

UK SUPREME COURT RULES ON BRANDS' COST CONTRIBUTION FOR INTERNET BLOCKING ORDERS

14 June 2018

The UK Supreme Court has returned its long-awaited judgment in the Richemont litigation, holding that brand owners must indemnify internet service providers for the costs of implementing internet blocking orders, but not for the costs of the necessary underlying systems.

The Supreme Court's judgment is the latest and final instalment in a series of decisions spanning back to 2014, confirming that the UK courts may order internet service providers (ISPs) to block access to websites selling counterfeit products.

Background

In 2014, Richemont, the owner of well-known luxury brands such as Cartier and Montblanc, obtained an order that the UK's five main ISPs must prevent their customers from accessing particular websites which sold counterfeit products. This was a landmark decision, the first time it was held that a website blocking order could be used to prevent trademark infringement, as previously blocking orders had only been used to prevent copyright infringement. Mr Justice Arnold concluded that the court had the necessary power to award blocking orders pursuant to its inherent jurisdiction and that this was not incompatible with subsequent legislative acts, such as the EU's Charter of Fundamental Rights. This stance was reinforced in a second action between the parties, and confirmed by the Court of Appeal in 2016.

In upholding the preceding decisions, the majority of the Court of Appeal held that the cost of implementing the website blocks was to be paid by the ISPs - as has been the case with the copyright blocking order decisions before and since. This point was contested by

two of the five ISPs and appealed to the Supreme Court.

The Supreme Court's decision

The 13 June 2018 judgment from the Supreme Court has now confirmed that where rights holders obtain an order that ISPs should block access to certain websites, the rights holders should indemnify the ISPs in respect of the ISPs' reasonable costs of compliance with the order.

ISPs may incur substantial sums in relation to the hardware and software required to block access, and in managing the blocking systems. Those systems are necessary for reasons other than blocking injunctions (for example to block access to child abuse images or to provide facilities for parental controls), and the court was clear that those costs should continue to be borne by the ISPs.

However, the court ordered that rights holders must indemnify the ISPs in respect of the costs of the initial implementation of the order, of updating the block over time (e.g. if the location of a website changes), and of dealing with blocking malfunctions (e.g. over-blocking because of errors in rights holder notifications or malicious attacks provoked by the blocking).

Practical implications for brand owners

While brand owners will not delight in having to indemnify the ISPs in respect of their costs of implementing the orders, the costs burden is unlikely to be significant. In the first instance proceedings, there was evidence from each of the ISPs as to their costs of implementing an order. Precise figures were not given but the contemplated costs appeared to be in the range of £500 to £5,000 per ISP for implementing the initial block when an order is made, plus a smaller sum for implementing updates. Even when multiplied by five to cover the main ISPs, it appears that the costs would not be significant for many brands.

Our note on the Court of Appeal's judgment sets out what is needed for a brand owner to obtain a blocking injunction. It is a relatively straightforward procedure - more streamlined than typical court proceedings - and generally not resisted by the ISPs, so there is not a question of rights owners having to contribute to the ISPs legal costs.

The ability to prevent the sale of infringing products online through the use of blocking orders has not changed, and the orders now represent a powerful tool in the fight against

counterfeiting online. More established methods of combatting the sale of counterfeits online (for example domain name complaints and website takedowns) can be effective, but often yield temporary results - the websites may reappear with different domain names or different hosting providers. Website blocking orders have the benefit of being flexible, allowing updates as and when websites are moved.

Counterfeiting has a significant impact on businesses - the [European Union Intellectual Property Office \(EUIPO\)](#) recently suggested that [EUR 60 billion is lost each year across the EU due to counterfeiting](#), and it is a significant issue online. At the outset of the litigation the subject of the Supreme Court's judgment, Richemont said that it had identified approximately 239,000 potentially infringing websites of which approximately 46,000 websites had been confirmed as infringing. The [effectiveness of website blocking orders was demonstrated in evidence before the High Court](#), and is reinforced by the continued use of blocking injunctions by major copyright owners such as film studios. The fact that rights owners are now required to contribute to the [ISPs'](#) costs of implementation of blocking orders is unlikely to have a material impact on their attractiveness.

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