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Protecting Trademarks in the Global Marketplace

As commerce in the global marketplace grows, it becomes increasingly difficult for brand owners to enforce and protect their trademarks throughout the world. The Internet, with its many commercial advantages and multitude of consumer choices, also facilitates rapid counterfeiting and inconsistent enforcement of trademark misconduct. A recent series of counterfeiting cases involving the online auction Web site eBay offers conflicting decisions for the same conduct. In *Tiffany v. eBay*,¹ decided in the Southern District of New York, the U.S. District Court held that trademark infringement and related claims were not proven against eBay for the sale of counterfeit Tiffany jewelry items. Less than two weeks earlier, a French commercial court in Paris issued a decision against eBay in favor of trademark owners, including Louis Vuitton and Christian Dior, for nearly identical conduct.²

The international trademark community has made great strides in facilitating the registration of trademarks, but enforcement still remains difficult. In 2003 the United States joined the Madrid Protocol, along with more than 70 other nations, reducing some of the formalities and costs associated with registering trademarks in multiple jurisdictions.³ The World Intellectual Property Organization (WIPO) also provides alternative remedies for trademark owners subjected to bad-faith registration and use of their marks in domain names.⁴ While these measures have assisted trademark owners in

registering, and to some extent protecting, their marks throughout the world, enforcement against trademark infringement, trademark dilution and counterfeiting remains difficult.

Tiffany v. eBay

Tiffany commenced a lawsuit in U.S. District Court against eBay, alleging that hundreds of thousands of counterfeit jewelry items were offered for sale on eBay's Web site. Tiffany has achieved great renown for its high-quality luxury goods during its 170-year history under the TIFFANY marks for jewelry, watches, china, crystal and clocks. In the case, there was little dispute over Tiffany's right to the mark, or that counterfeit items were being sold on eBay. Rather, the heart of the dispute was over who should bear the burden of policing Tiffany's valuable trademarks in Internet commerce – the trademark owner or the auction site owner. After a bench trial, the district court concluded that Tiffany failed to carry its burden with respect to its claims and held that "Tiffany must ultimately bear the burden of protecting its trademark."⁵

Considering Tiffany's claim of trademark infringement, the court found that eBay's use of Tiffany's trademarks in its advertising, on its home page, and in sponsored links on Yahoo! and Google is a protected nominative fair use of the marks. The court found eBay is not liable for contributory infringement for counterfeit goods sold on its Web site, stating that the standard is not whether eBay could reasonably

anticipate infringement but rather whether eBay continued to supply its services to sellers when it knew or had reason to know of infringement. The court noted that when Tiffany put eBay on notice of specific infringing items, eBay immediately removed those listings. However, eBay refused to monitor its Web site and preemptively remove listings of Tiffany jewelry before being placed on notice of infringement.

Tiffany had sought to have eBay take preemptive measures to prevent the sale of the counterfeit goods. Tiffany argued that because it had a policy of not selling identical items in lots of five or more, all Tiffany items sold on eBay in lots of five or more should be considered presumptively counterfeit. The record established, however, that Tiffany's five or more policy had grown to 25 per customer since 2005. In addition, the record established that groups of five or more authentic Tiffany items had been sold on eBay.⁶ When eBay possessed the requisite knowledge, it took appropriate steps to remove listings and suspend service involving counterfeiting; thus, the court declined to impose liability for trademark infringement.⁷ Tiffany filed an appeal that is pending before the Second Circuit Court of Appeals.

Vuitton v. eBay

The U.S. District Court decision in eBay's favor is in conflict with a decision two weeks earlier by the Paris Commercial Court (PCC), which found against eBay and in favor of Louis

However, the PCC found that eBay was not acting as a host but rather as a broker.

Vuitton and other designers under nearly identical circumstances.⁸ French courts are notorious for their protection of the many high-end designers that are based in France. Like other nations, including the United States, France has statutory protections for Internet services that act merely as a host for wrongful or infringing conduct that occurs on the host system. However, the PCC found that eBay was not acting as a host but rather as a broker. Thus, the French law that limits the liability of a host was not applicable. The PCC, recognizing the problems associated with global commercial markets, stated, "[T]he globalization of trade and the appearance of new means of communication connected with free trade have fostered the marketing of fraudulent products, among them are those that are the result of infringement, that scourge of the legal economy."⁹

The PCC further noted that eBay, in acting as intermediary between sellers and buyers, acts as a broker for the purpose of receiving corresponding commissions.¹⁰ The court went on to hold that "eBay sites fostered and amplified the marketing on a very large scale of infringing products through electronic selling" and such conduct made it responsible for the infringement that occurred via its system.¹¹ The PCC held "eBay defaulted in its obligation of insuring that its business does not generate any illicit actions, in this case, acts of infringement" and "also defaulted in its obligation of verifying that sellers who habitually carry out numerous transactions on its site do not operate illicitly."¹² In addition to equitable remedies against eBay, the PCC awarded almost 8 million euros in compensatory royalties for eBay's conduct, just over 10 million euros for damage to the image of Louis Vuitton and 1 million euros in moral damages, totaling almost 20 million euros or \$27 million. The decision has been appealed by eBay.

L'Oreal v. eBay: A Middle Ground

Courts in Germany have arrived at a middle ground on the issue of respon-

sibility for trademark counterfeiting. In May 2008, Germany's Hamburg Regional Court decided a counterfeiting case brought by cosmetic and perfume company L'Oreal against eBay.¹³ Plaintiff L'Oreal claimed infringement of "Acqua di Gio" from the "Georgio Armani" line of perfumes; the trademark registrations were licensed to L'Oreal. L'Oreal contended that eBay allowed its users to offer 20-ml perfume bottles carrying the "Acqua di Gio," and that the bottles were counterfeit because the company does not offer a 20-ml bottle. L'Oreal provided notice to eBay and sought removal of all counterfeit items and an undertaking for future violations, as well as the name of those who offered to sell the counterfeit products. eBay removed the advertised offer in question but provided no further information. A few days later a new allegedly counterfeit advertisement appeared from the same vendor.

L'Oreal commenced the lawsuit seeking injunctive relief, as well as information pertaining to the vendor. The Hamburg Regional Court found that L'Oreal established that it did not manufacture or sell the perfume product in the 20-ml units that were alleged to be counterfeit. Thus, eBay would be liable for the use and infringement of the brand as an indirect infringer. However, the court went on to hold that eBay would not be liable as a principal infringer for the conduct of the vendor also known as "Bubbles 2312." The activity under the name of

"Bubbles 2312" was a direct infringement of the trademark because it was established that counterfeit imitations were sold. As eBay an indirect violator had a duty to supervise the activities that occur on its online Web site. Given that L'Oreal was able to establish the sale of fraudulent imitations and that all 20-ml packages were always imitations, eBay did not need more information in order to fulfill its legal supervisory duties. The court held that the information contained in the notices provided by L'Oreal to eBay were sufficient for eBay to exercise its responsibility to remove items known to be counterfeit. However, the finding that eBay failed to meet its supervisory duties in this case might not apply to other factual situations if

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ney (with a copy to the client) transmitting a copy of the retainer and reiterating the specifics of the fee division.

5. OCA Retainer Statements must be filed on behalf of both firms.

The above suggestions are for the typical circumstance where an attorney refers the case and thereafter is not actively involved. Rule 1.5(g) also allows fee sharing based on the proportion of work performed by each attorney, but even then you have to meet the requirements of paragraph (g)(2).

We wish you well in your goal of getting it right in the future.

The Forum, by
Lucille A. Fontana
White Plains, NY

QUESTION FOR THE NEXT ATTORNEY PROFESSIONALISM FORUM:

I have been representing a client in negotiating the sale of his business. The business is of a type that requires a state license in order to operate, and in my practice I have assisted many clients in obtaining such a license. After the contract was signed, the purchaser's attorney asked me to represent his client in connection with obtaining its own license.

The contract closing is conditioned on the purchaser obtaining a license within an agreed period of time. Even if I represented the purchaser and it

obtained the license, I would not represent the purchaser at the closing of title. However, there is a good chance that I would represent the purchaser after closing, but only with respect to matters unrelated to this particular purchase and sale, and not adverse to the interests of my current client. The partner of my firm who brought in the current client is very anxious for me to undertake the representation of the purchaser in getting its license. Our current client also agrees that I should do it, because he thinks that my representing the purchaser will ensure that the purchaser gets its license and the deal can close. Can I do this? Should I do this?

Sincerely,
Puzzled

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circumstances surrounding the counterfeiting are less clear. Thus, a notice to eBay warning generally that counterfeit items must be removed will not suffice. "Defendant can only be accused of breaches for which it bears the blame, which means that a part of the analysis of reasonableness may have to be carried out in the context of the proceedings," said the court.¹⁴

The court further denied L'Oreal's claim for disclosure of the vendor, stating that as an indirect violator eBay is not subject to pre-action disclosure prior to initiation of proceedings, because an indirect violator will not be liable in damages. Thus, the German court found eBay responsible for removing counterfeit items and those items presumed to be counterfeit when placed on reasonable notice of such violations; however, an indirect violator will not be liable for damages. So in Germany, unlike France, a trademark owner will be entitled only to injunctive relief – not damages for the conduct of online auction sites such as eBay.

Regardless of the outcome of the appeals, companies involved in online commerce, such as eBay, will have difficulty reconciling their conduct

where the laws of nations are so disparate philosophically with respect to the protection of trademarks. In the United States the burden is upon the trademark owner to protect the reputation and use of its mark. In France, and other parts of Europe, the burden of protection has been made to fall upon others in the marketplace. ■

1. *Tiffany, Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008).
2. *SA Louis Vuitton Malletier v. eBay, Inc.*, No. 2006077799, Paris Commercial Court (June 30, 2008).
3. Madrid Protocol, 2003.

4. World Intellectual Property Organization, Uniform Dispute Resolution Policy; <http://www.wipo.org>.
5. *Tiffany*, 576 F. Supp. 2d at 470.
6. *Id.* at 463.
7. *Id.*
8. *SA Louis Vuitton Malletier v. eBay, Inc.*, No. 2006077799, Paris Commercial Court (June 30, 2008).
9. *Id.* at p. 9.
10. *Id.* at p. 11.
11. *Id.* at pp. 11–12.
12. *Id.* at p. 12.
13. *L'Oreal S.A. v. eBay Int'l AG*, Hamburg Regional Court, File No. 4160194/07 (May 13, 2008).
14. *Id.* at p. 13.



"Try to live your life with integrity, son. It will save you thousands of dollars in legal fees if you're ever forced to testify about it in front of congress."