹²⁸ as applications multiply, and the balance struck may look rather unfair in the future.

The decision in *Cartier* does appear to be consistent with the view of the Court of Justice of the European Union.¹²⁹ Indeed, in *McFadden v Sony Music Entertainment Germany GmbH*, the Court of Justice held that the safe harbour

¹²³ See eg *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [19]

¹²⁴ As observed in *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [133].

¹²⁵ *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [152]-[153].

¹²⁶ [2014] EWHC 3354 (Ch) [249].

¹²⁷ Indeed, it is worth noting that at the moment the ongoing costs of keeping the injunctions up to date are also shared: right holders bear the costs of monitoring changes in the IP addresses or URLs of the target websites and notifying them to the ISPs, and the ISPs then pay the incremental implementation costs.

¹²⁸ *Cartier* [2016] EWCA Civ 658, [2017] 1 All ER 700 [167].

¹²⁹ See eg nn 104-110 above.

defences did not prevent intermediaries having to pay money as costs.¹³⁰ In so doing, the Court departed from the Opinion of Advocate-General Szpunar.¹³¹ However, the Court of Justice also emphasised that costs was a matter for the national court,¹³² and as a result the approach adopted in other jurisdictions is not conclusive in England and Wales. A fragmented approach across Europe may be regretted, but it is important that the Supreme Court decides according to general principles of domestic law. It is suggested that the outcome in *Cartier* can best be supported by considering the ISPs to be accessories and therefore wrongdoers. But if the suggestion that the ISPs are not wrongdoers is maintained, then the dissenting judgment of Briggs LJ appears to be more convincing: an innocent party should not have to bear the costs of helping another party to enforce its rights. Moreover, this approach should apply equally in all areas of law, regardless of the nature of the right infringed.¹³³

The fundamental point of principle is sufficiently important that the tenacious pursuit of clarity from the intermediaries in the *Cartier* case all the way up to the Supreme Court is welcome. Final and certain guidance is required.

¹³⁰ C-484/14, ECLI:EU:C:2016:689 [72]-[79].

¹³¹ Opinion of Advocate General Szpunar, 16 March 2016, C-484/14, ECLI:EU:C:2016:170, para. 74.

¹³² C-484/14, ECLI:EU:C:2016:689 [102].

¹³³ Counsel in *Cartier* appeared to accept that the same principles towards costs applied in the context of copyright and trade marks, although Briggs LJ was not sure of this: [2016] EWCA Civ 658, [2017] 1 All ER 700 [210]. It is suggested that if the appeal in *Cartier* is successful, then the approach taken in the copyright cases would need to be revisited.