

**Madrid Civil Court of Appeal
Twenty Eighth Section**

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General Identification No.: 28.079.00.2-2012/0009674

Appeal No. 505/2012

Matter: Intellectual Property

Court at First Instance: Madrid Commercial Court no. 7

Original Case: Ordinary proceeding no. 150/2008

Appellant: GESTEVISION TELECINCO, S.A. y TELECINCO CINEMA, S.A.U.

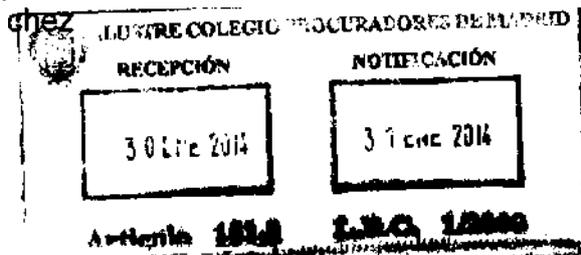
Procurador: Mr. Manuel Sanchez Puelles

Attorney: Mr. Agustin Gonzalez

Respondent: YOUTUBE, LLC.

Procurador: Mr. Ramon Rodriguez Nogueira

Attorney: Ms. Carolina Pina San



JUDGMENT NO. 11/2014

Madrid, 14 January 2014

On behalf of His Majesty the King, the Twenty Eighth Section of the Madrid Provincial Court, which specializes in commercial law, composed of the honorable judges Mr. Angel Galgo Peco, Mr. Enrique Garcia Garcia and Mr. Pedro Marla Gomez Sanchez, has heard on appeal, under appeal no. 505/2012, proceeding no. 150/2008, from the Madrid Commercial Court no. 7.

The parties have been represented by those stated in the heading hereof.

FACTUAL BACKGROUND

ONE.- Proceedings in this matter began following a lawsuit filed on February 21, 2008 by the representative of GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. against D. YOUTUBE, LLC, which, after setting forth the facts deemed to be relevant and alleging the legal grounds which he argued supported its claim, requested that the Court give judgment in the following terms:

"One. That it declare:

a) That YOUTUBE LLC uses on the youtube.es and es.youtube.com website (the "Website") audiovisual broadcasts and recordings, whose intellectual property rights belong to GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. (the "Broadcasts and Recordings") without its authorization; and

Order the defendant:

a) To accept the above declaration;

b) To cease to use the Broadcasts and Recordings of GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. and, as a result, (i) to suspend definitively the exploitation on the Website of all audiovisual Broadcasts and Recordings owned by the Plaintiffs; and (ii) remove from the Website all Broadcasts and Recordings;

c) Abstain from using audiovisual broadcasts and recordings owned by GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U., while it does not have the plaintiffs' express written consent;

d) Compensate GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. for the loss caused during the five-year period prior to the filing of this claim, whose amount, under article 219.3 of the Civil Procedure Law (Ley de Enjuiciamiento Civil) shall be quantified in a later proceeding based on the criterion laid down in article 140.2, a) first paragraph of the consolidated text of the Intellectual Property Law, consisting in the amount of the negative financial consequences caused to the plaintiffs as a result of the unauthorized use of their audiovisual broadcasts and recordings on the Website, including the loss of

profit which they have suffered and the profits made by YOUTUBE as a result of said illegal use.

Two On a subsidiary basis, in the event that the Court considers that YOUTUBE, LLC solely provides intermediary services:

1. That it declare: That YOUTUBE, LLC has infringed the duty to act diligently contained in article 16 of Law 34/2002, of July 11, on services relating to the information society and e-commerce with regard to the exploitation of the Broadcasts and Recordings on the Website; and

2. Order YOUTUBE, LLC:

a. To accept the above declaration;

b. To suspend its intermediary services in relation to the Broadcasts and Recordings and remove from the Website all the Broadcasts and Recordings; and

c. Compensate GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. for the loss caused during the five-year period prior to the filing of this claim, whose amount, under article 219.3 of the Civil Procedure Law (Ley de Enjuiciamiento Civil) shall be quantified in a later proceeding based on the criterion laid down in article 140.2, a) first paragraph of the consolidated text of the Intellectual Property Law, consisting in the amount of the negative financial consequences caused to the plaintiffs as a result of the unauthorized use of their audiovisual broadcasts and recordings on the Website, including the loss of profit which they have suffered and the profits made by YOUTUBE as a result of said illegal use.

Three.- On a subsidiary basis to Paragraphs One and Two of this Petition, in the event that this Court defines YOUTUBE, LLC as a provider of intermediary services, but they did not have “actual knowledge” of the illegal nature of the exploitation of the Broadcasts and Recordings on the Website:

1. That it declare that the exploitation of the Broadcasts and Recordings on the Website infringes the intellectual property rights of GESTEVISION TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. and

2. It orders YOUTUBE to suspend definitively its intermediary services

in relation to the Broadcasts and Recordings”

TWO.- Following completion of the necessary procedural steps, the Commercial Court judge passed judgment on September 20, 2010, ruling in the following terms: *“I must reject and I do reject in full all of the allegations contained in the claim, and order the plaintiff to pay the costs arising in relation to this action.”*

THREE.- Said ruling having been published and notified to the parties, the representatives of GESTEVISION TELECINCO, S.A. y TELECINCO CINEMA, S.A.U. brought an appeal which, after the aforementioned court had allowed it to proceed and it had been filed in due form and opposed by the respondent, resulted in this appeal before this section of the Madrid Provincial Court, in accordance with the procedural steps of all cases of this nature.

FIVE.- The discussion, vote and ruling in this matter took place on January 9, 2014.

In the procedural steps taken in this appeal the applicable legal provisions have been complied with.

The judge rapporteur in this case is the Honorable Mr. Angel Galgo Peco, which expresses the opinion of the Court.

L E G A L G R O U N D S

ONE.- RELEVANT BACKGROUND

1. – This case arises as a result of the claim brought by GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. against YOUTUBE LLC. as a result of the broadcast/use, on the website hosted on youtube.es and es.youtube.com, of audiovisual broadcasts and recordings over which the former hold intellectual property rights. The appellants aim to stop said use and seek damages for the loss caused. In relation to this last point, they wish to make use of the possibility laid down in article 219.3 of the Civil Procedure

Law, all on the terms contained in the factual background contained herein.

2. – The appellant's explanation and, consequently, their petitions, are broken down into three parts:

(i) Their principal submission is that the operations and business engaged in by YOUTUBE, LLC is that of a content provider. As such, the respondent must be considered directly responsible for acts of unauthorized exploitation (reproduction and making available) of the works whose rights are owned by the appellants. On this basis, the appellants ask the court to order the cessation of the use of these works, which means their removal from the website, and to notify the respondent that it must abstain from using them in the future without the appellants' consent, and also to order the payment of damages for the loss caused in accordance with the provisions of article 140.2.a) of the Consolidated Text of the Intellectual Property Law.

(ii) Even if the business activity of YOUTUBE LLC is considered to be that of an information society services provider, i.e. an intermediary services provider, and more specifically, a provider of data hosting services, it cannot benefit from the exemption of liability contained in article 16 of Law 34/2002, of July 11, on services relating to the information society and e-commerce, given its actual knowledge of the illegality of the activity of those to whom the services are provided in relation to the storage of videos in which broadcasts and recordings are reproduced whose rights are owned by the appellants. On this basis, the petitions which they make are equivalent to those resulting from the principal submission on which the claim is based.

(iii) Finally, even if the court considers that YOUTUBE LLC has been acting in the market as a data hosting service provider and has not effectively known about the illegal nature of the activity of those to whom the services are provided in relation to the works over which the appellants hold intellectual property rights, its services should be suspended in relation to these works, in accordance with article 138, in conjunction with article 139.1.h), of the Consolidated Text of the Intellectual Property Law.

3. – The Commercial Court passed judgment dismissing the appellants' case in its entirety.

4. – Not accepting that decision, the appellants appealed. In their appeal, GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. have

reproduced, with certain adjustments, the arguments contained in the statement of claim. They also seek the same relief as was sought at first instance. Finally, they request that the declaration on costs at first instance be overturned.

5.- In the following section we examine the issues in this case as put forward in this appeal. Hereinafter, we refer to:

GESTEVISIÓN TELECINCO, S.A. and TELECINCO CINEMA, S.A.U., as “TELECINCO”.

YOUTUBE LLC, as “YOUTUBE”

The 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, as “DIRECTIVE 2000/31”.

The Directive 2001/29/EC of the European Parliament and of the Council, of 22 May 2001, on the harmonization of certain aspects of copyright and related rights in the information society, as “DIRECTIVE 2001/29”.

The Directive 2004/48/EC of the European Parliament and of the Council, of 29 April 2004, on the enforcement of intellectual property rights, as “DIRECTIVE 2004/48”.

The Law 34/2002 of July 11, on services relating to the information society and e-commerce as “LAW 34/2002”.

The Consolidated Text of the Intellectual Property Law, as “LPI”.

To information society service providers as “service providers” or “ISSP”, and in the plural “ISSPs”.

TWO.- WHETHER YOUTUBE IS SUBJECT TO THE LIABILITY RULES WHICH APPLY TO ISSPs

The judgment at first instance

6. – By contrast to the submissions made in the statement of claim, the judge at first instance ruled that the activity carried on by YOUTUBE through its website was not that of a content provider. In this regard, after rejecting the allegations made by TELECINCO as regards those factors which, according to the latter, supported such a definition, the judge described the services offered by YOUTUBE and how it operated, emphasizing particularly what the users of the service had to do to upload videos onto YOUTUBE’s website, as well as the technical procedures and mechanisms laid down by the respondent for removing

illegal content, before concluding, as regards the part that is relevant for our purposes, that what the respondent provides is an intermediary service in accordance with the definition of that term contained in Law 34/2002 and, as a result, that the applicable liability regime is the one contained in that Law, specifically in article 16.

The grounds for appeal

7. - TELECINCO challenges the ruling contained in the appealed judgment by adjusting the arguments relied on in its statement of claim. Thus, it has switched from placing the emphasis on considering YOUTUBE as a content provider to describing it as an “active” service provider.

8. – The use of this adjective is based on certain actions carried out by YOUTUBE, which coincide with some of those stated in the claim as indicating that YOUTUBE was a content provider, which, this party underlines, could be relied on to show that the activity engaged in by YOUTUBE in the exploitation of its website was not of a merely technical, automatic and passive nature, which is an unavoidable requisite for the application of the liability rules laid down in Law 34/2002.

9. – Specifically, TELECINCO refers to: (i) the signing of contracts with intellectual property rights management companies in order to acquire a license to use the rights managed by them, as well as with producers of phonograms and music videos and audiovisual producers for the same purposes; (ii) the establishment of a contents policy which is imposed on users; (iii) the inclusion in the “terms and conditions of use”, which must be accepted by all those who upload a file, of a license to use the same; (iv) the carrying out of editorial and supervisory work regarding the stored content.

10. – In the opinion of the appellants, all of these factors, taken together, mean that YOUTUBE’s activity can be defined as proactive, going beyond even the parameters laid down for these purposes by the Court of Justice of the European Union (CJEU) in its judgment of July 12, 2011, C-324/09, *L’Oreal*, para 116, which would make it impossible for the respondent to benefit from the rules on liability laid down in Law 34/2002.

The Court's findings

11. - YOUTUBE submits that what it offers is a technological infrastructure which: allows videos to be uploaded and housed on servers from which the platform operates; enables viewers to see the stored videos through an Internet connection and an application for their viewing on said channel; facilitates, through search and classification tools, access to the stored videos; makes it possible to register as a user and to manage one's own account; provides statistics regarding traffic generated and allows access to videos from other Internet services through external links. The description of its services given by the respondent is accurate and not in dispute.

12. - Nor is there any dispute about such services being defined as intermediary services, within the meaning contained in Law 34/2002.

13. - The above considerations do not make it possible to establish automatically, however, the conclusion that YOUTUBE's liability should be limited in accordance with article 16 of Law 34/2002 with regard to the illegal exploitation of works whose rights are owned by TELECINCO as a result of the storage on its servers and the making available to the public of videos uploaded by users, in which all or part of such works are reproduced. In this regard, the CJEU, in its judgment of March 23, 2010, Google France and Google, C-236/08 to 238/08, held that Article 14(1) of Directive 2000/31 must be interpreted as meaning that it will only be applied to the provider of the services referred to in that rule when the latter "has not played an active role of such a kind as to give it knowledge of, or control over, the data stored." Identical conclusions were also reached in the CJEU judgment of July 12, 2011, in L'Oreal, C-324/09. It is, therefore necessary to analyze whether, based on the conduct which makes up the allegations raised by the appellant, it can be said that YOUTUBE played an active role which allowed it to acquire knowledge or control over the content that it stores.

14 - When carrying out this examination, we must first determine the specific activities to which we are referring. In this regard, the fact that YOUTUBE has signed contracts with intellectual property management companies which involve the grant of a global license over the rights managed by them is not in dispute. Equally, there is no doubt that the "uploading" of content to the YOUTUBE platform necessarily involves the user awarding a user's license over them. In addition, the terms of use lay down guidelines referring to certain content as

“inadequate” and that failure to comply with such guidelines may give rise to the removal of the file in question; such action presupposes that a user of the system has “marked” the file in question and that the infringement has been verified by YOUTUBE employees. Equally, it is not in doubt that YOUTUBE personnel select certain videos from those made popular by users of the system and also on the basis of the suggestions which the latter send to them, so that these are placed in the “Popular” section on the home page and in the “Popular” section within the different “categories”.

15. – Turning now to analyze the activities described in light of the above-mentioned parameters, this Court considers that the obtaining of the global licenses of the IP collective management entities does not entail whatsoever the acquisition of knowledge or control by YOUTUBE regarding the content stored in its server. In any event, the fact that YOUTUBE takes the initiatives that it considers appropriate to avoid difficult situations and forces files to be removed from its platform is not worthy of censure, since these may endanger the smooth running of its business.

16. – Contrary to the position taken by the appellants, imposing the grant of a user’s license as a condition for uploading a file onto the system must be ruled out as a factor which supports its approach, since, as the appealed judgment put it, this must be viewed as an element which is inherent to the nature of the services offered. We are unable to understand the appellants’ approach when they state that the importance of this element is due to its value as an indicator that YOUTUBE aims to protect given the possibility of its activity not being defined as that of a simple intermediary, since precisely what is at stake is establishing the definition which YOUTUBE’s activity deserves and this must be the first part of any analysis.

17. The determination of the service conditions is not a factor which determines the exclusion from the rules on liability foreseen for ISSPs. This was made clear in the judgment in *L’Oreal*, cited above, at paragraph 115. This is how we must understand the guidelines on contents imposed on YOUTUBE users (which are not limited to prohibiting illegal contents, offering the content stated in them as “inadequate” a wider rank, a point which the appellants placed heavy emphasis in their submissions).

18. – Finally, we consider that the work of cataloguing “popular videos” done by YOUTUBE staff is not sufficient to prevent the application of the exemption on liability laid down in Law 34/2002, since the conditions under which this work is carried out, as described in point 14 above, show a high degree of predetermination by the users of the system. This casts doubt on the idea of attributing to YOUTUBE a proactive role based on these tasks and because, in any case, the scope of this action is limited to a very limited number of contents. The nature of such tasks, unlike the ones which the appellants claim to exist, comes nowhere near those examined in *Google France* and *L’Oreal*.
19. – On the basis of the foregoing, the appeal is rejected in relation to this point.

THREE.- THE EXCLUSION, WHERE APPLICABLE, OF THE SPECIFIC RULES ON LIABILITY FOR ISSPs

The judgment at first instance

20. – The judgment at first instance rejected the submissions of the appellants that, in the event that YOUTUBE was found to benefit from the rules on liability laid down in article 16 of Law 34/2002, a situation of “actual knowledge” would exist, which would necessarily render inoperative the exemption on liability in favor of ISSP contained in this provision. The court’s decision in this regard was based on the fact that the “actual knowledge” of the service provider must be shown in detail, mere suspicions or circumstantial evidence not being sufficient, and that the cooperation of the injured party is required to specify the same. According to the judgment, this means that based on the fact that YOUTUBE cannot be obliged to monitor and control in advance and in a general manner the content loaded onto its servers, the appellants must cooperate with it, bringing to its attention “in an individual and specific manner” those contents which may breach its rights. Accordingly, to succeed as regards this ground of the appeal is subject to compliance with this last condition.

The grounds for appeal

21. In line with the interpretation given to the concept of “actual knowledge” of Article 16.1 of Law 34/2002 by the Supreme Court judgment of December 9,

2009, subsequently reiterated on May 18, 2010 and February 10, 2011, and the interpretation given to Article 14.1.a) of Directive 2000/31 by the CJEU in the *L'Oreal* judgment, the appellants are contesting the judgment on this point reflected in the appealed judgment.

22. The criticism takes as its starting point the express acknowledgment by YOUTUBE of TELECINCO's refusal to allow its contents to be used on YOUTUBE's platform. On this basis, it is stressed: (i) that the absence of a general duty of supervision by the ISSPs does not relieve it of a duty to supervise in specific cases, as is pointed out in Recital (47) of Directive 2000/31, nor the possibility of developing an automatic technical system for filtering certain content, maintaining it is in this context that the appellants' claims should be situated, (ii) that in any case TELECINCO program images include a characteristic "fly", whose presence would have to be considered sufficient for the purposes of YOUTUBE being able to identify the illegal nature of the files incorporating fragments of those files that are uploaded to their platform, (iii) that there is no rule that supports the view that a general written notification is insufficient and that TELECINCO must individually and specifically communicate to YOUTUBE the files that infringe its rights, and the arguments of the Supreme Court and the CJEU must be interpreted in the contrary sense.

Court's Assessment

23. The Supreme Court, in its judgment of December 2009, held that the meaning of the term "actual knowledge", which is indicated in Article 16.1 of Law 34/2002 as a circumstance preventing the coming into play of the exemption from liability specified therein in favor of the service provider of data storage or hosting in relation to the illegal nature of the stored information, could not be considered confined to what Parliament specifies in the second paragraph of this provision (*"It shall be deemed that the service provider has actual knowledge of what is referred to in paragraph a) when a body with competent jurisdiction has declared the illegality of the data, ordered their removal, or that access thereto be made impossible, or the existence of the harm has been declared, and the provider is aware of the relevant judgment"*), but rather, in light of Article 14 of Directive 2000/31 and the possibilities offered by the regulation itself (which continues *"without prejudice to [...] other effective means of knowledge that may be*

established”), equal value must be attributed to knowledge obtained by the service provider from facts or circumstances that are apt to allow - even if it through an intermediary or by logical inferences available to everyone – actual knowledge of the reality in question.

24. This interpretation has been subsequently reaffirmed in the Supreme Court judgments of May 18, 2010, February 10, 2011, December 4, 2012, February 26, 2013 and March 4, 2013.

25. For its part, paragraph 121 of the CJEU’s *L’Oreal* judgment referred to above provides that *"for the provisions of Article 14(1)a) of Directive 2000/31 to not be deprived of their useful effect, they must be interpreted as meaning that they cover any situation in which the borrower in question acquires knowledge, one way or another, of such facts or circumstances"*.

26. In short, the question we must ascertain is whether, in light of these parameters, it is appropriate to speak of "actual knowledge" on the part of YOUTUBE given: (i) the communications sent by TELECINCO to YOUTUBE pointing out the illegality of the use of images of TELECINCO programs disseminated through YOUTUBE’s platform, and (ii) the presence of the characteristic logo in the images taken from the TELECINCO broadcasts.

27. We must contest the scope that the appellants attribute, based on the *L’Oreal* judgment, to the communications that we have made reference to. TELECINCO omits the nuances introduced by the CJEU.

28. Indeed, in section 122 of the *L’Oreal* judgment, after indicating that the notification of *"the existence of this type of activity or information"* would come within *"any situation in which the borrower in question acquires knowledge, one way or another, of such facts or circumstances"*, the Court assesses the scope of such formulation in two ways, by stating that *"the fact that a notification is made will not automatically mean that the operator loses the possibility of invoking the exemption from liability provided for in Article 14 of Directive 2000/31, since the notification of the existence of allegedly illegal activities or information may be too vague or not be sufficiently substantiated"* and that *"such notification constitutes, as a general rule, an element that the national court must take into consideration in order to determine, given the information that has been communicated in this way to the operator, if the latter had actual knowledge of facts or circumstances from which a diligent economic operator should have known of this illegality"*.

29. Neither the communications highlighting TELECINCO's policy not to grant any licenses for its programs, nor the claims in connection with the use *en masse* of TELECINCO's broadcasts, nor the general warnings concerning the making available on the platform of files that constitute a breach of the rights over certain works, can be deemed, in the business model implemented by YOUTUBE, valid indicators for the purposes that concern us here.

30. Nor should such meaning be attributed to the fact that all content issued by TELECINCO shows the well-known "fly ". The effectiveness of this factor as an element allowing illegal files to be identified must not be overemphasized, as is clear from the evidence adduced at first instance by the defendant - now the respondent - and not contested by TELECINCO.

31. In reality, both factors (notifications of a general nature and, save for the observations made, the presence of the "fly" as an element identifying the illegal files) can only have the meaning that the appellants attempt to attribute to them in connection with the imposition of a general duty of supervision on YOUTUBE as regards the content stored or of the carrying out of active searches of facts or circumstances indicative of the illegality thereof, which is prohibited by Article 15 of Directive 2000 /31.

32. This prohibition must be deemed to be a rule that is mandatory when applying Law 34/2002, despite the latter not having a similar provision (as the appellants make clear in their arguments – paras 16 and 17 – albeit for the sole purpose of pointing out what the appealed judgment states on this point). This conclusion is arrived at through application of the principle of interpretation in conformity with EU law (see for all of the above, to restrict us to only the most recent, the judgment of the CJEU of October 10, 2013, C-306/12, *Spedition Welter*, paras 28-30). It must be conceded that the appellant has not questioned this fact.

33. The above relates to the review of the first of the appellants' arguments set forth in paragraph 22. In summary, TELECINCO seeks to avoid and objections which may be raised against its arguments due to the principle of prohibition of general duties of the type indicated in the prior paragraph, by stressing that, as Recital (47) of Directive 2000/31 makes clear, this prohibition does not extend to supervisory duties in specific cases. As we understand it, the last part of its argument is that the appellants' claims would fall into this second category, in that

they refer to an identified group of works and to a specific injured party.

34. Such a line of argument must be rejected, because it is without foundation in fact. Only supervisory work with a general scope would be able to establish whether some of the files stored on the YOUTUBE platform violate the rights claimed by the appellants.

Finally, we can only agree with the appellants that the lack of a general duty of supervision of content on the part of the ISSPs does not exclude the possibility of developing a technical system of automatic filtering allowing the detection of infringing content. Where we must disagree is that the development and implementation of such tools can be imposed on service providers. Article 16.1 of Law 34/2002 is crystal clear on this point by referring to "*procedures for detection and removal of content that the providers apply under voluntary agreements*".

22. – On the basis of the foregoing, TELECINCO's appeal also has to be rejected in relation to this point.

FOUR.- THE POSSIBILITY OF ORDERING YOUTUBE TO CEASE PROVIDING ITS SERVICES TO THIRD PARTIES WHO USE THEM TO INFRINGE TELECINCO'S RIGHTS

Approach of the judgment at first instance

23. – The appealed judgment rejects the possibility of ordering YOUTUBE, in accordance with the provisions of article 139.1 .h) LPI, to cease providing its services to third parties who use them to infringe TELECINCO's intellectual property rights, which this party pleads on a subsidiary basis and as the last alternative with respect to the petitions made above. The court of first instance rejected this argument on the basis that the last indent of the provision in question ("*without prejudice to the provisions of Law 34/2002, of July 11, on services in relation to the information society and e-commerce*") lays down an exception to the possibility of imposing such protection on ISSPs.

The grounds for the appeal

38 TELECINCO alleges that the criterion relied on in the appealed judgment is incorrect, and advocates the opposite approach, i.e. the one laid down in Article 14(3) of Directive 2000/31, the approach of academics who have studied the provisions governing the liability of ISSPs under Law 34/2002, the position of the

Supreme Court (obiter dicta) in its judgment of December 9, 2009 and the response given by the CJEU in *L’Oreal* to the tenth preliminary issue referred to it in relation to the interpretation of Article 11 of Directive 2004/48.

39- Given the above, TELECINCO argues that the declaration sought against YOUTUBE is relevant, even if no liability is attributed to it in breaching its intellectual property rights.

The Court’s Findings

40. – We agree with TELECINCO that the interpretation of article 139.1 .h) LPI in the appealed judgment is incorrect. However, we hold that, albeit for other reasons which will be set out below, its claim in this regard should still be dismissed.

41. – The possibility of imposing on YOUTUBE a declaration such as the one sought by the appellants must be examined in the light of the case law of the CJEU in its judgment of February 16, 2012, *Sabam*, C-360/10, which simply reproduces, subject to adjustments to the case in question, the ruling in the case of November 24, 2011, *Scarlet Extended*, C-70/10.

42. – In this regard, the above-mentioned judgment, after stating that, according to previous case law of the CJEU, the judicial requirements addressed to intermediaries whose purpose was to avoid new violations of intellectual property rights complied with Article 8(3) of Directive 2001/29 and Article 11 of Directive 2004/48, and that the specific regulation of the mechanisms which must exist for this purpose was the responsibility of the Member States, holds (para 31) that both the national rules and their application by national courts must comply with the limitations laid down in Directives 2001/29 and 2004/48, as well as the sources of law to which these Directives refer.

43.- As a result, the CJEU stated that these rules, in accordance with recital (16) of Directive 2001/29 and Article 2.3.a) of Directive 2004/48, may not affect the provisions of Directive 2000/31, specifically Articles 12-15 (para 32), emphasizing that, in particular, these provisions must comply with Article 15(1) of the latter Directive (para 33).

44. – On this basis, paragraph 34 provides as follows:

“34. In that regard, the Court has already ruled that that prohibition applies in particular to national measures which would require an intermediary

provider, such as a hosting service provider, to actively monitor all the data of each of its customers in order to prevent any future infringement of intellectual-property rights. Furthermore, such a general monitoring obligation would be incompatible with Article 3 of Directive 2004/48, which states that the measures referred to by the directive must be fair and proportionate and must not be excessively costly (see Scarlet Extended, paragraph 36).

45. – The Court later goes on (para 41) to recall that neither Article 17(2) of the Charter of Fundamental Rights of the European Union (in which it is contained), nor the case law of the CJEU states that intellectual property rights are inviolable and their protection must be guaranteed in absolute terms. Thus, the Court highlights (para 42) the fact that, as can be seen in the judgment of January 29, 2008 *Promusicae* C- 275/06, paras 62-68, the protection of the fundamental right to property, which covers the rights linked to intellectual property form, must be balanced against the protection of other fundamental rights.

46 – When specifically applying the foregoing to the question referred to it for a preliminary ruling, the CJEU established that the imposition of a filtering system on a data storage service provider, which was the subject matter of the question referred to it, to the extent that it would involve monitoring all of the information stored on the affected services provider's network and, moreover, such monitoring would have no limitation in time, would be directed at all future infringements and intended to protect not only existing works, but also future works that have not yet been created at the time when the system is introduced, would result in a serious infringement of the freedom of the hosting services provider to conduct its business, " *since it would require that hosting service provider to install a complicated, costly, permanent computer system at its own expense, which would also be contrary to the conditions laid down in Article 3(1) of Directive 2004/48, which requires that measures to ensure the respect of intellectual-property rights should not be unnecessarily complicated or costly* " (para 46).

47. – All of the above led the CJEU to conclude that "the injunction to install the contested filtering system is to be regarded as not respecting the requirement

that a fair balance be struck between, on the one hand, the protection of the intellectual-property right enjoyed by copyright holders, and, on the other hand, that of the freedom to conduct business enjoyed by operators such as hosting service providers” (para 47).

48. – Moreover, the CJEU understands that the contested filtering system may violate the fundamental rights of service users, namely their right to protection of their personal data and their freedom to receive or impart information, which are rights safeguarded by Articles 8 and 11 of the Charter of Fundamental Rights of the European Union respectively (para 48).

49. – Regarding the possible violation of freedom of information, the following is specifically indicated in para 50:

“50 Moreover, that injunction could potentially undermine freedom of information, since that system might not distinguish adequately between unlawful content and lawful content, with the result that its introduction could lead to the blocking of lawful communications. Indeed, it is not contested that the reply to the question whether a transmission is lawful also depends on the application of statutory exceptions to copyright which vary from one Member State to another. In addition, in some Member States certain works fall within the public domain or may be posted online free of charge by the authors concerned.”

The above is particularly significant as regards the issue at stake in this appeal, considering the terms on which the debate has taken place, and the lacunae which have been shown to exist regarding the effectiveness of the mechanisms proposed by the respondents to identify the works owned by them.

50. – Finally, the CJEU ruled that Directives 2000/31, 2001/29 and 2004/48 “*read together and construed in the light of the requirements stemming from the protection of the applicable fundamental rights, must be interpreted as precluding an injunction made against a hosting service provider which requires it to install the contested filtering system: - for information stored in its services by its service users; - that applies indiscriminately to all of such users; - as a preventive measure; - exclusively at its expense and – for an unlimited period, which is capable of identifying electronic files containing musical, cinematographical or audiovisual work in respect of which the applicant for the injunction claims to hold intellectual property rights, with a view to preventing those works from being made available to the public in breach of copyright*”.

51. – Given that Article 139.1.h) of the LPI must be interpreted in light of such guidelines (pursuant to the principle of interpretation in conformity with EU law; see paragraph 32 above): we must conclude that this provision does not support a petition such as the one made by the appellants herein, which would imply, in fact, the imposition on YOUTUBE of a duty of active and general supervision of the contents uploaded to its platform, impairing its rights and the rights of the users on the terms indicated in the *Sabam* judgment.

52.- In conclusion, the appeal must also be rejected with regard to this particular matter.

FIFTH.- COSTS AT FIRST INSTANCE

53.- As the last point in its appeal, TELECINCO requests the revocation of the order contained in the appealed judgment ordering it to pay the costs at first instance, pursuant to the exception to the rule that costs follow the event

provided for in the last paragraph of Article 394.1 of the Civil Procedure Law.

The Court's Findings

54. – We consider such request appropriate. The application of the exception invoked is justified by the difficulties that exist *a priori* in delimiting exactly the set of elements that define the business activity carried on by YOUTUBE through its platform, the novelty of the matter as it has been raised in the courts, and the fact that the declarations of the Spanish Supreme Court and the CJEU which form the core of the arguments for resolving this dispute were made after these proceedings commenced.

SIXTH.- COSTS ON APPEAL

55. – The manner in which this appeal has been resolved renders inappropriate any express order as to costs, in accordance with Article 398.2 of the Civil Procedure Law.

Having seen the mentioned legal provisions and other ones of relevant and general application, the Court has reached the following

DECISION

Held:

1. – Allow in part the appeal by **GESTEVISION TELECINCO, S.A.** and **TELECINCO CINEMA, S.A.U.** against the judgment handed down on September 20, 2010 by the Madrid Commercial Court no. 7, in proceeding no. 150/2008.

2. - Accordingly:

2.1. – To reverse the above-mentioned judgment only with regard to GESTEVISION TELECINCO, S.A. and TELECINCO CINEMA, S.A.U. being ordered to pay the costs, ruling instead that no award shall be made against the parties with regard to the costs at first instance.

2.2. – To confirm the Court of First Instance’s rejection in its entirety of the claim which gave rise to the initial proceeding.

3. – To make no express award as to the costs of this appeal.

The parties may file with this Court an appeal on a point of law against this judgment, within twenty days following service hereof and, if appropriate, an extraordinary appeal due to a procedural infringement, which would be heard by the First Chamber of the Supreme Court, in the event that leave to proceed is given for the same, pursuant to the applicable legal rules and criteria laid down in the case law.

This is our Judgment, which we, the Judges that make up this Court, do declare, order and sign.

Civil Court of Appeals of Madrid

Twenty-eighth Section

CI Gral. Martinez Campos, 27 - 28010

Tel.: 914931988

37001550

General Identification Number.: 28.079.00.2-2012/0009674

Appeal 505/2012



(01) 30125137020

Court at First Instance: Madrid Commercial Court no. 07

Ordinary Procedure: 150/2008

APPELLANT: GESTEVISION TELECINCO S.A. y TELECINCO CINEMA S.A.U,
PROCURADOR Mr. MANUEL SANCHEZ-PUELLES GONZALEZ-CARVAJAL

RESPONDENT: YOUTUBE LLC
PROCURADOR Mr. RAMON RODRIGUEZ NOGUEIRA

Procurator RAMON RODRIGUEZ NOGUEIRA

RECORD OF SERVICE (JUDGMENT No. 11/14)

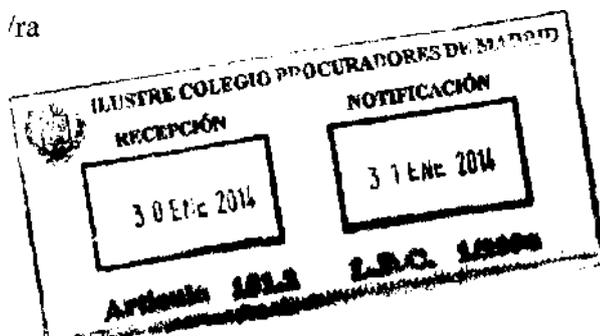
In Madrid, on January 27, 2014

I, the Court Registrar, issue this document to record that, on the date indicated by the Common Service for Service of Process, organized by the Professional Association of Official Court Lawyers (*Procuradores*), service has been made of the **decision dated 14 January 2014** to the Official Court Lawyer RAMON RODRIGUEZ NOGUEIRA, pursuant to the provisions of Articles 151.2° and 154. 2°, both of the Spanish Civil Procedure Law, by delivering to the same a literal copy of the decision notified or the relevant official notice, with an indication to the case it refers to, and such notification act to the above-mentioned Official Court Lawyer is deemed to have been made on the date following the receipt or the date of notice recorded by said Common Service for the Service of Process in the relevant stamp included herein.

Against the decision notified hereby, the appeals provided for in the Spanish Civil Procedure Act may be filed, which are indicated in the decision itself notified hereby, upon provision, when appropriate, of the deposit to appeal.

In witness whereof, and as an acknowledgement of the receipt of the above-mentioned documents, he signs this document with me, all of which I attest.-

/ra



Signature of *Procurador*

Or Association stamp (Art. 272 L.O.P.J.)