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Internet Platform Held Liable for Counterfeit Sales in a Departure from eBay Case — Hope for Brand Owners

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Luxury brand owner [Richemont International Ltd.](#) (“Richemont”) scored an important victory against online counterfeiting this month when the U.S. District Court for the Central District of California granted summary judgment and issued a permanent injunction against internet companies [TradeKey \(PVT\) Ltd.](#) and [Sawabeh Information Services Co](#), whose business-to-business (“B2B”) platforms actively “promoted and facilitated” the sale of counterfeit goods. At issue were Richemont’s world famous luxury brands [Chloe SAS](#) (women’s clothing and accessories); [Alfred Dunhill Limited](#) (menswear); [Officine Panerai AG](#) (timepieces); [Montblanc-Simplo GmbH](#) (timepieces, writing instruments); [Cartier International A.G.](#) (timepieces, fine jewelry); and [Lange Uhren GmbH](#) (timepieces). Notably, the court’s ruling departs from the U.S. Supreme Court’s ruling in *Tiffany & Co. v. eBay* (2010), which largely insulated B2B platforms from liability for contributory counterfeiting.

The underlying case, *Chloe SAS et al. v. Sawabeh Information Services Co* (2:11-cv-4147-GAF-MAN) (C.D. Cal. 2011), was filed after an extensive online investigation uncovered over 6,000 sellers of “replica” Chloe, Cartier, and Montblanc products (among others) on [TradeKey.com](#). While “no purchases of the alleged counterfeit goods were made directly from [the B2B platforms],” themselves, the brands argued that the platforms were secondarily liable for counterfeit listings posted by third parties. In connection with this argument, the brands presented evidence that the platforms’ employees encouraged users to “post as many [replica] products as possible” and offered tips about how to “mask” replica products’ “counterfeit nature.”

The *TradeKey* court’s movement away from *Tiffany & Co. v. eBay* is most likely due to the defendants’ comparative levels of culpability. Whereas eBay was found by the court to have had minimal control over the listings on its site and had not spent any time screening for counterfeits (or indeed trying to lure them to the site), eBay had spent millions of dollars responding to counterfeiters and removing infringing product listings to boot. By contrast the *TradeKey* defendants heavily relied on the “replica industry” for a “whole lot of revenue” and stated to private investigators that they had no “problem” with their users selling counterfeit goods.

Under the ruling, the particular B2B platforms are prohibited from displaying listings either using counterfeit marks or in response to search queries for the marks or confusingly similar marks. Likewise, the marks may not be used as keywords, adwords, or any other type of metadata, and the platforms may not promote the idea of selling counterfeit or replica products on their sites.

Plaintiffs in this case have not yet filed for damages, although they are expected to do so by the end of this year. In the interim, the *TradeKey* ruling will have far-reaching implications for both brand owners and e-commerce and B2B platforms alike. What is most clear is that B2B platforms may not simply turn a blind eye towards counterfeiting activity while reaping substantial profits from counterfeit sales and passively resisting brand owners’ attempts to enforce their trademarks and copyrights.