

SUING EBAY IN FRANCE TODAY

Summary: French case law has recently evolved as to trademark enforcement against auction sites and especially eBay. Our practice has gone through several steps, the latest being a decision issued by the French Courts on May 13, 2009 which took radical and new position on the question. The article makes a deep analysis of today's situation on how trademark infringement can be handled against eBay and proceeds with a comparison with previous decisions.

In the context of auctions sites, suing sellers offering fake or illegitimate products on eBay had been the long and usual practice in France. June 2008 was acclaimed as a big and awaited turn in events, with two French court decisions ruling directly the eBay's liability. Almost at the same time, US jurisdictions took an opposite direction by denying Tiffany's claim against the auction site for trademark infringement.

Less than one year later, French Courts are back again under the spotlight with an unexpected position. On May 13, 2009, the Court of First Instance of Paris rejected the action brought by L'Oréal Group against eBay companies.

Context and arguments

L'Oréal Group (which includes inter alia Lancôme Parfums, Parfums Ralph Lauren and Parfums Cacharel) sent a ceased and desist letter to eBay on May 22, 2007, requesting the online auction website take appropriate action for preventing products being sold in breach of its rights. L'Oréal considered that eBay platforms enabled either the selling of fake products or the offer of authentic products in breach of their selective distribution networks. The attempt to amicably solve the situation failed.

On July 27, 2007, L'Oréal Group initiated a Court action against eBay companies on the grounds of trademark counterfeiting, infringement to their selective distribution networks and fault and negligence under civil liability.

Enforcing trademark rights in France in case of infringement over the internet requires handling two types of provisions. Prohibition of unauthorised reproduction or imitation of one trademark for identical or similar products and/or services is of course first to come to mind. But this also has to be combined with provisions of the Law on Trust in the Numeric Environment (LCEN) of June 21, 2004 which makes a legal distinction between website editors and website hosts.

A website editor broadcasts and presents to the public the content he has selected, arranged and/or controlled. Full responsibility applies to him. A website host only stores the data of third parties without intervening with the website content. He has no general obligation to make investigations or searches as to the content. He is at fault only if he has failed to impeach access to a illegal specific content which has been brought to his attention.

The position of L'Oréal Group was to qualify eBay as a website editor with brokerage activities and thus with full responsibility. The auction site was depicted as actively intervening in the promotion of cosmetics and perfumes and in earning money on their sales. L'Oréal claimed 3.5 million Euro as damages.

eBay opposed. It saw itself as an intermediary offering solely hosting services. It considered it had a lack of control over its website users and the contents of their sales. eBay's "Power seller" programs, eBay shops and Paypal protection were presented by eBay as only aiming to enhance sellers' auctions. As a hosting company, eBay said it was not to be bound by a general obligation of watching its website.

Findings of the Court

The Court of First Instance of Paris followed eBay's arguments. The decision was issued on May 13, 2009. It was indeed awaited, since it had been postponed several times.

For the Court, the liability of eBay could only be enforced in case of evidenced knowledge of the infringing content and failure to remedy it. 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, commercialisation and enhanced advertising tools in respect of fake products.

The decision more specifically pointed out that sellers are the sole party to decide on the item which is offered for sale, of the title of the auction, of its price and of the description and pictures which are presented. eBay has an intermediation role between sellers and buyers that is rendered through technical tools, but no intervention is made as to the content of the auctions. The eBay fees system does not alter this point: it is freely accepted by the buyers and infers no control process over the auction from eBay.

A contradiction with previous decisions

This new French decision contradicts the position adopted last summer by other French jurisdictions. 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. The Court based its decision on the tools proposed for enhancing the auctions, the different way of presenting the items and the rules of the website set up by eBay. The judge concluded that eBay had an obligation of means to ascertain that its websites were not in breach of infringing third parties' rights.

On June 28, 2008, the Court of Trade of Paris further 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 by the plaintiffs. The action was brought by several

perfume and cosmetics companies on the basis of civil liability only, not trademark infringement.

The Court said that setting up selective distribution networks involved a control on the environment and on the general conditions of selling the products. The active interventions of eBay compromised the coherence of the distribution networks and could lack respect for the products and for trademarks carrying prestige.

The faults held against eBay fell in the infringement of the selective distribution networks of the plaintiffs, since eBay had the obligation to ascertain that its activities did not involve illegal situations. The lack of appropriate measures by eBay, despite the repeated demands of the plaintiffs, increased eBay's faulty position.

Current impact and future consequences

The latest decision in May places a great burden on brand owners to police their marks throughout eBay's websites and to specifically report any likely infringing situation to eBay for appropriate action by the auction site teams.

We believe that a clear position is far from being reached in France. The three eBay proceedings discussed above are for a good part based on the circumstances of the cases. The content and consistency of the eBay system set up to fight possible trademark infringements at the time of engagement of the proceeding played a great role. The two matters of June 2008 concerned a situation of 2006, at a time when eBay tools and programs against counterfeiting were supposedly less efficient than in 2007 and even less efficient than today.

The extent of the claim put to eBay by L'Oréal also played a role. L'Oréal Group had contacted eBay to report infringing situations in broad terms, but no specific infringing auctions had been signalled to eBay. The perfumes and cosmetics companies suing eBay in June 2008 had identified specific auctions infringing their rights. This partially explains the different direction taken by the French case law decisions.

Lastly, the three eBay decisions originated from three different Courts. In this regards, a decision of a Court of Appeal would now be welcome to clarify which position should be given higher consideration when dealing with eBay liability under French practice.

In August 2008 L'Oréal Group also encountered a Belgian Court decision ruling that the auction site had no obligation to systematically monitor products offered for sale. UK jurisdictions similarly just took position on May 22, 2009 (eBay success being however pending a referral to the ECJ). L'Oréal only collected a win before the German Courts. The decision is yet to come from Spain.

Let's see how things move in Europe from this side of the ocean, before considering the US position of last July rejecting Tiffany's claim!

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