

## **LIDC Congress in Oxford 2011 – 22/24 September 2011**

**Question B: “To what extent should online intermediaries (such as ISPs and operators of online market places) be responsible for the control or prohibition of unfair competitive practices (in particular sales of products contrary to the law) carried out on their systems?”**

**ITALY** (*Eleonora Ortaglio and Nicolo Zingales*)

### Introductory note: the framework before the implementation of the ECD

When considering the Italian system on online intermediary liability, it is important to distinguish between national case-law prior to the implementation of E-Commerce Directive 2000/31/CE (“ECD”) and after such implementation through the enactment of Legislative Decree April 9, 2003, n. 70.<sup>1</sup> In essence, the ECD implementation in Italy has clarified the nature of ISP liability, which is based upon a negligence standard.<sup>2</sup>

It is also important, at the outset, to bear in mind the two main theories by which an intermediary can be held indirectly liable under Italian law. Under the concept of “contributory infringement”, a party is liable for the infringement of the law committed by another when he or she causes or contributes to the infringing conduct of the latter with knowledge of his or her infringing activities. Furthermore, under the concept of “vicariously liability,” a person may be liable for the infringing acts of another if he or she has the right and ability to control the infringer's acts and receives a direct financial benefit from the activity that brought to an infringement. Vicarious liability can thus be established without the defendant having actual knowledge of the infringer's activity.

These general theories of indirect liability are essential to understanding the rationale of certain provisions of Italian law, as well as to explain some of the jurisprudential developments. Their application has, however, varied depending on the nature of the enforcement (i.e., civil or criminal) and on the type of conduct carried out by the intermediary. First, the nature of the provisions matters for the stricter causality that criminal law requires for an allegation of liability to succeed: while in both areas the attribution of liability for non-action has to be explicitly provided by law and the inaction has to be a foreseeable cause to the event, such foreseeability tends to be more stretched in

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<sup>1</sup> Passed by Parliament on March 28, 2003 and come into effect on May 14, 2003.

<sup>2</sup> See Court of Catania, June 25, 2004

the civil context, where the test is practically one of plausibility. By contrast, in the criminal context the degree of probability is based on the theory of *normal* causality, i.e. on what could be expected to unfold from the action absent the intervention of exceptional and unforeseeable factors. Second, as far as the type of conduct carried out by the agent is concerned, one could hardly overlook the circumstances of the particular case, which are important to ascertain whether that conduct can be qualified as active, as opposed to mere inaction. This inquiry will focus on whether the autonomous acts of the intermediary were significant enough (according to an *ex ante* assessment) to intervene in the chain of causation and facilitate the occurrence of the event. If this is the case, then it will be more likely that a court will attribute liability on the basis of the active participation in the event (and thus on contributory infringement), rather than the position of guarantor of the intermediary (and thus on vicarious liability). Yet sometimes, as it will be showed alongside this report, courts have merged these two different grounds of liability.

The most fundamental change brought about by the ECD and its implementation has been the immunization of ISPs from the application of publisher liability and other kinds of accessorial liabilities. Before the Legislative Decree n. 70, indeed, national courts sometimes applied strict liability rules to the activities of online intermediaries. In one case they applied *publisher liability*, analogically comparing the activities carried out by ISPs to those of newspapers and journals. In another case, they applied article 2050 of the Civil Code, which regulates cases of liability arising from the exercise of dangerous activities. Article 2050, which requires the tortfeasor to prove the adoption of all the necessary measures to prevent the tortfeasuring in order to escape liability, is interpreted as a form of nearly strict liability: traditionally, the courts have deemed the requirement of “necessity” not satisfied by a showing that the measures adopted were considered sufficient according to the state of technology at the time when the damage was inflicted.

Online intermediaries undertake a variety of activities, but much of the national case law to date has concerned search engines providing links and online market places allowing others to trade. The facilities offered by these two kind of online intermediaries - that consequently are the targets of this analysis - can be used by others for a range of activities, some of which are unlawful under the applicable law. As a result, Italian courts found ISPs liable for: (a) allowing or contributing to third parties’ unlawful activities; or for (b) lack of a prompt action with respect to third parties’ unlawful activities as soon as they become aware of them.

With regard to (a), courts of lower jurisdictions held that ISPs providing *hosting* services are liable for torts deriving from allowing or facilitating the unlawful behavior of one of the recipients of their services<sup>3</sup>. Other courts, however, exempted ISPs such as *access* or *hosting* providers from liability for third parties' unlawful activities, in particular for a breach of copyright, when they had neither knowledge nor control over the information transmitted or stored<sup>4</sup>. With regard to (b), courts held ISP liable for torts consequent to a lack of prompt action in failing to prevent access to the contents of the services themselves, or to inform the competent authorities, whenever they had known (or should have known) the unlawful or prejudicial feature of the contents to which they provided access,.

### Post- ECD Implementation

We have described the scenario before the implementation of ECD. Breaking with the tradition, Legislative Decree n. 70/2003 introduced a differentiated system of liabilities, depending on the activity performed by the ISP. Specifically, it did so by creating three narrowly defined safe-harbors, exempting from liability three categories of intermediaries while at the same time imposing upon them specific obligations of cooperation with the public authority.

According to art. 14 of the Decree: (i) the ISP who performs a *mere conduit or access provider* activity, shall not be liable for the transmitted information, if it does not initiate the transmission; select the receiver of the transmission; select or modify the information contained in the transmission; (ii) the act of transmission and the provision of access referred to above include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than it is reasonably necessary for the transmission. Courts or administrative authorities with supervisory functions<sup>5</sup>, may require the ISP, also by means of an interim order, to terminate or prevent an infringement.

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<sup>3</sup> Court of Teramo December 11, 1997; Court of Naples August 8, 1996 which qualified the ISP as a publisher and Internet as a newspaper, consequently applying Italian law n. 47/1948 on publishing (*legge sulla stampa*) according to which the director and the publishing house are jointly liable, together with the author, for torts committed by the author.

<sup>4</sup> Court of Cuneo (ordinance 23-27 June 1997)

<sup>5</sup> Depending on the specific situation, the Autorità di Garanzia per le comunicazioni (administrative authority for communications), the Garante per la protezione dei dati personali (administrative authority for personal data protection) as well as the Autorità Garante per la concorrenza ed il mercato (administrative anti-trust authority) may be entitled to these powers.

According to art. 15 of the Decree, the ISP who performs a *caching* activity shall not be liable for the transmitted information if (i) he does not modify it; (ii) complies with the specific conditions on access to the information. (iii) complies with the rules regarding updating of information specified in a manner widely recognized and used in the industry; (iv) does not interfere with the lawful use of technology widely recognized in the industry to obtain data on the use of the information; (v) acts expeditiously to remove or disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such a removal or disablement. As it is the case for mere conduit activities, courts or administrative authorities entrusted with supervisory functions may require the ISP, also by issuance of an interim order, to terminate or prevent an infringement.

According to art. 16 of the Decree, the intermediary provider who performs *hosting* activity shall not be liable for the stored information at the request of a recipient of the service, on the condition that: (i) he does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal nature of the activity or information is apparent; (ii) upon obtaining such knowledge or awareness, he acts expeditiously to remove or to disable access to the information. Courts or competent administrative authority may require the service provider, including by issuance of an *interim* order, to terminate or prevent an infringement action or to disconnect the access.

Finally, art. 17 of the Decree makes clear that it does not impose on the ISPs who provide the services above mentioned, and within the limits of art. 14 – 15 – 16 above, a general obligation: (i) to monitor the information which they transmit or store; and (ii) to seek actively facts or circumstances indicating illegal activity. However, the ISP concerned shall inform without delay the competent public authority of alleged illegal activities undertaken or information provided by recipients of their services, and communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements. Should the ISP breach the above mentioned obligations, it will be held liable for the consequent damages.

The great majority of cases concerning ISPs liability under IP law which have been decided by the national courts are within the realm of *copyright law*. For this reason, this report

addresses predominantly the issue of indirect liability for copyright infringement, and gives only a brief account of the potential ISP liability in the different area of trademark infringement, which would arise either under the obligations imposed by Articles 14-17 above or under one of the general theories of contributory and vicarious liability.

As far as trademark law is concerned, ISPs are first of all liable for their own activities that constitute infringement: if an ISP advertises its services under a trademark that is confusingly similar to a mark of another party, it would be exposed to charges of trademark infringement. In addition, if an ISP's own web page contained the trademarks of another, the ISP's use of those marks would be analyzed like any other web page owner.

ISPs are in a slightly different position when one of their customers misuses a trademark of another. In this case, the ISP may very well face possible liability under the theory of contributory trademark infringement. Much like contributory copyright infringement, contributory trademark infringement liability may exist where the ISP causes or contributes to the infringing conduct of another with knowledge of the other party's infringing activities. Although such a case has not yet been analyzed by any court, one can imagine a situation where an ISP is notified of trademark infringement on one of its customer's web pages and yet fails to act on this notification.

The situation is similar, but more elaborated in the area of copyright infringement. Under Italian copyright law, a party is guilty of infringement if he or she violates the right of the owner to reproduce, publicly display or distribute a work. It follows that an ISP will be liable for copyright infringement if it is directly responsible for one of the three above mentioned activities. For example, if an ISP makes an electronic copy of the latest best-selling novel available on its bulletin board or web site, it will be liable for copyright infringement. In these circumstances, an ISP is no different than any other party, and will be responsible regardless of whether the case is governed by the law prior or subsequent to the implementation of the ECD. In fact, in one of the first decisions post-ECD implementation concerning *ISP direct liability*, the Court of Catania was asked to decide whether an ISP providing *hosting* services could be held liable of copyright infringement consequent to the publication in the web site of one of the recipients of its services of the text of a book without prior authorization of the author<sup>6</sup>. Since the ISP failed to offer sufficient evidence to

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<sup>6</sup> Judgment n. 2286 of June 29, 2004.

prove that the publication of the mentioned book had been done upon instructions of the recipients of the service, the Court considered that the content had been provided by the ISP, which was consequently qualified as a content provider and held liable for copyright infringement. No damage was however awarded, as the claimant did not provide proper evidences of the assumed damage as well of its amount.

But the most controversial and crucial type of ISP liability for copyright infringement is where the ISP is *not directly* engaged in the reproduction of protected material. This may be the case either because it initiated the reproduction of such material or because it contributed to its diffusion. It is hard to imagine, although not inconceivable, that an ISP's activity of the first type will actually trigger liability for copyright infringement. Initiation of reproduction by the ISP typically occurs when such reproduction is done by the mechanical equipment of the ISPs, such as a computer operating as a server, without any human interaction: for example, newsgroup servers controlled by ISPs that make thousands of copies of newsgroup files every day. Although some of these files undoubtedly contain copyrighted materials, no ISP has yet been found guilty of copyright infringement merely for the autonomous action of its newsgroup servers. The logical explanation for that is the practical impossibility of respecting the rule if it was otherwise: it would not seem fair to hold an ISP accountable for the illegal activities generated as a result of the operation of its mechanical equipment, absent its actual or constructive knowledge of the infringement. It is worth noting that a recent judgment may have cast some doubt on the reliability of this interpretation at least with regard to the subcategory of search engines: in a case brought against Google for defamation, based on the allegation that the search engine was suggesting defamatory words in response to a user typing the name of the plaintiff, the Court of Milan ruled that "the software loses its neutrality when as a result of the applicability of such automatism based on criteria selected by its creator it generates inappropriate search results"<sup>7</sup> This stricter standard hints at the possibility of viewing the selection of criteria used to obtain the search results as an act for which a search engine is responsible, and thus potentially subject to claims of liability, simply because of the outcome given by the mathematical application of these criteria in a particular case. However, the scope of application for this standard might be limited to defamation cases, and therefore have no direct implications for other kinds of indirect liability. Nonetheless, the judgment remains relevant for another component, namely because the Court for the

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<sup>7</sup> See Court of Milan, 24 March 2011 (the "Google suggest" case)

first time qualified a search engine as a hosting provider, in contrast with the categorization as “caching provider” given just two days earlier by the Court of Rome concerning Yahoo!<sup>8</sup>. Being hosting provider means that, at least as a matter of principle, a court may be able to infer awareness of the illegal activities upon existence of knowledge by the ISP of “facts or circumstances from which the illegal nature of the activity or information is apparent”<sup>9</sup>. In practical terms, the “constructive knowledge” inference, that is explicitly allowed by Art. 16 of the Decree in relation to damages actions against host providers, may well be the result of an application of the same “negligence” standard that the jurisprudence has considered applicable to the operations of ISPs in general.

The second and arguably more frequent scenario of indirect liability is when the activity of the ISP intervenes at a later stage in the chain of events, yet contributes to the diffusion of the infringing material and thus increases the magnitude of the harm to the market for the protected work. In such a scenario, liability can be attributed either on the basis of a broad interpretation of the acts identified by the law as illegal, or on the basis of the general theory of accessory liability in criminal law. According to such theory, a party can be liable as accomplice even if he or she does not share with the other the knowledge and the intention of committing the illegal act: it is sufficient that he or she has knowledge (either actual or constructive) of cooperating to the conduct of the other -as opposed to the effects and the significance of such conduct. Without doubts, this theory is useful to maintain intermediaries accountable in cases of so called “willful blindness”, where they willfully or negligently turn a blind eye on the activities carried out by the user of their services. By contrast, it seems preposterous – and potentially in violation of the principle of *favor rei* which pervades criminal law- to expand the subjective coverage of the relevant provisions so as to retain jurisdiction over the intermediaries in this type of cases. Yet this is what some courts have done so far in the area of copyright infringement<sup>10</sup>.

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<sup>8</sup> See *infra*, ordinance issued by the Court of Rome on 22 March 2011 N. 58879/10 (*Yahoo!* case)

<sup>9</sup> This is the letter of Article 16 of the decree, described *supra*.

<sup>10</sup> In this particular context, the expansive reading of the relevant provision is contested because of the specificity of the letter of article 171 ter, which establishes the basis for criminal liability for copyright infringement and identifies the illegal conduct as “introducing [an illegal copy] into the web through any type of connection” . In accordance with the general principle of “*favor rei*”, such language ought to be interpreted restrictively, and thus would not be a valid basis to discipline activities of diffusion of illegal material that had already been introduced in the internet by someone else. See, following this interpretation, the III section of the Criminal Court of Cassation , 4 July 2006.

Also, another inconvenience of this approach is to conflate the position of an ISP and that of private webpage owners providing access to certain links. While in the case of an ISP the law explicitly rules out the possibility for a court or tribunal to infer knowledge of the existence of an infringement in absence of a specific trigger (i.e., a notification usually by the copyright owner or the supervisory authority), this is not the case for webpage owners: since they are merely users of the services of the ISPs which fall within the definition of articles 14 to 16 of the Decree 70/2003, they are technically precluded from reliance on any of the safe harbors listed therein. A recent case in point is the judgment n. 3639 of 26 March 2010 (“*Sky Italia*” case) by the IP-specialized branch of the Court of Milan, which found accessorially liable the owner of a website that provided users with a software that connected them to Chinese TV channels, where they could view the streaming of the football games of the “Serie A” without paying the holders of the exclusive rights in Italy for the reproduction of those games (namely, the plaintiff Sky Italia). The Court found in the website owner constructive knowledge of the fact that the software was being used to circumvent the system of territorial licences set up by the copyright owner, as evidenced by the fact that the name of the website was itself a pledge for free television (“TVGratis”) and by the circumstance that the same software allowed users to synchronize the Chinese streaming with the Italian commentary of such games. This judgment is an illustration of the fact that the standard of negligence, here applied to an activity which was deemed not to fall under the exemptions of Art. 16, can end up being stricter than the specific standard provided by that article for the conduct of *hosting providers*.

A similar decision, in the sense that it considered the safe harbor provisions not applicable to the activity of a particular website, was delivered by the Court of Rome on 15 December 2009 in proceedings for an *interim injunction* filed by R.T.I. S.p.A. (Reti Televisive Italiane, a company belonging to Mediaset Group) within the context of an action pending on the merits against Google UK Ltd., YouTube LLC and YouTube Inc (the “R.T.I. case”). R.T.I. is the licensee of exclusive rights to the television program “Big Brother” in Italy, as well as to the title and trademark “Big Brother”. It sought a preliminary injunction against the defendants to prevent them from displaying streaming-protected videos taken from the reality show “Big Brother” and to have the said material removed from their respective servers, alleging that in just two days (26 and 27 October 2009) a high number of sequences of images (i.e. 174, amounting overall to 542 minutes) were taken from the 10<sup>th</sup> edition of “Big Brother” broadcasted by Canale Cinque and were placed and made publicly available

on the YouTube and Google Video websites. According to R.T.I., these acts amounted to a breach of copyright and a criminal offence pursuant to Article 171 ter Copyright Law. They claimed this might cause serious harm to R.T.I., resulting in a loss in market share and customers, because the same users, upon viewing the videos broadcast for free by Google and YouTube, are not likely to pay to view them on R.T.I.'s pay TV. Logically, the defendants denied any liability contending that (1) they merely made available web spaces where users could download videos and (2) they did not have any obligation to monitor the contents of the said videos. However, rather surprisingly the court stressed that the rules displayed on YouTube's and Google's websites revealed the opposite: as a matter of fact, the conditions of the contracts used by YouTube and Google stated that they were entitled (i) to deny access to pedophile and/or pornographic material, (ii) to check the material published by the users, and (iii) to suspend the service temporarily or permanently at any time, without notice and at their sole and exclusive discretion, as well as to terminate the contract with users when the service was no longer economically worthwhile. The court held that, in accordance with the relevant law (Law Decree No. 70/2003, which implemented the Directive No. 31/2000) and recent case law, the ISP's liability should be assessed on a case by case basis. And although the ISP is not obliged to monitor the content published by its users on websites, which would be too onerous and would lead to an unacceptable strict liability, a provider should be held liable whenever *"it does not merely provide a connection to the Internet, but offers additional services (i.e. caching, hosting) and/or monitors information, in particular when it is aware of existence of suspicious material, does not ascertain its illicit nature and remove it or is aware of the unlawful material and does not act to remove it"*. In light of the above, the court decided to issue the injunction against the defendants, on the basis of their management of the videos' content (including for advertising purposes) and their continuing to make streaming videos available, notwithstanding R.T.I.'s warning letters and their awareness of breaching R.T.I.'s exclusive rights on the "Big Brother" show. The court thus resorted to the theory of vicarious liability, with the practical advantage of doing away with the knowledge requirement, by resting on the finding of capacity of control over content, both technically and contractually, and the assumption of the existence of a financial gain. Yet quite crucially, the decision did not indicate in detail, perhaps for the complex nature of the economics that the court would need to provide, how it considered existent the requisite element of financial gain (presumably, the increase in advertising revenues that more traffic to the website implies). By contrast, it tried to "beef up" its finding of liability by pointing to

the existence the users' notifications of copyright infringement. The main criticism in that respect is that the combination of users' notification and failure to act upon it would seem to be sufficient in itself to impose liability upon an ISP, no matter what vicarious responsibility can be attributed to it. As a matter of fact, merging two different bases for liability might cause confusion for the adjudication of further cases on ISP liability.

More recently, the same court found that Yahoo! Italia failed to disable links to infringing materials and deemed it liable for *contributory copyright infringement* for failing to comply with the obligation imposed by the provisions on the *caching* provider's liability. The history of the case is as follows: in the fall of 2010, PFA Films S.r.l. – the Italian exclusive licensee for copyrights of the Iranian movie “About Elly” – sought a temporary restraining order from the Court of Rome against, *inter alia*, the Internet provider Yahoo! Italia S.r.l., claiming both contributory copyright infringement as well as unfair competition, on the grounds that Yahoo! Italia did not disable the links to certain websites – allegedly infringing its copyright on the movie “About Elly” – upon receiving PFA Films' cease and desist letter. In a decision of 22 March 2011, the Court of Rome found Yahoo! Italia liable of contributory copyright infringement and granted a preliminary injunction ordering the defendant to disable the links to all websites regarding the movie other than the official site. The court took the view that the exceptions from liability of service providers acting as intermediaries set forth in Italian Legislative Decree No. 70/2003 are subject to a strict interpretation. In particular, the court pointed out that Yahoo! Italia is a *caching* provider, which, as such, does not have a general duty to monitor the results shown through a search on its search engine or actively seek facts or circumstances indicating illegal activities. However, the Court continued stressing that Yahoo! Italia had in the case at issue lost the benefit of the exemption from liability at the very moment it had been informed – by means of PFA Films' cease and desist letter – of the existence on its search engine of links to websites allegedly infringing PFA Films' copyright. Consequently, the court referred to the principle established by the Court of Justice of the European Union in its *Google France and Google* decision of 23 March 2010<sup>11</sup> according to which “*the service provider cannot be held liable for the data that it has stored (...) unless, having obtained knowledge of the unlawful nature of those data (...) or activities, it failed to act expeditiously to remove or disable access to the data concerned*” and found Yahoo! Italia liable for not having promptly disabled the links to the websites infringing PFA Films' copyrights while being

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<sup>11</sup> joined cases C-236/08 to C-238/08

aware of the unlawful nature of such links. The decision would appear to be well grounded, except for the fact that PFA Films had never – either in the cease and desist letter or in the course of the interim proceedings – provided Yahoo! Italia with a precise list of the allegedly infringing websites. In fact, the court’s order seems to be based on the erroneous assumption that a generic warning may cause a *caching* provider to lose the benefit of liability exemption, imposing upon it an obligation to monitor the information transmitted and/or stored and thus to actively look for the relevant infringing data. Therefore, while this order can be appraised, in comparison with the previous judgements illustrated above, for limiting itself to applying the relevant criteria contained in the law to the facts at issue, a criticism can be moved for its misunderstanding of the technical role of caching providers, which are not technically able to comply with its legacy: by definition, *caching* providers have neither knowledge nor control over the information transmitted or stored; whereas they can easily disable a link when they are provided with the specific Uniform Resource Locator – URL. Thus, once again the court ended up merging the two theories of contributory infringement and vicarious liability, by dispensing with the element of knowledge that is required for the former and referring instead to the vicarious responsibilities that Yahoo! has as a public internet service provider.

### Remedies

The ECD has also been a turning point with respect to the power of national courts to impose remedies. As stated above, the Italian Decree implementing the ECD has, in creating limitations to the liability of ISPs, imposed upon them specific obligations, namely of cooperation with public authorities, and subjected them to the power of the supervising authorities to order them to terminate or prevent a violation of the law. It is important to note that this power is conferred upon the supervising authorities independently from the existence of a responsibility of the ISP for violations occurring or that might occur in the absence of a preventive order: neither in the ECD nor in the Italian Decree no. 30 of 2003 is there an explicit link between the infringing activity and the order imposing termination of the service. This interpretation was disputed in a major copyright case where the Court of Bergamo, on the basis of a remand from the third criminal section of the Court of Cassation, with judgment no. 49437 of 23 December, 2009, ordered Italian connectivity providers (i.e., companies carrying out an activity of mere conduit) to block national Internet users’ access to “*The Pirate Bay*” platform, a crossroads of links which does not directly host contents

infringing copyright, but simply indexes and sorts the contents and serves as a gathering point for Internet users intending to exchange material through *peer to peer* (P2P) technology using *torrent files*. It was 10 August 2008, when the examining magistrate at Bergamo Court ordered preventive seizure by the Internet Access Providers of “The Pirate Bay”, affirming the existence of a danger of infringement the copyright of protected works. On appeal, the Court of appeal annulled the order on the ground that it was targeted at parties considered extraneous to the offence (the Internet connectivity providers) for the sole purpose of blocking the infringing website through their collaboration. Bergamo Public Prosecutor’s Office, however, subsequently requested and obtained from the Court of Cassation a judgment with the effect of reinstating the seizure: with a ruling of December 2009, the Court of Cassation decided that, since the elements of the offence contemplated in art. 171-ter, paragraph 2, of law no. 633/1941 (the Italian Copyright Law) existed, it was possible to order preventive seizure of the website. It considered the operator of the “pirate Bay” website as an “accomplice” in the unlawful act of distributing on the Internet works which are covered by copyright, stressing that the exemption for liability to which it was entitled under art. 16 of the Decree is lost when “*the website ceases being a mere “carrier” which organizes the transportation of data (...) and users of the website are also provided with constant and up-to-date indexing which allows them to receive the content of files which may be transferred*”. More importantly, the Court made clear that it was also possible to extend the precautionary measure to providers of connectivity, which may be required to block access to the website in order to prevent the activity of unlawful distribution of material protected by copyright, on the basis of the “*special restraining power (which) is granted to the judicial authorities by Legislative Decree no. 70 of 9 April, 2003, arts. 14 to 16, implementing Directive 200/31/EC relating to the services of an information company*”. Following the ruling of the Court of Cassation<sup>12</sup>, therefore, it is now clear that a copyright holder can obtain an injunction against an ISP where it has satisfied a court with the showing of the requisite elements of copyright infringement perpetrated by *some* party involved in the dispute. This reading of the statute was confirmed, and somewhat clarified, by the IP- specialized section of the Court of Milan in the *Sky Italia* case<sup>13</sup>: noting that the internet access provider (Telecom Italia) had carried out an activity of mere conduit with

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<sup>12</sup> A ruling that triggered the issuance of a new preventive seizure order of the Public Prosecutor’s approved by Bergamo Court. On 8 February, 2010, the “Guardia di Finanza” (tax police) of Bergamo started serving the injunctions to block the infringing website on Italian Internet connectivity providers, imposing them to ensure seizure of the platform to prevent access of users across the country.

<sup>13</sup> Judgment 3639 of 26 March 2010, see *supra*.

respect to the infringement and was therefore exempted from liability under article 16 of the Decree, the Court held that it was nonetheless entitled to direct an injunction against it where there was reason to believe that the injunction against the infringer would not be sufficient to terminate his or her conduct.

Finally, in the recent *Yahoo!* decision the Court of Rome issued an injunction against the search engine which was, once again, simply based on the ascertainment of the likely existence of a copyright infringement. The order specified also that in the area of IP, it is not necessary to show the existence of a danger of irreparable harm, i.e. the second condition other than the likelihood of success on the merits, which would normally be required in the Italian civil system to obtain a temporary injunction against an infringer. As the Court noted, IP infringement is an event that represents in itself a danger of harm to the copyright owner, whereas it can be difficult in practice to quantify the monetary damage inflicted through the infringement. While this further refinement of the rules on injunction should be welcome with favor in the name of clarity over their rationale, some criticism can be expressed for the overly broad scope of coverage of the order eventually approved by the court, as it seems to rest on the assumption that all websites save for the official movie's site would be infringing. In fact, websites about a movie other than the official one may still be legitimate, such as, for example, websites containing movie trailers and reviews. Therefore, it is submitted that the Court should have narrowed the scope of the order requested by the plaintiffs in order to better reflect the balancing of IP protection with the fundamental right of freedom of expression, whose rationale underlies the limitations and exceptions embedded in copyright law.

### Conclusion

Overall, it can be argued that the increasing litigation in the area of intermediary liability is a welcome development, for it is allowing progressive clarification of the interpretation of the statute and thus of the applicable legal standard. A few key interpretative questions remain outstanding, however, and some of the principles laid out in recent rulings appear to be in need for revision.

First of all, no clear definition of ISP has yet been agreed upon. As the above cited case-law illustrates, this has generated confusion as to what conditions a website must meet in order to qualify for the safe harbors provided by art.14 to 16 of the Decree n.70/2003: in both the

*Sky Italia* and the *Coolstreaming* case, the court rejected the idea that a portal from which users can access streaming videos in violation of copyright can qualify as an hosting provider ex article 16 of the Decree. However, recent jurisprudence also maintained the opposite with respect to the special category of search engines, while finding them in the particular case not compliant with the conditions for exemption from liability listed by the relevant article. Moreover, some inconsistency has appeared from the different definition of search engines' activities by two different courts: caching providers in the *Yahoo!* case, hosting providers in the *Google suggest* case. Definitional matters aside, it seems that the courts are unwilling to provide liability for websites owners who actively engage in activities that facilitate copyright infringement. In both the *R.T.I.* and the *Yahoo!* cases, the Court held that the mere failure to act upon generic knowledge of copyright infringement (i.e., not of the particular infringing video or its URL), combined with the capacity of control over content (both technically and contractually), amounts to such kind of facilitating activity and thus gives rise to a form of accessory liability. By doing so, it has essentially merged the concepts of contributory infringement and vicarious liability, without explaining however how the financial gain requirement of the latter would be satisfied. Accordingly, it is argued here that the jurisprudence should refine the standard by either requiring specific knowledge of the infringement or detailing why and to what extent a search engine is receiving financial benefit from the infringer's activity, and can be therefore considered vicariously liable.

On the positive side, courts have been consistently rejecting claims of *direct* liability of search engines establishing a robust body of case-law that distinguishes them (and ISPs more generally) from publishers. This is doubtlessly a welcome development as it takes into account of the peculiar role played by search engines in our society, facilitating knowledge sharing and the propagation of free speech without the burdens that apply in the case of the press. The recent *Google suggest* case on defamation may be perceived by some as a sign of erosion of that distinction, but it is submitted here that its reasoning is unlikely to apply to the domain of copyright infringement. And while there is currently no case-law in the area of intermediary liability for trademark infringement, we have noted that the standards and principles applied are likely to be the same as in the case of copyright.

Another positive development is on the remedies to which a party alleging violation of copyright can be entitled: the case-law has shown a further refinement of the rules expressed by Decree n. 70/2003 for injunctions directed to ISPs for indirect liability, clarifying that

their issuance is warranted whenever (1) there is a likelihood of success for the claim of copyright infringement regarding the activity of one of their users, and (2) there is reason to believe that an injunction against the infringer is not sufficient to terminate his or her conduct. The only gray area remaining now on remedies is the objective limit to the power of injunctive relief: one may wonder in fact, given the broad scope of this power, whether the courts will be able to maintain the proper balance between IP protection and the values of freedom of expression and freedom of enterprise, which might result affected by a particular injunction. This proved to be an issue in the *Yahoo!* case, where the Court approved an overly broad injunction imposing the search engine to remove all the videos concerning (as opposed to “reproducing substantial parts of”) the movie whose copyright was being infringed. A reasonable approach to this delicate issue might be to leave upon the ISP, who is in a better position than the courts in this respect, the determination of what activities should be subject of removal or termination, This mechanism could be installed in the system by enacting a so called “notice and take-down” procedure akin to that adopted by the DMCA. It is worth noting that the Italian Communication Authority (AGCOM) is considering the adoption of such procedure, and has recently included this proposal in a public consultation<sup>14</sup> aimed at setting new regulations on the protection of copyright on electronic communications network.

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<sup>14</sup> Consultation n. 668/10 of 22 December 2010