

COMMENT

FIGHTING AN ANONYMOUS ENEMY: THE UNCERTAINTY OF AUCTION SITES IN THE FACE OF *TIFFANY v. EBAY* AND *LVMH v. EBAY*

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“There is much difference between imitating a man and counterfeiting him.”

Benjamin Franklin

INTRODUCTION

“The online shopping trend is like an explosion.”¹ Online shopping sales total billions of dollars each year and continue to increase with each passing year.² Retailers that were originally “brick and mortar” are turning increasingly to the Internet to expand their retail sales and reach a wider audience.³

Internet sales are amplified in our “instant-gratification society.”⁴ Additionally, the Internet allows people to purchase items, often for a price substantially lower than retail.⁵ Especially in the current economy, more people are shopping online to save time and money.⁶ Thus, the motivation behind online purchases appears to be grounded in convenience and economics.⁷

1. Christina Occhipinti, *Online Holiday Shopping Continues to Rise in Popularity*, WESTCHESTER COUNTY BUS. J., Jan. 6, 2006, at 5 (statement of Howard Davidowitz).

2. *Id.* (“Online holiday shopping totaled \$30.1 billion in sales, up 30 percent from 2004.”).

3. Henry Nasella, *The Second Dot-Coming: Brick-and-Mortars Must Move Online*, DIRECT MARKETING, Sept. 30, 2000, at 34 (discussing how the best retailers have always been open to new channels of branded distribution and how brick and mortar businesses’ online prospects look promising).

4. John Farmer, *Brand Makers Battle eBay, But Who Wins?*, RICHMOND TIMES DISPATCH, Aug. 25, 2008, at D26.

5. *Id.*

6. W. David Gardner, *High Gas Prices Fuel Move to Online Shopping*, INFO. WK., Apr. 22, 2008, available at <http://www.informationweek.com/news/internet/retail/showArticle.jhtml?articleID=207401333> (discussing how the rising price of gas is contributing to online shopping).

7. See Farmer, *supra* note 4 (“You could spend days cruising consignment shops. Or, in a few clicks [online], you could view 80 hits on eBay for ‘[T]iffany sterling silver bracelet’ with prices running from a [sic] \$10 to \$200.”).

Unfortunately, along with the increase in online sales has come an increase in the sale of counterfeit items.⁸ Counterfeiting is a \$600 billion a year problem, and that problem is only growing.⁹ In fact, 5% to 7% of the global trade is counterfeited goods.¹⁰ The effect of counterfeiting takes a toll on a large number of people; for example, counterfeit merchandise is estimated to be directly responsible for the loss of almost one million jobs in the United States alone.¹¹ Counterfeit goods sold over the Internet have consequences not only for buyers, but also for businesses operating the websites that facilitate the fraudulent sales.¹² One group caught up in the worldwide counterfeiting problem is online auction houses.¹³ One major website affected by counterfeit sales is eBay, Inc. (“eBay”).

For eBay, the legal effects and implications of these counterfeit sales reached a critical point in the summer of 2008, both domestically and abroad. On July 14, 2008, in a counterfeiting suit brought by Tiffany (NJ) Inc. and Tiffany & Co. (collectively “Tiffany”) against eBay, the United States District Court for the Southern District of New York found in favor of the e-commerce powerhouse.¹⁴ Unfortunately for eBay, their legal victory domestically was diminished by losses in France. On June 4, 2008, a Paris Commercial Court found eBay liable of counterfeiting in connection with an imitation Hermes bag sale.¹⁵ On June 30, 2008, another French court found eBay liable of similar counterfeiting allegations made by the LVMH Group (“LVMH”) in connection with the sale of counterfeit

8. See The International AntiCounterfeiting Coalition, *Get Real—The Truth About Counterfeiting*, <http://www.iacc.org/counterfeiting/counterfeiting.php> (last visited Oct. 15, 2009).

9. *Id.*

10. *Id.*

11. *Id.*

12. Emily Favre, *Online Auction Houses: How Trademark Owners Protect Brand Integrity Against Counterfeiting*, 15 J.L. & POL’Y 165, 168-69 (discussing how online counterfeiting has “reshaped consumer buying and selling behavior” and how Internet websites have a difficult time policing their sites for counterfeit goods).

13. *Id.* at 171-77 (discussing several prominent online auction houses and the steps they have taken to protect against counterfeiting).

14. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 470 (S.D.N.Y. 2008).

15. Patrick Van Eecke & Maarten Truyens, *Recent Events in EU Internet Law*, 12 NO. 2 J. INTERNET L. 25, 25 (2008) [hereinafter Van Eecke & Truyens].

Louis Vuitton bags.¹⁶ The conflicting treatment of eBay in the United States and Europe caused a “worrying discrepancy,” along with a great deal of confusion.¹⁷

To resolve this confusion, the Legislature should enact laws, similar to the Lanham Act,¹⁸ which deal with Internet websites and intellectual property rights. The Act should serve to promote e-commerce, as it is an important part of the evolving modern economy, while still protecting trademark owners from counterfeiting. Further, the Act would serve as uniform law and resolve conflicting rulings handed down by the courts.

This Comment will explore whether an online company facilitating transactions over the Internet can be or should be held liable for counterfeit sales by sellers independent of the online company. eBay will be used as a case study to analyze how online companies facilitating transactions, by providing a forum to sell goods, are treated by the American and French legal systems. The illustration of the two legal systems’ treatments of eBay will take place through an analysis of *Tiffany v. eBay* and *LVMH v. eBay*.

Part I of this Comment will examine eBay, providing background and information on the company, as well as the problems eBay has faced with regards to counterfeits. This section will also discuss safeguards eBay has implemented to prevent the sale of counterfeit goods on their website. Part II will provide an analysis of *Tiffany v. eBay*, including what rules and facts the court applied in reaching their decision in favor of the Internet giant. Part III focuses on *LVMH v. eBay*, discussing how and why the French court came to their decision against eBay. This section will also introduce how *LVMH v. eBay* differs from *Tiffany v. eBay*, including the laws applied and additional

16. See Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php?id_article=2354 (note: Christian Dior Couture is one of several companies in the LVMH Group that brought a lawsuit against eBay. For this Comment’s purposes, those cases will collectively be referred to as *LVMH v. eBay* in the text); Van Eecke & Truyens, *supra* note 15, at 26.

17. Sara George, *eBay Fined in Paris, Vindicated in NY—What Now For ‘Genuine Fakes’?*, MONDAQ BUS. BRIEFING, Aug. 27, 2008, <http://www.mondaq.com/article.asp?articleid=64862&login=true&nogo=1>.

18. Lanham Act, 15 U.S.C. §§ 1051-1141n (2008). The Lanham Act deals with trademark liability and unfair competition issues.

considerations that resulted in differing decisions in substantially similar cases.

Part IV of the Comment will provide a more detailed comparison of the two cases and the rationales behind the decisions. Additionally, there will be an analysis into how the business implications presented by these decisions and how the treatment of trademark laws affect e-commerce as a whole. Part V will conclude the Comment with a discussion of Internet laws and will offer a proposed legislative pattern for various countries to adopt to improve the state of trademark law, with respect to the Internet and e-commerce.

I. EBAY, E-COMMERCE, AND POTENTIAL COUNTERFEIT LIABILITY FOR PURELY E-COMMERCE ENTITIES

The rise of e-commerce brings the potential for counterfeit liability. Based on the design of the Internet, the liability is not limited to the counterfeiters, but may be applied to website hosts as well. *Tiffany v. eBay* presents one example of the counterfeit liability faced by a company operating a website centered in e-commerce.

A. *eBay*

eBay allows sellers to sell goods directly to buyers.¹⁹ The innovation of an “on-line flea market”²⁰ has brought eBay great success; more than six million new listings appear on eBay daily, and generally eBay features one hundred million listings every day.²¹ Further, eBay’s earnings continue to increase, with the company earning a profit of \$460 million dollars in April 2008, an increase of \$83 million over the previous year.²² Not surprisingly, eBay is known as “The World’s Online Marketplace.”²³

19. *Tiffany*, 576 F. Supp. 2d at 474.

20. Fara S. Sunderji, Note, *Protecting Online Auction Sites From The Counterfeiting Trademark Liability Storm: A Legislative Solution to the Tiffany, Inc. v. eBay, Inc. Problem*, 74 *FORDHAM L. REV.* 909, 913 (2005) (“[eBay] provides a virtual space where sellers and buyers can meet, much like a flea market, with some of the characteristics of classified advertisements and auctions.”).

21. *Tiffany*, 576 F. Supp. 2d at 475.

22. Amanda Fehd, *eBay Profits Beats Wall Street’s Expectations*, *HUFFINGTON POST*, Apr. 16, 2008, http://www.huffingtonpost.com/2008/04/16/ebay-profits-beat-wall-st_n_97092.html; see also Catherine Holahan, *eBay’s*

In essence, eBay serves as a facilitator, connecting buyers and sellers who carry out transactions between each other directly.²⁴ In order to create a listing, buyers and sellers register with eBay, thus becoming members.²⁵ The sellers create sales listings for their item(s), which range from antiques to college textbooks.²⁶ Sellers, per the user agreement, are responsible not only for the content of the listing, including the title and description, but also the price the item is eventually sold for.²⁷

“While eBay provides the venue for the sale and support for the transaction, [eBay] does not itself sell the items [and the] items sold on eBay are never in eBay’s physical possession.”²⁸ For each posted item, the sellers pay an initial insertion fee, and for every successful sale, the sellers pay a final value fee based on the final sale price of the item.²⁹ The final fee of the item may range from 5.25% to 10% of the item’s final selling price.³⁰ Overall, eBay exercises some control over the items, not only through the profits derived, but also through eBay’s retained authority to take disciplinary action against a seller who violates eBay’s terms or the conditions of eBay’s User Agreement.³¹

Changing Identity, BUS. WK., Apr. 23, 2007, http://www.businessweek.com/print/technology/content/apr2007/tc20070423_039758.htm (stating that in 2007, eBay earned \$377 million dollars, a 52% increase over the previous year).

23. Sunderji, *supra* note 20, at 913.

24. *Tiffany*, 576 F. Supp. 2d at 475.

25. *See id.* at 474.

26. *See* Sunderji, *supra* note 20, at 912-13; Holahan, *supra* note 22 (“In its television ads, eBay describes itself as the place to get ‘it’, whatever it may be. The company deliberately leaves ‘it’ undefined to emphasize the immense variety of goods available for auction on its site.”).

27. *Tiffany*, 576 F. Supp. 2d at 474.

28. *Id.* at 475.

29. *Id.*

30. *Id.*

31. *Id.* at 476.

B. eBay's Counterfeiting Challenges and Company-Implemented Safeguards

From its inception, eBay appreciated the potentially high risk posed by listings of counterfeit objects on the eBay website.³² For the first decade of its existence, eBay asked companies to monitor auctions of their products and to notify eBay of fraudulent items.³³ This frustrated rights-owners, those that own the right to a copyright or trademark, because eBay's request meant they had to use their own resources in policing the website.³⁴ This frustration only increased "when counterfeiting exploded after the company expanded to China in 2004."³⁵

To help balance out the interests of both the rights-owners and eBay members, eBay took further proactive steps to prevent counterfeit items from being sold.³⁶ eBay limited the number of items that sellers in certain categories, such as luxury goods, could sell.³⁷ The company prevented sellers from holding shorter one-day auctions, a tactic used by fraudulent sellers hoping to take the money and disappear.³⁸ eBay also established geographical restrictions that prevented sellers in certain countries, such as China and Hong Kong, from listing items in critical categories at all.³⁹ Finally, eBay "began delaying some listings from being published to the site to give its employees time to review the items."⁴⁰

32. Doreen Carvajal, *eBay Ordered to Pay \$61 Million in Sale of Counterfeit Goods*, N.Y. TIMES, July 1, 2008, at C. ("For the first decade of its existence, eBay tried to avoid the counterfeiting problem . . .").

33. *Id.*

34. *Tiffany*, 576 F. Supp. 2d at 478 (discussing that if a rights-owner "possessed a good faith belief that the item infringed on a copyright or a trademark" they could take some steps to protect their product by submitting a Notice of Claimed Infringement to eBay and then eBay would remove the challenged listing from its website); Carvajal, *supra* note 32.

35. Carvajal, *supra* note 32.

36. *See id.*

37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.*

Each year eBay invests upwards of \$20 million on tools to help “promote trust and safety on its website,” and has allocated approximately one quarter of its work staff to help achieve these goals.⁴¹ In 2007 alone, eBay reportedly suspended approximately “50,000 sellers and blocked 40,000 previously suspended sellers from returning to the service.”⁴² Additionally, eBay has taken steps to help protect against fraud by implementing both a fraud engine that automatically searches for violations of eBay’s policies, as well as the Verified Rights Owner (“VeRO”) Program that allows rights-owners to report any potentially infringing listing.⁴³ While an important step towards preventing fraudulent sales, eBay, through VeRO, continues to place the responsibility of policing trademarks on the individual companies and dealers.⁴⁴

Undoubtedly, while some will argue these safeguards implemented by eBay are adequate protection, these measures were not sufficient to keep eBay from being drawn into litigation by several luxury goods companies.⁴⁵

II. *TIFFANY INC. v. EBAY INC.*

In 2004, Tiffany instituted action against eBay, alleging, among other claims, that eBay was liable for both direct and contributory trademark infringement involving counterfeit marks.⁴⁶ In 2008, the

41. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 476 (S.D.N.Y. 2008).

42. Carvajal, *supra* note 32.

43. *Tiffany*, 576 F. Supp. 2d at 478.

44. *Id.*

45. See *eBay is Sunk in Lawsuits: LVMH, Skpe . . . Who else?*, ECOMMERCE JOURNAL, Sept. 21, 2009, http://www.ecommerce-journal.com/news/18268_ebay_is_sued_by_both_lvmh_group_and_skype?drgn=2; Carol Matlack, *Hermes Beats eBay in Counterfeit Case*, BUS. WK., June 6, 2008, http://www.businessweek.com/print/globalbiz/content/jun2008/gb2008066_845380.htm [hereinafter Matlack, *Hermes Beats eBay*] (discussing the lawsuits brought by Tiffany and LVMH).

46. Complaint at 45, 49, *Tiffany (NJ) Inc. v. eBay Inc.*, 2004 WL 1413904 (S.D.N.Y. 2008) (No. 04 CV 4607); see also Jason Kessler, *Correcting the Standard for Contributory Trademark Liability Over the Internet*, 39 COLUM. J.L. & SOC. PROBS. 375, 379 (2006) (quoting the United States Patent and Trademark Office) (“[A] trademark is a ‘word, phrase, symbol, or design, or combination of words, phrases, symbols, or designs, that identifies and distinguishes the source of the goods of one party from those of others.’”).

case went to bench trial before the United States District Court in the Southern District of New York.⁴⁷

A. *Tiffany & Co.*

Part of the case's significance arises from the prominence of its litigants. While eBay is a relatively new and highly successful company based on its profits and the impressive number of transactions facilitated over its website,⁴⁸ Tiffany is noteworthy because of the Company's rich history and reputation for producing pristine products.⁴⁹ Tiffany is a 170 year-old corporation, famous for high-end jewelry and home items.⁵⁰ In order to protect the corporation's clientele and public image, Tiffany has two marks registered at the United States Patent and Trademark Office: a kidney-shaped design and a cross design.⁵¹

Tiffany takes procedural steps to ensure that the quality of jewelry sent into the market is of a certain caliber.⁵² Tiffany quality control personnel inspect the Tiffany merchandise before releasing it for distribution.⁵³ Tiffany also does not make its quality standards available to the public or other jewelry manufacturers.⁵⁴ Finally, Tiffany closely controls the distribution of Tiffany-branded goods; the only way in which Tiffany sells "significant quantities of merchandise at discounted or wholesale prices," is through sales to corporate and international trade accounts.⁵⁵ However, counterfeiting remains a huge problem with the sale of Tiffany products over the Internet, despite the efforts of both Tiffany and eBay.⁵⁶

47. *Tiffany*, 576 F. Supp. 2d at 463.

48. *See* Holahan, *supra* note 22 (discussing eBay's growth and profits).

49. *Tiffany*, 576 F. Supp. 2d at 471.

50. *Id.*

51. *Id.* at 471-72 ("The protection of the quality and integrity of the brand and the trademarks is critical to Tiffany's success as a retailer of luxury goods.").

52. *Id.* at 472 (discussing how Tiffany, to maintain its reputation, has its control personnel inspect the merchandise and closely control the distribution of its goods).

53. *Id.*

54. *Id.*

55. *Id.* at 473.

56. *See* discussion *supra* Part I.B. (discussing eBay's efforts to prevent sales of

B. Case Background

Along with the direct trademark infringement claim, *Tiffany v. eBay* presented an issue of first impression for the United States courts regarding whether an online auction site could be held contributorily liable for trademark infringement perpetrated by third-party sellers.⁵⁷ The dispute between these two corporations arose from over six hundred “enforcement actions,” taken by Tiffany in conjunction with law enforcement, against individual eBay sellers of counterfeit Tiffany items.⁵⁸ These actions consisted of customs seizures, as well as working with law enforcement and demanding that individuals stop selling counterfeit Tiffany items.⁵⁹ In 2003, Tiffany wrote to eBay informing them that counterfeit Tiffany jewelry was being sold on eBay.⁶⁰ Tiffany’s fears of counterfeiting were reinforced and eBay became apprised to the severity of the counterfeiting problem when buyers complained to both companies about the counterfeit items.⁶¹

Once alerted to the counterfeit items, eBay took several steps to address the problem.⁶² eBay removed the offensive listings.⁶³ eBay also took, according to this court, “appropriate steps” in warning and suspending the sellers.⁶⁴ Moreover, eBay took specific measures to stop the future sale of counterfeit Tiffany items.⁶⁵ This included adding a special warning message to sellers who wished to sell a Tiffany item and implementing a Tiffany-specific filter in its fraud engine that searched for any term including “Tiffany” in the listing.⁶⁶

Nevertheless, Tiffany sued eBay, alleging direct and contributory infringement, because eBay assisted third parties in making the sale

counterfeit goods).

57. See Sunderji, *supra* note 20, at 931.

58. *Tiffany*, 576 F. Supp. 2d at 481.

59. *Id.*

60. *Id.*

61. *Id.* at 487.

62. *Id.* at 482 (“At trial, Tiffany’s CEO, Michael Kowalski, conceded that in ‘virtually all cases or certainly the majority of cases eBay would take down the listings for any auctions that were identified by Tiffany as suspect.’”).

63. *Id.* at 487-88.

64. *Id.* at 488-91.

65. *Id.* at 491.

66. *Id.*

and profited from the sale.⁶⁷ Specifically, Tiffany contended that eBay was responsible for the listings that contained Tiffany items, and eBay had notice that a problem existed, which legally obligated them to investigate and control the illegal activity.⁶⁸

Both businesses share a common interest in eliminating counterfeit merchandise; Tiffany wants to protect the Tiffany brand name, while eBay wishes to preserve the reputation of the merchandise the company sells.⁶⁹ The dispute lies with whether eBay or Tiffany holds the burden of policing trademarks in Internet commerce.⁷⁰

C. Issues Presented and Case Analysis

Although Tiffany stated various claims against eBay, this Comment only addresses those arguments involving trademark infringement. First, Tiffany alleged that eBay directly infringed on Tiffany in violation of federal law, under certain provisions of the Lanham Act.⁷¹ The Lanham Act provides that the owner of a mark that is registered with the United States Patent and Trademark Office can bring a civil suit against a person who has used the mark without the owner's consent.⁷² The Act defines "person" as those who may be held liable for trademark infringement.⁷³ In order to prevail on a trademark infringement claim, Tiffany needed to establish that a valid mark existed, the mark was entitled to protection, eBay used the mark in commerce, in connection with the sale or advertising of goods or services, and did so without the Tiffany's consent.⁷⁴ Tiffany asserted that eBay used Tiffany marks when it advertised the availability of Tiffany items.⁷⁵

67. *Id.* at 470.

68. *Id.* at 469.

69. *Id.*

70. *Id.*

71. *Id.* at 493-94.

72. Lanham Act, 15 U.S.C. §§ 1051-1141n (2008) (cited in *Tiffany*, 576 F. Supp. 2d at 491).

73. 15 U.S.C. § 1125(a) (1) (2006); 74 AM. JUR. 2D *Trademarks and Tradenames* § 131 (2009).

74. *Tiffany*, 576 F. Supp. 2d at 495.

75. *Id.*

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Second, and more central to this discussion, Tiffany claimed that eBay contributed to third party infringement under federal and common law.⁷⁶ Although not explicitly provided by the statutory scheme of the Lanham Act, courts have recognized a claim for contributory infringement.⁷⁷ The *Tiffany* court cited the leading United States Supreme Court case⁷⁸ on the issue which held:

If a manufacturer or distributor 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, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.⁷⁹ The Supreme Court's decision in *Inwood* empowered trademark owners to effectively police their marks.⁸⁰ Generally, contributory trademark liability only applies "if a defendant (1) intentionally induces another to infringe on a trademark, or (2) continues to supply the infringing product knowing the recipient will use the product to engage in trademark infringement."⁸¹

Because eBay did not intentionally infringe on the Tiffany marks,⁸² Tiffany had to prove that eBay knew, or had reason to know, of the infringement.⁸³

76. *Id.* at 501.

77. *Id.*

78. *Inwood Labs., Inc. v. Ives Labs., Inc.* 456 U.S. 844 (1982).

Inwood expanded the test of contributory trademark liability such that a manufacturer or distributor can be held liable if it induces another party to infringe a trademark or if it continues to supply its product to a party whom it knows or has reason to know is engaging in trademark infringement.

Kessler, *supra* note 46, at 381. In *Inwood*, the plaintiff brought suit claiming that the defendant's use of look-alike capsules and catalog entries induced pharmacists to mislabel the plaintiff's drugs, thereby infringing on its trademark. *Id.* at 382. The Supreme Court held in favor of the defendants because the defendants were not intentionally inducing the pharmacists and did not continue to supply the drugs once it learned of the error. *Id.*

79. *Tiffany*, 576 F. Supp. 2d at 502 (citing *Inwood Labs. Inc.*, 456 U.S. at 854).

80. Sunderji, *supra* note 20, at 920.

81. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996); 74 AM. JUR. 2D *Trademarks and Tradenames* § 131 (2009).

82. *See Tiffany*, 576 F. Supp. 2d at 502 ("Tiffany has not alleged that eBay

In addition, Tiffany argued that eBay was “willfully blind”⁸⁴ to the infringement, “[b]ecause willful blindness equals actual knowledge for the purpose of the Lanham Act.”⁸⁵ The term “willfully blind” describes a situation where a person purposefully fails to investigate the supposed infringement in an attempt to avoid knowledge and wrongdoing.⁸⁶ In addition to the knowledge requirements, under the *Inwood* test, Tiffany, as the distributor or manufacturer, had to show that eBay continued to supply Tiffany products to the infringer.⁸⁷

The court found that eBay was not liable for infringement on Tiffany’s trademark.⁸⁸ With regard to Tiffany’s direct infringement claim, the court found that eBay’s uses of the marks were protected by the doctrine of nominative fair use.⁸⁹ Nominative fair use allows a defendant to “use a plaintiff’s trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion about the source of the defendant’s product”⁹⁰ eBay was protected under the nominative fair use doctrine because: (1) the products in question, mainly jewelry, were not readily identifiable without the use of Tiffany marks; (2) eBay only used the Tiffany marks when reasonably necessary to identify the product; and (3) eBay did nothing to suggest it was sponsored or endorsed by Tiffany.⁹¹ Moreover, Tiffany presented little evidence suggesting eBay’s use of the Tiffany marks led customers to believe that Tiffany itself was selling jewelry on eBay.⁹²

In response to Tiffany’s second argument, the court found that eBay had not contributorily infringed on Tiffany’s marks.⁹³ The

intentionally induced infringement of Tiffany’s marks.”).

83. Sunderji, *supra* note 20, at 933.

84. *Tiffany*, 576 F. Supp. 2d at 513.

85. Sunderji, *supra* note 20, at 933; Kessler, *supra* note 46, at 399.

86. Kessler, *supra* note 46, at 399.

87. *Tiffany*, 576 F. Supp. 2d at 503-04 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982)).

88. *Id.* at 470.

89. *Id.* at 496.

90. *Id.*

91. *Id.* at 496-97.

92. *Id.* at 498.

93. *Id.* at 501.

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court stated that eBay is a “service,” not a product,⁹⁴ providing the necessary marketplace for counterfeiting, by supplying the software to upload the listing information and actively facilitating transactions.⁹⁵ The court also analyzed whether eBay had direct control over the means of the infringement, using the test from *Inwood*.⁹⁶ Central to Tiffany’s contributory infringement claim was proving eBay had knowledge or reason to know of the direct infringement.⁹⁷ The court found that “neither precedent nor policy support[ed] Tiffany’s contention that generalized allegations of infringement provide[d] defendants[, eBay,] with knowledge or a reason to know of the infringement.”⁹⁸ In reaching this conclusion, the court looked at the plain language of the *Inwood* test,⁹⁹ as well as other courts’ previous holdings.¹⁰⁰ Overall, the court found that eBay’s generalized knowledge of infringement did not require eBay to remove all Tiffany listings or discontinue its service to all those who might be engaged in counterfeiting.¹⁰¹

In essence, a plaintiff must show that a defendant knew or had reason to know of specific instances of actual infringement, instead of just generalized information.¹⁰² As Tiffany failed to make this

94. *Id.* at 506.

95. *Id.*

96. *See id.* at 507.

97. Sunderji, *supra* note 20, at 933.

98. *Tiffany*, 576 F. Supp. 2d at 510.

99. *Id.* at 508 (“The plain language of *Inwood* states that the manufacturer or distributor is contributorily liable when ‘it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.’” (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982)); *see also id.* (“The Supreme Court’s focus on individual infringers through its singular language is consistent with a requirement of specific, rather than general, knowledge.”).

100. *Id.* (“[A]t least one district court in this circuit to address this issue has held that ‘trademark plaintiffs bear a high burden in establishing ‘knowledge’ of contributory infringement.’” (citing *Gucci America Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409, 420 (S.D.N.Y. 2001))); *id.* (“[C]ourts have been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement.”).

101. *Id.* at 511.

102. *See id.* at 508 (eBay’s “generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.”); *see*

showing, it did not prove the knowledge requirement under the *Inwood* test.¹⁰³ Since eBay took necessary and reasonable steps to stop the infringement when alerted, eBay was not found to be willfully blind to the infringement.¹⁰⁴ “Willful blindness must be based on the actual state of mind of the defendant, and not on whether there was control or monitoring.”¹⁰⁵ Here, the evidence established that eBay took reasonable steps to investigate and stop the wrongful conduct when it had general knowledge of the counterfeiting.¹⁰⁶ All of these factors led the court to conclude that eBay was not guilty of contributory infringement.¹⁰⁷

This issue sparked a great deal of controversy, even before the trial had begun.¹⁰⁸ Many focused on how the court’s ruling would affect Internet businesses and trademark rights.¹⁰⁹ The court

also id. at 510 (“Given the presence of authentic goods on eBay, it therefore cannot be said that generalized knowledge of counterfeiting is sufficient to impute knowledge to eBay of any specific acts of actual infringement.”).

103. *See id.* at 513.

104. *Id.* at 515. “Were Tiffany to prevail on its argument that eBay was willfully blind, the ‘reason to know’ standard of the *Inwood* test would be inflated into an affirmative duty to take precautions against potential counterfeiters, even when eBay had no specific knowledge of the individual counterfeiters.” *Id.*

105. Kessler, *supra* note 46, at 400.

106. *Tiffany*, 576 F. Supp. 2d at 515.

107. *See id.* at 518 (the court stated: “(1) eBay exerted sufficient control over its website such that the *Inwood* test applies; (2) under the *Inwood* test, the appropriate measure is whether eBay knew or had reason to know of, not whether eBay could reasonably anticipate, the infringement; (3) generalized knowledge is insufficient to impute knowledge of any and all instances of infringing activity to eBay; (4) Tiffany’s demand letters, the Buying Programs, and the volume of NOCI reporting provided only generalized knowledge to eBay, which is insufficient to establish a duty to act; (5) eBay was not willfully blind to infringement; (6) when eBay had knowledge of specific infringing listings, eBay promptly terminated those listings; (7) when eBay had knowledge that a seller was repeatedly engaging in counterfeit activity, eBay’s pattern was to suspend that seller and then take further corrective action; and finally, (8) to the extent Tiffany challenges the VeRO Program on the grounds that it is too timeconsuming [sic], the burden of policing the Tiffany mark appropriately rests with Tiffany.”).

108. *See Farmer, supra* note 4 (discussing the pro-brand maker perspective and the pro-eBay perspective of the argument).

109. *See, e.g., Sunderji, supra* note 20, at 940 (“More importantly, the policy arguments on both sides reveal two unacceptable resolutions to the problem. If Tiffany prevails, eBay in its current state, cannot continue to exist. . . . On the other

recognized these competing interests, mentioning the potential business implications several times during the case, as well as the interplay between business interests and current trademark laws.¹¹⁰

The court implied that the traditional black-book trademark law should be amended to help deal with Internet situations such as this one. The court explained that while it “is sympathetic to Tiffany’s frustrations . . . the fact remains that rights holders bear the principal responsibility to police their trademarks.”¹¹¹ The court hints in its opinion that the current law is inadequate: “The Court is not unsympathetic to Tiffany and other rights owners who have invested enormous resources in developing their brands, only to see them illicitly and efficiently exploited by others on the Internet. Nevertheless, the law is clear”¹¹²

The court seemed to be concerned about the possible business implications to both parties if Tiffany were to prevail.¹¹³ Indeed, the pro-business point of view regarding e-commerce appeared to prevail throughout the court’s opinion. For example, in the court’s analysis of contributory infringement, it stated, “[w]ere Tiffany to prevail on its argument that generalized statements of infringement were sufficient to impute knowledge to eBay of any and all infringing acts, Tiffany’s rights in its mark would dramatically expand, potentially stifling legitimate sales of Tiffany goods on eBay.”¹¹⁴ Such statements, together with those mentioned above, make this case an interesting

hand, if eBay triumphs, trademark infringement on the Internet will likely increase, giving rise to more consumer confusion and a decrease in the goodwill of many trademarks.” (citations omitted)).

110. *Tiffany*, 576 Supp. 2d at 526 (“The rapid development of the Internet and websites like eBay have created new ways for sellers and buyers to connect to each other and to expand their businesses beyond geographical limits. These new markets have also, however, given counterfeiters new opportunities to expand their reach. The Court is not unsympathetic to Tiffany and other rights owners who have invested enormous resources in developing their brands, only to see them illicitly and efficiently exploited by others on the Internet. Nevertheless, the law is clear: it is the trademark owner’s burden to police its mark, and companies like eBay cannot be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their websites.”).

111. *Tiffany*, 576 F. Supp. 2d at 518.

112. *Id.* at 527.

113. *Id.*

114. *Tiffany*, 576 F. Supp. 2d at 510.

example of how the court interjected its own rationale into the decision.

Overall, it appears that the court's message is that the current laws governing trademarks, particularly the Lanham Act, do not adequately cover situations arising within the cyber context. One must be conscious of the business implications and dangers that may go along with a ruling that an online business can no longer sell items belonging to rights-owners. A new trademarks law should be drafted that deals specifically with the Internet. This new law should balance the rights and responsibilities of the rights-owners with those of the on-line businesses so that both receive some protection. By drafting such a law, both trademark holders and Internet business owners would receive some satisfaction.¹¹⁵

Tiffany v. eBay essentially placed the primary responsibility on the distributor to prevent fraudulent peer-to-peer sales online, while also recognizing that the facilitator of those peer-to-peer sales also bears some responsibility within the framework of the existing laws. Another interesting issue this case raises is "whether luxury goods companies should be able to limit the selling of their goods between consumers" and not just businesses.¹¹⁶ Almost simultaneously to when the Southern District of New York was hearing *Tiffany v. eBay*, a French court heard substantially similar claims brought against eBay, by LVMH, another luxury goods maker.¹¹⁷

III. LVMH v. EBAY

Although *Tiffany v. eBay* and *LVMH v. eBay* contain substantially similar facts and address virtually parallel claims against eBay, the French court ruled against eBay.¹¹⁸ Perhaps more striking, this

115. See discussion *infra* Part V.

116. George, *supra* note 17.

117. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l'ere chambre B, available at http://www.legalis.net/jurisprudence-decision.php3?id_article=2354.

118. *Id.* (in French: "Par ces motifs, Le Tribunal statuant publiquement par jugement contradictoire en premier ressort . . . Constate que les societes eBay Inc. Et eBay International AG ont commiss des fautes graves en manquant a leur obligation de s'assurer que leur activite ne generait pas des actes illicites au prejudice de la societe Christian Dior Couture, Dit que ces manquements ont ete prejudiciables a la societe Christian Dior Couture et necessitent reparation") (translated into English by

decision marked the third ruling in a two year period from a French court where eBay was held liable for facilitating the sale of counterfeit goods.¹¹⁹ The decision in *LVMH v. eBay*, when considered with the contradictory American ruling in favor of the Internet company, will likely enlarge this growing controversy.

A. LVMH

LVMH is the world's largest luxury goods corporation,¹²⁰ with brands ranging "from [Louis] Vuitton and Christian Dior to Fendi and Guerlain perfumes."¹²¹ Moët Hennessy and Louis Vuitton merged in 1987 to form LVMH.¹²² When the merger occurred, LVMH assumed its place in a lineage of businesses that has produced products such as champagne, leather goods, and cosmetics.¹²³ The House of Louis Vuitton was founded in 1854 and several of the companies which form the LVMH group today are centuries old.¹²⁴ Veuve Clicquot Ponsardin dates back to 1772, Hennessy to 1765, and Chateau d'Yquem as far back as 1593.¹²⁵

author: "For these reasons, the Court ruling publicly adversarial trial in the first instance . . . recognizes that companies eBay Inc. And ebay International AG have committed serious misconduct by failing in their obligation to ensure that their activity does not generate illegal acts to the detriment of the company Christian Dior Couture, said that these failure were prejudicial to the company Christian Dior Couture and require repair.").

119. Catherine Holahan & Carol Matlack, *eBay Gets Buffeted in Europe*, BUS. WK., July 1, 2008, available at http://www.businessweek.com/technology/content/jun2008/tc20080630_374448.htm?chan=top+news_top+news+index_news+%2B+analysis [hereinafter Holahan & Matlack].

120. *eBay's Legal Woes: Handbagged*, ECONOMIST, June 19, 2008, available at http://www.economist.com/business/displaystory.cfm?story_id=11580287 [hereinafter *eBay's Legal Woes: Handbagged*].

121. Carol Matlack, *LVMH v. eBay: A Counterfeit Suit*, BUS. WK., Sept. 22, 2006, available at http://www.businessweek.com/globalbiz/content/sep2006/gb20060922_888836.htm?chan=top+news_top+news+index_global+business [hereinafter Matlack, *LVMH v. eBay*].

122. LVMH.com, LVMH FAQ: Historical Background, http://www.lvmh.com/print.asp?rep=fonctionalite&page=pg_faq_histo.asp (last visited Oct. 26, 2009).

123. *Id.*

124. *Id.*

125. *Id.*

LVMH has always taken counterfeiting very seriously, almost personally.¹²⁶ In recent years, LVMH has become even more aggressive in protecting its brand.¹²⁷ LVMH employs investigators worldwide that scour auction websites for fakes, and regularly alerts eBay of fraudulent items.¹²⁸ On its website, LVMH notes the closing of several plants and stores that offered counterfeit products, as well as the dismantling of networks that manufacture counterfeit products, particularly in Asia.¹²⁹ In France, police operations ending in the arrest of vendors of counterfeit products have “helped to raise the awareness of the public to the fact that buying counterfeit products is also illegal.”¹³⁰ In addition, LVMH has initiated a proactive policy to inform the general public about enforcing anti-counterfeit measures to render those measures more efficient and effective.¹³¹

B. Case Background and Arguments

LVMH v. eBay originated as three separate suits brought by various LVMH companies that were joined due to the similarity of facts and legal issues each case presented.¹³² LVMH is a fashion group containing several high profile companies, including Christian Dior.¹³³ LVMH brought suit against eBay, claiming 90% of the Louis Vuitton bags and Dior perfumes sold on eBay’s website were

126. See LVMH.com, LVMH FAQ: Brand Protection, http://www.lvmh.com/print.asp?rep=fonctionalite&page=pg_fa_q_lutte.asp& (last visited Oct. 26, 2009) (“The luxury industry is particularly hard-hit by the counterfeiting of goods, which unlawfully takes advantage of the prestige of its brands and harms their tradition, identity, and image.”).

127. See Matlack, *LVMH v. eBay*, *supra* note 121.

128. *Id.*

129. See LVMH.com, LVMH FAQ: Brand Protection, http://www.lvmh.com/print.asp?rep=fonctionalite&page=pg_faq_lutte.asp& (last visited Oct. 26, 2009).

130. *Id.*

131. See *id.* (discussing LVMH’s anti-counterfeiting measures).

132. *LVMH v. eBay: Paris’ Tribunal de Commerce Holds eBay Liable*, LUXE CHRONICLES, June 30, 2008, http://www.theluxechronicles.com/the_luxe_chronicles/2008/06/after-two-long.html.

133. LVMH.com, <http://www.lvmh.com> (follow “The Group”; then follow “LVMH Companies and Brands”; then follow “Fashion & Leather Goods” and “Perfumes and Cosmetics”) (last visited Oct. 26, 2009).

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counterfeit.¹³⁴ Specifically, LVMH alleged in its complaint “that of the 300,000 Dior-branded items and 150,000 Vuitton bags offered on eBay during the first six months of [2006], 90% were fakes.”¹³⁵ LVMH filed suit in Paris Commercial Court seeking €50 million in damages.¹³⁶ LVMH alleged two main claims: (1) that eBay committed “serious errors” by not doing enough to prevent the sales of fake goods, including Louis Vuitton bags and Christian Dior products; and (2) that eBay allowed the sale of perfume brands owned by LVMH, such as Christian Dior and Givenchy that were unauthorized by the company.¹³⁷ LVMH argued that even if the perfumes were real, the sale of the perfumes on eBay’s website “violated Christian Dior’s distribution network which only allowed sales through specialist dealers.”¹³⁸

In its defense, eBay asserted that only the brand owner can “truly and effectively police its own brand.”¹³⁹ eBay called LVMH’s lawsuit an “abdication of its responsibility.”¹⁴⁰ Arguing it was a “host for independent vendors,” eBay further claimed it had limited responsibility and capacity to regulate what their members sell.¹⁴¹ Such a classification would allow eBay to fit under the European E-Commerce Directive 2000/31/EC,¹⁴² which states that a passive provider of “host” services is generally not considered responsible for its users.¹⁴³ The Directive defines a service provider as “any person

134. Carvajal, *supra* note 32.

135. Matlack, *LVMH v. eBay*, *supra* note 121.

136. Angelique Chrisafis, *eBay hit with £30m fine for sales of fake luxuries*, GUARDIAN, July 1, 2008, available at <http://www.guardian.co.uk/business/2008/jul/01/eBay.hitechcrime>.

137. *Id.*

138. *Id.*

139. Matlack, *LVMH v. eBay*, *supra* note 121.

140. *Id.*

141. Chrisafis, *supra* note 136.

142. Council Directive 2000/31, 2000 O.J. (L 178) (EC), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0031:EN:HTML>).

143. See Council Directive 2000/31, arts. 13-14, 2000 O.J. (L 178) (EC) (“Where an information society service is provided that consists of the storage of information provided by a recipient of the service, . . . the service provider is not liable for the information stored at the request of a recipient of the service, on condition that: (a) the provider does not have actual knowledge . . . ; or (b) the

providing an information society service.”¹⁴⁴ On a less substantive level, eBay also argued that French courts lack the jurisdiction to impose their “unusually restrictive commercial regulations” on worldwide commerce.¹⁴⁵ eBay contended, “[s]uccess in fighting counterfeits depends on the joint effort and cooperation between [itself], the rights owners, and law enforcement.”¹⁴⁶

C. ANALYSIS AND CRITIQUE OF THE COURT’S DECISION

On June 30, 2008, the Tribunal de Commerce in Paris held that eBay’s sites were subject to French law because eBay’s websites were accessible from France.¹⁴⁷ “The ruling applies to all eBay sites worldwide to the extent that they are accessible from France, and not merely to the company’s French site”¹⁴⁸ The court then addressed how eBay is classified under French law.¹⁴⁹ European E-Commerce Directive 2000/31/EC offers an exemption for host liability in cases in which the host lacks knowledge of the illegal information uploaded to its system, so long as the host removes or blocks the illegal information upon becoming aware of it.¹⁵⁰ The Directive also states:

provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.”); *see also* Roger Parloff, *eBay Scrambles to Reverse Loss in LVMH Case*, LEGAL PAD, July 9, 2008, <http://legalpad.blogs.fortune.cnn.com/2008/07/09/eBay-scrambles-to-reverse-loss-in-lvmh-case/>.

144. Parloff, *supra* note 143.

145. *Id.*

146. Matlack, *LVMH v. eBay*, *supra* note 121.

147. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354 (in French: “dès lors qu’un site internet est accessible au public français, les tribunaux français sont compétents pour réparer le dommage réalisé en France, ce qui est le cas des sites eBay ainsi que le constate le Tribunal.”) (translated into English by author: “[W]hen a website is accessible to the public French, French courts are competent to repair the damage done in France, which is where site eBay [is accessible] and the Tribunal finds.”).

148. *See* Parloff, *supra* note 143.

149. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354.

150. Council Directive 2000/31, arts. 13-14, 2000 O.J. (L 178) (EC); *see*

“[h]osting providers cannot be obligated to actively search for illegal content uploaded by their customers.”¹⁵¹

The Directive applies only to service providers within the European Union.¹⁵² “The E-commerce Directive defines hosting services as services that consist of the storage of information provided by a service recipient.”¹⁵³ The court, in applying this definition, found eBay functioned, not as a “passive host,” but rather as an “active broker” because eBay plays an active role in facilitating sales and profits from the sales.¹⁵⁴ Further, the court focused on eBay’s “acknowledge[ment] that fraud exists” by “constantly reminding users to its sites [to] respect the law and regulations in force” including the VERO program.¹⁵⁵ Based on these findings, the Tribunal de Commerce in Paris classified eBay as a broker and not a “simple technical provider.”¹⁵⁶ The court acknowledged eBay’s role as a service provider but said that its roles of service provider and broker

supra note 143 and accompanying text.

151. Van Eecke & Truyens, *supra* note 15, at 25.

152. Thomas Livolsi, Comment, *Scope of E-Commerce Directive 2000/31/EC of June 8, 2000*, 7 COLUM. J. EUR. L. 473, 475-76 (2001).

153. Van Eecke & Truyens, *supra* note 15, at 25.

154. Parloff, *supra* note 143.

155. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ère chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php?id_article=2354 (in French: “Attendu cependant que eBay reconnaît que les fraudes existent, sont importantes et doivent être combattues, quelle déclare participer pleinement à la lutte contre la contrefaçon en rappelant sans cesse aux utilisateurs de ses sites le respect de la loi et des règlements en vigueur, en ayant mis en place un système intitulé ‘Vero’ qui est un ‘programme d’aide à la protection de la propriété intellectuelle.’”) (translated into English by author: “Considering, however, that eBay acknowledges that fraud exists, is important and must be combated, which states participate fully in the fight against counterfeiting by constantly reminding users to its sites respect the law and regulations in force, having been a system called ‘Vero’ is an ‘aid program for the protection of intellectual property.’”).

156. *Id.* (discussing eBay as “a site broker” that is an “intermediary between buyers and sellers, as eBay is developing tools specifically designed to ensure the promotion and development of sales on its sites.”) (in French: eBay est l’intermédiation entre vendeurs et acheteurs, que eBay met en place des outils destinés spécifiquement à assurer la promotion et le développement des ventes sur ses sites à travers); Van Eecke & Truyens, *supra* note 15, at 25.

are “indivisible.”¹⁵⁷ The court decided to hold eBay responsible for illegal activity of others conducted on its website because eBay directly profits from the sales and fees charged.¹⁵⁸

Further, the court found eBay liable for negligence based on “illicit sale of perfumes” and for not adequately preventing counterfeiting on its website.¹⁵⁹ The court found that eBay had “made serious mistakes,” and had failed to fulfill its obligations to ensure that sales on their website were legal.¹⁶⁰ “The court concluded that eBay was not doing enough to combat counterfeit sales and should be forcing sellers to post more product information to guarantee authenticity.”¹⁶¹ The court made the ruling because,

[I]t appear[ed] that the responsibility of eBay is significant as it has deliberately refused to put in place effective and appropriate measures to fight against counterfeiting, such as those of requiring sellers to provide on request the invoice or a certificate of authenticity of products sold, to punish any vendor[’s] wrongdoing permanently closing its account from the finding of fault, to immediately remove illegal ads reports to the services of the company Christian Dior Couture loaded the fight against counterfeiting.¹⁶²

157. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354.

158. Holahan & Matlack, *supra* note 119.

159. Pierre-Antoine Souchard, *France Faults eBay Over Fake Goods*, WASH. POST, July 1, 2008, at D08.

160. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354 (in French: “Attendu que eBay a bien commis de graves fautes”) (translated into English by author: “Considering that eBay has made serious mistakes”).

161. Carvajal, *supra* note 32. “According to the court, eBay should instead use all means to force sellers to extensively identify the items put up for sale with information such as the product code, serial number, type indications, authenticity certificate, etc.” Van Eecke & Truyens, *supra* note 15, at 25.

162. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354 (in French: “Attendu qu’il apparaît que la responsabilité de eBay est d’autant plus importante qu’elle a délibérément refusé de mettre en place les mesures efficaces et appropriées

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As a result of these findings, the Tribunal de Commerce of Paris entered judgment against eBay, ordering it to pay LVMH \$61 million.¹⁶³ The court authorized distribution of the monetary penalty to Louis Vuitton, Dior Couture, Dior Parfums, Kenzo, Givenchy, and Guerlain.¹⁶⁴ The large penalty may have come as a surprise to many, because French courts rarely make large damage awards in lawsuits.¹⁶⁵ In addition, eBay was enjoined from the sale of any LVMH perfumes on its website.¹⁶⁶ The injunction requires eBay to block not only all sales of counterfeit LVMH products on its website, but also to block all sales of genuine perfumes by unauthorized dealers.¹⁶⁷ Further, the injunction applies to all eBay websites worldwide, not just its French website.¹⁶⁸ To enforce compliance with this injunction, the court will penalize eBay €50,000, or roughly \$78,000, each day it does not remove LVMH products from its website.¹⁶⁹

eBay stated its intention to fight the ruling, saying it refuses to comply with this “totally ridiculous” decision.¹⁷⁰ eBay claimed that large luxury goods companies, such as LVMH, use counterfeiting as a “stalking horse” to attack online commerce in order to “keep a stranglehold of sales outlets to the detriment of consumers.”¹⁷¹

pour lutter contre la contrefaçon, comme celles consistant à imposer aux vendeurs de fournir sur simple demande la facture d’achat ou un certificat d’authenticité des produits mis en vente, à sanctionner tout vendeur fautif en fermant définitivement son compte dès la constatation de la faute, à retirer immédiatement les annonces illicites signalées par les services de la société Christian Dior Couture chargés de la lutte contre la contrefaçon,).

163. Souchard, *supra* note 159, at D08.

164. *eBay Punished for Fake Goods Sales*, CONNEXION, July 1, 2008, http://www.connexionfrance.com/news_articles.php?id=229 [hereinafter *eBay Punished for Fake Goods Sales*].

165. See Matlack, *LVMH v. eBay*, *supra* note 121.

166. Parloff, *supra* note 143.

167. *Id.*

168. *Id.*

169. Holahan & Matlack, *supra* note 119.

170. *Id.*

171. Chrisafis, *supra* note 136; see also Andrew Charlesworth, *eBay Slams European ‘Digital Protectionism’*, V3.CO.UK, June 24, 2008, <http://www.vnunet.com/vnunet/news/2219890/e-bay-european-ecommerce> (“[e]Bay is lobbying the European Parliament today to outlaw what it calls a culture

LVMH, on the other hand, lauded the ruling: “Until now, eBay hid behind its status as a host site. They gambled on this defence [sic] [and lost].”¹⁷² LVMH said the decision was “crucial for the creative industry and ‘protected brands by considering them an important part of French heritage.’”¹⁷³

eBay requested a stay for the injunctive portion of the ruling from the French Court of Appeals in order to avoid paying the daily fine imposed.¹⁷⁴ eBay stated a delay of the injunction for four months was the “necessary minimum to implement the technical and human means which [it] has to try and carry out the pronounced injunctions.”¹⁷⁵ Specifically, eBay argued that the “state of technology” was not capable of filtering all the sales in an absolute way, and that the injunction hindered access to human rights and fundamental freedom.¹⁷⁶ The court rejected eBay’s arguments and declined to stay the injunction.¹⁷⁷ As a result of the court’s rejection, eBay may next

of ‘digital protectionism’ in Europe.”).

172. *eBay Punished for Fake Goods Sales*, *supra* note 164; *see also* Matlack, *LVMH v. eBay*, *supra* note 121 (“eBay’s longstanding practice of letting buyers and sellers make deals on its site with minimal supervision by the company.”).

173. Chrisafis, *supra* note 136.

174. Cour d’appel [CA] [regional court of appeal] Paris, l’ère chambre, July 11, 2008, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2372 (in French: “Arrêter l’exécution provisoire prononcée par le jugement du tribunal de commerce de Paris du 30 juin 2008 en ce qu’il a . . .”).

175. *Id.* (in French: “ce délai constituant le minimum indispensable pour mettre en oeuvre les moyens techniques et humains dont elle dispose pour tenter d’exécuter les injonctions prononcées.”).

176. *Id.* (in French: “Que, compte tenu de l’état de la technologie à ce jour et des moyens techniques dont elles disposent, elles ne sont pas en mesure de filtrer de manière absolue toutes les annonces visées par les injonctions ;Que l’impossibilité technique d’exécuter à titre provisoire les injonctions a également de graves conséquences car elle entrave leur accès au juge d’appel, pourtant garanti par l’article 6 de la convention européenne de sauvegarde des droits de l’homme et des libertés fondamentales.”) (translated into English by author: That, given the state of technology to date and technical means at their disposal, they are not able to filter absolutely all advertisements covered by the injunction; that is technically impossible to run on a provisional injunctions also has serious consequences because it impedes their access to the courts of appeal, as guaranteed by Article 6 of the European Convention on Human Rights and fundamental freedoms.”).

177. *Id.*

seek a stay from the Cours de Cassation, France's highest court.¹⁷⁸ eBay also has considered the possibility of appealing to a different European court, such as the European Court for Human Rights in Strasburg, France.¹⁷⁹ "eBay would argue that the decision illegally restricts the freedoms of European consumers."¹⁸⁰

In its effort to overturn the French court's decision, eBay, along with three members of the European parliament, plan to "argue in Brussels that the [I]nternet has been unfairly portrayed by luxury-goods firms as the root cause of counterfeiting."¹⁸¹ eBay hopes to convince the "European Commission to rewrite the rules on 'selective distribution', which allow manufacturers to control how their products are sold online" because, in eBay's opinion, the current rules are "stifling e-commerce in Europe."¹⁸² This is a huge step for eBay, as the commissioners, with the goal of "maintain[ing] and develop[ing] freedom, security, and justice through a seamless Europe[.]" represent the interests of the entire European community, not only their respective home countries.¹⁸³ No matter what the final outcome, the policies behind the French decision will likely be viewed unfavorably in light of Europe's changing perspective regarding e-commerce.

Recently, eBay took the initiative to meet with luxury goods manufacturers to discuss methods of policing counterfeit sales.¹⁸⁴ Both sides discussed important issues such as tracking repeat offenders, working together with local enforcement, and drafting better legislation, both locally and internationally, that protects the interests of all parties.¹⁸⁵

178. See Parloff, *supra* note 143.

179. *Id.*

180. *Id.*

181. *eBay's Legal Woes: Handbagged*, *supra* note 120.

182. *Id.*

183. Micheael L. Rustad, *Circles of E-Consumer Trust: Old E-America v. New E-Europe*, 16 MICH. ST. J. INT'L L. 183, 186 (2007). "The Commission proposes and implements community-wide legislation and is the formal guardian of European Community treaties." *Id.*

184. John Leyden, *eBay breaks bread with luxury goods firms*, REGISTER, July 21, 2008, available at http://www.theregister.co.uk/2008/07/21/ebay_counterfeit_summit/.

185. *Id.*

French courts have taken a stricter stance on e-commerce and the freedom of speech in cyberspace, in comparison to courts in other jurisdictions.¹⁸⁶ Many prominent luxury goods corporations, such as LVMH, are incorporated in France, and have contributed to the country's stylish history and image.¹⁸⁷ The French feel the Internet, specifically e-commerce, threatens this history and image.¹⁸⁸ Based on this perception, France fiercely protects its stylish lineage.¹⁸⁹

The result is a low opinion of Internet corporations and e-commerce, particularly from corporations that deal in luxury goods.¹⁹⁰ Even local law enforcement has become involved with the counterfeiting issue, arresting vendors and seizing products, which has helped raise public awareness of the problem.¹⁹¹ With strong opinions

186. See Souchard, *supra* note 159, at D08; see also John Oates, *eBay wins right to not police counterfeit goods*, REGISTER, Aug. 13, 2008, available at http://www.theregister.co.uk/2008/08/13/ebay_loreal/ (discussing how a Belgian court "threw out" a complaint by L'Oreal that eBay was not doing enough to combat counterfeit items on its site). See generally *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008).

187. See JOAN DEJEAN, THE ESSENCE OF STYLE: HOW THE FRENCH INVENTED HIGH FASHION, FINE FOOD, CHIC CAFES, STYLE, SOPHISTICATION, AND GLAMOUR 8 (First Free Press 2005) ("Thus, virtually under royal decree, France embarked on the most extraordinary age of creativity in its history. By the end of the seventeenth century, the two concepts that have ever since been most essential to both the country's fame and its trade balance had been invented and had immediately become inextricable from France's national image: haute cuisine and haute couture.").

188. See LVMH.com, LVMH FAQ: Brand Protection, http://www.lvmh.com/print.asp?rep=fonctionalite&page=pg_fa_q_lutte.asp& (last visited Oct. 26, 2009) ("The luxury industry is particularly hard-hit by the counterfeiting of goods, which unlawfully takes advantage of the prestige of its brands and harms their tradition, identity and image.").

189. See *id.* ("The luxury industry is particularly hard-hit by the counterfeiting of goods, which unlawfully takes advantage of the prestige of its brands and harms their tradition, identity and image."); see also Monica Horten, *Is the EU Gunning for eBay?*, IPTEGRITY.COM, May 16, 2008, http://www.iptegrity.com/index.php?option=com_content&task=view&id=95&Itemid=9 (statement of Phillippe Lacoste, chairman of Lacoste clothing manufacturer) ("eBay ils doivent prendre responsabilite," which translates to, "eBay must take responsibility.").

190. See Holahan & Matlack, *supra* note 115 (statement of LVMH) ("This decision represents an important step in protecting brands and products against parasitic practices.").

191. See LVMH.com, LVMH FAQ: Brand Protection, http://www.lvmh.com/print.asp?rep=fonctionalite&page=pg_fa_q_lutte.asp& (last

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against counterfeiting permeating throughout French culture, French courts likely seek more to protect historical French corporations, than to seriously address counterfeiters.¹⁹² eBay has recognized the policy and cultural underpinnings embedded in this decision.¹⁹³

European courts' underlying desire to protect luxury goods dealers likely affected this court's application of the law.¹⁹⁴ The court stated that eBay caused "damage to the image of Christian Dior Couture and moral damage" in that the sale of counterfeit items on the

visited Oct. 26, 2009).

192. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l'ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354 (discussing that Christian Dior Couture and other brands have "after decades of hard work recognized, an outstanding global reputation placing them among the most prestigious brands in the world" and how that reputation creates the desire to protect it from "fake or parasitic activities.") (in French: "Attendu que la société Christian Dior Couture crée, fabrique et commercialise des produits de haute-couture, de maroquinerie, de prêt-à-porter, de joaillerie, bijouterie et horlogerie sous les marques Christian Dior et Dior, que ces marques bénéficient, après des décennies d'un travail considérable reconnu, d'une notoriété mondiale exceptionnelle les plaçant parmi les plus prestigieuses marques du monde . . . Attendu que cette notoriété voulue et entretenue par la société Christian Dior Couture suscite par ailleurs de nombreuses convoitises qui se manifestent notamment sous la forme de contrefaçons ou d'activités parasitaires diverses."). *Id.* (discussing how "trade globalization and the emergence of new media . . . encouraged the marketing of fraudulent products" and how eBay helps encourage counterfeiting simply by being "a major player in electronic commerce.") (in French: "Attendu que la mondialisation des échanges et l'apparition de nouveaux moyens de communication liés à la liberté du commerce ont favorisé la commercialisation de produits frauduleux dont ceux faisant l'objet de la contrefaçon, fléau de l'économie légale . . . Attendu qu'eBay est l'acteur majeur du commerce électronique.").

193. See Chrisafis, *supra* note 136 ("The big issue here doesn't seem to be to do with counterfeiting—if it was they would have gone after the counterfeiters. It's about saying we are a luxury brand, we don't want others selling our goods, even if they are real.").

194. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l'ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354 (in French: Attendu que la vente de produits contrefaits sur internet dégrade l'image des produits de luxe des marques Dior et que le caractère personnel, direct et certain du préjudice subi par la société Christian Dior Couture est constant.") (translated into English by author: "Whereas the sale of counterfeit goods on the Internet degrades the image of luxury goods brands as Dior and personal character, and some direct injury suffered by the company Christian Dior Couture is constant.").

Internet “degrades the image of luxury goods brands such as Dior.”¹⁹⁵ These statements may raise questions for the European Court of Justice in Luxemburg over the proper application of the policy against holding passive “host” Internet service providers responsible for the violations of its users.¹⁹⁶ Although eBay’s business model does not entirely fit within the scope of the Directive’s definition of a hosting provider, the court’s reasoning can be questioned in light of the Directive’s original purpose,¹⁹⁷ which was to develop e-commerce.¹⁹⁸ The case also illustrates the boundaries of the Directive’s special liability regime.¹⁹⁹ Courts across Europe tend to disregard this special liability regime for hosting providers.²⁰⁰ As a result, the European Commission is currently investigating this and related court decisions and reviewing aspects of the Directive itself.²⁰¹

Accounting for French views regarding luxury goods dealers and the court’s decision, which conflicts with the Directive, it appears that the LVMH decision rested more on policy than the applicable law. The Directive allows an exemption for host liability where the host takes action upon becoming aware of the situation, but also states that host providers cannot be obligated to actively search for illegal content uploaded by its customers.²⁰² Under these provisions, eBay should only have been liable if it had the knowledge of specific counterfeiting actions and failed to act. The court, however, found eBay liable in part because of its failure to “ensure that [its] activity does not generate illegal acts to the detriment of the company[,] Chirstian Dior Couture.”²⁰³ On its face, the ruling appears to be in

195. *Id.* (in French: “Attendu que la vente de produits contrefaits sur internet dégrade l’image des produits de luxe des marques Dior . . .”).

196. Parloff, *supra* note 143.

197. Van Eecke & Truyens, *supra* note 15, at 25.

198. Livolsi, *supra* note 152, at 473 (discussing the purposes of the Directive as developing electronic commerce and to “reap the more immediate benefits that electronic commerce can provide.”).

199. Van Eecke & Truyens, *supra* note 15, at 25.

200. *Id.* at 25-26.

201. *Id.* at 26.

202. *Id.* at 25.

203. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354 (in French:

direct conflict with the provisions available under the terms of the Directive.

The amount of damages awarded in this case further supports the position that the decision was policy-based rather than law-based.²⁰⁴ The court's large monetary award in *LVMH v. eBay* may have been made to serve as a message to both counterfeiters and those that host or facilitate potential counterfeiters, that such practices will not be tolerated. Lawmakers in France appear to be sending the same message, going so far as to hold a conference on the matter, but not formally giving eBay an opportunity to state its case on the conference floor.²⁰⁵ At this conference, Marc Antoine Jamet, chairman of Unifab, the French anti-counterfeit organization, "called directly for legislative controls to be placed on the large Internet sites, including eBay"²⁰⁶

Overall, there is a strong policy in France and other European countries to protect luxury goods dealers.²⁰⁷ Such dealers, like LVMH, have a long and prominent history in France, as well as an important company standing.²⁰⁸ The court demonstrated this policy of shielding luxury goods companies in *LVMH*, both in applying the law, seemingly incorrectly, as well as by awarding an uncharacteristically large monetary judgment against eBay.²⁰⁹ This decision, along with the actions of the European Commission, and even local law enforcement, sends the message to Internet companies, like eBay, to stay away from European luxury goods dealers.

"Attendu en effet que eBay a manqué à son obligation de s'assurer que son activité ne génère pas d'actes illicites, en l'espèce d'actes de contrefaçon, au préjudice d'un acteur économique tel que la société Christian Dior Couture.").

204. See Matlack, *LVMH v. eBay*, *supra* note 121 ("One point for eBay is that French courts rarely make large damage awards in lawsuits To prove it suffered the tens of millions in damages claimed, LVMH would have to provide evidence on each sale involving a fake product . . .").

205. Horten, *supra* note 189.

206. *Id.*

207. See Caroline Casalonga and Jean-Christophe Guerrini, *France: A Guide to French Anti-Counterfeiting Law*, MONDAQ INTELL. PROP. Aug. 31, 2009, <http://www.mondaq.com/article.asp?articleid=80000>.

208. See DEJEAN, *supra* note 187, at 36-37 (discussing the beginning of high fashion and how modern high fashion reflects these historical roots).

209. See Matlack, *LVMH v. eBay*, *supra* note 121.

The differences between the laws of the United States and France are more distinct due to the practical application and underlying social policies of the laws. Despite these distinctions, there are more similarities, than may be expected at first glance. Thus, while the two similar cases resulted with disturbingly dissimilar decisions, the ideals behind the decisions may not be so different.

IV. COMPARISON OF AMERICAN AND FRENCH COURTS' TREATMENT OF TRADEMARK INFRINGEMENT

Both cases illustrate the importance of acknowledging the Internet when drafting new trademark infringement legislation. The courts in these two cases applied different laws, but more importantly, they applied these laws based upon differing social policies. Therefore, it is important to understand the basic laws in both *Tiffany v. eBay* and *LVMH v. eBay*. Once the law is understood, the public policy becomes apparent in the courts' applications of the laws.

A. American and French Trademark and E-Commerce Laws

Generally, American trademark law serves two purposes: "furthering commerce" and "ensuring equitable transactions where money alone fails to set the wronged party right."²¹⁰ In *Tiffany v. eBay*, the cause of action arose from alleged violations of the Lanham Act.²¹¹ As indicated by the broad intent of the Act, "Congress wanted to protect both registered marks and well-known unregistered marks from unfair competition."²¹² Prior to the Act, federal courts throughout the country issued conflicting decisions based on their interpretations of inconsistent state trademark statutes.²¹³ The Lanham

210. Jason Berne, Comment, *Court Intervention But Not In a Classic Form: A Survey of Remedies in Internet Trademark Cases*, 43 ST. LOUIS U. L.J. 1157, 1205 (1999).

211. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 493-94 (S.D.N.Y. 2008).

212. Andrew Brabender, Note, *Internet Trademark Disputes; A Modified Approach to the Applicability of the "Goods or Services" Requirement in the Lanham Act*, 41 NEW ENG. L. REV. 115, 121 (2006).

213. See *id.* at 120 ("The application of state law led to many inconsistent decisions related to trademark disputes, prompting Congress to push for the enactment of a federal trademark law.."); see also *id.* at 138-39.

Act reflects the combination of a variety of court opinions regarding trademark infringement and unfair competition.²¹⁴ Overall, the Lanham Act provides uniform federal law and “expands the protection afforded by state trademark law.”²¹⁵

Due to changing business practices, the Lanham Act was amended by the Trademark Law Revision Act of 1988.²¹⁶ Some important provisional changes to the Lanham Act dealt with commercial advertising and promotion.²¹⁷ Advertising is lucrative for companies whose websites often display products to draw in business.²¹⁸ Because advertising plays such an important role in a website’s business, it made sense for the provisional changes to specifically address it. While this undoubtedly helped clear up some confusion the courts had in applying the Lanham Act to modern day trademark issues, the revisions did not explicitly address e-commerce.²¹⁹

In contrast, the European E-Commerce Directive 2000/31/EC explicitly attends to several e-commerce issues.²²⁰ Adopted in 2000, the Directive “was created to encourage and promote the development of e-commerce by providing legal certainty and clarity”²²¹ The purpose of the Directive was thus grounded in economics.²²²

214. See Sunderji, *supra* note 20, at 917 (“The Lanham Act was introduced as a bill ‘to place all matters relating to trademarks in one statute and to eliminate judicial obscurity . . . and [to make] relief against infringement prompt and effective.’”); see also Brabender, *supra* note 212, at 123 (“With confusion over the interpretation of select provisions of the Lanham Act, Congress created the Trademark Review Commission to recommend changes that would unify the federal circuits in their interpretation of the Act.” (citation omitted)).

215. EDWARD P. DAVIS, JR., ET. AL., *Potential Liability on the Internet, in PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES 7, 78* (Thomson Reuters 2009) (2001).

216. Brabender, *supra* note 212, at 139.

217. *Id.* at 140.

218. Kessler, *supra* note 46, at 393.

219. Cf. Brabender, *supra* note 212, at 139 (“[A]lthough the Trademark Law Revision Act of 1988 changed several key phrases in the text of the statute, the underlying purpose of the Act remained the same: to protect business trademark owners and public consumers.”).

220. Van Eecke & Truyens, *supra* note 15, at 25 (“The case is an interesting illustration of the difficulties that are currently associated with the special liability regime for hosting providers . . . under the European E-Commerce Directive.”).

221. Patrick Van Eecke & Barbara Ooms, *ISP Liability and the E-Commerce Directive: A Growing Trend Toward Greater Responsibility for ISPS*, 11 No. 4 J.

Of particular importance to the analysis in *LVMH v. eBay* is the limited liability regime within the Directive. These limitations only apply to specific online service providers, including hosting providers, and cover liability for all types of illegal activities initiated by third parties, such as trademark infringement.²²³ Lastly, this provision applies only to monetary damages, leaving the possibility of injunctive relief in the courts.²²⁴

While the Lanham Act and the E-Commerce Directive have key differences, the laws also exhibit similarities. Both require knowledge on the part of the alleged infringer, in these cases eBay.²²⁵ The court in *Tiffany v. eBay* rationalized that Tiffany had not shown the requisite knowledge necessary to hold eBay liable for trademark infringement.²²⁶ Similarly, under the Directive, “[a] hosting provider may not be held liable when it does not have actual knowledge of illegal activity or information.”²²⁷ One difference between the two knowledge requirements is that under the Lanham Act, according to the *Inwood* test, general knowledge is insufficient to meet the knowledge requirement,²²⁸ whereas under the Directive the knowledge requirement is satisfied if the hosting provider is simply “aware of facts or circumstances from which the illegal activity or information is apparent.”²²⁹

The Lanham Act and the Directive both require a host provider to act once it has knowledge of illegal activity.²³⁰ In *Tiffany v. eBay*, the

INTERNET L. 3, 3 (2007) [hereinafter Van Eecke & Ooms].

222. See Livolsi, *supra* note 152, at 474 (“Acknowledging the economic stake in e-commerce, the European Commission put forth in 1997 a communication entitled A European Initiative on Electronic Commerce.”).

223. Van Eecke & Ooms, *supra* note 221, at 4.

224. *Id.*

225. See *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008) (stating that a manufacturer must know or have reason to know of the infringement in order to be liable); see also Council Directive 2000/31, arts. 13-14, 2000 O.J. (L 178) (EC) (stating that a service provider “is not liable” for damages if it does not have actual knowledge of the unlawful act).

226. *Tiffany*, 576 F. Supp. 2d at 518.

227. Van Eecke & Ooms, *supra* note 221, at 4.

228. *Tiffany*, 576 F. Supp. 2d at 514.

229. Van Eecke & Ooms, *supra* note 221, at 4.

230. Sunderji, *supra* note 20, at 920 (discussing the rule set in the United States Supreme Court that if the manufacturer or distributor continues to act once it

court outlined steps eBay took to remove the illegal items once it learned of the illegal sales.²³¹ The court considered the removal of the infringing items as a factor in determining whether or not an intermediary had knowledge of the illegal activity.²³² The Directive explicitly requires action by the hosting provider once it has knowledge of the illegal activity.²³³ The hosting provider must remove or disable public access to the illegal information.²³⁴ Therefore, the classification of the alleged Internet counterfeiter plays a determinative role in the application of the law.

B. Application and Public Policy of France's Trademark and E-Commerce Directive

While there are similarities between the requirements of the Lanham Act and the E-Commerce Directive, there remain stark differences in how American and French courts interpreted the laws' respective provisions. For example, both United States and French law require courts to decide what role eBay played in the overall counterfeiting process; however, the courts differed in this determination.²³⁵

In *Tiffany v. eBay*, the court labeled eBay a servicer of the website, and did not discuss eBay as a host provider.²³⁶ A service

knows or has reason to know of the infringement, there is liability); Council Directive 2000/31, arts. 13-14, 2000 O.J. (L 178) (EC) (discussing that if a service provider does have actual knowledge of the unlawful act, it must act to remove the information or disable access to the information).

231. *Tiffany*, 576 F. Supp. 2d at 487-88.

232. *Id.* at 514 (discussing the anti-fraud measures that eBay took to prevent counterfeiters and how these helped the court decide that eBay was not willfully blind).

233. Van Eecke & Ooms, *supra* note 221, at 5 ("Should a hosting provider obtain knowledge or awareness of an illegal activity or information, then it must expeditiously remove or disable access to the information.").

234. *Id.*

235. Compare Van Eecke, & Truyens, *supra* note 15, at 25 ("According to this Directive . . . hosting providers cannot be obligated to actively search for illegal content uploaded by their customers."), with *Tiffany*, 576 F. Supp. 2d at 506 ("Accordingly, the Court will look not only to whether eBay provided the necessary marketplace for the counterfeiting . . . but further, to whether eBay had direct control over the means of the infringement.").

236. *Tiffany*, 576 F. Supp. 2d at 506.

provider supplies online services, network access or operates such facilities.²³⁷ Conversely, in *LVMH v. eBay*, the French court labeled eBay as a hosting provider, because “it stores information uploaded by its customers regarding items put up for sale.”²³⁸ The French court considered eBay an “online auction service provider” as it offers tools to sell items, “presents items in an attractive way, and imposes a set of auction rules on sellers and buyers.”²³⁹ Subsequently, the French court found eBay could not benefit from the special liability regime set up under the Directive, and thus ordinary liability rules applied.²⁴⁰ However, based on the clear wording of the Directive, however, eBay should have received protection through the special liability regime, regardless of being an auction provider, due to its role as a hosting provider.²⁴¹

Public policy behind e-commerce and traditional business practices appears to have swayed courts’ applications of the Directive. For example, European courts tend to disregard the special liability regime in the Directive for hosting providers.²⁴² The language in the Directive adds to the overall confusion. Namely, Article 15 of the Directive does not create a general obligation to monitor information, but still also allows courts to impose an obligation in specific cases.²⁴³ The courts also have broad discretion in interpreting such distinctions, and it is not easy to make a clear-cut distinction between the two monitoring obligations.²⁴⁴ Public policy fills the void left by the

237. DAVIS ET AL., *supra* note 215, at 37-38. (“[T]he term ‘service provider’ is defined as ‘an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.’”).

238. Van Eecke & Truyens, *supra* note 15, at 25.

239. *Id.*

240. *Id.*

241. *Id.*

242. *Id.* at 25-26.

243. Van Eecke, & Ooms, *supra* note 221, at 5.

244. *Id.* (“[I]f certain measures are required from a mere conduit, a caching, or a hosting provider, such measures cannot imply a *general* obligation to monitor the information that they transmit or store. Instead, monitoring obligations may be imposed in *specific cases*. The interpretation of this distinction is left to the national legislators and the national judges. In our opinion, it is not easy to make a clear distinction between monitoring obligations of a general nature and monitoring

Directive.²⁴⁵ Even in applying the law, the Directive is not the only factor taken into consideration; another factor is the context of law that “protects public health, and consumer interests.”²⁴⁶ In light of *LVMH v. eBay* and other cases, the European Commission has begun to review the application of the Directive.²⁴⁷

Differing cultural ideas about acceptable business practices may have also influenced the two courts’ final decisions regarding eBay’s liability. For example, “[t]he practice of selling genuine products through unauthorized channels—sometimes called gray marketeering—is generally lawful in the United States because it is thought to benefit the consumer.”²⁴⁸ In direct contrast, France fiercely protects their luxury goods and their brands.²⁴⁹ Other court decisions in France have highlighted this business attitude. In *Hermes v. eBay*,²⁵⁰ for example, the court ordered eBay to pay €20,000 for not properly inspecting the sale of handbags.²⁵¹

In addition to differing business practices, each country holds differing views on large Internet companies in general. American businesses have embraced the “electronic revolution,” and the government has played an active role in promoting e-commerce and Internet use.²⁵² The French take a very different stance. In addition to

obligations in specific cases.”).

245. *Id.* (“In a few cases, we even see a tendency of judges to disregard Article 15 of the E-Commerce Directive by imposing injunctions on online service providers that contain broad monitoring obligations.”).

246. Livolsi, *supra* note 152, at 476.

247. Van Eecke & Truyens, *supra* note 15, at 26.

248. Parloff, *supra* note 143.

249. *See* Carvajal, *supra* note 32; *see also* LVMH.com, LVMH FAQ: Brand Protection, http://www.lvmh.com/print.asp?rep=fonctionalite&page=pg_faq_lutte.asp& (last visited Oct. 26, 2009) (“In France, police operations leading to the arrest of itinerant vendors of counterfeit products and the seizure of products from consumers have helped to raise the awareness of the public to the fact that buying counterfeit products is also illegal.”).

250. Van Eecke & Truyens, *supra* note 15, at 25.

251. Carvajal, *supra* note 32.

252. *See Hearing on Electronic Commerce Before the H. Small Business Subcomm. on Government Programs*, 106th Cong. 2-3 (2000) (statement of Rep. Roscoe Bartlett, Chairman of Small Business Subcomm. on Government Programs) (“Many businesses in the private sector are now relying upon the Internet to buy goods and services.”).

being targeted by lawmakers,²⁵³ Internet companies are also targeted by luxury companies. As LVMH stated: “We’re not going to accuse Monsieur X or Madame Y.”²⁵⁴ This position illustrates luxury goods companies’ concerns about the “mass-distribution network” rather than individuals who may engage in a single sale.²⁵⁵ LVMH’s comment simply underscores the attitudes of the French public and the French courts toward large Internet companies and how it differs from American attitudes toward those companies.

Policy and attitudes towards business and Internet companies played an active role in *Tiffany v. eBay*. There, the court makes several statements which imply that it does not entirely agree with current law. In one such statement the court explained, while it is “not unsympathetic to Tiffany and other rights owners . . . the law is clear”²⁵⁶ The court placed the responsibility for the decision on the Legislature, explaining that, “[p]olicymakers may yet decide that the law as it stands is inadequate to protect rights-owners in light of the increasing scope of Internet commerce and the concomitant rise in potential trademark infringement.”²⁵⁷ The court, however, while vocalizing its personal opinion on the current law and underlying business implications, strictly followed the application of the law.²⁵⁸ Conversely, the French court, applied the Directive in such a way as to get around the protection that seemingly is owed to eBay.²⁵⁹

253. Horten, *supra* note 189.

254. Souchard, *supra* note 159.

255. *Id.* (“Asked whether that meant that smaller online vendors could also be targeted, the LVMH spokeswoman said no, insisting that the French group was more concerned about the ‘mass-distribution network.’”).

256. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 527 (S.D.N.Y. 2008).

257. *Id.* at 470.

258. *Id.* at 527.

259. *Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, available at http://www.legalis.net/jurisprudence-decision.php3?id_article=2354* (discussing eBay’s status as a service provider, but finding that ebay’s role as a broker does not allow eBay to avoid liability under the Directive) (in French: “Attendu en conséquence que eBay, en sa qualité de courtier, ne bénéficie pas d’un statut dérogatoire au titre de sa responsabilité et relève donc, comme tout acteur du commerce, du régime commun de la responsabilité civile.”) (translated into English by author: “Considering therefore that eBay, as a broker, does not enjoy special

Therefore, rather than strictly applying the law, the French court appears to have incorporated French public policy as well.

Filtering public policy and ideas into a legal decision drastically impacts not only eBay's business, but Internet commerce as a whole. Both *Tiffany v. eBay* and *LVMH v. eBay* illustrate the need for a reexamination of the laws governing Internet commerce. The laws must be refocused to adequately balance the needs of Internet businesses with those of the rights-owners. Unlike traditional "brick and mortar" businesses, the impact of infringement is potentially far more harmful to Internet businesses.²⁶⁰ The trademark holder is forced to "police the entire Web" to protect its trademark,²⁶¹ while online auction websites, such as eBay, are faced with mounting lawsuits.²⁶² If the laws are not refined and refocused, the implications could have a negative lasting impact because regulations for online businesses, such as eBay, will remain inconsistent, thus leaving businesses on both sides of this argument unsure of the steps needed to protect themselves.

C. Business Implications

E-commerce has increased over time and this trend is likely to continue.²⁶³ Undoubtedly, the Internet impacts not only the way business is done, but also the accompanying legal issues associated with e-commerce.²⁶⁴ Counterfeiting, a legal matter, also influences business practices because of the impact felt by consumers. The Internet's global reach has facilitated counterfeiting, which in turn has

status under its responsibility and is therefore, like every player trade, the common system of civil liability.").

260. Kessler, *supra*, note 46, at 385.

261. *Id.* at 384-85.

262. See Matlack, *Hermes Beats eBay*, *supra* note 45 (discussing several lawsuits filed against eBay over the sale of counterfeit goods).

263. See DAVIS ET. AL., *supra* note 215, at 20-21 ("[C]ommercial use of the Internet to conduct on-line sales of products and services has evolved from a novelty to a significant business channel.").

264. Christopher Paul Boam, *The Internet: Information and the Culture of Regulatory Change: A Modern Renaissance*, 9 COMMLAW CONSPECTUS 175, 175 (2001) (discussing the amount of people that use the Internet daily and the amount the "Internet economy" has generated).

affected consumer trust.²⁶⁵ Consumers purchasing items on the Internet must trust the online business and its products.²⁶⁶ Purchasing items that turn out to be counterfeit decreases consumer trust, and, of course, if that trust is broken, Internet businesses will suffer.²⁶⁷ Decreases in consumer trust especially hurt luxury goods companies; Cheryl Solomon, general counsel for Gucci, explains, “We don’t make any money from sales on eBay, but we have to tell people that their bag isn’t real, that we can’t help them get their money back, and we become the bad guys.”²⁶⁸

Commentators disagree on how the courts’ decisions will affect eBay’s business and Internet commerce in general. Some argue the French court’s decision will not drastically affect the way eBay conducts its business, because eBay had already unilaterally taken steps to control counterfeiters.²⁶⁹ Another argument posits that while luxury goods companies seek to protect the reputation of their brands, in dealing with eBay they are merely limiting the ability of consumers to sell to one another at reduced prices.²⁷⁰

eBay does not share the same optimism that the decision will not affect the way it conducts its business, cautioning that the French court’s decision will damage auction and peer-to-peer sale websites.²⁷¹ eBay argues that decisions like *LVMH v. eBay* could “give brand owners almost unbridled power to block consumer selling of branded goods online.”²⁷² Such power would undermine eBay’s efforts to transform the company from an “online flea market” to a place to purchase brand-name merchandise.²⁷³

Not all aspects of the lawsuits brought against the company have been negative, however, because they caused eBay to strengthen its

265. *Cf. id.* (“The collective impact of these peculiar characteristics of the Internet on traditional notions of business not only offers the greatest opportunities but also exhorts the most challenging legal issues.”).

266. *Id.* at 176.

267. *See id.* (discussing the importance of customers trusting on-line businesses with their personal information).

268. *eBay’s Legal Woes: Handbagged*, *supra* note 116.

269. Carvajal, *supra* note 32.

270. George, *supra* note 17.

271. *Id.*

272. *Id.*

273. Holahan & Matlack, *supra* note 115.

VeRO program.²⁷⁴ For instance, eBay views the French ruling in the suit brought by Hermes as somewhat positive because the court, by not requiring eBay to take additional anti-counterfeiting measures, seemingly accepted eBay's argument that "since 2006 [eBay] had strengthened the Vero program,"; the judge in that case stated: "The tools you had in place in 2006 were not enough."²⁷⁵ Still, eBay argues that if the most recent French decision in *LVMH v. eBay* is allowed to stand, brand owners would have almost complete power to block consumers from selling branded goods online.²⁷⁶ This would cause damage to both other online auction websites and consumers, because consumers would be limited in their ability to utilize e-commerce while businesses would lose revenue.²⁷⁷

This dispute presents consumers with two differing perspectives to consider. From the pro-brand perspective, the cases' importance centers on whether online auction websites can be held liable for counterfeit sales occurring on their website.²⁷⁸ If companies cannot force eBay to cease auctions carrying their brands, counterfeiting will continue.²⁷⁹ It would be nearly impossible to locate all of the counterfeit merchandise, and new counterfeiters will continue to emerge.²⁸⁰ On the other hand, from the pro-eBay perspective, the cases against eBay are viewed as an attempt to prevent competition from the sale of genuine goods.²⁸¹ This view promotes e-commerce generally, because such restrictions on competition may stifle the

274. Matlack, *Hermes Beat eBay*, *supra* note 45; *see supra* text accompanying notes 43-44 (discussing eBay's VeRO program).

275. *Id.*

276. George, *supra* note 17; *see also* Souchard, *supra* note 159 (statement of eBay) ("Today's ruling is about an attempt by LVMH to protect uncompetitive commercial practices at the expense of consumer choice and the livelihood of law-abiding sellers that eBay empowers every day . . .").

277. *See* Souchard, *supra* note 159, at D08.

278. Farmer, *supra* note 4 ("In the pro-brand-maker perspective, these cases are a battle over whether counterfeit sales online can be attacked centrally."); *see also id.* (discussing if an online auction business, such as eBay, can be forced to cease auctions on its site and be held centrally liable for counterfeiting online).

279. *Id.* ("No maker can catch all the fakes and have eBay take them off auction. New sellers of fake goods will keep springing up even if some sellers are sued out of existence. Also, some people are happy to buy fakes on the cheap.")

280. *Id.*

281. *Id.*

growth of online business.²⁸² “If eBay is going to be strictly liable to a brand maker for the sale of any fake on its site, eBay’s only option to avoid liability may be to block the sale of that entire brand on its site, even genuine used goods.”²⁸³

Identifying the possible business implications highlights the difficulties businesses face after the court reached its decision. By finding eBay guilty of contributory infringement, and finding its efforts to police counterfeiting insufficient, the French court has opened the door for similar suits by luxury goods companies against online auction websites.²⁸⁴ From a business standpoint, such high expectations on controlling counterfeiting are simply unrealistic for many companies.²⁸⁵ On the other hand, luxury goods companies also face business implications in the loss of consumer trust and in the value of their products. For either party, business implications are important and must be considered when drafting proposed Internet laws.

V. INTERNET LAWS AND PROPOSED CHANGES

The Internet presents courts with new legal situations where traditional contributory trademark laws do not directly apply.²⁸⁶ Courts have extended contributory trademark infringement liability to Internet businesses where the court determines someone other than the direct infringer should be held liable.²⁸⁷ Courts face several concerns,

282. *eBay’s Legal Woes: Handbagged*, *supra* note 120 (discussing the current European Commission rules on “selective distribution[,]” which allow manufacturers to control online sales of their products were written before the Internet “took off and are now stifling e-commerce in Europe.”).

283. Farmer, *supra* note 4.

284. *eBay’s Legal Woes: Handbagged*, *supra* note 120 (“If eBay loses . . . ‘we will probably see many more brand-owners filing similar suits.’”).

285. *Id.* (“We have 2000 employees worldwide fighting fraud, . . . and if we have to do much more, you have to wonder to what extent our business model can exist.”).

286. Kessler, *supra* note 46, at 377; *see also* DAVIS ET AL., *supra* note 208, at 89 (“However, there are some situations where the application of trademark and unfair competition law to an Internet context is particularly unique.”); *see also*, Berne, *supra* note 210, at 1205 (“Though flexible, the [Lanham] Act was not created with the Internet in mind.”).

287. Kessler, *supra* note 46, at 377.

however, in applying the existing tests to these situations as Internet businesses do not fit the standard manufacturer/distributor mold.²⁸⁸ Additionally, rights-owners do not face individual thieves who sell items on the black market, but rather an “anonymous mass” of Internet users.²⁸⁹ The legal system has been forced to find an appropriate way to apply existing legal principles to situations arising over the Internet. Instead of placing the responsibility on the judicial system, the Legislative branch needs to draft new laws that directly deal with Internet commerce.

Legislatures have been hesitant to pass Internet laws.²⁹⁰ Some suggest this is purposefully done so lawmakers can view various e-commerce issues and how they are resolved.²⁹¹ With no help from the Legislatures, courts have tried to address the legal shortfalls.²⁹² The reliance on courts has led to a conflict in international law as seen in comparing *Tiffany v. eBay* and *LVMH v. eBay*. One proposed solution to the conflict these cases present is to take the existing rules and tailor them to fit the Internet context.²⁹³ While these laws would likely help solve the copyright concerns of creativity, they will not necessarily solve the growing business concerns.²⁹⁴ Therefore, the Legislatures, both in France, the United States, and elsewhere need to

288. *Id.*

289. Andrew Shapiro, *The ‘Principles in Context’ Approach to Internet Policymaking*, 1 COLUM. SCI. & TECH. L. REV. 1, 2 (2000).

290. Peter Linzer, *From the Gutenberg Bible to the Net Neutrality—How Technology Makes Law and Why English Majors Need to Understand It*, 39 MCGEORGE L. REV. 1, 24 (2008) (discussing how six bills died in the 109th Congress); *see also* Boam, *supra* note 264, at 187-89 (discussing how prospects for Internet regulation legislation were “hotly debated” during the 106th Congress but never came to a final vote. Substantive measures of the legislation never came to a formal vote even though they were successfully reported on from assigned committees).

291. *Hearing on Electronic Commerce Before the H. Small Business Subcomm. on Government Programs*, 106th Cong. 2-3 (2000) (statement of Deidre Lee, Administrator, Office of Fed. Procurement Policy) (“So as hard as it is for us to . . . stay, we’re intentionally staying kind of one step behind industry and following their lead on the technology.”).

292. *See* Boam, *supra* note 264, at 188.

293. Shapiro, *supra* note 289, at 9-10.

294. *Id.* at 9 (“In the case of copyright and creativity, applying principles in context is again crucial to finding the right rule to reconcile competing interests.”).

create laws that balance the need to protect the rights of luxury goods companies with the promotion of e-commerce.²⁹⁵

An appropriate law would have two parts, requiring different actions and consequences for each described situation. The first section of the law should focus on the protection of e-commerce. If a service provider or host provider does not have knowledge of the infringement on its website, but takes consistent appropriate steps to dissuade counterfeiters and attempt to prevent counterfeiting, it should not be liable for trademark infringement. This knowledge requirement would help websites avoid the “unreasonable burden . . . of pre-screening all of their content”²⁹⁶ By avoiding such a large expense, many smaller websites will remain in business and will be given the opportunity to flourish.²⁹⁷ Additionally, the extra money the companies save can, and should, be used to implement appropriate steps to prevent counterfeiting.

The language of the law should require companies to take appropriate steps to prevent counterfeiting. While such language could be viewed as ambiguous, examples of these appropriate measures can be viewed in court interpretations. In *Tiffany v. eBay*, the court felt eBay, “consistently took steps to improve its technology and develop anti-fraud measures as those measures became technologically feasible and reasonably available.”²⁹⁸ Such steps included: setting up a counterfeiting program, having employees police the website for new counterfeit items, and taking immediate action against counterfeiters.²⁹⁹ It would be reasonable to leave the language ambiguous so it remains malleable as technology continues to mature.

295. See *Hearing on Electronic Commerce Before the H. Small Business Subcomm. on Government Programs*, 106th Cong. 2-3 (2000) (statement of Deidre Lee, Administrator, Office of Fed. Procurement Policy) (“As we’re moving to use the new technologies, we also have to make some changes to fully enhance the possibilities.”).

296. Kessler, *supra* note 46, at 405.

297. See *id.* (“Imposition of such a burden to pre-screen content for infringement may otherwise threaten the very existence of many Internet businesses and the viability of online services that benefit the public.”).

298. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 493 (S.D.N.Y. 2008).

299. *Id.* at 489-92 (discussing the various measures eBay took against counterfeiters).

The courts should not be constricted in looking for specific actions by companies. Instead, the courts should be able to analyze the steps companies have taken to prevent counterfeiting, and use previous court decisions as precedence.

This provision would promote e-commerce by refusing to restrict websites from expanding their commerce potential.³⁰⁰ Moreover, such a provision would serve the original purpose of the Lanham Act, the protection of a rights-owners trademark, by requiring websites to dissuade and punish counterfeiting. The websites and the general public will get the message that the trademark must be respected.³⁰¹ In this way, both parties receive some protection and the underlying policy behind the Lanham Act remains intact.

The second portion of the law should provide that, if the hosting provider does have specific knowledge of the counterfeiting behavior and fails to take additional steps to stop and punish the counterfeiter(s), the website shall be appropriately punished. Further, the court will have the discretion to make the hosting provider issue a public apology to the rights-owner. In doing so, the public will again receive the message that counterfeiting is unacceptable. In applying the actual punishment, courts should take into consideration the extent of the harm the counterfeiting caused to the trademark in question, and the effect the punishment has on the Internet company's business. For example, excessive fines could restrict e-commerce or force businesses out of the marketplace.³⁰² The purpose of the law, and the court in applying the law, should be to promote e-commerce, as well as protect the rights-owners.³⁰³

300. See Berne, *supra* note 210, at 1158 (“[S]ome commentators have argued that forcing courts to apply existing laws to issues they were not made to resolve will proliferate litigation, create confusion among courts, and prevent the Internet from ever reaching its potential.”).

301. See Sunderji, *supra* note 20, at 927 (“The state provides authors with a personal benefit as an incentive to create and disseminate valuable works of art to the public. Accordingly, copyright law aims to enrich the public, while the authors’ gain is secondary.”).

302. See *id.* at 939 (“With the huge financial burden of preventing counterfeiting, eBay would likely scale back its geographic expansion and its development of new Internet technologies.”).

303. See Berne, *supra* note 210, at 1206 (“Thus, when confronted with determining an appropriate remedy for cases involving trademark infringement on the Internet, a court must balance the traditional goal of furthering commerce with

This proposed law would strike a balance between protection and business, something that has been difficult to establish.³⁰⁴ Although it would require similar concepts as provisions in the past, this would not be a safe guard provision.³⁰⁵ Unlike a safe harbor provision, this law would have both a knowledge requirement and an action requirement to bring a successful claim of trademark infringement. These dual requirements offer more protection to rights-owners by not allowing a website to avoid liability based on a lack of knowledge, as seen in *Tiffany v. eBay*. This law allows websites to avoid liability by a show of action, instead of an exemption based solely on the definition of the website's activity. This avoids a major flaw seen in the European E-Commerce Directive 2000/31/EC, which allows courts to use classifications of websites to control which companies receive special protections.³⁰⁶

Whereas the E-Commerce Directive was very narrow in its specifications for special liability, this proposed law would apply broadly to any website that either provides content, facilitates a sale

the underlying attitudes nascent to the Internet.”).

304. *See id.* at 1161 (“Thus, from its earliest conception, trademark law has had simultaneous, sometimes conflicting goals of furthering commerce, while at the same time ensuring equitable transactions where money alone cannot set the wronged party right.”).

305. A Safe Harbor Provision proposed by Sunderji would require that the online auction sites (and some online retailers) be the only sites eligible for liability protection. Sunderji, *supra* note 20, at 941. The author's proposal differs from Sunderji's proposal, which protects a much broader array of websites. Another difference between the author's proposal and Sunderji's proposal is that Sunderji recommends that the site shall only be required to act when they have knowledge of counterfeiting and must not profit from counterfeiting if the site exhibits control over the instrumentality used for the infringement. *Id.* This comment proposes that appropriate steps to dissuade counterfeiting are always present and requires the site to take further action when there is knowledge of counterfeiting. One final difference is the requirement of a duty to monitor and have control. In this comment's proposal there is no specific duty to monitor or control, only a broad definition of appropriate steps, to be determined (on a case-by-case fact specific analysis) by the judicial system. *Id.* at 943-44. In this way, the proposed law will not have to be consistently amended to keep up with ever-changing technology, but instead will allow the courts to decide cases based upon evidence of appropriate preventative measures taken by the website.

306. *See* Council Directive 2000/31, 2000 O.J. (L 178) (EC).

between third parties, or both.³⁰⁷ By making the provision apply broadly there will be less argument as to whether or not the website falls under a specific category. There will also be less room for public policy to dictate whether or not the website receives special liability, a problem seen in *LVMH v. eBay*.³⁰⁸ And, while one argument against such a broad definition may be the additional expense websites will incur by having to insure appropriate actions will be taken to prevent counterfeiting, the protection afforded to rights-holders will be crucial.

CONCLUSION

There is no dispute that some form of global legislative action is needed to in the near future to solve the rapidly growing problem of Internet counterfeiting. In the United States, the lack of a uniform law has led some states to adopt primitive versions of proposed uniform laws controlling e-commerce transactions.³⁰⁹ This uniformity issue arose before the Lanham Act was finally passed in 1946, and broad legislation encompassing e-commerce would likely solve this problem. Further, as this Comment proposes a legislative pattern for countries worldwide to adopt, while each country will legislate claims within their own court system, a level of worldwide uniformity may be achieved. Through the application of this legislative pattern, e-commerce law would apply more uniformly to websites which operate globally, such as eBay. The benefit of such a legislative pattern is that jurisdictional disputes and conflicting decisions, as evinced by *Tiffany v. eBay* and *LVMH v. eBay*, would arise less frequently, and companies operating e-commerce websites would be subject to a more uniform law, rather than a multitude of different provisions from various countries.³¹⁰

While the legislative pattern, that this Comment proposes countries around the globe adopt, would appropriately handle some of

307. DAVIS ET AL., *supra* note 215, at 13-18 (discussing examples of “players on the internet” and the various classifications such as access providers, content providers, and four other categories of “players.”).

308. Christian Dior Couture/ eBay Inc., eBay International AG, Tribunal de Commerce [Commercial Court] Paris, June 30, 2008, l’ere chambre B, *available at* http://www.legalis.net/jurisprudence-decision.php3?id_article=2354.

309. Boam, *supra* note 257, at 189.

310. *See* discussion *supra* Part IV.

the Internet counterfeiting situations, the Internet is constantly evolving. The legislature must consider this in developing the law.³¹¹ Along those same lines, the legislatures must also take into account the general public's role in the counterfeiting dilemma. The enactment of Internet legislation will provide the public with a form of education on the dangers of counterfeiting which may help improve the situation.³¹² Through new legislation as well as the additional security measures taken by websites to prevent counterfeiting, the public will become more conscious of this problem.

Consumers will become safer in their purchases and trust will be restored, not only to the rights-owners but also to the websites themselves. E-commerce will be protected and continue to grow, as will business for rights-owners, who will have their goods in the hands of consumers. In the end, everyone wins: the rights-owners, the Internet business, and, perhaps most important to both groups, the consumer.

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311. Kessler, *supra* note 46, at 398 (“[R]ather than wait for the problem to grow large enough to spur corrective legislative action, it should be eliminated at the source.”).

312. See *Hearing on Electronic Commerce Before the H. Small Business Subcomm. on Government Programs*, 106th Cong. 2-3 (2000) (statement of Max Summers, State Director, Missouri Small Business Development Center) (“Although we cannot change the market forces, we can help these businesses understand e-commerce and that it’s likely to bring huge shifts in our economic structure, both in the U.S. and in the global economy. We must educate these companies to understand that e-commerce is poised to pull significant dollars from the traditional economy.”).

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