

## Development & Analysis Memo

To: Austin Sweet and Jen Delopst

From : Matt Berntsen

Trademarks<sup>1</sup> exist to protect consumers against confusion when they have formed associations with particular marks and to protect the trademark owner's investment in the mark and the reputation thereof.<sup>2</sup> The test for trademark infringement is whether the public is likely to be confused by the use of the use or similarity of the marks.<sup>3</sup> A person who commits trademark infringement is civilly liable.<sup>4</sup> Further, a third party can be held contributorily liable for the infringement of another if the party (a) "intentionally induces another to infringe a trademark, or [(b)] if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement."<sup>5</sup>

In *Tiffany (NJ) v. eBay*<sup>6</sup>, Tiffany sued for trademark infringement, dilution and unfair competition, describing eBay's auctions as "a system that allows sellers to act anonymously and without accountability for their illegal sale of counterfeit goods."<sup>7</sup> To oversimplify Tiffany's argument, it is that eBay is, or should be, well aware of the fact that a majority of the Tiffany items sold through eBay auctions are illegitimate, and therefore has a duty to protect against such infringement.<sup>8</sup> While Tiffany makes this argument generally, perhaps the most convincing argument is that Tiffany has notified eBay about specific sellers who repeatedly sell counterfeit Tiffany goods, and eBay has failed to show that it has taken any action against these sellers other than removing items flagged as counterfeit by Tiffany.<sup>9</sup> As eBay was on notice that these sellers were selling counterfeit goods, eBay breached its duty to ensure that goods listed by these sellers were legitimate.<sup>10</sup>

The Court, however, found that "Tiffany has failed to demonstrate that eBay knowingly encouraged others to dilute Tiffany's trademarks."<sup>11</sup> I will examine the apparent discrepancy, as well as looking at the implications to Trademark on the Internet. Further, I will briefly discuss the French opinions finding against eBay, and why they came out differently.

The first section of my note will be an introduction, briefly explaining what will be covered including the international disagreement and framing the debate between Tiffany and eBay.

The second section will be a background discussion of US Trademark Law, the development of contributory infringement, and the *Inwood* standard. I will also talk about the purposes of trademark, and will discuss generally the effects of the Internet on sales and thus trademark.

The third section will outline the debate between Tiffany and eBay. I will go through the facts of the case, and each of their (main) arguments, before going through the conclusion that the court reached and its rationale. I will also discuss the main international cases on this subject, and briefly compare and contrast those opinions with those of the Southern District of New York. There is a Belgian decision that agrees with the U.S. Court, and two French decisions that do not. I hope to be able to find translations of them, or, in a worst-case scenario, commentaries in English by E.U. law firms describing their holdings. From here I will look and see what, if anything, is different about the underlying goals of trademark, and how that affects the outcome.

The fourth section will analyze the US Court's decision, and determine if I agree. I will then go on to discuss the impact of the decision to ecommerce, and how despite

being “correct” it may lead to results counter to the purpose of trademarks. I am not certain, but expect that in the end I will agree with the Court’s decision based on the law applied, but will find that it makes trademark law grossly inadequate to handle the mobile (e.g. international) and anonymous nature of many Internet sales. This is largely due to the fact that a rights-owner must notify eBay of every *individual* infraction, thus raising the cost to the rights-owner. Meanwhile, eBay has the ability to take steps such as suspending a seller’s account or verifying the identifying information of its sellers in a way that it simply is not incentivized to do.

The fifth section will be a conclusion, concisely restating the major issues in the note, and the verdict reached with regards to each. I expect that I will agree with the Court’s application of the law, but may find that they overlooked Tiffany’s strongest argument. Further, I expect that the International law may be informative, but not helpful in clearing up the muddy waters of trademark theory. Lastly, I expect to find that the purposes of trademark were not met as the Court decided this case. This suggests that either the decision or the law are insufficient. If so, I will offer some suggestions.

I met with Prof. Meurer, who liked my topic. He said that no one else is doing anything like it, and that it provided enough depth to be interesting, publishable and cert-worthy. He also suggested a few new research sources, which I will pursue.

I have done (and have set up automatic searches to continue) extensive preemption checks on Westlaw. As *Tiffany* is such a new case, there is virtually no analysis of it (although there are considerably summaries). I expect that any analysis will focus on the change in US Trademark Law and the *Inwood* standard for contributory trademark infringement. While I will focus on this, I intend also to compare with the

French decisions that found eBay liable, and the fitness of US Trademark Law to handle the effectively anonymous large scale selling of items, both legitimate and counterfeit, that is made possible by the Internet.

### List of Possible Sources:

#### **Cases**

- Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 783 (9th Cir. 1999)
- Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163-64 (1995).
- Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 780 (1992); 15 U.S.C.A. § 1125 (a).
- 15 U.S.C.A. § 1114.
- Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 853-54 (1982).
- Tiffany (NJ) Inc. v. eBay Inc., 2008 WL 2755787 (S.D.N.Y. July 14, 2008).
- Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992)
- Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).
- Jean Patou, Inc. v. Jacqueline Cochran, Inc., 201 F.Supp. 861 (D.C.N.Y. 1962).
- LVMH v. eBay, <http://web20.nixonpeabody.com/np20/np20wiki/PDF%20Library/Ebay1.pdf>

#### **Periodicals**

- 9/8/08 MONDAQ,  
<http://www.mondaq.com/article.asp?articleid=65550&login=true>
- Tiffany appeals eBay counterfeiting decision, Monday, August 11, 2008,  
<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2008/08/11/financial/f112309D28.DTL&feed=rss.business>

#### **Law Journals**

- 9/10/2008 N.Y.L.J. 3, (col. 1)

#### **Statutes**

- 15 U.S.C.A. § 1111, et. seq.

#### **Websites**

- <http://www.fr.com/news/articledetail.cfm?articleid=899>
- <http://legalpad.blogs.fortune.cnn.com/2008/07/16/is-ebay-complying-with-the-french-court-order/>
- <http://legalpad.blogs.fortune.cnn.com/2008/07/16/is-ebay-complying-with-the-french-court-order/>
- <http://fortunelegalpad.files.wordpress.com/2008/10/traduction-jugement-pour-signif-ebay-inc.doc>

#### **Other**

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## SOURCES CITED IN THIS MEMO

<sup>1</sup> A “trademark” is a word, name, etc. used to distinguish a party’s good from goods manufactured or sold by others, and when registered with the United States Patent and Trademark Office is known as a “registered mark.” 15 U.S.C.A. § 1127.

<sup>2</sup> *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 783 (9th Cir. 1999) (citing *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995)).

<sup>3</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 780 (1992); 15 U.S.C.A. § 1125 (a).

<sup>4</sup> 15 U.S.C.A. § 1114.

<sup>5</sup> *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 853-54 (1982).

<sup>6</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, 2008 WL 2755787 (S.D.N.Y. July 14, 2008).

<sup>7</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, Plaintiffs' Post-Trial Memorandum, 2007 WL 4837670 at \*5 (S.D.N.Y.).

<sup>8</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, Plaintiffs' Post-Trial Memorandum, 2007 WL 4837670 at \*16-17 (S.D.N.Y.).

<sup>9</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, Plaintiffs' Post-Trial Memorandum, 2007 WL 4837670 at \*24-25 (S.D.N.Y.).

<sup>10</sup> *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

<sup>11</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, 2008 WL 2755787 at \*55 (S.D.N.Y. July 14, 2008).