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Samsung v Swatch: the UK Court of Appeal departs from the EU approach to the E-Commerce Directive ‘safe harbour defence’

Julius Stobbs, Richard Ferguson (Stobbs IP) · Thursday, March 21st, 2024

Recent posts have examined the UK courts’ approach to IP law post-Brexit, and have examined decisions handed down shortly before the coming into force of REULA on 1 January 2024 (the UK legislation marking the end of the supremacy of EU law in the UK). A further Court of Appeal decision from the end of last year provides insight into the UK Court of Appeal’s views on the legal obligations and responsibilities of e-commerce platform owners, and marks a divergence from the EU’s approach.

In *Montres Breguet SA v Samsung Electronics*, the owners of Swatch (and various other watch brand trade marks), objected to Samsung providing third-party watch faces on their Galaxy App Store featuring Swatch’s marks (the “**Marks**”). Swatch’s claim for trade mark infringement succeeded in the High Court. Samsung appealed and as part of the appeal, the Court of Appeal examined the scope of Article 14 of the E-Commerce Directive (2000/31/EC), which is typically sufficient for a platform to invoke as an ‘intermediary-only’ defence (aka a ‘safe harbour defence’) and avoid liability.

In this case, however, the first instance judge rejected the intermediary defence because she felt that Samsung was aware of facts or circumstances from which the illegal activity is apparent, and so could not rely on the defence. The appointment of a team to review the Apps combined with relatively small level of content within the Apps to review contributed to this view.

Samsung appealed to try and implement the defence, which would have absolved them of liability to Swatch’s claims for financial remedies. Samsung saw this as their strongest ground of appeal, arguing that they should not be penalised for undertaking pre-listing checks on their App Store platform. However, the Court of Appeal went further than the High Court and queried whether Samsung’s direct involvement meant that it could even claim to have merely stored, processed and displayed information provided by the App developers. The Court held that Samsung’s use of the Marks was active, gave it knowledge of and control over the content of the Apps, and it therefore was ineligible to benefit from the hosting defence.

This point is a potentially significant development in UK trade mark law involving e-commerce platforms. Whereas in the CJEU decision in *Louboutin v Amazon*, the CJEU’s view was that direct liability was possible but that intermediary liability was a separate point and should be judged based on established EU case law, the UK view is that an online platform’s direct activities can

colour their indirect liability (and defences available to it). The Court's willingness to find that the intermediary defence cannot be invoked where there is direct use by an e-commerce platform is a departure from existing EU case law and may cause platforms to tread more carefully in how they coalesce with third-parties.

There's a question over how the UK courts' approach may develop from here. While the Court commented that they did not foresee imposing a general monitoring obligation on platforms, Arnold LJ stated that "*Many providers wish to undertake content review for their own commercial reasons, however. If they do so, they have to accept the risk that they may not be able to rely upon Article 14(1)*". This raises questions over whether there will be a further divergence of approach between the UK and the EU, with the justices themselves not in complete agreement. Arnold LJ, giving the lead judgment, noted that a diligent economic operator would be aware of facts and circumstances which are well known, like well-known trade marks, which would to its attention via basic due diligence like trade mark checks. Meanwhile, Lewison LJ formulated a two-stage test, namely: (i) what facts and circumstances the platform was actually aware of; and (ii) would *that* specific illegal activity have been readily identifiable by a diligent economic operator?

Lewison LJ's view appears to be the more liberal and consistent with the legislation, whereas Arnold LJ's conservative approach borders on changing the test from actual knowledge to constructive knowledge via basic checks, with the well-known status of certain brands making their existence to a platform inescapably obvious and apparent. As with most developments in this new legal landscape, it is a 'watch' and see.

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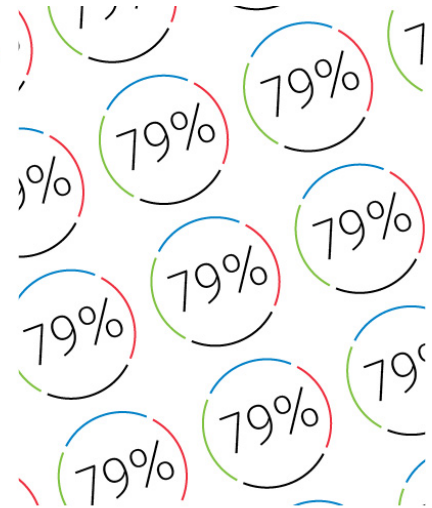
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