

The Twentieth Century Fox v BT Decision: A New Development in the Debate About ISP Obligations to Prevent Copyright Infringement

Donna Short and Hazel McDwyer consider the recent decision in *Twentieth Century Fox Film Corp and Others v British Telecommunications plc* and its potential implications in Australia.

In a recent English High Court case, *Twentieth Century Fox Film Corp and Others v British Telecommunications plc*,¹ the movie industry successfully obtained an injunction against British Telecommunications (**BT**), the UK's largest ISP, to stop the unauthorised downloading of movies from a website. This was a test case taken by the movie industry and provides an interesting insight into the issue of whether an ISP should be required to block or impede access to users who are infringing copyright.

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This UK case is of particular interest in light of the iiNet case² in Australia in which special leave has recently been granted to Roadshow Films to appeal the decision of the Full Federal Court to the High Court.

Background - Twentieth Century Fox v Newzbin

The *BT* case followed an initial High Court injunction obtained by Twentieth Century Fox and other movie studios (**Studios**) against Newzbin Limited in 2010³ (**20C Fox v Newzbin**).

The Studios brought an action for copyright infringement arising from the operation of a website, www.newzbin.com, (**Newzbin1**). Newzbin1 was a part of an internet system called Usenet which acted as a modern day equivalent of a public bulletin board. Usenet supports text content and any non-text (eg binary) content (such as films and software). Usenet users can upload or post messages to the system or download messages from the system.

Newzbin1 described itself as the '*most comprehensive Usenet search that exists on the internet*'.⁴ It claimed to be 'content agnostic' as it was designed to index the entire content of Usenet. The Newzbin1 site focused on binary content. It stored information about films, television programs and other works. Newzbin1 had two levels of membership - free basic membership and premium membership. Premium members paid a fee and could download

content on files that could be sorted using 'NZB' files on Newzbin1. The NZB files allowed premium members to obtain all of the Usenet messages and reassemble the original binary work so that the final product was an entire movie or TV show. Were it not for the NZB files, it would be a long and laborious process for a user to download all of the binary content to watch a film.

In *20C Fox v Newzbin*, Justice Kitchin held that Newzbin Ltd had infringed the Studios' copyright by authorising premium members to make infringing copies of the Studios' films. He therefore granted injunctions against Newzbin Ltd restraining it from infringing the Studios' copyright in relation to their repertoire of films and TV programmes.

Newzbin2

Newzbin Ltd subsequently went into voluntary liquidation and the Newzbin1 website ceased to operate shortly after 17 May 2010. However, around 28 May 2010, a 'Newzbin2' website began operating at the same URL as Newzbin1. It was almost identical.

Newzbin2 was operated by unidentified individuals, acting under pseudonyms, and the servers hosting Newzbin2 were not located in the UK. Although BT did not provide any services to the operators of Newzbin2 and did not host the website, the Studios wanted BT to block access to the Newzbin2 website.

Cleanfeed

BT already had a blocking system in place that it used in conjunction with the Internet Watch Foundation (**IWF**). It was used to minimize the availability of content, specifically child sexual abuse images and criminally obscene adult content.

IWF produces a list of URLs that contain images of child abuse and BT has a system known as 'Cleanfeed' which disrupts access by its subscribers to URLs listed on the IWF list.

The Studios requested that BT implement similar measures with regard to the Newzbin2 website as those it already operated in relation to the URLs reported by IWF.

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1 [2011] EWHC 1981 (Ch).

2 *Roadshow Films Pty Ltd and Others v iiNet Limited* [2011] FCAFC 23.

3 *Twentieth Century Fox Film Corporation and Others v Newzbin Ltd* [2010] EWHC 608 (Ch), [2010] FSR 512.

4 *Ibid* paragraph [17].

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They sought an injunction under section 97A of the UK's *Copyright, Designs and Patents Act 1988* which relates to injunctions against service providers and implements part of the Information Society Directive.⁵ Section 97A provides as follows:

'(1) The High Court ... shall have power to grant an injunction against a service provider, where that service provider has actual knowledge of another person using their service to infringe copyright....'

BT accepted that it was a service provider within the meaning of section 97A. However, it contended that the Court had no jurisdiction to grant the injunction as:

1. there was no use of BT's service to infringe copyright;
2. it had no actual knowledge of the infringement;
3. it was contrary to Article 12(1) and Article 15(1) of the E-Commerce Directive;⁶ and
4. it was contrary to Article 10 of the European Convention on Human Rights.

Use of BT's services to infringe copyright

The Studios contended that the users and operators of Newzbin2 were using BT's service to infringe their copyright. This was disputed by BT. After some discussion of the case law as to the meaning of an 'intermediary' within Article 8 of the Information Society Directive, Arnold J held that BT subscribers who are users of Newzbin2 do use BT's services to infringe the Studios' copyright. Users of Newzbin2 actively download material using BT's services. They are not merely passive recipients of such material as contended by BT⁷.

He held that once it was concluded that users were using BT's services to infringe copyright, then it followed that the operators of Newzbin2 also did so.

Did BT have actual knowledge of the infringements?

The main issue in the BT case was whether BT had 'actual knowledge' of the infringements. The Studios contended that it was sufficient if BT had actual knowledge of the use of its services for infringing activity. BT argued that it must have actual knowledge of the use of its services to commit a particular infringement of a particular copyright work by a particular identified and identifiable individual.

There was some discussion of the fact that section 97A implements Article 8(3) of the Information Society Directive. Recital (59) of this Directive states that:

'in many cases, such intermediaries are best placed to bring such infringing activities to an end. Therefore...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 indicated to Arnold J that the purpose of Article 8(3) of the Directive, and hence section 97A, is to enable an injunction to be granted against a service provider that 'carries' an infringement, as the service provider is best placed to bring the infringing activities to an end.

Arnold J held that *'what must be shown is that the service provider has actual knowledge of one or more persons using its service to infringe copyright... but it is not essential to prove actual knowledge of a specific infringement of a specific copyright work by a specific individual'*.⁸

In addition, he held that BT had actual knowledge of users and operators of Newzbin2 using its services to infringe copyright on a large scale and in particular infringe the copyright of the Studios in large numbers of their films and television programmes.⁹ Therefore, the Court found it had jurisdiction to grant the injunction against BT.

Order contrary to Article 12(1) and Article 15(1) of the E-Commerce Directive

Article 12(1) of the E-Commerce Directive relates to the circumstance in which a service provider acts as a mere conduit of information. A service provider is not liable where it does not initiate or select the receiver of the transmission or select or modify the information in the transmission. It was common ground that BT was protected from liability for infringement. However, BT also argued that the injunction would contravene Article 12(1). This argument was not successful and it was held that the protection accorded by Article 12(1) would not preclude orders requiring service providers to disable access to illegal information.

Article 15(1) of the E-Commerce Directive provides that member states shall not impose a general obligation on service providers to monitor the information they transmit or store. BT argued that the injunctions sought amounted to such a general obligation to monitor.

However, Arnold J, citing *L'Oréal v eBay*,¹⁰ held that the order did not require BT to engage in active monitoring of all data of the website's customers to prevent future infringement via that website. He held that the order simply required BT to block, or at least impede access to the Newzbin2 website by automated means. Further, he held that to the extent that this amounts to monitoring, it is actually a specific obligation rather than a general one of the kind proscribed under Article 15(1).

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⁵ 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.

⁶ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market.

⁷ Above n. 1 paragraph [108].

⁸ Above n.1 paragraph [148].

⁹ Ibid paragraph [157].

¹⁰ Case C-324/09 *L'Oréal SA v eBay International AG*.

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Scope of the injunction to be granted

BT submitted that the scope of the injunction should not extend beyond the film and television programmes in which the Studios had rights or to prevent its subscribers from visiting any part of the Newzbin2 website for any purpose.¹¹

In *20C Fox v Newzbin*, Kitchin J had limited the injunction to the copyright in the Studios' repertoire only and would not extend it to that binary and text material in respect of which the Studios did not have rights.

Arnold J noted that it is common for rightholders such as Phonographic Performance Ltd to be granted injunctions over their entire repertoire even though infringement of a small number of copyrights has been proved.

On the evidence in this case, it was clear that the Studios' rights were being infringed on a massive scale through Newzbin. The Judge also believed that other rightholders would also be supportive of the action. He also held that the instances of BT subscribers using Newzbin for non-infringing purposes were de-minimus. Therefore, he granted the injunction requiring BT to block Newzbin being accessed via its services.

BT had also argued that there were technical measures that users could adopt to circumvent the blocking. However, for a number of reasons, Arnold J was not persuaded that the order would be ineffective as a result.¹²

Arnold J therefore granted orders broadly as requested by the Studios, namely, that BT would use technology to enable IP address blocking and DPI based blocking in respect of the Newzbin1 and Newzbin2 websites.¹³

Conclusion

This case provides an interesting alternative means of addressing copyright infringement taking place on the internet through ISPs. It sets a precedent in the UK to ensure that ISPs will assist content owners with the protection of copyright over the internet. It will be welcomed by owners of copyright, but it may lead to further cases being brought against ISPs.

It is also one alternative to graduated response regimes, such as the three strikes rule, that are being instigated in various countries around the world.

There are a number of issues which have been widely discussed regarding ISPs blocking individual users from having access to the internet because they have engaged in copyright infringement by file sharing. For instance, it can be difficult to ascertain who in a household is carrying out the infringement. There are also issues regarding the defences to such infringements such as fair dealing.

The cost of implementing such systems is also an issue. Blanket blocking of websites in the manner granted via the *BT* case is an alternative means to try to stop such infringing activity, particularly where the operator of the website is difficult to identify.

No doubt, this case will be reviewed with interest in Australia in light of the *iiNet* case¹⁴ where special leave has recently been granted to Roadshow Films to appeal the decision of the Full Federal Court to the High Court.

The High Court Special Leave application¹⁵ raises several points including whether the Full Federal Court erred in:

1. its application of the principles of authorisation from *Moorhouse*;¹⁶
2. respect of its findings regarding iiNet's knowledge of the infringements; and
3. finding that iiNet was not provided with reasonable notice of the infringements (via robotic notices).

The analysis of actual knowledge in the *BT* case may be of interest in respect of the question of iiNet's knowledge in the High Court appeal.

The outcome in the *iiNet* case will be particularly interesting in light of the approach taken in the UK with respect to Newzbin1 and Newzbin2. The High Court appeal in the *iiNet* case is expected to be heard by the end of 2011.

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11 Above, n.1, paragraph [179].

12 Ibid paragraphs [193] to [198].

13 Ibid paragraphs [11] and [12].

14 Above n 2.

15 *Roadshow Films Pty Ltd & Ors v iiNet Limited* [2011] HCATrans 210 (12 August 2011).

16 *University of New South Wales v Moorhouse and Angus & Robertson (Publishers) Pty Ltd* (1975) 133 CLR 1.