

eBay defeats Tiffany's counterfeit sales suit**United States - Brinks Hofer Gilson & Liono**

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Counterfeiting
Internet issues

In *Tiffany (NJ) Inc v eBay Inc* (Case 04 Civ 4607 (RJS), July 14 2008), following a bench trial, the US District Court for the Southern District of New York has rejected trademark infringement claims brought by Tiffany (NJ) Inc and **Tiffany & Co** (collectively Tiffany) against **eBay Inc** based on sales of counterfeit Tiffany products.

Tiffany argued that eBay was liable for direct infringement of its trademark for three reasons. First, it complained about eBay's use of the TIFFANY marks on its website. The court held that this use in connection with the sale of genuine Tiffany products was a protected nominative fair use. This defence permits an entity to use another party's trademark to identify the other party's goods, as long as there is no likelihood of confusion as to source or affiliation. The court emphasized that authentic Tiffany goods were being sold on eBay. While counterfeit goods were also being sold, eBay always removed potentially infringing listings when notified of them by Tiffany.

Second, Tiffany alleged direct infringement through the purchase of sponsored search advertisements on **Google** and **Yahoo!**. The court initially held that eBay made trademark use of the TIFFANY marks, because the marks appeared in the text of eBay's advertisements. However, the court held that eBay's use of the marks was protected by the nominative fair use doctrine.

Finally, Tiffany argued that eBay was jointly and severally liable for infringing sales (like the officer of a store that sells infringing merchandise). The court disagreed, noting that eBay never took possession of items sold through its website and did not directly sell the counterfeit goods.

With respect to contributory infringement, the court first determined that eBay was analogous to a flea market at which counterfeit goods are being sold, rather than merely an online classified ad service. The court relied on several factors:

- eBay had direct control over the means of infringement;
- it actively promoted the sale of Tiffany items;
- it profited from the listing of items and successful completion of sales;
- it maintained significant control over the listings on its site; and
- it maintained a classified ad service that was separate from the listings at issue.

The effect of this determination was that the court applied the test for contributory liability articulated by the Supreme Court in *Inwood Laboratories*. Pursuant to this test, the defendant either intentionally induces another to infringe (inapplicable in this case), or knows or has reason to know that infringement is occurring and continues to supply its product or service to the infringer.

Applying this standard, the court held that eBay's generalized knowledge of infringement on its website did not prove that it knew or had reason to know of specific acts of

infringement. Noting that a substantial number of authentic Tiffany goods are sold on eBay, the court observed that imputing knowledge of all infringing acts based on generalized knowledge would dramatically expand Tiffany's trademark rights, potentially stifling legitimate sales of Tiffany goods. The court also concluded that eBay was not wilfully blind to counterfeit sales. It took reasonable steps and invested significant resources to investigate and stop counterfeit sales.

The court then determined that eBay did not continue to supply its service when it had knowledge of specific infringements. It promptly terminated infringing listings and, if it discovered repeat offenders, these were suspended and further corrective action was taken. The court also rejected Tiffany's complaint that eBay's [Verified Rights Owner](#) programme for identifying counterfeits was too burdensome for Tiffany. The court responded that Tiffany's commitment to reporting infringing listings had been sporadic and relatively meagre, and noted that the principal responsibility to police trademarks rests with rights holders.

In addition, Tiffany alleged unfair competition under federal and state law based on eBay's use of false descriptions and representations concerning Tiffany products. The court rejected these claims for the same reasons that it rejected the direct and contributory infringement claims.

Tiffany also charged eBay with false advertising, pointing to its references to Tiffany merchandise on the eBay website, and to eBay's sponsored search advertisements. The court held that eBay's statements were not literally false, because authentic Tiffany merchandise was available on eBay, and the statements were protected nominative fair uses. Even if the statements were impliedly false, because of the presence of counterfeit goods, Tiffany failed to prove specific knowledge concerning individual listings. If a listing was false, this was the responsibility of third-party sellers, not eBay.

Further, the court held that Tiffany had not established dilution by blurring: while eBay used the TIFFANY marks to describe products available on its site, it used the marks to identify the availability of authentic Tiffany goods. The court also rejected Tiffany's dilution by tarnishment claim, because any negative association was caused by third-party eBay users, and not by eBay, which took actions in response to counterfeit listings. Moreover, the court held that eBay's actions were covered by the nominative fair use exception contained in the dilution statute.

Finally, the court rejected Tiffany's argument that there was a cause of action for contributory dilution, which would fail in any case for the same reasons as the claim for contributory infringement.

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