

# Trademark Liability for Online Auction Site Owners and Service Providers

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# Overview

- Focus on auction site owner liability
  - Case review: *Tiffany v. eBay*
- Focus on service provider liability for keyword advertising
  - Case review: *Rescuecom v. Google*

# Theories of trademark liability

- Trademark infringement: direct and contributory
- Trademark dilution
- Unfair competition
- False advertising
- Cybersquatting and UDRP domain name liability
- Counterfeiting: civil and/or criminal liability

*Tiffany, Inc. v. eBay, Inc.,*  
576 F. Supp. 2d 63 (S.D.N.Y. 2008)

# *Tiffany v. eBay*

- Background on Tiffany, Inc.:
  - Tiffany is a seller of high-end jewelry, its products are sold via retail stores and its online store
  - Tiffany's registered trademarks include the word marks TIFFANY and TIFFANY & CO., and design marks for jewelry (kidney bean-shape, cross design)
  - Tiffany does not authorize sales via auction sites, overstock sellers, or liquidators
  - On average, Tiffany spends approximately 0.5% of its net sales on combating counterfeiting, with limited staff resources

# *Tiffany v. eBay*

- Background on eBay, Inc.:
  - eBay is an online auction marketplace where third parties sell goods directly to buyers
  - eBay derives revenue from listing fees and percentage of completed sales (sliding scale from 1.9% to 2.9%)
  - Individual sellers are responsible for their listings, including descriptions, use of images and trademarks
  - Sellers are required to accept eBay's User Agreement
  - Potential buyers and mark owners can report listing violations for counterfeit goods, copyright or trademark infringement, or fraudulent listings
  - eBay will remove reported listings or take other disciplinary action

## *Tiffany v. eBay*

- Tiffany brought claims of direct and contributory trademark infringement, direct and contributory dilution, unfair competition, and false advertising against eBay
- Tiffany asserted that eBay facilitated and allowed counterfeit Tiffany items—specifically silver jewelry—to be sold on its website bearing the famous TIFFANY marks
- eBay’s defense was that it had taken affirmative steps to remove counterfeit products, suspended seller accounts

# *Tiffany v. eBay*

- eBay's counterfeit prevention initiatives included:
  - \$20 million investment per year
  - Nearly 4,000 employees devoted to trust and safety
  - More than 200 individuals focused exclusively on combating infringement
  - Implementation of a "fraud engine" and Verified Rights Owner programs
  - eBay reserved the right to remove listings that were flagged as counterfeit
  - eBay could suspend seller's rights to use its services

# *Tiffany v. eBay*

- The court ruled against Tiffany on each of its claims
  - Direct infringement: eBay's use of Tiffany marks in advertising its listings and purchase of sponsored links was protected, nominative fair use
  - Contributory infringement: eBay exercised sufficient control and monitoring to *theoretically* be liable for contributory infringement, but eBay was not held liable because it appropriately monitored counterfeit listings and had ample measures to remove offending materials

# *Tiffany v. eBay*

- The court ruled against Tiffany on each of its claims
  - Unfair competition: eBay removed listings reported as counterfeit and took additional measures
  - False advertising: eBay sold authentic Tiffany goods, thus advertising was not literally false, use of the TIFFANY marks was nominative fair use
  - Dilution: eBay's use did not cause dilution by blurring or tarnishment, and eBay's use of Tiffany marks was protected, nominative fair use

# *Tiffany v. eBay*

- Implications for auction site owners:
  - While there is no affirmative duty to investigate and control sellers, sellers should have extensive policing and reporting policies posted and followed diligently
  - Failure to remove material after reports of infringement or counterfeit goods could result in contributory infringement liability against the auction host

# *Tiffany v. eBay*

- Implications for auction site owners:
  - Auction site owners can use trademarks in their advertising as a nominative fair use, so long as the use does not cause a likelihood of confusion as to source or sponsorship and as long as the auction site owner is authorized to sell the goods
  - Also, foreign jurisdictions may take a harsher stance against auction site owners. For instance, a French court recently held eBay liable for damages of nearly \$61 million to Louis Vuitton, Christian Dior and others, and a German court issued an injunction against eBay's sale of fake Rolex watches

# *Tiffany v. eBay*

- Implications for brand owners:
  - It is the mark owner's responsibility to monitor counterfeit usage and potential infringement based on its superior ability and cost advantages
  - The mark owner ultimately bears the burden of monitoring unauthorized use of its IP and prosecuting would-be infringers
  - The mark owner must be vigilant and proactive in finding would-be counterfeit sellers and enforcing rights via litigation or using protections such as eBay's abuse reporting system

*Rescuecom Corp. v. Google, Inc.,*  
562 F.3d 123 (2d Cir. 2009)

# *Rescuecom Corp. v. Google, Inc.*

- Keyword advertising: the use by a search engine provider of a party's trademark for sale to a competitor
  - The majority view is that a defendant's purchase or sale of a plaintiff's registered mark is a "use in commerce"
    - First Circuit: *Boston Duck Tours v. Super Duck Tours*, 527 F. Supp. 2d 205 (D. Mass. 2007) (competitor purchased "sponsored link" from Google)
    - Third Circuit: *800-JR Cigar, Inc. v. GoTo.com*, 437 F. Supp. 2d 273 (D.N.J. 2006) (defendant's search engine ranked paid keywords, suggested keywords)
    - Fourth Circuit: *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004) (defendant allowed purchase of plaintiff's mark)
    - Eighth Circuit: *Edina Realty v. TheMLSonline.com*, 2006 WL 737064 (D. Minn. 2006) (competitor used mark as keyword)
    - Ninth Circuit: *Google v. American Blind & Wallpaper Factory*, 2005 WL 832398 (N.D. Cal. 2005) (Google's sale of AdWords)

# *Rescuecom Corp. v. Google, Inc.*

- Keyword advertising, cont'd
  - Following the lead of the Second Circuit, a few courts have found no “use in commerce,” particularly use of a mark in a pop-up ad software program
    - Second Circuit: *1-800 Contacts v. WhenU.com*, 414 F.3d 400 (2d Cir. 2005) (use of a plaintiff’s domain name in a pop-up ad was not considered to be use in commerce); *Merck & Co. v. Mediplan Health*, 425 F. Supp. 2d 402 (S.D.N.Y. 2006) (no use in commerce by use of a plaintiff’s registered mark as a keyword term)
    - Fourth Circuit: *U-Haul Int’l v. WhenU.com*, 279 F. Supp. 2d 723 (E.D. Va. 2003) (pop-up software was not a use in commerce)
    - Sixth Circuit: *Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) (pop-up software was not a use in commerce)

# *Rescuecom Corp. v. Google, Inc.*

- Rescuecom is a provider of computer repair services and is the owner of the registered mark RESCUECOM
- Google allowed competitors of Rescuecom to purchase the RESCUECOM mark through its AdWords advertising program, and it recommended the term “Rescuecom” to advertisers through its Keyword Suggestion Tool
- A user typing “Rescuecom” in the Google search engine would be presented with sponsored links for competitors of Rescuecom

# *Rescuecom Corp. v. Google, Inc.*

- Rescuecom brought an action against Google for trademark infringement, dilution, and unfair competition, alleging that Google's practices were likely to mislead users based on the sponsored links
- Google filed a motion to dismiss all claims for failure to state a claim
- The Northern District of New York granted Google's motion, ruling that Google had not made a "use in commerce" of the RESCUECOM mark
- The court relied upon the Second Circuit's precedent in *1-800 Contacts*, where the court held that use of a plaintiff's domain name in a pop-up advertising software program was not use in commerce

# *Rescuecom Corp. v. Google, Inc.*

- The Second Circuit reversed and remanded the case, distinguishing *1-800 Contacts* and holding that Google's use of the RESCUECOM mark in its keyword advertising programs was in fact sufficient "use in commerce" to potentially raise an infringement issue
- Distinguishing factors:
  - *Rescuecom* involved use of an exact registered mark, while *1-800 Contacts* involved use of a domain name in a pop-up ad
  - *Rescuecom* involved a defendant (Google) who actively sold another party's registered mark as a search term without permission

# *Rescuecom Corp. v. Google, Inc.*

- Implications of *Rescuecom*:
  - The case appears to close the loop on the split of authority on the use of a protected mark in keyword advertising, essentially limiting the vitality of the *1-800 Contacts* case to its facts and implicitly overturning the *Merck & Co. v. Mediplan* decision by the Southern District of New York
  - A search engine provider cannot actively sell another party's registered mark, nor can a competitor purchase another party's registered mark

# *Rescuecom Corp. v. Google, Inc.*

- The *Rescuecom* “Appendix”:
  - The most interesting part of the *Rescuecom* opinion is the 10-page appendix on the meaning of “use in commerce” in Sections 32 and 43 of the Lanham Act, particularly in comparison to the term “use in commerce” in Section 45.
  - While the appendix is dicta, the court gained the agreement from the *1-800 Contacts* panel and it ended its written opinion with an explicit appeal to Congress to clear up the ambiguity

# *Rescuecom Corp. v. Google, Inc.*

- The *Rescuecom* “Appendix”:
  - 15 U.S.C. 1114: Imposes liability on a party who “without the consent of a registrant **use[s] in commerce** any reproduction . . . [or] copy . . . of a registered mark . . . in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . .”
  - 15 U.S.C. 1125(a): Imposes liability on “any person who, on or in connection with any goods or services, **uses in commerce** any word, term, name, symbol, or device . . . which (A) is likely to cause confusion . . . .”

# *Rescuecom Corp. v. Google, Inc.*

- The *Rescuecom* “Appendix”:
  - 15 U.S.C. 1127: “The term ‘**use in commerce**’ means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”
  - According to the *Rescuecom* court, this definition conflicts with the use in Sections 32 and 43 of the phrase “use in commerce”, which by its very nature is often not a bona fide use but rather a use in bad faith
  - The court stated that Congress intended that the Section 45 definition of “use in commerce” apply outside the infringement context, such as with potential registration of a mark and requirements to receive the benefits and protections of the Act.

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