

# Review



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## The battle between L'Oréal and eBay rumbles on...

The Court of Justice of the European Union (ECJ) has recently given its judgment in the case of L'Oréal v eBay, in response to the questions referred to it by the English High Court.

The case was brought by L'Oréal and a number of its subsidiaries, against various eBay companies and a number of individuals who were selling L'Oréal products on the www.eBay.co.uk website without L'Oréal's consent.

L'Oréal claimed that eBay and those individuals had infringed their UK and Community trademarks by selling and offering the relevant goods for sale on eBay, in that the goods sold by those individuals were either counterfeit, not intended for sale at all, only intended for sale outside of the European Union (EU) or European Economic Area (EEA), or sold with packaging removed. L'Oréal also claimed that eBay was infringing those trade marks by displaying them on its website and by using those trademarks as the basis for keyword search based advertising on search engines such as Google.

L'Oréal had settled with or obtained judgment in default against the individuals, but the case against eBay is still continuing. The High Court referred a number of questions on the interpretation of a number of EU directives to the ECJ.

This case is far from over, as it will now go back to the High Court so that it may apply the principles laid down by the ECJ. However, it has been of considerable interest to brand owners, as it will give an indication of the extent to which they can prevent sales of products through online marketplaces such as eBay and also the extent to which operators of online marketplaces can be liable for trademark infringement in relation to sales of branded goods, and the use of trademarks on their websites or in advertising their websites.

The key elements of the ECJ's judgment are summarised below.

### Infringing sales

The essence of L'Oréal's case in relation to whether the sales of L'Oréal goods made on the eBay website were infringing was that:

- Some goods were counterfeit (which was agreed in relation to 2 out of 17 products).
- Some of the products sold on eBay were only meant for sale in North America and not within the EU or the EEA. If L'Oréal had put those products on the market within the EEA or the EU, under its UK or Community trademarks respectively, it would not have been able to object to further sales of those products under its UK or Community trademarks elsewhere within the EEA or EU respectively, unless it had a legitimate reason for doing so.
- Testers and dramming bottles sold on eBay had not been put on the market by L'Oréal, as it had supplied them to its authorised distributors free of charge and only for the purposes of demonstrations and giving out small free samples.
- Some products had been sold with the packaging removed, which also contained information legally required to be put on cosmetic products or their container and packaging. This was a legitimate reason for opposing the sales of products already put on the market in the EU and EEA (see the second bullet point above).

The ECJ held that:

- In relation to goods which L'Oréal had not put onto the market in the EEA or the EU under its UK or Community trademarks respectively, L'Oréal had the right to prevent (a) sales of those goods under those trademarks being made via online marketplaces to consumers in the territories covered by the relevant trademarks and (b) those particular goods being advertised or offered for sale via online marketplaces which are targeted at consumers in those territories.
- In terms of whether or not an online marketplace is "targeted" at consumers in a particular territory, this is to be decided by national courts on a case by case basis. However, it did give the following guidelines:
  - The fact that a website is accessible from a certain territory does not mean that it is targeted at consumers in that territory.
  - If an offer for sale is accompanied by a description of the areas to which the seller is willing to dispatch the goods, this description will be of particular importance.
  - The www.ebay.co.uk website appears, in the absence of evidence to the contrary, to be targeted at UK consumers (presumably due to the domain name ending in ".uk").
- Unless there was evidence to the contrary, the testers and dramming bottles were not to be regarded as having been "put on the market" by L'Oréal.
- If products are resold with packaging removed, and the consequence of the removal is that (i) essential information, such as information relating to the identity of the manufacturer or person marketing the product is missing, or (ii) the image of the product and reputation of the trade mark is damaged, then a trademark proprietor can object to further sales of those products under its national trademarks registered in EU member states and Community trademarks, in the EEA and EU respectively.

#### Liability of online marketplace operators

In relation to eBay's liability for infringing sales and for use of L'Oréal's trademarks in offers for sale on its website and to advertise its website, the ECJ had to consider:

- Whether or not L'Oréal could prevent eBay from using its trademarks as the basis for keyword search based advertising, in order to advertise its online marketplace as a place where products sold under those trademarks can be purchased.
- Whether or not the appearance of L'Oréal's trademarks in offers for sale for L'Oréal products on the eBay website constituted "use" of those trademarks by eBay (as opposed to the actual sellers).
- Under what circumstances an online marketplace operator could be said to have "awareness" of illegal activity / information, and therefore be liable for it.
- Whether or not injunctions should be available against online marketplace operators, requiring them to take measures to prevent future infringements of intellectual property rights that have been infringed, and what those measures might be.

The ECJ held that:

- For the purposes of trademark law, the operator of an online marketplace would not be “using” a trademark where sellers’ offers for sale on that marketplace contained that trademark, and would therefore not be liable for trademark infringement (however, see below in relation to information stored by online marketplace operators).
- In order to not infringe, adverts for goods to be bought on an online marketplace which are generated by keywords corresponding to trademarks must allow reasonably well informed and observant internet users to ascertain, without difficulty, whether the advertised goods originate from the trade mark proprietor, an undertaking economically linked to the trade mark proprietor or some other third party.
- In order for an online marketplace operator to be liable on the basis that it was hosting information relating to infringing sales, it must either:
  - have played an active role allowing it to have knowledge or control of the relevant information, for example, by assisting with optimisation and/or promoting offers for sale; or
  - be aware of facts or circumstances such that a “diligent economic operator” would have realised that the offers for sale were unlawful, and, on becoming aware of those facts or circumstances, it must then have failed to act expeditiously to remove or disable access to the information concerned.
- National courts can order the operator of an online marketplace to take measures which contribute to ending infringements and prevent further infringements of the same kind. Although injunctions must be effective and dissuasive, national courts cannot go too far by granting injunctions which are disproportionate or which create barriers to legitimate trade, such as a complete ban of sales of goods under the trademarks that have been infringed. Examples of measures that could potentially be ordered to be taken might include suspending an infringer, and making it easier to identify sellers (subject to data protection laws, which will of course offer less protection to people acting in a business rather than a private capacity).

### What this means for brand owners

Generally speaking, the judgment does favour brand owners. In particular, the ECJ has stated that the circumstances in which an online marketplace operator may be liable are fairly wide. Therefore, by bringing potential infringements to the attention of the operators of online marketplaces, they will have to do something about it or potentially face damages claims and/or court orders requiring them to do so, and also to take measures to prevent future infringements.

However, brand owners should not get too carried away with the judgment as there are a number of things that must be kept in mind:

- The law does not (and the relevant EU directive says that member states cannot) impose any general obligation on online marketplace operators to monitor their marketplaces for infringements. Brand owners should therefore continue to monitor online marketplaces for potential infringements and report them to online marketplace operators when they are discovered.
- Although court orders against online marketplace operators may be potentially available, brand owners will not be able to obtain wide-ranging orders to prevent all sales of their products on online marketplaces, as legitimate sales will still need to be permitted.
- Individuals selling goods privately in their personal capacity will not be liable, as the alleged infringer must be making sales in the course of business in order for trademark infringement to be applicable.

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As mentioned at the start of this article, the case now goes back to the High Court and it will be interesting to see how the High Court applies the principles established in this judgment. In particular, it will be interesting to see whether or not the High Court considers that the measures to detect and prevent infringements taken by eBay referred to in the ECJ's judgment (including filters in place to detect advertisements which might breach its terms and conditions as well as its notice and take-down system) are sufficient to exempt eBay from liability.

Whatever the outcome in the High Court, an appeal cannot be ruled out, so expect there to be further developments on this in the future.



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