

# Auction site in the dock

eBay has been a boon for those looking for a deal on anything from a Louis XVI chaise longue to a mint condition vintage Action Man doll. But, warn DAVID MASSON and GERARD DELILE, litigation is catching up with the website

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Internet-based auction website eBay has faced a number of recent civil lawsuits in both Europe and the US from some of the most famous brands in the luxury goods and cosmetics industries.

Exasperated that eBay provides a platform that has been used to sell counterfeit products, and that some genuine goods were sold in breach of selective distribution networks, claimants sought monetary compensation and injunctions to change eBay's operating procedures to prohibit the sale of counterfeits and/or of genuine products in violation of selective distribution networks.

In these actions, the courts had to decide who should bear responsibility for preventing counterfeit goods being sold on the internet platforms – eBay or the trademark owners. Their answers depended on the grounds of the claim – namely whether it was intellectual property rights infringement, other tortious liability and/or violation of a selective distribution network.

## Fake watches

To date there have been several important decisions. On 30 April 2008, the German Supreme Court found the internet auction provider guilty of trademark infringement for allowing the sale on its platform of fake Rolex watches by third parties, and enjoined the provider to take preventive actions to stop such sales in

the future (see IZR 73/05 – *Internet-Versteigerung III-Ricardo*).

Several weeks later, on 4 June, a French District Court (*Tribunal de Grande Instance*) in Troyes – in *Hermès International v eBay et al* – found the seller and eBay jointly and severally liable for trademark infringement. The seller was liable for having sold the counterfeit bags, and eBay for failing to exercise a sufficient degree of control in preventing this unlawful practice.

Later that month, on 30 June, the Commercial Court (*Tribunal de Commerce*) in Paris issued three judgments in actions initiated by Louis Vuitton Malletier (case number 2006/077799), Christian Dior Couture (2006/077807) and the perfume companies Parfums Christian Dior, Parfums Givenchy, Kenzo and Guerlain (2006/065217).

Although the first two actions related to counterfeits, they were not based on trademark infringement but on other theories of civil liability (liability in tort). The court upheld the plaintiffs' claims and refused to grant eBay the benefit of the favourable status of 'hosting'. It found eBay liable for serious negligence in the performance of its duty to ascertain that its platform did not serve as a vehicle for illegal acts.

In the third case, which concerned genuine products, the court ruled that eBay had violated the

selective distribution network set up by the perfume companies.

The total damages awarded in the Rolex, Hermes and perfume cases were more than €39 million; eBay has appealed these three decisions.

## New York action

A fortnight later the scene shifted to the US, where on 14 July the District Court for the Southern District of New York (04 Civ.4607, *Tiffany v eBay*) dismissed Tiffany's claims in a similar context. In his decision, Judge Sullivan wrote: 'The issue is whether eBay continued to provide its website to sellers when eBay knew or had reason to know that those sellers were using the website to traffic in counterfeit Tiffany jewellery...

'The law is clear. It is the trademark owner's burden to police its mark, and companies like eBay cannot be held liable for trademark infringement based solely on their generalised knowledge that trademark infringement might be occurring on their websites.'

The court concluded: '... given Tiffany's choice to sue eBay, rather than individual sellers, and this court's conclusion that eBay does not continue to supply its services to those whom it knows or has reason to know are infringing Tiffany's trademarks, Tiffany's claims against eBay must fail.'

Tiffany has appealed the judgment.

## Liability in progress

Another two weeks on the story moved back to Europe. On 31 July, the Commercial Court (*Tribunal de Commerce*) of Brussels rejected L'Oréal's claims against eBay, which was accused of making insufficient efforts to prevent the sale of counterfeit Lancome products. Noting that eBay had promptly removed the alleged infringing products from its platform, the court ruled that as a mere hosting company it had no duty to proactively and systematically police its platform.

L'Oréal has also filed similar lawsuits in France, Germany, Spain and the UK.

The issue of the internet auction provider's liability is a work in progress in a variety of jurisdictions worldwide.

No doubt, brand owners, internet platform operators, consumer associations and even counterfeit sellers are all eagerly anticipating future decisions, in particular the first instance judgments expected in the L'Oréal cases, the appellate decisions in the US Tiffany case, and in the French Louis Vuitton Malletier, Christian Dior Couture, Parfums Christian Dior, Parfums Givenchy, Kenzo and Guerlain cases. ■

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