

Bird & Bird & IP & IT Bytes

June 2015

First published in the June 2015 issue of PLC Magazine and reproduced with the kind permission of the publishers. Subscription enquiries 020 7202 1200.

Copyright: website-blocking order against internet service providers

Summary

The High Court has ordered five internet service providers (ISPs) to block access to a number of websites including “Popcorn Time” type websites.

Background

Copyright holders may apply for injunctions against ISPs which know that their services are being used to infringe copyright under section 97A of the Copyright, Designs and Patents Act 1988 (CDPA) (section 97A). The jurisdiction to grant these injunctions has been dealt with in a series of decisions beginning with *Twentieth Century Fox Film Corp v British Telecommunications plc (known as Newzbin2)* (www.practicallaw.com/o-507-8791).

For a court to have jurisdiction under section 97A to make the order, it must be shown that:

- the ISPs were service providers.
- the users or operators of the target websites infringed copyright, and used the services of the ISPs to do so.
- the ISPs had actual knowledge of this.

Copyright may be infringed by communicating a work to the public (section 20(2)(b), CDPA) or by authorisation of infringing acts (section 16, CDPA).

BitTorrent websites and streaming website sites have been held to infringe copyright by communication to the public even though the infringing copy did not come directly from those websites, but because the websites contained catalogued and indexed connections to the sources of those copies (*Football Association Premier League Ltd v British Sky Broadcasting Ltd [2013] EWHC 2058 (Ch); Paramount Home Entertainment International Ltd v British Sky Broadcasting Ltd*, www.practicallaw.com/o-572-1367).

A party may also be liable for copyright infringement as a joint tortfeasor where it intends and procures and shares a common design that the infringement takes place (*CBS Songs Limited v Amstrad Consumer Electronics Plc [1988] AC 1013; Unilever Plc v Gillette (UK) Limited [1989] RPC 583*).

“Popcorn Time” is an open source application that can be downloaded and installed by the user onto their computer from a Popcorn Time application source (PTAS) website. The application enables users to browse, search and locate films and television programmes. It uses a feature of BitTorrent called sequential downloading to enable a user to watch films and programmes more quickly as a stream, without waiting for

the download to complete. The content available using the Popcorn Time applications is constantly updated as they link to a website which they use as a source of update information (SUI website).

Facts

The copyright owners , of films and television programmes (T) issued proceedings against several ISPs. T then applied for website blocking orders, with an application on paper under Part 23 of the Civil Procedure Rules. Users were using the ISPs to access four streaming and BitTorrent websites and five Popcorn Time websites (the target websites). For some of the target websites, the SUI website was a separate website and in other cases it was the same as the PTAS website.

The ISPs did not oppose the orders.

Decision

The court ordered the ISPs to block access to all of the target websites. It held that the suppliers of the Popcorn Time applications were jointly liable with the operators of the host websites.

The Popcorn Time system differed from those considered in previous applications because it was the application itself, running on the user's computer, which presented to the user catalogued and indexed connections to the sources of the copies. As the PTAS site did not communicate any copyright works to anyone, the court found that there was no transmission or retransmission of the copyright work. The operators of the PTAS sites facilitated the making available of the content by providing the tool to do so, but the scope of the act of communication to the public could not be stretched to cover a site that simply made the Popcorn Time application itself available for download.

The operators of the SUI websites were not carrying out an act of communication. It was the Popcorn Time application which made the content available at a time and place of the user's choosing, not the SUI websites.

While it was clear that the operators of the host websites were carrying out infringing acts, such as an act of communication to the public, there was no evidence of a connection between the suppliers of Popcorn Time and the host website operators. So, a case based on authorisation of those infringements by the operators of the suppliers' websites did not succeed.

The Popcorn Time application was the key means that procured and induced the user to access the host website and so caused the infringing communications to occur. The suppliers of Popcorn Time knew and intended that to be the case. They provided the software and information to keep the indexes up to date. The Popcorn Time suppliers had a common design with the operators of the host websites to secure the communication to the public of the protected works, and so infringed copyright.

The ISPs' internet services, which they provided to their users, had an essential role in the infringements carried out by the Popcorn Time operators. It was through the use of the ISPs' services that the operators carried out their acts. So, a website-blocking order was appropriate.

Comment

As the Popcorn Time website raised new and different issues from previous case law, the court itself declared that this website blocking application was not suitable to be dealt with on paper, even though the ISPs did not oppose it.

The decision illustrates the faith placed in site-blocking orders both by rightholders and the courts. The site-blocking jurisdiction has now been extended to deal with trade mark infringement (*Cartier v BskyB and others*) and, in this decision, to websites which merely supply software that is used to access infringing works, as opposed to providing access to the works themselves. Although the supply of the software by the operators of the Popcorn Time websites did not infringe copyright by communicating works or authorising infringement, the court's finding that the operators of the Popcorn Time websites were joint tortfeasors was sufficient for the court to have jurisdiction under section 97A. Interestingly, the court noted that the

operators may have been authorising acts of infringement by the users, but this had not been alleged by T. Future cases are likely to explore this angle further along with other potential extensions of the jurisdiction.

Case: Twentieth Century Fox Film Corporation and others v Sky UK Ltd and others [2015] EWHC 1082 (Ch).

Patent infringement: pre-action disclosure of patent licences

Summary

The High Court has ordered pre-action disclosure of licences granted by a patentee whose business was licensing the patent.

Background

CPR 31.16(3) sets out the jurisdictional requirements for pre-action disclosure:

- The applicant and respondent are likely to be party to subsequent proceedings.
- If proceedings have started, the respondent's duty in standard disclosure would extend to the documents or classes of documents requested in pre-action disclosure.
- Pre-action disclosure is desirable in order to dispose fairly of the anticipated proceedings, or assist the dispute to be resolved without proceedings, or save costs.

CPR 31.16 requires a two-stage approach: the court must consider if the jurisdictional thresholds are met; and the court must decide whether, as a matter of discretion, to make the order (the two-stage test).

Facts

T owned a patent relating to a method of issuing tickets over the internet. T argued that a bus tour operator, B, required a licence for its ticketing system, otherwise it risked infringing T's patent.

In correspondence, B denied infringement and challenged the patent's validity. T responded that many other transport companies had taken licences. B asked for disclosure of all the licences, and the names of the licensees, which T refused.

B applied for pre-action disclosure, arguing that patent infringement proceedings would incur considerable costs, and that B might incur irrecoverable costs even if successful. B also argued that the disclosure of the existing licences was desirable because it would allow B to establish the value of T's claim, which would assist settlement.

Decision

The court ordered pre-action disclosure in relation to some of the documents.

So far as the two-stage test was concerned, B had to show that it was more probable than not that the documents were within the scope of standard disclosure. If there was doubt as to whether the disclosure stage would ever be reached, as for example in intellectual property (IP) cases where liability is usually heard separately from quantum, this should be taken into account when exercising the court's discretion.

As T exploited the patent by licensing, the correct approach to the quantification of damages for infringement was to assume that the damage was equal to the amount that the infringer would have had to pay if he had a licence on the terms normally granted by B. This involved considering comparable licences. In considering whether disclosure before proceedings was desirable, a relevant consideration was the extent to which information was known only to one of the parties.

Pre-action disclosure was desirable here because it was not inevitable that there would be a split trial. Even if there was, the obligation to give disclosure extended to documents relating to quantum, unless the court made an order to limit disclosure or ordered disclosure in stages, but that depended on the exercise of the court's discretion. It was irrelevant that, in theory, T might elect for an account of profits. The court

considered that it was in practice more likely that T would elect for an inquiry as to damages than an account of profits.

Not all of the licences granted by T under the patent were sufficiently comparable that they would fall within the duty of standard disclosure on an inquiry as to damages. In the absence of evidence from T regarding the licences that it had granted, the duty of standard disclosure extended to all licences in the transport sector only.

Disclosure was desirable in order to dispose fairly of the anticipated proceedings, particularly to assist the dispute to be resolved without proceedings and to save costs.

Parties to IP disputes often incurred considerable costs in litigating issues on liability that were disproportionate to the quantum of the claim. Here, it was appropriate for the court to exercise its discretion in favour of disclosure because B did not have access to the key information which the court would take into account on an inquiry as to damages: the terms of comparable licences granted by T to third parties. It was not sufficient for T to argue that disclosure would deprive it of the ability to negotiate licences without licensees knowing what other licensees had agreed to pay. Availability of price information was a key requirement for the proper functioning of any market. B should not be obliged, if it chose not to litigate, to accept whatever royalty rate T offered, if a court would award less by way of damages.

Comment

In older IP cases, the courts would refuse disclosure relating to quantum, requested at an early stage in order to enable informed settlement decisions, on the grounds that this was unduly burdensome where there was a split trial with liability tried first. Describing this application as unprecedented, the court here set out a more modern approach to pre-action disclosure in IP cases, particularly the paramount importance of proportionality of costs in the overriding objective. Specifically, the court recognised that the absence of information about the terms of comparative licences was a serious obstacle to B accepting a licence to avoid being sued. The decision may lead to similar applications against patent trolls for pre-action disclosure of licence agreements.

Case: The Big Bus Company Ltd v Ticketogo Ltd [2015] EWHC 1094 (Pat).



FIRM OF THE DECADE 2005-2015



twobirds.com

Abu Dhabi & Beijing & Bratislava & Brussels & Budapest & Copenhagen & Dubai & Dusseldorf & Frankfurt & The Hague & Hamburg & Helsinki & Hong Kong & London & Lyon & Madrid & Milan & Munich & Paris & Prague & Rome & Shanghai & Singapore & Skanderborg & Stockholm & Sydney & Warsaw

Bird & Bird is an international legal practice comprising Bird & Bird LLP and its affiliated and associated businesses. Bird & Bird LLP is a limited liability partnership, registered in England and Wales with registered number OC340318 and is authorised and regulated by the Solicitors Regulation Authority. Its registered office and principal place of business is at 15 Fetter Lane, London EC4A 1JP. A list of members of Bird & Bird LLP and of any non-members who are designated as partners, and of their respective professional qualifications, is open to inspection at that address.