

TRADEMARK LAW

'Tiffany v. eBay'

By Lewis R. Clayton



The emergence of online retailers like eBay Inc. creates a wealth of new opportunities for buyers and sellers to enter into legitimate transactions nearly anywhere around the globe. Those same Web sites, however, also provide a powerful platform for counterfeiters to sell fake goods. As the popularity of such Web sites grows, the question of who must police them for trademark infringement becomes increasingly important.

Secondary liability—liability for the wrongful acts of others—may be imposed under the doctrine of contributory trademark infringement when a person “intentionally induces another to infringe a trademark,” or “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood Labs. Inc. v. Ives Labs. Inc.*, 456 U.S. 844, 854 (1982).

In a closely watched case, after a bench trial, Judge Richard Sullivan of the Southern District of New York rejected claims that eBay should be responsible under the trademark laws for the sale of counterfeit Tiffany-branded jewelry on eBay’s Web site. *Tiffany (NJ) Inc. v. eBay Inc.*, No. 04 Civ. 4607, 2008 WL 2755787 (S.D.N.Y. July 14, 2008). The case echoes part of the debate over whether file-sharing services should bear secondary liability under the copyright laws—a debate that produced the U.S. Supreme Court’s decision in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005). The

decision also illustrates the view of several courts and commentators that contributory trademark liability is far narrower than secondary liability for copyright violations.

eBay’s business model: not merely a passive conduit

eBay is probably the most successful online marketplace, featuring auction-style listings, and a more traditional classified ad service. It claims to offer roughly 100 million items on any given day. Sellers are responsible for the content of listings and the description of items; eBay does not inspect or take possession of goods. eBay charges an “insertion fee” for each listing, and collects a “final value fee” of 5.25% to 10% if an item is sold.

Unlike a traditional classified ad service, eBay is not a passive conduit. Sullivan found that eBay “works closely with sellers to foster the increase of their sales on eBay, including the sale of Tiffany jewelry.” Traders must register and sign an eBay user agreement. eBay offers sellers marketing seminars and workshops and information on “hot sales opportunities.” Large-volume sellers receive access to dedicated “account managers,” and may purchase health care benefits and liability insurance and obtain lines of credit.

eBay polices the site by searching for listings that contain words such as “knock-off,” or “replica,” or that indicate that the seller will not guarantee authenticity. It also has a “notice and takedown” system, under which an IP owner can submit a notice identifying specific items it believes infringe a copyright or trademark. eBay typically removes items identified in these notices, and reviews the accounts of the sellers involved.

Tiffany-branded items are a major eBay attraction, a fact eBay actively exploits. eBay told its sellers that “Tiffany” was one of the most popular search keywords, particularly during the holiday season. The court found that eBay “considered itself to be a competitor of Tiffany and the principal source of ‘value’ pricing of Tiffany jewelry.” 2008 WL 2755787, at *11.

Tiffany, on the other hand, regards eBay as a major source of counterfeit merchandise, particularly silver jewelry. Tiffany’s distribution of branded goods is limited to its retail stores, catalogs and Web site, and Tiffany generally limits the number of items individuals may buy in a given purchase. Starting in 2003, Tiffany complained about the appearance of a large volume of counterfeit items on eBay, arguing that, in view of its restrictions on distribution, any seller of five or more pieces of Tiffany-branded jewelry is “almost certainly selling counterfeit merchandise.” Tiffany ultimately reported more than 280,000 listings it believed offered counterfeit merchandise. The court concluded that a “significant portion” of the Tiffany-branded silver goods on eBay was counterfeit.

eBay responded to Tiffany’s complaints by removing specific listings identified by Tiffany, suspending certain sellers and instituting “special warning messages” on some occasions when sellers applied to list Tiffany-branded products. However, eBay refused two

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