

Intellectual Property Update



eBay not liable for its users' infringement in the UK

On 22 May 2009, the High Court ruled that eBay was not liable for sales of infringing or counterfeit goods by its users. This is the fourth in a series of claims brought by L'Oréal group companies against eBay in various European jurisdictions. To date, courts in France and Belgium have also ruled in favour of eBay, whereas L'Oréal was successful in Germany.

The Claim

This case was brought by L'Oréal against eBay and various eBay users ("the Sellers") accused of selling counterfeit or unauthorised goods bearing L'Oréal trade marks in the UK. Although a number of the Sellers had settled the claims against them, and L'Oréal had obtained default judgment against the remaining Sellers, for the purpose of the claim against eBay the judge considered their actions and ruled that each of the Sellers were liable for trade mark infringement.

L'Oréal made three claims against eBay. Firstly, that eBay was jointly liable with the Sellers for the sale of infringing or counterfeit goods on eBay's auction site. L'Oréal claimed that eBay had either participated in a 'common design' to infringe L'Oréal's rights, or procured such infringements by the Sellers. The judge ruled that eBay was not jointly liable for infringement by the Sellers. Although the judge considered that eBay facilitates the infringement of third parties' trade marks by its users, and profits from such infringement, the judge ruled that this is not sufficient to make eBay jointly liable. In particular, the judge stated that eBay is not, as a matter of English law, legally obliged to prevent infringement by its users.

The judge referred to eBay's Verified Rights Owner ("VeRO") program, through which more than 18,000 rights holders report infringing listings requesting that they be taken down by eBay. L'Oréal declined to participate in the VeRO program on the basis that the program placed the burden of monitoring listings on the rights owner and that it considered that the sanctions applied by eBay to its users to be insufficient. Whilst the judge agreed that eBay could do more to prevent or minimise sales of counterfeit and/or infringing products, he noted that this does not mean eBay is legally obliged to do more.

L'Oréal also sought an injunction against eBay, as an intermediary through which the infringements were committed, to prevent future infringement regardless of whether eBay was found to be jointly liable for trade mark infringement. The judge considered that the scope of relief available to L'Oréal as a matter of domestic law was unclear, and that this should be referred to the European Court of Justice for clarification.

L'Oréal's third claim was that eBay was liable for trade mark infringement by virtue of its use of L'Oréal's trade marks on its own website, and in sponsored links on external internet search engines. The judge ruled that, although he preferred L'Oréal's arguments that the use of its trade marks on its own sites and as sponsored links amount to use of the trade marks in relation to infringing goods, in the course of trade in the UK, certain issues, including the question of whether such use amounts to infringement by eBay, require guidance from the European Court of Justice. The judge also referred the question of whether eBay had a defence to this claim under the E-Commerce Directive, which provides a defence for "hosting" services.

Comment

It is not yet known whether L'Oréal will seek to appeal the decision in respect of joint liability. If you would like to discuss the implications of this case further or would like information on how to protect your intellectual property rights through the VeRO program please do not hesitate to contact one of the intellectual property team.

See: L'Oréal S.A., Lancome Parfums et Beautie & Cie, Laboratoire Garnier & Cie, L'Oréal (UK) Limited v. eBay International AG, eBay Europe S.A.R.L, eBay (UK) Limited, and Others [2009] EWHC 1094 (Ch)

For further information please contact a member of our IP team:



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Matthew Talbot specialises in Intellectual Property litigation including disputes involving infringement of trade marks, copyright, design rights, patents and domain names. He has made numerous UK and European trade mark applications on behalf of organisations wishing to protect their company names, trading names and branded products. He has successfully acted on behalf of claimants against Northern Foods, Kraft Foods plc, Nestle and Adams Childrenswear and in defending clients in cases brought by Adidas, Puma, Lacoste and Microsoft.

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