

## French Courts confirm their position against eBay

The success and growing Community of eBay users has inherently brought with it the selling of fake products and trademark infringements. It is however only recently that the French jurisdictions have filed claims directed against eBay. Whereas being recent, the apparent tendency favorable to trademark owners still needs to be handled with care.

### A) The direction first taken against eBay in 2008

French case law had encountered an utmost evolution when eBay liability was first engaged during summer 2008 with two decisions. On, June 4, 2008, the Court of First Instance of Troyes found that eBay was both a website host in content and an editor for online services and was in breach for not having safeguarded against reprehensible uses of its services. On June 28, 2008, the Court of Trade of Paris condemned eBay to pay almost 40 million Euro for not taking appropriate measures against the selling of perfumes and cosmetics infringing selective distribution networks despite repeated demands of the plaintiffs against that situation. With that difference in position between Courts of the first degree, a Court of Appeal decision would be welcome to further affine which direction shall prevail.

Less than one year later, the Court of First Instance of Paris issued a decision on May 13, 2009, which however moved back. The liability of eBay was actually regarded as only enforceable in case of evidenced knowledge of eBay of the infringing content and failure to remedy thereto. This decision had been awaited since months now and had been postponed several times.

In this matter, L'Oréal group initiated a proceeding against eBay companies on the grounds of trademark counterfeiting, infringement to their selective distribution networks and fault and negligence under civil liability.

For L'Oreal, eBay platforms enabled either the selling of fake products or the offer of authentic products in breach of their selective distribution networks. Plaintiff's position more specifically consisted in qualifying eBay as a website editor with brokerage activities. Under French practice, this qualification implied full responsibility as to the website content. The auction site was indeed depicted as actively intervening in the promotion of cosmetic and perfume products and earned money on their sales. L'Oreal claimed 3.5 million Euro as damages.

eBay opposed being an intermediary offering solely hosting services considering their lack of control over the website users and over the contents of their ads. "Power seller" programs, eBay shops or Paypal protection were presented as only aiming at enhancing sellers' auctions. As a hosting company, eBay said not to be bound by a general obligation of watching out their website.

The Court followed eBay's arguments. eBay was regarded as having acted in good faith by establishing strong means to fight counterfeiting. Ordinary liability was considered as an exception which could apply only to promotion, commercialization and enhanced advertising tools in respect of fake products.

This position placed a great burden on brand owners to police their marks throughout eBay's websites. As eBay created the sites and designed how they work, it should rather have been eBay's full responsibility to police them.

The approach of this decision was quite in line with decision of the US District Court – Southern District of New York of July 14, 2008, regarding eBay's generalized knowledge that some auctions are counterfeiting as insufficient to rule eBay liability under trademark infringement.

Hopefully, the very first decision of Appeal just came out last July. It was issued in the proceeding which had initially brought to the very first decision of June 4, 2008.

### **B) The latest developments of this July and September**

On July 20, 2010, the Court of Appeal of Reims confirmed the findings of the First Instance Court which ruled that eBay and a seller of fake Hermès bags on [www.ebay.fr](http://www.ebay.fr) had infringed the marks of Hermès International.

The Court said that, when the fake Hermès bags were sold in 2006 on the auction site, eBay had not set up full and complete information tools enabling eBay users to properly identify items offered for sale and differentiating them from counterfeiting products.

The Court pointed out that a hosting company such as eBay, offering services which take advantage of the attractive value of stored data and which go beyond simply hosting services, cannot be regarded as a neutral entity and is consequently fully responsible as to the website content.

A very deep and detailed analysis of the services for commencing, concluding and following the transactions on [www.ebay.fr](http://www.ebay.fr) was applied. The 'purchase suggestion' link, 'marketing tools', warranties offered by Paypal and amounts benefiting to eBay on the basis of the prices of selling of the items brought the Court to consider that eBay could not be regarded as purely offering technical, automatic and passive activities as eBay's interventions were determinant as to the effective and final contents of the ads presenting the items offered for sale.

A second move was made on September 3<sup>rd</sup>, 2010, by the Court of Appeal of Paris which held that eBay was liable for not taking appropriate measures to fight counterfeiting and for infringing the selective distribution channels of Louis Vuitton Malletier itself and several companies of that group including Parfums Christian Dior.

It is worth mentioning that, in behind these September decisions, the claims were not based on trademark infringement but only on civil responsibility provisions and Law on Trust in the Numeric Environment (LCEN). Also, only eBay was sued (there was no eBay seller involved).

The actions aimed at stopping that eBay broadcasts auctions:

i) for fake Vuitton products or with usernames reproduction the plaintiff trademarks or with descriptions including the plaintiff trademarks for the sole purpose of attracting more potential buyers ;

ii) of auctions relating to perfumes and cosmetic products manufactured by them or presented by sellers as being manufactured by them.

On June 30, 2008, the Court of First Instance issued three decisions which found eBay to be liable and to pay a total of 40 million Euros to the plaintiffs.

Before the Court of Appeal, eBay argued not to intervene nor control the content of the auctions which consequently remained in the sole hands of the sellers. Louis Vuitton opposed that eBay could not be regarded as a hosting company with a limited liability considering their brokerage activities and the panel of services which they offered to their users regardless of their knowledge and control over the information contained in the auctions.

On September 3<sup>rd</sup>, 2010, the Court confirmed that the behavior of eBay was not purely technical, automatic and passive as eBay played an active role while helping the sellers for describing, presenting and positioning the items they list on the auction site.

The judge pointed out that the activities of eBay could not be artificially spitted into hosting and brokerage activities. These activities had to be taken as a whole and brokerage aspects bound eBay to determine whether the items being for sale were or not fake products.

eBay was held to be liable because:

i) they failed to warn users against fake products and to implement filter systems what was in breach with its obligation of vigilance;

ii) they did not withdraw, in the shortest possible time, auctions against which the plaintiffs had made repeated demands to eBay to pull them down

iii) they infringed the selective distribution networks of the plaintiffs as eBay had the obligation to ascertain that its activities did not involve illegal situations.

The Court however decided to reduce to 5,6 million Euros the amount that eBay was ordered to pay to the plaintiffs due to an adjustment of the factors used to evaluate the prejudice.

The two latest decisions of July and September which are the very first decisions to be issued by the French Courts of Appeal seem to confirm the principle of eBay liability. We now need to know whether this tendency will be further adopted by the whole French case law keeping in mind that the circumstances of the case at hands went back to 2006 and that eBay's system has quite evolved in 4 years.

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