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The 2nd Circ. Stance On Tiffany V. EBay

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Law360, New York (April 06, 2010) -- On April 1, 2010, the U.S. Court of Appeals for the Second Circuit affirmed most aspects of the decision of the U.S. District Court for the Southern District of New York in Tiffany v. eBay.

Tiffany v. eBay is significant because it addresses whether the online auction site eBay may be liable under theories of trademark infringement or dilution for sales of counterfeit goods made through its site. Tiffany also addresses whether eBay may be liable for false advertising under these circumstances.

As we have previously written, the widely followed Tiffany case is part of a larger international effort by luxury good purveyors and other retailers to crack down on counterfeit sales of such goods made through eBay. The case is viewed as one that will provide guidance as to the circumstances under which online marketplace sites may be found liable under trademark-based or false advertising legal theories.

See, e.g., Duty on Trade Mark Owner to Police Its Own Marks, J. Intell. Prop. L. & Prac. Oct. 21, 2008; eBay: A Tale of Two Defenses, IP Law360, Aug. 22, 2008; Tiffany (NJ) Inc. v. eBay Inc.: Guidelines for Online Retailers to Police Third Party Sales of Counterfeit Goods, Common L.J., July 29, 2008; Tiffany v. EBay: Trademark Owners Beware, IP Law360, July 16, 2008 (all available at www.arelaw.com).

In this latest decision, the Second Circuit affirmed the district court's dismissal of Tiffany's trademark infringement claims (both direct and contributory) as well as Tiffany's trademark dilution claim, but remanded Tiffany's claim for false advertisement for further proceedings before the district court. See Tiffany (NJ), Inc. v. eBay Inc., No. 08-3947-cv, slip op. at 45 (2d Cir. Apr. 1, 2010).

Tiffany's Trademark Infringement Claim

The Second Circuit first affirmed the dismissal of Tiffany's direct infringement claim against eBay for eBay's use of the Tiffany mark. In so doing, the Second Circuit reasoned that "a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement by the plaintiff of the defendant." (Id. at 18).

Applying this standard to the facts in this case, the Second Circuit relied on the district court's factual findings that "eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website." (Id. at 19).

The Second Circuit also affirmed the dismissal of Tiffany's claims for contributory trademark infringement, "i.e., for [allegedly] culpably facilitating the infringing conduct of the counterfeiting vendors." (Slip op. at 20). In particular, the Second Circuit agreed with the district court that "general knowledge" of widespread infringement was insufficient to establish a claim for contributory trademark infringement and that more specific knowledge concerning the infringing listings is required:

“For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” (Id. at 29).

Tiffany’s Trademark Dilution Claim

The Second Circuit also rejected Tiffany’s trademark dilution claim based on a theory of “dilution by blurring,” because eBay does not use the Tiffany mark with respect to its own products, but instead merely uses the plaintiff’s mark to advertise the availability of authentic Tiffany merchandise on the eBay Web site. (Id. at 38).

The Second Circuit concluded that a claim for trademark dilution by blurring was not legally actionable without a second mark or product of the defendant to blur or tarnish plaintiff’s mark. In so doing, the Second Circuit rejected Tiffany’s argument that eBay allowing others to sell counterfeit goods on its Web site dilutes the value of Tiffany’s product, because eBay itself did not sell the goods at issue.

Tiffany’s False Advertising Claim

Finally, the Second Circuit reversed the district court’s dismissal of Tiffany’s false advertising claim under Section 43 of the Lanham Act. Here, the Second Circuit concluded that the district court’s reasoning in support of its dismissal of this claim was legally flawed.

In particular, the Second Circuit recognized that when eBay advertises the goods sold through its site as Tiffany merchandise, the law requires that eBay be held accountable for the words that it chooses to use to the extent that they misled or confused consumers. (Id. at 43).

Accordingly, the Second Circuit concluded that neither (1) the fact that eBay did not know which particular listings were not genuine, nor (2) the fact that other third parties — and not eBay — were in control of whether the particular listings were genuine, lead to the conclusion that the false advertising claim was not actionable.

Neither of the above circumstances impacts upon whether eBay’s statement that eBay sold Tiffany items was false or misleading. By contrast, the fact that eBay did have “generalized knowledge” that many of the Tiffany products sold on eBay were often counterfeit was relevant to this claim.

Recognizing that the district court had a more fulsome understanding of the factual record, the Second Circuit remanded the false advertising claim to the district court for further consideration in view of the Second Circuit’s legal holding. (Id. at 44).

Conclusion

While the battle over who has the burden to police counterfeit goods on eBay continues to rage internationally, the Second Circuit has provided more guidance to assist trademark owners in the United States on where it will draw the lines.

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