



Second Circuit Largely Affirms *Tiffany v. eBay* Judgment that eBay Did Not Infringe or Dilute the TIFFANY Trademark by Using it in Auctions

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Earlier this afternoon, the Court of Appeals for the Second Circuit issued its long-awaited decision in *Tiffany v. eBay*, No. 08-3947-cv, slip op. (2d Cir. Apr. 1, 2010). The Court affirmed the District Court's much-noted 2008 ruling in eBay's favor on the trademark infringement and dilution claims, but remanded the case to the District Court for further consideration on the false advertising claim. Tiffany alleged that the majority of "Tiffany" goods offered by vendors on eBay were in fact counterfeit. Tiffany claimed that by using the TIFFANY mark in its advertising, by failing to take more drastic measures to stop the sales of counterfeit Tiffany items, and by advertising in such a way as to mislead consumers into believing that all Tiffany items sold on eBay were genuine, eBay had engaged in direct and contributory trademark infringement and false advertising. The District Court entered judgment against Tiffany on all claims. This appeal followed.

On Tiffany's direct trademark infringement claim, the Court ruled that eBay's knowledge that some eBay vendors were selling counterfeit Tiffany goods:

is not a basis for a claim of direct trademark infringement against eBay, especially inasmuch as it is undisputed that eBay promptly removed all listings that Tiffany challenged as counterfeit and took affirmative steps to identify and remove illegitimate Tiffany goods. To impose liability because eBay cannot guarantee the genuineness of all of the purported Tiffany products offered on its website would unduly inhibit the lawful resale of genuine Tiffany goods.

Id. at 20.



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On Tiffany's contributory trademark infringement claim, the Court ruled that "Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods" *Id.* at 32. The Court further explained its ruling as follows:

Tiffany's demand letters and Buying Programs *did not identify particular sellers* who Tiffany thought were then offering or would offer counterfeit goods. And although the NOCIs [Notices of Claimed Infringement] and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers' listings were removed and repeat offenders were suspended from the eBay site.

Id. at 32 (emphasis added). In other words, for a defendant to be liable for contributory trademark infringement, the defendant must have knowledge of specific individuals engaged in infringing activities. General knowledge that infringing activity might take place is not enough. See *id.* at 31. This is an application of the "narrow standard" of contributory liability articulated in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982). eBay argued in the district court that this standard did not apply, but accepted the *Inwood* standard for purposes of the appeal. *Tiffany v. eBay*, slip op. at 24. Thus, the Court "assume[d] without deciding that *Inwood's* test for contributory trademark infringement governs." *Id.* at 25.

Tiffany had also argued that eBay was "willfully blind" as to the sale of counterfeit Tiffany goods on eBay's website. The Court stated that, as a general matter, "[a] service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way." *Id.* at 34. However, the Court declined to impose liability for contributory trademark infringement on this ground because "eBay did not ignore the information it was given about counterfeit sales on its website." *Id.* at 35.

In sum, the Second Circuit affirmed that a service provider is not permitted to be willfully blind to alleged trademark infringement. But eBay's removal of listings identified as counterfeit by Tiffany, as well as eBay's affirmative steps to police its website for counterfeiters were enough to render eBay *not* willfully blind. Had eBay done less, it might have been found liable. Unfortunately, the decision gives very little guidance as to the dividing line between "willful blindness" and sufficient vigilance.

On Tiffany's dilution claim, the Court fully agreed with the District Court's reasoning that eBay had used the TIFFANY mark merely "to advertise and identify the availability of authentic Tiffany merchandise on the eBay website." *Id.* at 38. Therefore, the Court reasoned, "[t]here is no second mark or product at issue here to blur with or to tarnish 'Tiffany'," *id.* at 38, and thus the TIFFANY mark was not subject to dilution.

Finally, on Tiffany's false advertising claim, the Court noted that eBay specifically advertised Tiffany goods, despite having "generalized knowledge that Tiffany products sold on eBay were often counterfeit." *Id.* at 41. The Court agreed with the District Court that eBay's advertisements for Tiffany goods "were not literally false inasmuch as genuine Tiffany merchandise was offered for sale through eBay's website." *Id.* at 42. The Court asked, however, whether eBay's advertisements "were misleading insofar as they implied the genuineness of Tiffany goods on eBay's site," *id.* at 43,

and noted that "the law prohibits an advertisement that implies that all of the goods offered on a defendant's website are genuine when in fact, as here, a sizeable proportion of them are not," *id.* at 44. The Court opined that a disclaimer might be sufficient to correct the possibly misleading impression that all Tiffany goods on eBay's website are in fact genuine. The Court declined to decide this issue, instead remanding the false advertising claim to the District Court due to that court's "greater familiarity with the evidence." *Id.* at 44.

This remand of the false advertising claim to the District Court is Tiffany's only success in the case. It remains to be seen how the District Court will rule on the claim. On the other hand, the District Court's judgment against Tiffany on all trademark claims has been affirmed. Tiffany's only chance to overturn that judgment is to seek review by the U.S. Supreme Court.

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