The liability of online auction sites in trademark infringement cases

Author(s):
Schreiner, Eric

Publication Date:
2008

Permanent Link:
https://doi.org/10.3929/ethz-a-006230233

Rights / License:
In Copyright - Non-Commercial Use Permitted
THE LIABILITY OF ONLINE AUCTION SITES IN TRADEMARK INFRINGEMENT CASES

Eric Schreiner

May 11 2008
SUMMARY

INTRODUCTION

ONLINE AUCTION SITES AND TRADEMARK LAW

DOES AN ONLINE AUCTION QUALIFY AS COMMERCIAL OFFER?

IS THE AUCTION SITE A CONTRIBUTORY INFRINGER?

THE LIABILITY EXEMPTION FOR INTERNET SERVICE PROVIDERS

A GENERAL EXEMPTION UNDER CONDITIONS

THE ROLEX CASES: STÖRERHAFTUNG AND FILTERING OF OBVIOUS INFRINGEMENT

CONCLUSION

BIBLIOGRAPHY
INTRODUCTION

According to a recent study of the OECD\(^1\), up to US$ 200 billions of international trade could have been in counterfeit or pirated product in 2005. Indeed, counterfeiting has reached enormous market dimensions. Counterfeiting affects now entire branches of activities such as the luxury industry, whose products are massively copied. Fake medicines or spare automotive spare parts are also a rising issue, as they may be life-threatening. If counterfeiting exists since the invention of commerce, there has been a dramatic increase of counterfeiting which started in the 1970s and it has considerably accelerated in the recent years, as a result of the globalization of trade. In 2004, 103 million counterfeit goods have been seized at the EU borders, representing a 1,000% increase in comparison to the goods seized in 1998\(^2\).

The Internet, one of the principal vectors of globalization, has become an extremely popular marketplace for counterfeited products. Its global character and the possibility to buy more anonymously than in the “real world” explain this success. Internet auctions, one of the hottest phenomenon on the Web, reflect perfectly that: “they have become a new distribution channel for counterfeit goods, and the more popular one at that”\(^3\).

Accordingly, it was no surprise that when the famous jeweller Tiffany&Company filed a lawsuit against eBay in 2004, it said that it had bought on eBay.com Tiffany silver jewellery and that 73% of the 186 purchased pieces were fakes\(^4\). It is also assumed that only 5% of the online offers of Gucci products are real and just 2% in the case of Louis Vuitton.

Given this figures and the impressive turnover made by the auction websites, the question of the liability of the operator of an online auction site for selling counterfeit goods through its website has often been raised. Indeed, due to the tremendous amount of transactions made, it would be almost impossible for the right owners to go separately after each infringer. Therefore, the idea to try to hold liable the online platform allowing such transactions makes sense. However, intellectual property rights owners face a particularly challenge. Indeed, in most countries the law does not address this issue specifically, hence does not provide any direct answer. Legal texts remain vague about this new problem and the courts have decided on this liability only rarely, sometimes inconsistently. This issue pertains to determine with precision the extent to which an auction site can be held liable for its users infringements.

In this respect, trademark infringement appears to be the most crucial issue. Most of the counterfeiting cases are concerned with trademarks, as they are extremely important in a globalized economy, given their function of indication of origin and

\(^1\) [www.oecd.org/sti/counterfeiting](http://www.oecd.org/sti/counterfeiting)


\(^3\) K. Hafner, Tiffany and eBay in fight over fakes, The New York Times, November 27, 2007
vectors of certain values and qualities. Hence, they are core targets for infringers. What is more, trademarks are crucial in a digitised economy: more than usually, they “serve as a beacon for consumer trust”\(^5\), as consumer cannot inspect a product prior to delivery: he can solely believe in the guarantee provided by the trademarks. Therefore, the legal protection of trademarks is of particular importance and that is the reason why this report will only address the issue of the liability of auction sites regarding trademark infringement cases.

This responsibility of auction sites remains to be determined. This is the goal of the present research report. In order to allow an effective enforcement of intellectual property rights, pressure should be put on the auction sites, where massive infringements take place. This is only possible by establishing a certain liability of the sites for these infringements. But to what extent are they liable for the trademarks infringements committed by their users? What are their duties and the controls they have to perform in order to be covered by the liability exemption applying to Internet services providers? What direction have taken the courts regarding these obligations? And what is the response of the auction sites to the increase of pressure from the rights owners?

Firstly, the interactions between on the one hand, online auction sites and acts performed on their systems by the users and on the other hand, trademark law, have to be studied. Secondly, the liability exemption for internet service providers and the way it applies to auction sites will be presented, as well as the interpretation of these legal provisions by the courts, especially by the German Supreme Court in the Rolex cases.

\(^5\) H. Rössler, *Anti-Counterfeiting in Online Auctions from the Perspective of Consumer’s Interests*, IIC 2006 Heft 6, p.782
I. Online auctions websites and trademark law

A. Does an online auction qualify as commercial offer?

According to the article 16 of the TRIPS agreement, “the owner of a registered trademark shall have the exclusive right to prevent all parties not having the owner’s consent from using in the course of trade identical or similar signs (…)”. On the contrary to copyright law, a trademark is infringed only if a similar sign is used in the course of trade, and a use in a private context would deny a trademark infringement. Regarding the online auctions, the first question to address is therefore the one of the legal definition of an online auction. Even though this question may, at first sight, sound trivial and its answer obvious, it is, as demonstrated before, of crucial importance. If online auctions are not deemed to be commercial activities, then there is no possibility whatsoever for right owners to sue for trademark infringement. Moreover, the legal uncertainty surrounding online auctions adds to the necessity to determine their legal status.

There is no clear definition or widely recognized model of an online auction, consequently this term has to be seen as a generic expression for a variety of different forms of transactions. The usual auction model used by eBay, Ricardo and others, can be qualified as “long-term auctions”. A long-term auction has a fixed time scale with a starting date and a deadline. No auctioneer controls the event and the person who made the last bid before the deadline’s expiration wins the auction. Can this dematerialized process, different from “real world” conventional auction, be qualified as a commercial offer between a buyer and a seller, or is it only a purely private activity, namely a communication between private persons?

As previously explained, a use, in trademark law, requires to be performed in the course of trade. However, this requirement represents a very low threshold and courts have interpreted the notion of trade and commercial offer broadly.

Accordingly, a sign is used in the course of trade when the use takes place “in the context of commercial activity with a view to economic advantage and not as a private matter”. In the Arsenal case, the ECJ had to decide, among others, if putting the football club’s sign on non-official fan products was a trademark use, while a disclaimer was clearly stating that these products were not under license. The European Court held that no matter the purpose, if a sign similar to a registered trademark is used in the context of commercial activities, it is a use in the course of trade.
It obviously favours the credibility of trademark protection that the notion of use in commerce is a low requirement. However, it does not imply that the private sphere is always left when a product is offered for sale to a plurality of persons. In other words, the fact that someone is selling something is not in every case a commercial activity and can remain a private matter. This also applies to online auctions: for example, a person who sells old furniture on eBay because he is moving into a smaller place is not doing it in the course of trade because everyone can have access to his sale. On the contrary, an activity can be qualified as commercial when the seller, in this context, is repeatedly offering objects of the same or of different kind. On the same token, an offeror has a view to economic advantage when he is offering to sale objects he acquired recently and is therefore acting in the course of trade. Finally, the fact that the offeror is acting commercially is indicative of use in the course of trade.

This definition of a commercial offer has critical consequences for right owners in trademark infringement cases. Indeed, they cannot sue “little fishes”, small-scale sellers selling counterfeiting goods in small quantities and occasionally, as their sales are very likely to be deemed not to be done in the course of trade, hence there is no trademark infringement. Therefore, right owners can only go after the bigger sellers of fake products.

Such a limitation is, however, not that annoying for the counterfeited brands’ owners: as a matter of fact, it would not financially make sense to try and sue the small guys. It is much more cost-effective to bring a claim against the “professional” infringers.

Nonetheless, litigating the big sellers of fakes is not without raising issues. Many of them are quite versatile, often operating in remote places where legal security is uncertain and authorities sometimes complice. Therefore, it makes sense to make the auction platform also liable for trademark infringement.

**B. Is the auction site a contributory infringer?**

An auction site cannot be directly liable for trademark infringement. Indeed, the operator of the site does not directly use the trademark, on the contrary to the seller. According to the Internet Versteigerung I and II decisions, even when eBay’s website is used by offerors for auctions for trademark infringing products, the auction site does not infringe the trademark in question. In such a case eBay, through its activities, does not fulfil the conditions of a trademark infringement set up in §14 abs. 3 or 4 of the German Trademark Act, because the auction site does not offer itself the counterfeited products, or put them in circulation or use the mark in question in advertising (§14 abs. 3 n°2 and 5 German Trademark act).

---

11 See also Arsenal Football Club Plc v Reed (No.2) [2002] EWHC 2695; [2003] 1 CMLR 13; [2002] and BGH, GeDIOS, 13.11.2003, I ZR 103/01, GRUR 2004, 241, 242
12 BGH, Internet Versteigerung II 19.04.2007, I ZR 35/04
13 BGH, Internet Versteigerung I, 11.03.2004, I ZR 304/01
Since every jurisdiction will likely deny any direct infringement from an auction website, it makes sense to follow the contributory infringement approach. Most legal systems do include legal provisions concerning complicity or *Mittäterschaft*. However, these provisions are not implemented into trademark law, what is a source of uncertainty. Interestingly, two different approaches regarding the contributory trademark infringement have been developed.

In Germany, due to the two milestones decisions *Internet Versteigerung I and II*, there is a clear-cut situation. An online auction site cannot be held contributory trademark infringer. The participation to a trademark violation implies that there is complicity characterized by the necessary condition of intention, the latter including knowledge of the illegality. Consequently, the automated operation of the auction platform, where the offer is automatically and without verification placed on the website, is sufficient to eliminate any knowledge of the infringement. Without this knowledge there is no intention to be a contributor and that is the reason why auction sites such as eBay are particularly underlining the automated character of their operations: “*eBay is not actively involved in the listing, bidding, sale or delivery of any item offered for sale on its websites. eBay does not create, approve, edit or post the content of any title or description (…)***. Nevertheless, such a discharge of knowledge of what is happening on its own platform seems to be too extreme. The auction sites should not be able to pretext the huge amount of offers and the automated operations to deny any knowledge of potentially infringing acts. However, they perform by themselves searches for counterfeited goods and some have also implemented specific procedures for the rights owners, thereby proving that they do not have the intention to help the infringer, necessary to be qualified as contributory infringers.

In contrast with a rather precise German (or even european) situation, the United States are more uncertain on the question of contributory trademark infringement. The problem is due to the absence, on the contrary to Germany, of a milestone decision on the question of the liability of auction sites in trademark infringement, wherein the contributory infringement issue would have inevitably been addressed.

The Lanham Act does not refer explicitly to a cause of action of contributory infringement or vicarious liability. However, in the *Inwood Labs., Inc. v. Ives Labs, Inc.*, the Supreme Court held that this Act implies such a cause of action and established the requirements for contributory trademark infringement: a party which “intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement… is contributorially responsible for any harm done as a result of the deceit.” A pharmaceutical distributor was supplying generic medicaments to pharmacies, knowing that the pharmacies were infringing trademarks by selling the

---

14 § 830, German Civil Code: *Mittäter und Beteiligte*
15 BGH Internet Versteigerung I: “Auch eine Tätigkeit als Teilnehmerin an der Markenverletzung der Anbieter scheidet aus, weil die hier allein in Betracht zu ziehende Gehilfenstellung zumindest einen bedingten Vorsatz voraussetzt der das Bewusstsein der Rechtswidrigkeit einschliessen muss”
17 For example, the “Verified Right Owners” (VeRO) program of eBay
18 Title 15, chapter 22 of the United States Code
medicaments under the name of the original pharmaceutical firm. In this case, a manufacturer was held secondarily liable for its distributor’s trademark infringement. This liability has been extended to landlords and tenants, as in AT&T v. Winback and Conserve Program Inc. (3rd Cir. 1994).

In a similar fashion than in Germany with the Rolex cases (Internet Versteigerung I and II), the determination of contributory infringement in the US is depending on the intent and knowledge of the wrongful activities. But what are the criteria for the knowledge of an auction sites? Are they different from the knowledge requirement set up for “traditional” contributory trademark infringement? As in the Rolex cases in Germany, does the automated process of an online auction platform eliminate knowledge of the operator of any wrongful activities?

As mentioned before, the absence of any decision of high authority holding an auction site contributory liable or not for trademark infringement makes the situation unclear in the US. The question of the determination of the knowledge remains debated. However, several decisions give an indication of the US approach to this issue.

In the light of the Inwood Labs judgement, decisions regarding contributory trademark infringement have been held. They have expanded the concept of knowledge of infringement, in regards to the liability of “brick and mortars” flea markets for contributory infringement. It was the case in the Hard Rock Cafe Licensing Corp. v. Concession Svcs, Inc. In this case, the owner of the Hard Rock café trademark for apparel sued a seller at a flea market for selling counterfeit goods, as well as the market’s owner for contributory infringement. The 7th Circuit stated that a flea market owner could be held contributorily liable for the infringement of a market seller if he knew, had reason to know or was wilfully blind to the sale of counterfeited products. However, there is no affirmative duty to take precautions against such sales.

In parallel, contributory trademark infringement has been found in online activities. The most famous case, the Gucci case, was a lawsuit brought by the owner of the Gucci trademark, who sued the owner of a website selling counterfeited Gucci products, as well as the Internet service provider (ISP). For the Court, an ISP “provides the actual storage and communication for infringing material, and therefore might be more accurately compared to the flea market vendor”.

In the light of these decisions and as it seems that an internet service provider such as an auction site can be qualified as a virtual flea market, it is tempting to extent the “brick and mortar” flea market contributory liability to auction sites. Accordingly, the same rules regarding the knowledge would apply, even though the uncertainty remains of knowing if there is a specific knowledge requirement for auctions sites, since the tremendous amount of transactions. This is maybe the reason why in the US there is to date no decision holding an auction site contributorily liable for trademark infringement. However, the actually pending case Tiffany v. eBay could change this situation. Tiffany is claiming contributory infringement, one of the key issues of the

---

20 Trademark and unfair competition committee, Online Auction Sites and Trademark Infringement Liability, Record 003, VOL 58; part 2, pages 236-265
21 955 F. 2d 1143 (7th Circuit 1992)
22 Gucci America, Inc. v Mindspring Entrs, Inc et al, 135 F. Supp 2d 409
23 Case No. 04 Civ. 4607, US district court of the Southern District of New York
case being the determination of how the knowledge standard for contributory infringement should be applied in the context of an Internet auction site.

In assessing the possible contributory liability of an auction site, the knowledge issue is not the only problem to be addressed. It is also important to take in consideration the specific liability regime of Internet service providers, as well as the jurisprudential interpretation thereof.

II. The liability exemption for Internet service providers

A. A general exemption under conditions

In the light of the recent development of the online commerce (E-commerce), the European authorities have been active and tried to harmonize the Member States national legislations in this field. This is the reason why the E-Commerce Directive has been enacted in 2000. According to its article 14, “where an information society service is provided that consists of the storage of information provided by the recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service”. This article, which addresses the liability of an Internet service provider for hosting, provides a partial defense for providers that offer storage of illegal third party content. The E-commerce directive has been implemented in Germany by the German Teleservices Act of 2002 (Teledienstegesetz), replaced in 2007 by the German Telemedia Act. According to its articles 7(2) and 10, the same exemption as in the directive prevails. The exemption of liability concerns civil and criminal liability, but leave injunctive relief untouched: “This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States’ legal systems, of requiring the service provider to terminate or prevent an infringement” (Article 14(3) of the Directive). Hence, injunctions remain available, even when the Internet service provider is not liable for the storage of illegal third party content.

This exemption of liability is meant to apply to Internet service providers. Are auction sites covered by this definition? If we interpret in a literal way the provision, an auction site is not a service provider, hence its hosting activities would not be covered. However, the European Authorities have extended this definition. In the report on the application of the Directive, it is stated that “the limitations of liability in the Directive apply to certain clearly delimited activities carried out by internet intermediaries, rather than to categories of service providers or types of information”. Consequently, this interpretation extends the scope of the exemption to a rather broad category of Internet intermediaries. Still, it remains to be seen if online

---

24 S. Chapman, Ph. Plog, Has time run out for Internet auction sites?, 15 October 2007, Field Fisher Waterhouse Publications

9
This exemption of liability for Internet services providers has been criticized. It has been seen as a comfortable solution, discharging them of what could be considered as a standard legal responsibility. However, this protection is not absolute and is bound to a set of conditions.

The first condition is that the service provider was unaware of the presence of the illegal act performed with the help of its service: it “does not have actual knowledge of illegal activity or information” (Article 14 1. (a)). In the case of a trademark infringement taking place on an online auction platform, this condition would signify that the auction website has to not be aware of the infringement and facts that would make the illegality apparent. This lack of awareness as regards the illegal act and the facts that would reveal it triggers the exemption of liability. However, it is not conceivable that the service provider could hide behind this requirement and refuse to engage any activity that could make him gain knowledge of the illegality, hence removing its liability protection. That is the reason why the actual knowledge requirement remains to be defined, as well as the operations the website has to perform in order to be able to possibly gain knowledge of the illegal activity. In spite of this, the Article 15 related to the absence of any obligation to monitor limits strongly the control duties of the website operator: “Member States shall not impose a general obligation on providers (...) to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity”. This provision seems to be incoherent with the actual knowledge criteria set forth in Article 14 1. (a). How is the auction site supposed to gain knowledge of an infringement if it does not monitor its site, even with a basic method such as keyword search (with words or expressions like “fake” or “replica”)? To our point of view, this Article is inconsistent with the actual knowledge requirement and appears to overprotect the auction site: if it does not perform any monitoring it can only gain knowledge of infringement accidentally. In fact, this non-obligation of the service provider to monitor shifts this burden to rights owners. In order to enforce their rights they would have to monitor themselves the pages of auction sites, what is certainly costly and time-consuming.

The actual knowledge requirement is not the only one. The directive, in its Article 14 1. (a), imposes a second, non-cumulative condition: “the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information”. Hence, if the website operator obtain knowledge of the infringement he has to remove the illegal offer from its pages or disable the access to it.

To put it in a nutshell, the Article 14 (1) of the Directive put two conditions to fulfill in order to benefit from the liability exemption: the service provider had no knowledge of the illegal act and if he gained such knowledge he had to promptly remove the illegal content. However, these provisions remain to be examined in the light of their interpretation by courts and in the context of a trademark infringement occurring on an auction website. The main points of concern are, on the one hand the definition of what actual knowledge is and on the other hand, what are the duties of the operators that could enable them to gain such knowledge, notwithstanding the limitations set up by the Article 15 (1).

Concerning the situation in the US, there is no such an explicit liability exemption for Internet services providers. Interestingly, the section 512 of the Digital
Millennium Copyright Act\textsuperscript{27} (DMCA) protects Internet service providers from liability for copyright infringement done by their users. In a same fashion as the European E-commerce Directive, the service provider is exempted from infringement liability if, when it has knowledge of the infringing act, it removes the illegal content from its pages. Regarding a trademark infringement case, in the absence of any case law it remains to be seen if the safe harbor provisions of §512 (c) could also apply to providers accused of contributory infringement. This issue is likely to be addressed in the pending Tiffany case.

The two decisions of the German Supreme Court are noteworthy in that they are the most advanced and teaching cases regarding the liability of auction websites in trademark infringement, as they clarify ambiguous legal provisions. Their influence is likely to spread beyond Germany’s borders, both in continental Europe and in the US.

B. The Rolex cases: \textit{Störerhaftung} and filtering obvious infringements

As explained previously, when it comes to trademark infringement occurring on auction sites, right owners are blocked by both the absence of contributory infringement and the safe harbour exemptions of the E-commerce directive. Hence, there is no possibility for them to efficiently fight counterfeiting on such sites. In this context, the German Supreme Court proposed a first solution in the first Internet Versteigerung decision in 2004, and confirmed it in the second Internet Versteigerung decision in 2007. Both cases involved the famous Swiss watch manufacturer ROLEX, who brought a claim against the popular auction site Ricardo in the first case and against eBay in the second. The fact that these decisions were held by the highest German court has help to clarify the situation in Germany, as its decisions are of high authority.

The solution proposed to the issue of the liability of auction sites in trademark infringement case by the German Supreme Court is basically to refuse that, as the lower courts Düsseldorf High Court and the Düsseldorf Appeal Court ruled, Internet auctioneers cannot be held liable at all when there are trademark infringements by an user. The Bundesgerichtshof (BGH), was apparently willing to put some responsibility on the auction sites regarding the massive infringements that take places on their platforms. Confirming the approach of the lower courts, the BGH held that due to trademark law Ricardo and eBay could not be liable for direct trademark infringement. Nor could they be held contributory infringers due to the liability exemption of the Telemedia Act. However, the BGH bypassed these limitations by using general principles of civil law (§ 1004 BGB\textsuperscript{28}), namely the concept of disturbance (\textit{Störerhaftung}). According to this german legal concept, a disquietor (\textit{Störer}) is someone that intentionally contributes to an illegal act by an omission to

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{27} 17 U.S.C. §512, full text available at \url{http://www.law.cornell.edu/uscode/17/512.html}
\item \textsuperscript{28} § 1004 BGB : Beseitigungs- und Unterlassungsanspruch : (1) Wird das Eigentum in anderer Weise als durch Entziehung oder Vorenthaltung des Besitzes beeinträchtigt, so kann der Eigentümer von dem Störer die Beseitigung der Beeinträchtigung verlangen. Sind weitere Beeinträchtigungen zu besorgen, so kann der Eigentümer auf Unterlassung klagen.
\end{itemize}
\end{footnotesize}
act, without being an infringer or a participant. Hence, an auction site could be liable as a disquietor if it did not take measures to prevent counterfeited products (here Rolex watches) to be offered on their platform after it had been informed of previous trademark infringements. This ruling is in line with the E-commerce directive and its article 14 (1) b): upon knowledge of the infringement, the service provider has to block access to the offer in question.

Under this disquietor theory, the concerned party acquires a specific responsibility: he comes under a subsequent surveillance duty in order to prevent future infringement occurring on its area of influence. Consequently, the affected party can ask for injunctive relief (Unterlassung), if this duty is not respected. In relation to our issue, the BGH imposed on auction sites, through the concept of disturbance, an obligation not only to remove promptly clearly infringing products but also to take measure to filter out similar offers, in order to stop future infringements. The website has therefore to monitor for a specific type of user content after a first notification that such a content is obviously infringing third party rights. As a result, if Rolex notify eBay that user X is offering obvious fake Rolex watches, eBay has to remove the allegedly infringing offer and to monitor the other/future offers of this particular user in order to verify that he does not again place illegal offers. If it does not monitor, the right owner can ask for an injunction prevent future infringements.

The remedy available to the right owner in this situation, namely injunctive relief, is conform to the Article 14 (3) of the E-commerce directive and the availability of injunctive relief even if the liability exemption applies. However, the fact that the auction website has to monitor future infringement might be considered as violating the “no general obligation to monitor” set forth by the Article 15 of the Directive. This is what critics of the BGH’s decisions have pointed out, together with their bypassing of the liability privilege for hosting (Article 14). Would it be possible for eBay to appeal the decision before the European Court of Justice for violation of the European legislation?

Nevertheless, the BGH does not require that an extensive control is performed: it has to be done as far as technically feasible and reasonable, hence it is not exactly a general monitoring requirement. In the second decision, the court underlined that “no unreasonable duties to monitor are to be entailed on (an online intermediary), which could challenge his whole business model”. This is why the control of future offers is limited to clear and obvious infringements, such as offers including the keywords “fake” or “replica”. The court also mentions as an indicator for counterfeit unusually low prices. However prices on auction sites usually start low in order to provide an incentive to bid. Moreover, semi-automated filter searches could be bypassed if the products are not clearly offered as fakes. Still, the duty to monitor concerns only these cases of obviously fake products.

Even though these decisions may slightly diverge with the principles set by the E-commerce directive, they remain an appropriate solution to the previous lack of liability of the auction sites. However, the liability as a disquietor is quite limited: the

---

29 H. Krieg, Online intermediaries may have an obligation to monitor content posted by users, Bird&Bird, July 4 2007
30 Supra, note 5
The issue of the liability of online auction sites for trademark infringements of their users is actually very debated and subject to very diverse opinions and case law. However, the tremendous amount of counterfeited products, as well as the impressive turnover of the key actors of this branch, like eBay, have made such a liability a mandatory step towards fighting counterfeiting efficiently.

However, issues remain regarding the interaction between online auction and trademark law. Indeed, the presence of a commercial offer is an absolute requirement, as in its absence there cannot be a trademark use. Moreover, an auction site cannot be held trademark infringer, because it does not directly use the trademark. The question of contributory trademark infringement is also debated. Due to legislative provisions creating a liability exemption for Internet service providers, the situation is quite complex. There are important national differences on the solutions given to this liability issue and sometimes a lack of relevant case law leaves the issue unclear.

In Germany the Supreme Court, refusing any liability as direct or indirect trademark infringer, held that an auction site is obliged not only to remove infringing content of which it has been informed, but also to deploy filtering techniques to prevent further trademark infringements, as long as such techniques are feasible or reasonable. This obligation to monitor future infringements involves using key words and checking manually the results of the filtering process, while it is limited to obvious infringements. Even though this monitoring requirement after notification is quite useful for trademark owners, their remedies are restricted to injunctive relief only.

In the US the situation is less clear-cut. There is no liability exemption for Internet service providers but for copyright cases, under the DMCA. Regarding trademark infringement cases, the question remains open. This issue is currently addressed by the pending Tiffany case. One of its key feature is the determination of the knowledge standard for contributory trademark infringement, in the context of an internet auction site. If the US situation is less sure than in Germany, the possibility of an auction to be held liable for trademark infringement remains. Should it be the case, the right owner would have much more remedies available than in Germany, such as consequent damages. This is the reason why the Tiffany case is likely to be the bellwether case in this issue in the US.

The actual situation regarding the liability of an auction site in trademark infringement cases is not static. To our point of view, it seems to evolve in a positive way for right owners and the global fight against counterfeiting. The German Supreme Court decisions are the symbol of a growing will to involve auction websites in this fight. The Tiffany case, as well as other pending cases throughout the world such as the LVMH (2006) case in France, are likely to end up with a negative
decision for eBay. An increased liability of auction sites appears to be inevitable, as awareness regarding the threat caused by counterfeiting raises, both within the public and judges. It is more and more accepted that the impressive success of their business model should be an excuse for threatening the ones of others, and that their financial wealth should also partly be dedicated to the fight against a phenomenon they have contributed to breed.

This increased pressure on the auction sites to help and fight trademark infringements is a necessary requirement for trademarks. Indeed, the dematerialisation of business transactions renders crucial the legal protection of the guarantee of value and origin trademarks carry. More down to earth, the financial investment put into a trademark should not be unreasonably endangered by someone else’s business model.
ARTICLES

S. Chapman, Ph. Plog, *Has time run out for Internet auction sites?*, 15 October 2007, Field Fisher Waterhouse Publications


H. Krieg, *Online intermediaries may have an obligation to monitor content posted by users*, Bird&Bird, July 4 2007


H. Rösler, *Anti-Counterfeiting in Online Auctions from the Perspective of Consumer’s Interests*, IIC 2006 Heft 6

REPORTS

European Commission, *Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a Customs response to latest trends in counterfeiting and piracy*, COM 2005 479


Trademark and unfair competition committee, *Online Auction Sites and Trademark Infringement Liability*, Record 003, VOL 58

WEBSITES

www.oecd.org/sti/counterfeiting