

08-3947-CV

United States Court of Appeals
for the
Second Circuit

TIFFANY (NJ) INC. and TIFFANY AND COMPANY,

Plaintiffs-Appellants,

– v. –

eBAY INC.,

Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

BRIEF FOR DEFENDANT-APPELLEE

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, Defendant-Appellee eBay Inc. (“eBay”) hereby states: eBay is publicly held; eBay does not have a parent corporation; and no other company or person owns ten percent or more of the common stock of eBay.

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COUNTER-STATEMENT OF ISSUES PRESENTED

1. Did the District Court commit reversible error in holding that liability for contributory trademark infringement cannot be premised on generalized knowledge of infringing activity but instead must be premised on knowledge of specific infringing acts?

2. Did the District Court commit reversible error in rejecting Tiffany's contributory trademark infringement claim based on (i) eBay's exemplary record of removing listings for potentially infringing Tiffany merchandise at Tiffany's request and (ii) eBay's numerous proactive anti-counterfeiting measures?

3. Did the District Court commit reversible error in holding that eBay is not liable for direct trademark infringement, false advertising, or trademark dilution on the grounds that (i) eBay's removal of listings for potentially infringing Tiffany jewelry at Tiffany's request precludes direct as well as contributory liability and (ii) eBay's use of the Tiffany trademarks was descriptive and thus protected by the doctrine of nominative fair use?

STATEMENT OF THE CASE

Plaintiffs-Appellants Tiffany (NJ) Inc. and Tiffany and Company (“Tiffany” or “Appellants”) commenced this litigation under a mistaken conception of trademark law and what now conclusively has been proven to be a mistaken conception of the facts as to eBay’s operations and its responsiveness to counterfeiting, both as a general matter and specifically in relation to Tiffany merchandise. At the five-day bench trial, Tiffany asserted through its witnesses that eBay had “turned a blind eye” to counterfeiting on its website; had ignored listings of counterfeit Tiffany jewelry; had failed to act against sellers known to be counterfeiters; and had knowingly profited from counterfeit sales.

Building on these erroneous premises, Tiffany contended that eBay was required – without prior notification by Tiffany – to remove any listings by third-party sellers of five or more Tiffany jewelry items on the ground that such listings were presumptively counterfeit. The legal support Tiffany mustered for this position consisted essentially of (i) a 1946 district court ruling the claimed rationale of which was repudiated by the Supreme Court in Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844 (1982), and (ii) a line of inapposite cases addressing “willful blindness” in the context of contributory trademark infringement.

The District Court’s exhaustive opinion eviscerated both the factual and legal premises of Tiffany’s case. As to the former, Tiffany fails to assign error

to a single factual finding of the lower court. Among the court's more salient factual conclusions were:

Concerning eBay's attentiveness to counterfeiting:

- eBay “has invested significant financial, technological, and personnel resources in developing tools to ferret out and eliminate counterfeit goods from its website” (Special Appendix (“SPA”) 53)
- eBay consistently has taken “steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available” (SPA28)
- “[o]ne quarter of eBay’s workforce . . . is devoted to trust and safety” – including “70 persons who work exclusively with law enforcement” (SPA10)
- eBay expends as much as \$20 million annually on anti-counterfeiting initiatives (*id.*)

Concerning eBay's treatment of “recidivist” sellers:

- eBay took “appropriate steps to warn and then to suspend sellers when eBay learned of potential trademark infringement under that seller’s account” (SPA24)
- eBay suspends “hundreds of thousands of sellers every year,” including “tens of thousands” for infringing conduct (*id.*)
- eBay’s policies have been “appropriate and effective in preventing sellers from returning to eBay and re-listing potentially counterfeit merchandise” (SPA24-25)

Concerning eBay's asserted profit motive linked to counterfeiting:

- “Tiffany and eBay *alike* have an interest in eliminating counterfeit Tiffany merchandise from eBay” (SPA2) (emphasis added)
- “every time eBay removed a listing, eBay refunded associated fees. . . . Under some circumstances, eBay also reimbursed the buyer for the cost of the purchased item. . . . eBay committed ‘tens of millions of dollars’ annually to pay claims through its buyer protection program” (SPA12)

Concerning Tiffany-specific allegations:

- “a substantial number of authentic Tiffany goods are sold on eBay, including both new and vintage silver jewelry, sometimes in lots of five or more” (SPA47)
- “when eBay possessed the requisite knowledge [of claimed infringing listings], it took appropriate steps to remove [Tiffany] listings and suspend service” – “routinely” and “immediately” removing all such challenged listings and always acting in “good faith” (SPA2, 3, 12, 22-23)
- Tiffany’s allegation that a seller listing five or more pieces of Tiffany jewelry is presumptively trafficking in counterfeit goods is “unfounded” (SPA49)

It is no wonder, in view of the foregoing, that although Tiffany seriously distorts aspects of the trial record and of the District Court’s factual findings, it bases its appeal on the District Court’s application of a purportedly erroneous legal standard. As the lower court correctly recognized, however, Tiffany’s claim of legal error amounts to advocacy for a radical expansion of the law of contributory trademark infringement that finds support in neither “precedent

nor policy,” SPA47, and that would, if adopted, “dramatically expand” Tiffany’s rights in its trademarks and “potentially stifl[e] legitimate sales of Tiffany goods on eBay.” Id.

The contention on which Tiffany’s entire appeal hinges is that because eBay may know generally that some of its users offer counterfeit Tiffany jewelry, eBay must remove *all* listings for Tiffany jewelry (or, at a minimum, all listings meeting arbitrary tests such as Tiffany’s “five-or-more” rule) unless it can verify that the goods are authentic. Given the District Court’s uncontested finding that only Tiffany is in a position to authenticate its own merchandise, however, the clear consequence of Tiffany’s position, the District Court recognized, would be a ban on listings of countless authentic Tiffany items. Trademark law does not permit such an overreach by a trademark owner.

The District Court correctly held that Tiffany’s legal theory is foreclosed by Inwood, *supra*, which limits liability for contributory trademark infringement to circumstances in which the defendant fails to take remedial action despite having actual or constructive knowledge of *specific infringing acts*. Inwood expressly rejected as “watered down” and “incorrect” a “reasonable anticipation” standard that is indistinguishable from the vague “generalized knowledge” standard Tiffany purports to locate there and in other rulings. That eBay is not liable under Inwood as properly construed is not a close question;

indeed, Tiffany does not contest that its case must fall under the District Court's reading of Inwood.

Tiffany fares no better with its attempt to support its "generalized knowledge" theory by reference to two "willful blindness" cases, Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996), and Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143 (7th Cir. 1992). The uncontested evidence regarding eBay's responsiveness to Tiffany's notices of claimed infringing listings, as well as regarding eBay's extensive proactive measures aimed at minimizing instances of counterfeiting on its site, proves eBay's conduct to be the antithesis of willful blindness.

In sum, Tiffany's effort to shift the principal policing responsibility that trademark law places on its shoulders onto third parties such as eBay is bereft of legal support. The District Court found that the notice-and-takedown program that eBay has developed to assist in averting counterfeiting with the cooperation of rights owners implements the precise allocation of enforcement duties embedded in the law of contributory trademark infringement. In contrast, Tiffany's under-utilization of that program, as well as its failure actively to pursue sellers it believed were offering counterfeit merchandise on eBay, were found by the lower court to have been contributing causes of the very problem of which Tiffany complains. Tiffany's decision to undertake only lax enforcement efforts while

seeking indiscriminate removals of Tiffany listings by eBay gave credence, the District Court concluded, to the notion that Tiffany's motivation in bringing this action was at least in part "to shut down the legitimate secondary market in authentic Tiffany goods." SPA47 n.36.

Because eBay has not merely diligently complied with but significantly exceeded the obligations the law imposes upon it with respect to listings of Tiffany goods on its site, the District Court's decision should be affirmed in its entirety.

STATEMENT OF FACTS

A. eBay and Its Business

eBay, the world's most prominent online marketplace, provides a venue through which more than 200 million users buy and sell wares of all types. Joint Appendix ("A") 529 ¶ 9. eBay's role is to enable transactions between registered buyers and sellers; eBay itself does not sell merchandise or offer any items for sale. SPA8; Joint Pretrial Order at 7 (Docket No. 37). More than 100 million listings appear on eBay at any time, and approximately six million new listings are posted daily. SPA8; A529 ¶ 9. eBay has become "very successful," SPA8, due in large part to its efforts to build user trust, which necessarily includes measures to minimize the presence of potentially counterfeit merchandise on its site. As the District Court concluded: "It is clear that Tiffany and eBay alike have

an interest in eliminating counterfeit Tiffany merchandise from eBay.” SPA2.

Indeed, despite Tiffany’s continuing effort to portray eBay as operating a business that “facilitates substantial fraud,” Brief for Plaintiffs-Appellants (“Appellants’ Br.”) at 1, that “allow[s]” sellers to offer counterfeit Tiffany merchandise, *id.* at 19, and that “earn[s] significant revenue and profits” therefrom, *id.* at 1, the record, and the District Court’s uncontested findings, are directly to the contrary.

1. eBay’s listings, buyers, and sellers

While anyone can browse listings on eBay, users must register before buying or selling on the site. A530 ¶ 13. As part of the registration process, users must agree to the terms of the eBay User Agreement, which requires compliance with eBay’s policies and alerts users to the consequences of engaging in fraudulent activity, ranging from the removal of listings to the suspension of users. A530 ¶ 13; Exhibits (“EX”) 4715-23; SPA9. eBay’s “Replica and Counterfeit Items” policy specifically prohibits the listing of “counterfeits, unauthorized replicas, or unauthorized items (such as counterfeit watches, handbags, or other accessories) on eBay.” EX4703-04; see also EX4702; EX4705-08; A370-71 ¶¶ 40-43.

Moreover, contrary to Tiffany’s claim that “the seller can hide its identity,” Appellants’ Br. at 1, all registered users must provide eBay with identifying information. A530 ¶ 13. As the District Court found, in every instance in which

Tiffany has requested such information, eBay has supplied it. SPA23; see also A375 ¶ 57; A2298 at 266:2-267:2.

When listing an item on eBay, sellers are solely responsible for setting the parameters and conditions for the sale and for the content of the listings. eBay does not create, approve, or edit any listing, although it does remove listings that violate eBay policies. A529-30 ¶ 12; SPA7, 12. When a listing ends, eBay automatically sends the buyer and seller an email identifying each to the other. It is then up to the buyer and seller to consummate the transaction; eBay is not involved in the final exchange of the item and does not know whether or when an item is delivered to the buyer. A529 ¶¶ 10-11; SPA8.

It is undisputed that eBay never takes ownership, custody, or control of items listed for sale on its site. Joint Pretrial Order at 7 (Docket No. 37); A370 ¶ 41; A529 ¶¶ 10-11; SPA8, 43. eBay thus cannot and does not inspect or examine any listed items. SPA43. As the District Court found, moreover, evaluating the authenticity of a Tiffany item requires physical inspection of that item by Tiffany personnel. SPA5; A2218 at 32:5-6; A2226 at 64:18-23. George Callan, a former Tiffany Quality Assurance manager, testified that determining whether a Tiffany jewelry item is authentic requires significant training in the qualities of Tiffany products. A2218 at 32:7-14; see also A2221 at 41:22-43:13; A2223 at 49:3-50:12; EX4168-4208; EX1897; EX5148-50; EX5263-64, EX5273-5303; A2219 at 35:5-

36:4; A2232 at 85:22-86:8. Tiffany has conceded that only it has the necessary expertise and resources to distinguish between authentic and counterfeit Tiffany products. A166-68 ¶¶ 13-16; A115-17 ¶¶ 5-13; EX5389-90 (“No jeweler can verify our pieces for authenticity – they may only be verified by our Quality Assurance Division.”).

Given eBay’s lack of the requisite expertise and its inability to examine Tiffany (or any other) items listed on its site, Tiffany was unable at trial to explain how it expects eBay comprehensively to identify potentially counterfeit merchandise on its own initiative. A2218 at 31:11-32:14; A2228 at 69:25-70:17; A330-31 ¶ 41; A2235 at 97:2-12; A2122 at 24:12-A2123 at 25:7; A529-30 ¶¶ 10-12, 19.

2. No desire by eBay to profit from counterfeit merchandise

The trial record demonstrates that eBay has no desire to carry or profit from listings offering counterfeit items. As eBay’s Senior Vice President and Deputy General Counsel, Robert Chesnut, testified, eBay “is a business based on trust . . . and so anything that causes people to be concerned about the quality of the item or whether it’s real has a real impact on trust.” A2445 at 689:2-14; see also EX4625-53; A2445 at 686:14-15, 687:5-8, 688:6-25; A358-59 ¶¶ 2-3. The sale of counterfeit items causes eBay to lose users, profits, and goodwill. A359 ¶ 4; A2445 at 686:17-687:8; A2379 at 502:7-22; A527 ¶ 4.

Tiffany claims without record support that eBay “earned significant revenue and profits from the sale of counterfeit TIFFANY goods.” Appellants’ Br. at 1. The evidence instead demonstrates that, as matter of general practice, once a transaction is identified as involving potentially counterfeit merchandise, eBay returns any fee it has earned from the seller. SPA12. eBay also has “committed tens of millions of dollars annually to pay claims through its buyer protection program,” *id.*, whereby eBay reimburses buyers for the cost of counterfeit items they have purchased on the site, including Tiffany items. A359 ¶ 4; A375-76 ¶¶ 58-60; A2445 at 688:1-5; SPA12; EX2829-38. Tiffany developed no evidence to the contrary in relation to sales of counterfeit Tiffany merchandise.¹

Tiffany would fault eBay for working with sellers to promote sales of goods on its site notwithstanding eBay’s claimed knowledge of the existence of counterfeiting. Appellants’ Br. at 11-15.² This simplistic argument would lump

¹ Despite Tiffany’s sweeping assertions, the trial record neither indicates the volume of sales of counterfeit Tiffany items that resulted in the “defrauding . . . of unsuspecting customers,” nor provides any support for Tiffany’s claim that such customers “usually did not obtain any relief.” Appellants’ Br. at 25. Aside from self-serving testimony and a few hand-picked exhibits, Tiffany also offers no evidence to support its conclusory assertion that “counterfeit TIFFANY items often were sold before Tiffany could report them to eBay.” *Id.* at 23. Indeed, Tiffany developed no evidence regarding any purported damages it suffered.

² Many of Tiffany’s characterizations in this regard are untrue. For example, while Tiffany claims “eBay provides its PowerSellers health care benefits,” Appellants’ Br. at 13, eBay’s Senior Vice President and Chief Marketing Officer, Gary Briggs, testified that such a program was “never executed.” A2360 at 424:9-12.

all sellers and *all* sales promotion activities into one basket of “suspicion.” The record makes clear, however, that eBay encourages solely *non-infringing* listings of items and bidding on those items. As eBay’s Mr. Briggs testified, “the primary objective” regarding sellers is “to grow what I would call healthy sellers . . . and thereby build a long-term healthy business on eBay.” A2359 at 420:4-8; A532 ¶ 21; see also A2376 at 490:10-17; A2363 at 436:5-438:18; EX1-6 (newsletter explaining eBay initiatives to combat infringing activity). With respect to the Jewelry & Watches category in particular, eBay has worked with sellers to educate them and to have them adopt “best practices” so as to prevent the listing of counterfeit merchandise. A532 ¶ 21.

Consistent with this philosophy, eBay markets categories of items offered on its site through, among other things, advertisements on its homepage and “sponsored links” on search engines such as Yahoo! and Google. Prior to 2003, these promotional efforts, many of which are automated, A2368 at 457:20-458:2; A2369 at 462:6-11, occasionally included, among other brands, Tiffany merchandise. However, following receipt of Tiffany’s demand letters, as an accommodation to a rights owner, eBay stopped advertising Tiffany merchandise on its site and stopped purchasing sponsored links using the “Tiffany” keyword. A533 ¶ 24; A535 ¶¶ 30-32; A2371 at 467:14-468:1; A2372 at 471:21-24; EX4697; EX4709-14; EX4842-84.

B. eBay's Anti-Infringement Measures: The VeRO Program

As a significant part of its strategy for addressing listings offering potentially infringing items, eBay established, over a decade ago, a set of procedures known as the Verified Rights Owner (“VeRO”) Program. eBay spends millions of dollars per year on VeRO, which is widely recognized as a model for Internet businesses in addressing issues of infringement and other problematic activity. A361-62 ¶¶ 13, 17; see also A2460 at 747:20-748:23. The VeRO Program reflects the recognition that, in order to eliminate potentially counterfeit merchandise from its site, eBay must rely on cooperation from rights owners whose goods are offered on the site. A361-62 ¶¶ 15-17; EX4727-35. More than 14,000 rights owners, including Tiffany, have participated in the VeRO Program. SPA11; A362 ¶ 17.

1. The VeRO Program's “notice-and-takedown” system

The core of VeRO is a “notice-and-takedown” system through which rights owners can report to eBay listings of merchandise that potentially infringe their rights and request removal of such listings on a virtually immediate basis. A361-63 ¶¶ 16-19; SPA11; EX4669-92. A rights owner identifying a potentially infringing item can report the listing to eBay by submitting a Notice of Claimed Infringement (“NOCI”) attesting to the rights owner's belief that the listing infringes its rights. SPA11; A362 ¶ 18; EX4657-58; EX4669-92; EX 4727-35;

EX4764-83; EX105-17. The NOCI is designed to enable eBay to identify the listing to be removed and to ensure that the rights owner reporting the listing is authorized to do so, although “[a] NOCI, alone, is not evidence that the listing itself was infringing.” SPA19.

Upon receiving a NOCI, eBay’s customer service representatives (“CSRs”), after verifying that the NOCI contains necessary information and has indicia of accuracy, remove the reported listing. SPA12; A363 ¶ 20. eBay’s practice has been to remove listings within twenty-four hours of receiving a NOCI. SPA12; A2451 at 712:20-21; A363 ¶ 21. As of the time of trial, three quarters of reported listings were removed within four hours. SPA12; A2451 at 712:15-16, 713:1-3. eBay removes thousands of listings per week based on NOCIs. SPA12; A363 ¶ 21.

When eBay removes a listing before bidding has ended, eBay cancels all bids and notifies the seller and bidders that the listing has been removed. eBay also advises the seller of the reason for the removal and provides educational information to prevent the seller from repeating the violation. SPA12; A2447 at 697:20-A2448 at 699:5; EX4699-01. If bidding has ended, eBay cancels the transaction retroactively, removes the listing, and informs the winning bidder and the seller that the listing has been removed and that the parties should not complete the transaction. SPA12; A2449 at 703:17-704:5. As noted, every time eBay

removes a listing, eBay refunds associated fees. SPA12; A2448 at 699:4-14, A2449 at 703:17-704:5; A363 ¶ 22. eBay also reviews the seller's account and routinely takes further remedial action, including suspending the seller. SPA12; A2448 at 699:22-700:9.

So successful have eBay's efforts been that the number of transactions that result in a buyer contesting the sale is "a fraction of a percent" of all transactions on the site. A2383 at 515:12-17.

2. eBay's responsiveness to Tiffany's NOCIs

Tiffany's efforts at trial (only glancingly repeated here, see Appellants' Br. at 23) to challenge the efficacy of the VeRO Program's notice-and-takedown procedures as they relate to claimed listings of counterfeit Tiffany merchandise proved unavailing. The trial record demonstrates instead exceptional responsiveness by eBay to Tiffany's NOCIs. As the District Court found: "Tiffany's own trial witnesses stated – and the evidence at trial demonstrated – that eBay never refused to remove a reported listing, acted in good faith in responding to Tiffany's NOCIs, and always provided Tiffany with the seller's contact information." SPA22-23. In fact, eBay frequently goes further and affirmatively

contacts Tiffany when it receives information from third parties that a listed item might be counterfeit. EX5391; EX6261-65.³

As the District Court noted, SPA23, Tiffany’s portrayal of eBay as less than fully responsive to Tiffany’s NOCIs also is at odds with Tiffany’s pre-litigation posture. EX5317-24 (article authored by Tiffany personnel addressing how the VeRO Program resulted in the reduction of the number of potentially counterfeit Tiffany items on eBay); EX5304-05 (communication from Tiffany to eBay user stating: “We have worked with e-Bay for quite some time. They allow us to determine whether an auction infringes on our trademark. They will not allow an item to be re-listed if we say not to.”).

3. Tiffany’s “sporadic and meager” commitment to policing its trademarks

Despite Tiffany’s profession that combating counterfeiting is one of its highest priorities, A184 ¶ 5; Appellants’ Br. at 10, the District Court concluded from the trial record that Tiffany has “invested relatively modest resources” in addressing potentially infringing listings on eBay. SPA18. In fiscal year 2003,

³ Tiffany’s sole evidence that eBay refused to remove listings after NOCIs were submitted consisted of fifteen litigation-instigated requests to eBay, all dated two weeks before the joint pretrial order was due. SPA23 n.21; see also EX4031-4156. Even those requests lacked probative value (so much so that Tiffany ignores them on appeal); among other things, the reported listings were taken down either before or within a day of eBay’s receipt of the NOCI, before a follow-up request was sent. SPA23 n.21; A2455 at 724:9-728:10; see also EX4032, EX4034.

Tiffany budgeted approximately \$763,000 for all of its anti-counterfeiting efforts worldwide, representing less than 0.05 percent of that year's net sales. Id.; EX5329-30; A2234 at 94:11-14. Tiffany's CEO, Michael Kowalski, testified that between 2003 and 2007, during which time Tiffany's revenues exceeded \$2 billion each year, A2234 at 94:11-18, Tiffany budgeted only \$14 million for anti-counterfeiting efforts – of which \$3-5 million was spent on this litigation. SPA18; A2504 at 825:21-826:21.

The District Court found that “Tiffany’s time dedicated to monitoring the eBay website and preparing NOCIs” was “limited,” SPA18, reflecting the equivalent of anywhere between 1.15 to 1.6 full-time employees per month (mainly at the paralegal level). SPA19; A2231 at 83:21-84:10; see also A2289 at 230:8-23; A2288 at 229:6-A2289 at 230:2. And while Tiffany asserts that it “takes many steps to protect and enforce its marks,” Appellants’ Br. at 10, the record shows that Tiffany generally did not take action even against sellers of items on eBay that Tiffany determined were counterfeit pursuant to its buying programs; against the alleged repeat infringers listed in EX3374-94; or against the seller who allegedly listed over 3,000 counterfeit Tiffany items. SPA15; A2497 at 800:20-A2498 at 801:19; A2498 at 804:11-A2499 at 806:13; A2505 at 830:8-17.

Tiffany’s “sporadic and relatively meager” commitment to reporting listings, SPA56, is significant because, as Mr. Chesnut testified, had Tiffany

devoted additional resources to the effort, over time the number of potentially counterfeit Tiffany items on eBay would have been minimized. See A364 ¶ 25; A2429 at 624:24-A2430 at 626:20; A2453 at 719:25-721:7; SPA19.

C. Additional Measures Taken by eBay to Combat Infringement

Contrary to Tiffany’s charge that “eBay did nothing on its own initiative to prevent the listing of counterfeit goods,” Appellants’ Br. at 3, the record and District Court opinion are replete with facts that belie this claim. In addition to the VeRO Program, eBay has implemented significant measures to minimize incidences of infringement on its site. EX4625-53; SPA10-13; A2445 at 686:14-15, 687:5-8. In fact, eBay has invested as much as \$20 million annually on tools to address fraudulent activity, A2445 at 687:21-25, devoting fully one quarter of its 16,000 employees to “trust and safety” issues. SPA10; A2446 at 691:17-692:7. More than 200 of these individuals focus exclusively on combating infringement, at a cost of “tens of millions of dollars,” SPA10, 12; A2418 at 579:24-580:8; A2445 at 687:9-14, and an additional 70 focus full-time on interfacing with law enforcement agencies. SPA10; A2423 at 599:1-2, A2460 at 746:21-747:19; A375 ¶¶ 56-57.

1. Fraud engine

Despite having no legal obligation to do so, eBay devotes more than \$5 million annually to maintaining and enhancing a sophisticated fraud engine that

uses more than 13,000 different search rules to proactively search listings for potentially infringing or otherwise problematic activity. A2445 at 687:15-18; A367-70 ¶ 33-39. The fraud engine not only flags listings that expressly offer “knock-off” or “replica” merchandise and listings in which the seller “cannot guarantee the authenticity” of the item, but also contains numerous other data elements designed to evaluate listings based on information such as the seller’s Internet protocol address and any issues associated with the seller’s account. SPA10-11; A368-69 ¶¶ 35-36; A2418 at 581:11-A2419 at 584:22; EX4795-96; EX4831-38.⁴ The fraud engine also includes rules specifically pertaining to Tiffany and other brand names; when this action was filed, eBay’s rules searched for approximately ninety Tiffany-specific keywords, including “counterfeit tiffany” and “faux tiffany.” SPA26-27; A2439 at 664:2-22; A369 ¶ 37; EX4795-96.

Listings flagged by the fraud engine are sent to eBay’s CSRs for further action, including potentially removing the listing and suspending the seller. SPA11; A369 ¶ 38. eBay removes from its site thousands of flagged listings each

⁴ Tiffany’s assertion that “eBay’s filters searched solely for listings that admitted that the goods were not genuine,” Appellants’ Br. at 21, is thus incorrect. Tiffany is equally disingenuous in claiming that eBay “never adopted any new filters other than more of the ‘replica’ filters.” *Id.* at 21-22. As Mr. Chesnut testified, and as the District Court found, eBay’s fraud engine is updated regularly. A368-69 ¶ 36; SPA11.

month. SPA11; A369-70 ¶¶ 38-39; EX4612-13. Nevertheless, as the District Court found, “eBay’s ultimate ability to make determinations as to infringement was limited by virtue of the fact that eBay never saw or inspected the merchandise in the listings. While some items – such as guns – were completely prohibited and thus required no judgment to remove, listings that offered potentially infringing and/or counterfeit items required a more in-depth review.” SPA11; see also A2419 at 582:23-584:17.

2. User suspensions

eBay also takes action against sellers themselves, including for repeat offenses or more serious violations as well as under any other circumstances where indicia of suspicious activity are present. A372-73 ¶¶ 46-52.⁵ eBay has implemented a range of such sanctions, from restrictions on the user’s account to outright suspensions from eBay of varying length, including indefinitely. Id. Of

⁵ Contrary to Tiffany’s assertion, Appellants’ Br. at 23-24, eBay proffered extensive testimony regarding eBay’s suspensions, see, e.g., A372-73 ¶¶ 46-52; documentary evidence of suspensions site-wide, see, e.g., EX4797-4830; and documentary evidence of suspensions of users who had committed violations involving potentially counterfeit Tiffany merchandise, see, e.g., EX2829-38. Tiffany thus has no basis for claiming that eBay is precluded from contending that it suspended users. Appellants’ Br. at 24 n.10. In any event, because Tiffany did not raise this argument below, it is waived on appeal. See In re Nortel Networks Corp. Sec. Litig., 539 F.3d 129, 132 (2d Cir. 2008) (“an appellate court will not consider an issue raised for the first time on appeal”); Allianz Ins. Co. v. Lerner, 416 F.3d 109, 114 (2d Cir. 2005) (refusing to address untimely arguments where “[d]efendants proffer[ed] no reason for their failure to raise the arguments below”).

the “hundreds of thousands of sellers [suspended] every year,” tens of thousands are suspended for having engaged in infringing conduct. A2450 at 707:8-708:23; A373 ¶ 51; see also EX4797-4830 (providing data regarding suspensions); EX4614-22; EX4659-68; EX4784-88.

Although eBay primarily employs a “three-strikes rule,” a seller can be suspended for a first violation if it is determined that, for example, the seller “listed a number of infringing items,” and “this appears to be the only thing they’ve come to eBay to do.” A2448 at 700:10-22; see also A2420 at 589:25-591:6; A372-73 ¶¶ 48-49; A2448 at 700:23-701:10; A2449 at 704:18-A2450 at 706:9. eBay also has developed sophisticated tools, at a cost of approximately \$10 million, that enable it to detect patterns of fraudulent activity, identify previously suspended users, and prevent such users from re-registering even with different personally identifying information. A373 ¶¶ 50-52; EX4698; A2449 at 702:8-703:14. eBay’s suspension policies, like all of its anti-infringement measures, apply to every user, including high-volume sellers known as PowerSellers. A2450 at 709:10-A2451 at 710:10; A376-77 ¶¶ 61-65; SPA25 n.24.

The District Court found eBay’s suspension policies to be “appropriate and effective.” SPA24. While Tiffany cites the fact that, despite its urging, eBay did not automatically suspend every seller concerning whom Tiffany submitted a NOCI, the District Court properly noted the complexity of factors that go into a

suspension determination, including that a NOCI does not constitute a definitive finding that an item is counterfeit – only a statement as to Tiffany’s “good faith” belief. *Id.*; A2449 at 704:23-705:2. Indeed, Tiffany at times has conceded that items that had been the subject of a NOCI were genuine and subsequently requested that items be reinstated or that the suspension of a user accused of selling counterfeit merchandise be lifted. EX4693-96; EX5519-20; EX6266-85.

The record and the District Court findings also unequivocally refute Tiffany’s claim that a “significant number of repeat offenders” have listed items on eBay. Appellants’ Br. at 23. Out of the 284,149 listings reported by Tiffany since 2003, Tiffany identified *only twenty-three* instances in which a previously reported seller purportedly reappeared on eBay under the same user name, and Tiffany offered supporting evidence for *only four*. The District Court concluded that even these few instances lacked probative value:

At trial, Tiffany specifically identified three sellers who reappeared under the same user name: “annag9,” “tracycwazy,” and “Freshhunter.” With respect to these sellers, the evidence demonstrates that once a Tiffany representative saw the infringing listings and filed a NOCI, eBay immediately removed the listings. When the seller subsequently reappeared on eBay and a Tiffany representative filed a second NOCI, eBay again immediately removed the listings. The evidence does not demonstrate that a third NOCI was ever filed with respect to these users, nor does it demonstrate that eBay ever refused to remove the allegedly infringing listings. The evidence with respect to the remaining “repeat offenders” is less detailed. For example, at least one of the exhibits

cited in support of this contention was not a request that listings be taken down, but rather a request that eBay send Tiffany the seller's contact information. With respect to the remaining sellers, Tiffany offered no evidence of the first NOCI filing and little to no proof of the amount of time that had elapsed between Tiffany's first and second notifications to eBay. . . . The evidence shows that one of the sellers who relisted items under the same user name was "the firstman-vip." This user was a PowerSeller. However, the evidence does not show that this PowerSeller, or any other PowerSeller, was treated differently by eBay than any other seller of infringing items. Indeed, there is no evidence that upon the receipt of a NOCI concerning this PowerSeller, eBay failed to immediately remove the listings.

SPA25 n.23 & n.24 (citations omitted).⁶

Tiffany also purported to have identified 178 individuals who used different user names to return to eBay to sell allegedly counterfeit goods. But, as the District Court found (among other reasons for giving no weight to Tiffany's contention, SPA24-25), "the vast majority of [these sellers] appear no more than twice, indicating that after Tiffany filed two NOCIs reporting these sellers, the sellers no longer reappeared on eBay." SPA25.

⁶ Tiffany also claims that eBay "regularly allowed its sellers to offer hundreds, even thousands, of listings for counterfeit TIFFANY jewelry at any one time." Appellants' Br. at 19. But Tiffany points to only one such user, "the firstman-vip," and, as the District Court found, Tiffany offered no evidence that eBay failed to remove that user's listings. SPA25 n.24.

3. Other anti-fraud/anti-infringement measures undertaken by eBay

The trial record showed that eBay undertakes numerous other initiatives, ignored by Tiffany, to prevent the listing of counterfeit Tiffany and other items on its site. These include: eBay’s periodic “clean-up” reviews of listings, including of Tiffany merchandise, in an effort to remove those that might be offering counterfeit goods, SPA26; A2422 at 597:20-25; A2459 at 744:11-745:20; see also EX4724-26; EX4736-63; EX83; A2461 at 752:23-753:23; eBay’s use of special warning messages instructing sellers to ensure items they seek to list (including Tiffany items) are authentic merchandise, and informing them that listing of counterfeit items “could result in suspension of [the seller’s] account,” SPA26; A374 ¶¶ 54-55; EX4623-24; EX4839; A2461 at 750:16-752:21; and encouraging rights owners to create an “About Me” page on eBay to inform users about their products, intellectual property rights, and legal positions (Tiffany has maintained an “About Me” page since 2004). A371 ¶ 44; SPA12-13.⁷

⁷ Even before Tiffany sent its first demand letter, eBay “was already working on measures, both some short-term measures and some long-term measures to try to effectively deal with” potentially counterfeit goods on its site. A2458 at 741:23-742:23. Following receipt of Tiffany’s letters, eBay undertook still further efforts to reduce the volume of potentially infringing items. A2459 at 742:24-A2460 at 746:20.

D. The Record as to Other “Indicia of Infringement” Cited by Tiffany

1. Tiffany’s demand letters, “five-or-more” rule, and buying programs

Tiffany claims erroneously that its pre-litigation demand letters put eBay on notice of infringing activity and that eBay, in turn, disregarded those letters. Appellants’ Br. at 15-17. As a threshold matter, neither demand letter identified any specific infringing listings or sellers. Nevertheless, eBay’s response to the May 14, 2003 letter included, among other things: encouraging Tiffany to utilize the VeRO Program; advising Tiffany that eBay proactively removed listings that appeared, on their face, to be counterfeit; informing Tiffany that sellers’ accounts are suspended in appropriate circumstances; and asking Tiffany to propose ways the companies could work together. EX2246-47.

Tiffany’s sole unmet demand was that eBay prospectively ban users who were selling Tiffany items in lots of five or more. SPA16-17. Yet the District Court concluded that the record provided no rationale for Tiffany’s unilateral “rule,” the contours of which shifted from *all* Tiffany items sold in lots of five or more, EX2248-50; A187-89 ¶¶ 18, 20, to only Tiffany *jewelry* items, A189 ¶ 21, and from all manner of Tiffany jewelry, *new and old*, A25-26 ¶ 34, to only *new* silver Tiffany items, EX5523. Moreover, to the extent Tiffany’s evidence provided any support for limiting sales of identical items, it was clear that Tiffany

instituted the practice as an anti-diversion tool – that is, to guard against a secondary market in *authentic* goods. SPA 27; EX5156-65; EX5325-28; A2005 at 76:2-A2006 at 77:25. Even this anti-diversion limit has grown to twenty-five items, A2005 at 76:20-A2006 at 77:2, and has not regularly been enforced, A2244 at 134:7-14; A2506 at 833:3-12; SPA17.

Finally, lots of five or more authentic Tiffany items, including silver jewelry, *have* been sold on eBay. EX6266-85; A2244 at 135:16-21. In one instance, an eBay user listed dozens of authentic silver jewelry items. SPA17; EX6266-85. At least one of Tiffany’s third-party manufacturers also resold excess authentic Tiffany merchandise that later was resold on eBay. A322 ¶ 11; EX5386-88. In view of the foregoing, Tiffany’s CEO, Mr. Kowalski, was forced to concede at trial that the five-or-more “rule” was only a “shorthand” “compromise” reflecting what Tiffany would seek from eBay – and one not warranting “undue focus.” A2502 at 817:3-4; A2503 at 822:12-23. Now on appeal, Tiffany seeks to bury this former cornerstone of its case in a footnote indicating meekly that the “rule” was merely a “suggestion.” Appellants’ Br. at 16 n.5.

Tiffany also has staked its case on “buying programs” it conducted in 2004 and 2005, the first of which Tiffany noted in the 2004 demand letter it sent to eBay only one week before commencing this action. The actual results of both programs – including the identities of the sellers and listings involved – were

provided to eBay only during discovery. The District Court concluded, moreover, that the programs lacked probative value; they were riddled with procedural and statistical flaws, SPA20-21, including, as Tiffany has conceded, that their results could not be extrapolated outside the specific dates of the programs. Memorandum of Law in Opposition to Defendant’s Motion in Limine to Exclude the Proposed Expert Testimony of George Mantis at 4 (Docket No. 43); A2301 at 278:19-25; 279:14-18. What is more, Tiffany entirely suspended its reporting efforts while the programs were conducted. A2304 at 291:12-21; A619-23 ¶¶ 45-57; EX5499-5500. Therefore, as the District Court observed, the items Tiffany identified as counterfeit during the programs “would likely have been removed by eBay had they been reported.” SPA50; see also EX4025.⁸

⁸ Having not challenged the District Court’s conclusions that the buying programs were flawed, Tiffany now relies on speculation by eBay’s expert, Dr. Eugene Ericksen, to the effect that perhaps thirty percent of the Tiffany silver jewelry items on eBay during the buying programs were counterfeit. A2393 at 555:5-12. This testimony, however, offered “no guidance as to what percentage of counterfeit listings would have been captured, and removed, via diligent use of the VeRO Program” had Tiffany not suspended its reporting efforts. SPA21 n.17.

2. Tiffany's challenges to eBay's proactive measures

Again disregarding the District Court's undisputed findings, Tiffany contends that eBay could have implemented more effective anti-counterfeiting measures earlier. Appellants' Br. at 22. But the District Court discredited Tiffany's expert on this topic, Gregory Piatetsky-Shapiro,⁹ instead finding the record "clear that eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available." SPA28. In so holding, the court credited the testimony of eBay's Mr. Chesnut that Dr. Piatetsky-Shapiro's critique reflected fundamental misunderstandings regarding eBay. SPA27 (citing A2318 at 349:20-352:4); SPA 52 (citing A2464 at 765:8-17); see also A2460 at 748:24-A2461 at 750:15; A2318 at 349:20-A2319 at 350:19; A2319 at 351:6-352:4; A2324 at 373:12-15; A2455 at 728:11-23, 729:4-730:10.

In any case, by late 2006, contrary to Tiffany's claim that "eBay did not take these measures and instead relied only on VeRO," Appellants' Br. at 22, eBay had begun to, among other things: delay the ability of buyers to view certain listings, including Tiffany listings, in order to enable CSRs to manually review

⁹ Beyond the lower court's own critiques of his opinions, SPA27, Dr. Piatetsky-Shapiro conceded that he was not opining on the adequacy of eBay's measures, A2317 at 345:2-5, and that his methodology could not actually identify counterfeit Tiffany items on eBay. A2312 at 322:16-21, 323:20-21; A2314 at 330:15-20; A2313 at 326:6-19, 328:18; A2325 at 376:3-11.

those listings; prohibit one-day and three-day auctions of certain items; and restrict cross-border trading. SPA27-28; see also A2437 at 655:23-656:14; EX4257-59.

While Tiffany recites the numbers of NOCIs submitted to eBay for each of the years 2003-2006, it fails to apprise the Court that as of 2007, Tiffany “started to notice significant reductions in the amount of counterfeit Tiffany silver merchandise being offered for sale on eBay.” A349 ¶ 113.¹⁰

3. Tiffany’s third-party witnesses

Finally, the testimony of four third-party witnesses introduced by Tiffany, Appellants’ Br. at 19-20, is irrelevant. If anything, this testimony confirms that eBay has acted in good faith and exercised diligence in addressing potentially infringing items listed on its site. For example, Sheila Sharp, whose eBay account was taken over by another user, acknowledged that eBay informed her that it was “canceling all the unauthorized listings on my eBay account,” and a subsequent search revealed that “those listings had been removed.” A271-72 ¶¶ 7,

¹⁰ The District Court precluded Tiffany from arguing that eBay’s implementation of additional measures in 2006 demonstrates culpability. A2175 at 61:24-A2178 at 73:6; A2211 at 4:5-A2213 at 11:5; see also Fed. R. Evid. 407. Tiffany does not appeal that ruling, wherein the court struck portions of the testimony of Tiffany’s witnesses. For separate reasons, the court struck portions of the testimony of other of Tiffany’s witnesses. A2166 at 28:15-A2167 at 29:8; A2169 at 38:20-A2170 at 40:6; A2178 at 73:25-A2179 at 80:13; A2276 at 180:12-181:10; A2310 at 315:25-A2311 at 318:4. Tiffany also has not challenged those rulings. The Court thus should consider only the redacted versions of the testimony of Michael Kowalski, Ewa Zalewska, Maria Cacucciolo, George Mantis, and Caroline Naggjar.

9. Ms. Sharp also “contacted eBay with my suspicion” as to additional fraudulent listings, and “within an hour they had cancelled them all.” EX280-84. In addition, PayPal, an eBay company, “was extremely helpful” in providing assistance, A271 ¶ 8; PayPal was “able to track the account to which these payments were being sent and have closed it,” EX290-95.

SUMMARY OF ARGUMENT

The “generalized knowledge” standard that Tiffany asserts as the linchpin of its discussion of contributory trademark liability, and that is said to give rise to an obligation on eBay’s part to undertake proactive anti-counterfeiting efforts, is, as the District Court recognized, “foreclosed” by the Supreme Court’s decision in Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844 (1982). That decision establishes that the “knowledge” or “reason to know” prong of a contributory infringement claim is met only where the defendant has acquired knowledge of specific instances of actual infringement and has failed to act upon that knowledge. Liability cannot be imposed under Inwood on the ground that a defendant may have generalized knowledge of, or can reasonably anticipate, infringing activity. As applied here, Inwood imposes no affirmative duty on eBay to monitor for, ferret out, or remedy potential infringements. See Point I.A.

That contributory trademark liability requires proof of knowledge of specific infringing activity has been reaffirmed in the post-Inwood case law, which

likewise repudiates any notion that liability can rest on the defendant's allegedly having been able to reasonably anticipate infringing activity. Not one of the cases cited by Tiffany compels a different conclusion, nor can Tiffany prove its case by defending its purported right to jettison its enforcement obligations as a trademark owner. The District Court did not view inactivity on Tiffany's part as some form of affirmative defense, as Tiffany contends. Rather, the court refused to allow Tiffany improperly to shift the policing role the law assigns to it onto eBay outside of Inwood's parameters. In the end, were Tiffany's theory of liability correct, the rights of trademark owners would impermissibly expand to the point of stifling legitimate commerce. See Point I.B.

Application of Inwood to the record facts straightforwardly demonstrates why no liability can attach here. eBay routinely responded promptly and in good faith to claimed instances of infringement reported to it by Tiffany – while voluntarily continuing to undertake a wide range of proactive anti-counterfeiting measures. See Point I.C.

Tiffany's effort to shoehorn the evidence into a demonstration of willful blindness on eBay's part is similarly lacking in merit. The contrast between eBay's conduct and that of the flea-market operators to which Tiffany tries to suggest a meaningful comparison is one of day from night. See Point I.D.

Tiffany's tag-along direct infringement, dilution, and false advertising claims cannot, a fortiori, survive the defeat of its contributory infringement claim. eBay's compliance with Inwood precludes holding it accountable as either a direct or contributory infringer. The District Court also correctly held that insofar as authentic Tiffany merchandise is available on eBay, and insofar as eBay removes listings for potentially counterfeit merchandise, the nominative fair use doctrine authorizes descriptive use of the Tiffany trademarks to indicate the availability of Tiffany merchandise on the site. See Point II.

ARGUMENT

The District Court's conclusions of law and resolution of mixed questions of law and fact are subject to de novo review. Findings of fact, however, are reviewed for clear error, Amalfitano v. Rosenberg, 533 F.3d 117, 123 (2d Cir. 2008), and Tiffany does not challenge any of the District Court's factual findings as clearly erroneous. Accordingly, these findings should not be disturbed on appeal. See United States v. Londono, 76 F.3d 33, 35 (2d Cir. 1996).¹¹

¹¹ To the extent Tiffany's *amici* seek to supplement the record, those factual proffers should be disregarded. See Pfennig v. Household Credit Servs., Inc., 295 F.3d 522, 529 n.2 (6th Cir. 2002), rev'd on other grounds, 541 U.S. 232 (2004) (declining to consider "factual issues the *amici* raise [that] were never raised below and are not in the record"); Ministry of Def. of Islamic Republic of Iran v. Gould, Inc., 969 F.2d 764, 773 (9th Cir. 1992) ("[w]e decline to go outside the record to consider new facts submitted by a non-party"). The foreign court rulings referenced by *amicus* Coty Inc. are likewise irrelevant to this appeal.

I. THE DISTRICT COURT CORRECTLY HELD THAT EBAY DID NOT CONTRIBUTORILY INFRINGE TIFFANY'S TRADEMARKS

A. Tiffany's Contention that Inwood Requires Only Generalized Knowledge of Infringement Has No Merit

In Inwood, the Supreme Court recognized that contributory trademark liability can arise in the narrow circumstance where a “manufacturer or distributor . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” Inwood, 456 U.S. at 854. As applied to eBay, the District Court held that Inwood obliges it to act only upon acquiring knowledge of “specific instances of actual infringement,” SPA48; “generalized knowledge,” by contrast, is “insufficient under the Inwood test to impose upon eBay an affirmative duty to remedy the problem.” SPA45; see also SPA52 (“without specific knowledge or reason to know, eBay is under no affirmative duty to ferret out potential infringement”). The District Court’s interpretation of Inwood is completely sound.

The Inwood Court left little doubt as to the nature, and degree of specificity, of the knowledge necessary to impose upon a putative contributory infringer a duty to act to remedy infringement. The Court indicated that the liability of the generic-manufacturer defendants whose conduct was there in issue depended on whether they “continued to supply cyclandelate *to pharmacists whom [they] knew were mislabeling generic drugs.*” 456 U.S. at 855 (emphasis added).

Coupled with the Court’s reference to “*one* whom [the defendant] knows or has reason to know is engaging in trademark infringement,” *id.* at 854 (emphasis added), this language expresses unambiguously a “focus on individual infringers” that is “consistent with a requirement of specific, rather than general, knowledge.” SPA45.

Further, the Inwood Court expressly addressed and rejected the very standard Tiffany advocates. Tiffany’s theory of contributory infringement – that generalized knowledge triggers a duty of anticipatory remedial conduct – is interchangeable with the Restatement standard, pursuant to which liability can be imposed where the defendant “fails to take reasonable precautions against the occurrence of the third person’s infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated.” SPA39 (quoting Restatement (Third) Unfair Competition § 27 (1995)). Tiffany acknowledged as much below. A2510 at 849:2-12; *id.* at 852:13-23.¹² But Tiffany fails to acknowledge in its brief to this Court that Inwood considered the Restatement standard that Tiffany advocates and pronounced it erroneous.

In his concurring opinion in Inwood, Justice White observed that because a defendant is not “require[d] . . . to refuse to sell to dealers who merely

¹² Amicus The International AntiCounterfeiting Coalition relies expressly on the Restatement standard. See Brief of Amicus Curiae The International AntiCounterfeiting Coalition at 22-24.

might pass off its goods,” the “mere fact that a generic drug company can anticipate that some illegal substitution will occur to some unspecified extent, and by some unknown pharmacists, should not by itself be a predicate for contributory liability.” Inwood, 456 U.S. at 861 (White, J., concurring) (emphasis in original). Justice White proceeded to raise the concern that the majority in Inwood had implicitly adopted a novel and overly broad “reasonable anticipation” standard for contributory trademark infringement. This concern arose out of his view that the Second Circuit, in the latter of two opinions issued by this Court in the case (“Ives IV”), had impermissibly “revis[ed] and expand[ed] the doctrine of contributory trademark infringement” beyond what this Court, per Judge Friendly, had properly articulated in its earlier decision (“Ives II”). Inwood, 456 U.S. at 860 (White, J., concurring).¹³ In Ives II, Judge Friendly stated the governing standard for contributory liability as follows:

[A] manufacturer or wholesaler would be liable under § 32 if he suggested, even if only by implication, that a retailer fill a bottle with the generic capsules and apply Ives’ mark to the label, or continued to sell capsules containing the generic drug which facilitated this *to a druggist whom he knew or had reason to know was engaging in the practices just described.*

¹³ Per Justice White: “Ives II required a showing that petitioners intended illegal substitution or knowingly continued to supply pharmacists palming off [goods]; Ives IV was satisfied merely by the failure to ‘reasonably anticipate’ that illegal substitution by some pharmacists was likely. In my view, this is an erroneous construction of the statutory law governing trademark protection.” Id.

Ives Labs., Inc. v. Darby Drug Co., 601 F.2d 631, 636 (2d Cir. 1979) (Friendly, J.) (emphasis added). In Ives IV, while Judge Mansfield stated that “the governing legal principles have already been set forth in Judge Friendly’s opinion upon the earlier appeal,” Ives Labs., Inc. v. Darby Drug Co., 638 F.2d 538, 542 (2d Cir. 1981) (Mansfield, J.), he also suggested that the defendants “could reasonably anticipate” infringement. Id. at 543.

The majority in Inwood responded to Justice White’s concern by indicating its view that the Second Circuit had *not* adopted a “reasonable anticipation” standard; that had it done so, such a “significant change in the test for contributory infringement” would have been erroneous; and that Judge Friendly’s enunciated standard is one of which “both we and Justice White approve”:

Justice White, in his opinion concurring in the result, voices his concern that we may have “silently acquiesce[d] in a significant change in the test for contributory infringement.” His concern derives from his perception that the Court of Appeals abandoned the standard enunciated by Judge Friendly in its first opinion, a standard which both we and Justice White approve. The Court of Appeals, however, expressly premised its second opinion on “the governing legal principles . . . set forth in Judge Friendly’s opinion upon the earlier appeal” and explicitly claimed to have rendered its second decision by “[a]pplying those principles.” Justice White’s concern is based on a comment by the Court of Appeals that the generic manufacturers “could reasonably anticipate” illegal substitution of their drugs. If the Court of Appeals had relied upon that statement to define the controlling legal standard, the court indeed

would have applied a “watered down” and incorrect standard. As we read the Court of Appeals’ opinion, however, that statement was intended merely to buttress the court’s conclusion that the legal test for contributory infringement, as earlier defined, had been met.

Inwood, 456 U.S. at 854 n.13 (citations omitted) (emphasis added).

From the foregoing, there can be little doubt either that the Supreme Court in Inwood intended contributory trademark liability to be constrained by a demonstration that the defendant possessed knowledge of specific infringing conduct or that the Supreme Court did not predicate potential liability merely upon a showing that the defendant had a general awareness that one or more unknown parties might engage in infringing conduct.

B. Post-Inwood Precedent and Sound Policy Considerations Support Inwood’s Holding That Knowledge of Infringement Must Be Specific

1. Relevant precedent

The requirement of specific knowledge articulated in Inwood has been reaffirmed in numerous cases. See Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439 n.19 (1984) (holding that liability can be imposed under Inwood if the defendant “continued to supply a product which could readily be passed off to a *particular merchant whom it knew* was mislabeling the product with the trademark owner’s mark” and that liability cannot be imposed if the defendant does not “supply its products to *identified individuals known by it* to be engaging in

continuing infringement”) (emphasis added); Perfect 10, Inc. v. Visa Int’l Serv. Ass’n, 494 F.3d 788, 807 (9th Cir. 2007) (“a defendant must have . . . continued to supply an infringing product to an infringer with knowledge that *the infringer* is mislabeling the particular product supplied”) (emphasis added); American Tel. & Tel. Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1433 n.14 (3d Cir. 1994) (finding no liability where defendant “took appropriate steps” “in the instances *where [plaintiff] brought objectionable acts . . . to the attention of [defendant]*”) (citation and quotation marks omitted) (emphasis added); Nintendo of Am. Inc. v. Computer & Entm’t, Inc., Civ. No. C 96-0187 WD, 1996 WL 511619, at *5 (W.D. Wash. May 31, 1996) (“Contributory trademark liability is applicable if a defendant . . . continues to supply a product knowing that *the recipient* is using the product to engage in trademark infringement.”) (emphasis added); see also Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 966 (C.D. Cal. 1997), aff’d, 194 F.3d 980 (9th Cir. 1999) (holding that court could not “impute knowledge of potential infringement [to domain name registrar] merely from the fact that such [infringing] uses [of the plaintiff’s mark in domain names] occurred”); Monsanto Co. v. Campuzano, 206 F. Supp. 2d 1271 (S.D. Fla. 2002) (refusing to impose liability based on defendant’s general awareness of related infringing activity by other third parties); Habeeba’s Dance of the Arts, Ltd. v. Knoblauch, 430 F. Supp. 2d 709 (S.D. Ohio 2006) (cited at SPA41) (sustaining

contributory trademark infringement claim based on allegations that defendant allegedly was given advance written notice that name of specific forthcoming dance symposium infringed its trademark but allowed symposium to take place).¹⁴

Consistent with the foregoing, the District Court found that Tiffany's non-specific demand letters – which failed to identify *any* claimed listings or sellers of counterfeit Tiffany merchandise – did not satisfy the Inwood knowledge standard. SPA48-49; see also Gucci, 135 F. Supp. 2d at 411, 420 (trademark owner's two emails to defendant regarding allegedly infringing activity did not establish knowledge); Fare Deals, Ltd. v. World Choice Travel.com, Inc., 180 F. Supp. 2d 678, 690-91 (D. Md. 2001) (plaintiff's demand letter cannot establish knowledge for purposes of contributory trademark infringement); Lockheed Martin, 985 F. Supp. at 967 (“[e]ven after receiving [plaintiff's] demand letters [defendant] would not have reason to know” of infringing activity). Similarly, in Hendrickson v. eBay, Inc., 165 F. Supp. 2d 1082 (C.D. Cal. 2001), even though the

¹⁴ Doe v. GTE Corp., 347 F.3d 655 (7th Cir. 2003), also is instructive. The court there concluded that the fact that Internet hosting services “may be used to carry out illegal activities does not justify condemning their provision whenever a given customer turns out to be crooked.” Id. at 659; see also Gucci Am., Inc. v. Hall & Assocs., 135 F. Supp. 2d 409, 420 (S.D.N.Y. 2001) (“trademark plaintiffs bear a high burden in establishing ‘knowledge’ of contributory infringement”); 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:20 (4th ed.) (“trademark owners may have a difficult road in establishing liability unless notice of specific infringements was unheeded by the service provider”) (internal quotation marks and citation omitted).

evidence suggested that *all* of the listings at issue were infringing, the court ruled in favor of eBay because the plaintiff “had failed to put eBay on notice that *particular* advertisements,” that is, eBay listings, were infringing. *Id.* at 1095 (emphasis added).

In addition to recognizing the specificity of the Inwood knowledge standard, many courts have recognized Inwood’s related repudiation of the “reasonable anticipation” standard for potential liability. See SPA39 (citing General Motors Corp. v. Keystone Auto. Indus., Inc., No. 02-74587, 2005 U.S. Dist. LEXIS 23168, at *35 n.21 (E.D. Mich. May 10, 2005) (Supreme Court “specifically noted that a ‘could reasonably anticipate’ standard is not proper”), rev’d on other grounds, 435 F.3d 351 (6th Cir. 2006); Procter & Gamble Co. v. Haugen, 158 F. Supp. 2d 1286, 1294 (D. Utah 2001) (“[plaintiff’s] argument that [defendant] ‘could anticipate the [challenged activity]’ does not meet the standard for contributory infringement”), aff’d, 317 F.3d 1121 (10th Cir. 2003); Medic Alert Found. United States, Inc. v. Corel Corp., 43 F. Supp. 2d 933, 940 (N.D. Ill. 1999) (standard “is not whether a manufacturer ‘could reasonably anticipate’ possible infringement, but rather whether it knew or had reason to know that a third party is engaging in trademark infringement and continued to sell its products to that third-party”); Lockheed Martin Corp. v. Network Solutions, Inc., 175 F.R.D. 640, 646 (C.D. Cal. 1997) (Supreme Court “disapprov[ed] standard

under which defendant would be liable for contributory infringement if defendant ‘could reasonably anticipate’ use of product to infringe”); David Berg & Co. v. Gatto Int’l Trading Co., Inc., No. 86 C 10297, 1988 WL 117493, at *5 (N.D. Ill. Oct. 24, 1988) (“[t]hat one ‘could reasonably anticipate’ an illegal use of the mark, however, is not sufficient”), aff’d, 884 F.2d 306 (7th Cir. 1989)).

From the rule that third parties have no legal duty to anticipate infringement (even where some unspecified infringement is known to be occurring), it follows that third parties have no affirmative enforcement obligation with respect to another’s trademarks. Indeed, that an entity such as eBay has *no affirmative duty* to identify and prevent infringing activity is well settled. See Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (noting that the law “does not impose any duty to seek out and prevent violations”); Hendrickson, 165 F. Supp. 2d at 1095 (holding that eBay “has no affirmative duty to monitor its own website” for potential intellectual property violations); Lockheed Martin, 175 F.R.D. at 646 (holding that contributory infringement claim “must fail if it depends on imposing upon [defendant] an affirmative duty to police the mark for a trade name owner”) (internal quotation marks and citation omitted).

2. Cases cited by Tiffany

Against the foregoing, Tiffany musters little by way of claimed support for its novel interpretation of Inwood and the governing legal standard, and what it does cite fails to support its position. Tiffany relies principally on the pre-Inwood decision Coca-Cola Co. v. Snow Crest Beverages, Inc., 64 F. Supp. 980 (D. Mass. 1946), aff'd, 162 F.2d 280 (1st Cir. 1947) (see Appellants' Br. at 30-31). The claimed import of that case is, however, contradicted by its holding. While Tiffany cites Coca-Cola for the proposition that "general knowledge" suffices for liability, Appellants' Br. at 30-31, the court reached the opposite conclusion. The court specifically held that the plaintiff's having stated "in a conversation of general scope [with the defendant, a competitor] that unnamed bars in unnamed quantities were serving defendant's product when plaintiff's was called for," 64 F. Supp. at 990, was insufficient to obligate the defendant to "investigate passing off or to take steps to safeguard against such passing off or to eliminate or curtail sale of its products." Id. On the other hand, the court stated that had the plaintiff provided "notice that *particular named bars* which defendant was continuing to supply were serving defendant's product when plaintiff's product was specifically ordered," id. (emphasis added), that would have been sufficient. Coca-Cola thus *rejected* imposing liability on the ground that a defendant may have general knowledge that "there are some unscrupulous persons who . . . will palm off on

customers a different product.” Id. at 988-89. Instead, the court held that the “defendant was not under a duty to investigate possible passing off . . . or to take steps to safeguard against such passing off, or to eliminate or curtail sales of its product.” Id. at 989.¹⁵

Tiffany also asserts erroneously that Mini Maid Servs. Co. v. Maid Brigade Sys., Inc., 967 F.2d 1516 (11th Cir. 1992), stands for the proposition that “knowledge of a pervasive problem [can] form the basis of a contributory trademark infringement claim.” Appellants’ Br. at 33. The court in Mini Maid, which arose in the context of a franchisor-franchisee relationship, held that a franchisor can be liable for infringement by franchisees only if it induced the infringement or “knowingly participated in a scheme of trademark infringement carried out by its franchisees.” 967 F.2d at 1522. The decision plainly offers no guidance here and fails to support Tiffany’s breathtaking argument that eBay should be liable for all of its users’ infringements of Tiffany’s trademarks based on general awareness that *some unidentified number of them* may be engaging in counterfeiting.

¹⁵ In addition to misrepresenting Coca-Cola, Tiffany erroneously states that the Inwood Court adopted Tiffany’s misreading of Coca-Cola. See Appellants’ Br. at 30. In fact, as shown above, Inwood rejected the very “reasonable anticipation” standard Tiffany presses here.

Tiffany offers an equally misleading discussion of A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001), a copyright case. Tiffany argues that in Napster the Ninth Circuit “did not reverse” the district court’s holding that the law “does not require knowledge of specific acts of infringement.” Appellants’ Br. at 36-37. In fact, it did just that. The Ninth Circuit “place[d] the burden on plaintiffs to provide notice to Napster of copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content.” 239 F.3d at 1027; see also id. at 1021 (“absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement”). Napster thus completely undercuts Tiffany’s argument, particularly insofar as contributory trademark infringement is even “more narrowly drawn” than contributory copyright infringement. Hard Rock, 955 F.2d at 1150.

3. Policy considerations

The specificity of the Inwood knowledge requirement accords with the commonsense proposition that liability for contributory trademark infringement should not arise where there is some uncertainty as to the extent or nature of infringing activity. See SPA46. Were it otherwise, the viability of eBay and other Internet commerce sites would be imperiled by an obligation to guarantee the authenticity of third-party merchandise despite being in no position to do so. As

the court in Hard Rock noted, the doctrine of contributory trademark infringement does not make defendants “dutiful guardians” of the complaining rights owner’s “commercial interests.” 955 F.2d at 1149.

The limitation of contributory trademark infringement to circumstances in which the defendant has sufficiently specific notice of infringement to render inaction culpable complements the obligation of the trademark owner to police its trademarks. See SPA56 (noting that rights owner is responsible for policing its trademarks).¹⁶ In the context of eBay’s vast online marketplace, the policing obligation makes it incumbent upon rights owners to provide eBay with sufficiently specific notice to enable eBay to take appropriately targeted remedial action – a process that the District Court determined eBay has effectively facilitated with its VeRO Program.

Tiffany pushes the far broader duty of anticipatory anti-counterfeiting action – despite its clear rejection by the courts – as a tool for achieving the improper objective of reducing competition with Tiffany’s own sales channels. In

¹⁶ See also Rockwell Graphic Sys., Inc. v. DEV Indus., Inc., 925 F.2d 174, 179 (7th Cir. 1991) (recognizing “duty of the holder of a trademark to take reasonable efforts to police infringements of his mark”); Fuji Photo Film Co., Inc. v. Shinohara Shoji Kabushiki Kaisha, 754 F.2d 591, 602 (5th Cir. 1985) (“trademark holder is required to police his mark”); 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:91 (“[C]orporate owners of trademarks have a duty to protect and preserve the corporation’s trademark assets through vigilant policing and appropriate acts of enforcement.”).

this regard, the District Court found that a “substantial number of authentic Tiffany goods are sold on eBay,” SPA47, such that “[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.” Id.¹⁷ Indeed, Tiffany’s demand that eBay “ban the sale of ‘Tiffany’ silver jewelry,” EX2249, reasonably was viewed by the District Court as evidence that “one of Tiffany’s goals” in suing eBay has been “to shut down the legitimate secondary market in authentic Tiffany goods.” SPA47 n.36. The very real threat posed to an important channel of secondary market commerce by Tiffany’s pursuit of that goal in this litigation argues strongly against relaxing the contributory infringement standard in the unprecedented manner Tiffany urges.

¹⁷ See also Hendrickson, 165 F. Supp. 2d at 1095 (rejecting plaintiff’s contention that eBay must determine authenticity of listed items); Gucci Am., Inc. v. Duty Free Apparel, Ltd., 315 F. Supp. 2d 511, 524 (S.D.N.Y. 2004) (noting that requested relief that “would effectively bar [defendant] from ever selling authentic Gucci merchandise” is “too severe and inconsistent with this country’s notions of free enterprise and vigorous competition”); MyWebGrocer, LLC v. Hometown Info., Inc., 375 F.3d 190, 195 (2d Cir. 2004) (noting that if injunction were granted, defendant “would be forced to shut down its online grocery store, at least temporarily, perhaps permanently losing customers”).

Tiffany’s criticism of the District Court for supposedly having held that Tiffany’s “insufficient efforts to police its marks create a defense to eBay’s illegal behavior,” Appellants’ Br. at 38, is both a red herring – the court held no such thing – and a direct attack on the prevailing contributory trademark infringement standard. The District Court’s rejection of Tiffany’s claims rested solely on the evidence relating to eBay’s diligent removal of known infringing listings, combined with the broader record evidence reflecting eBay’s significant efforts to combat counterfeiting on its site generally.

Rather than treating Tiffany’s deficient enforcement efforts as an affirmative defense or “placing [an] extraordinary burden on rights owners,” Appellants’ Br. at 42, the District Court emphasized the enforcement burden the law has placed on trademark owners for two reasons. The first was to make clear that the fact that Tiffany may have determined to make only a modest investment to monitor infringing conduct and to pursue direct infringers does not entitle it to transfer those responsibilities onto a third party such as eBay outside the parameters of Inwood. The second was to establish that Tiffany to some degree has itself to blame for the incidences of counterfeiting for which it seeks to hold eBay responsible, given, for example, the evidence that had Tiffany devoted sufficient resources to the VeRO Program, the level of potentially infringing listings on eBay likely would have declined sharply. A364 ¶ 25.

That Tiffany's invented claims of legal error mask an appeal to this Court's sympathies is revealed on page 42 of its brief, where it pleads for relief from the responsibility of enforcing its trademarks on eBay despite what we have shown to be the absence of any legal basis for such momentous burden shifting. The *amicus* briefs in support of Tiffany demonstrate that many other trademark owners already are standing in line to demand similar unwarranted relief. For the reasons explained above, the District Court wisely resisted the attempt to cripple eBay by turning the law of contributory trademark infringement on its head.

C. Undisputed Record Evidence Establishes That eBay Is Not Liable Under Inwood

Applying the correct legal standard to the record facts, the District Court straightforwardly found no basis for holding eBay liable. As noted, contributory liability only attaches when a defendant *both* has the requisite knowledge of infringing activity *and* fails to take steps to remediate it – in the words of Inwood, “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” Inwood, 456 U.S. at 854.

The trial record established that “once Tiffany notified eBay of a listing it believed to contain infringing merchandise, eBay promptly removed that listing from its website through its VeRO Program.” SPA54. Indeed, although the law does not require so impeccable a response, Tiffany “failed to establish by a preponderance of the evidence that there were any instances where eBay was given

specific notice of a potential infringement and failed to act.” Id. Tiffany conceded that eBay *never refused to remove a reported listing and always acted in good faith.* See A2238 at 112:2-7; A2239 at 113:2-3; A2247 at 146:10-14; see also SPA54; supra pp. 13-18. This exemplary record of responsiveness to identified instances of infringement clearly precludes liability under Inwood.¹⁸

D. Tiffany’s Reliance on the “Willful Blindness” Doctrine Is Unavailing

Tiffany’s repeated contention at trial that eBay was willfully blind to infringing activity is reduced on appeal to a single paragraph. See Appellants’ Br. at 38. This is not surprising, given that the trial record showed eBay’s conduct to be the antithesis of willful blindness.¹⁹ Tiffany nevertheless weakly invokes willful blindness case law, but it misstates the holdings of the cited cases and ignores their starkly different facts.

¹⁸ Even if the Restatement standard governed here (which it does not), there can be little doubt that the extensive anti-counterfeiting measures eBay undertakes would meet that standard as well.

¹⁹ This is so much the case that during closing argument, Tiffany’s counsel was forced to retreat to the position that eBay’s alleged wrongdoing had been only “inadvertent.” A2523 at 901:16-18.

The willful blindness doctrine reflects judicial recognition that the knowledge prong of contributory trademark infringement can be satisfied where, but for deliberate avoidance of learning of highly probable illegal conduct, the defendant would have known of the illegal conduct. Willful blindness “requires more than mere negligence or mistake” and does not lie where the defendant “did not know of a high probability of illegal conduct and purposefully contrive to avoid learning of it” or “did not fail to inquire further out of fear of the result of its inquiry.” Nike, Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1370 (S.D. Ga. 2003), aff’d mem., 03-14293, 107 Fed. Appx. 183 (11th Cir. May 3, 2004). To be willfully blind, a defendant must “suspect wrongdoing and deliberately fail to investigate.” Hard Rock, 955 F.2d at 1149. In these extreme circumstances, the defendant can be deemed to have “reason to know” of specifically identifiable infringing conduct.

1. The trial record refutes any suggestion that eBay was willfully blind

The District Court recognized that the “willful blindness” doctrine has no application to eBay. Reviewing the panoply of anti-counterfeiting initiatives adopted by eBay and its multi-million-dollar annual investments in anti-counterfeiting measures, including its VeRO Program, the court properly concluded that it “cannot be said that eBay failed to make reasonable inquiries or to take further steps to pursue counterfeiters,” SPA52, or that eBay “purposefully

contrived to avoid learning of counterfeiting on its website” or “failed to investigate once it learned of such counterfeiting.” Id. To the contrary, the court found that eBay “has invested significant financial, technological, and personnel resources in developing tools to ferret out and eliminate counterfeit goods from its website.” SPA53.

In a futile attempt to extract a willful blindness finding from the trial record, Tiffany begins with a blatant misstatement: that eBay “knew that . . . as many as 75% . . . of TIFFANY goods being sold on eBay were counterfeit.” Appellants’ Br. at 37. The record does not support this assertion; to the contrary, the buying programs purporting to demonstrate this proposition were uncontrovertibly found by the District Court not to do so. SPA19-21. Tiffany ties to this misstatement the contentions that eBay did not independently investigate “the extent of counterfeit Tiffany jewelry” on its site, evaluate “the number of ‘Tiffany’ listings removed from its website,” or “track the number of sellers suspended” for offering counterfeit Tiffany merchandise. Appellants’ Br. at 37 (quoting SPA52). But the failure to take every conceivable proactive measure to document and remediate a problem, let alone on a brand-by-brand basis, is not willful blindness, particularly given the massive efforts undertaken by eBay to combat infringement. The District Court readily concurred, concluding that

whether eBay tracked its anti-counterfeiting measures by brand was legally “immaterial.” SPA52.

Nor can Tiffany establish willful blindness with reference to the fact that eBay does not suspend all sellers who commit a first, or perhaps a second, offense. The law supports eBay’s measured response. See Winback, 42 F.3d at 1433 n.14 (“[I]n the instances where [AT&T] brought objectionable acts of the sales representatives to the attention of [defendant], [defendant] took appropriate steps to reprimand and discipline the sales representative.”) (quotation marks and citation omitted); Procter & Gamble Co. v. Haugen, 317 F.3d 1121, 1129-30 (10th Cir. 2003) (upon learning of third party’s message that gave rise to Lanham Act claim, defendant suggested that third party issue a retraction); see also SPA54-55. Even the Restatement standard recognizes that an entity like eBay would not be required to take the most severe precautionary measures “if it reasonably believes that less drastic precautions will deter further infringement.” Restatement (Third) Unfair Competition § 27, Reporters’ Note, cmt. d.

Finally, the fact that eBay offers a variety of tools to assist its sellers, see Appellants’ Br. at 12-13, has no logical connection to willful blindness. None of these tools is intended to promote or encourage infringement – quite the opposite, in fact. See, e.g., EX1-6; A2363 at 436:5-438:18. Moreover, courts in a variety of contexts have attached no adverse legal significance to the tools eBay

offers. See Hendrickson, 165 F. Supp. 2d at 1087 (rejecting plaintiff’s argument “that eBay participated in and facilitated [infringement] by providing an online forum, tools and services to the third party sellers”); Stoner v. eBay Inc., 56 U.S.P.Q.2d 1852, 1853-54 (Cal. Super. Ct. 2000) (noting that eBay’s features “are available with respect to all goods and services auctioned – they are not limited to recordings, much less to illegal recordings”).

2. Tiffany conflates willful blindness with generalized knowledge

Tiffany purports to find support for its “generalized knowledge” theory in several flea-market cases that actually are willful blindness cases. These cases support neither a “generalized knowledge” standard nor a finding that eBay was willfully blind.

Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) (cited in Appellants’ Br. at 28, 32-33), arose on an appeal from the grant of a motion to dismiss and involved solely a review of untested allegations for their pleading sufficiency. These allegations were that the defendant flea-market operators were repeatedly given specific notice by the county sheriff that a discrete group of vendors, who could be physically observed and whose goods could be physically inspected by the defendants, were selling thousands of counterfeit tapes and that thousands of these tapes had been seized from them by law enforcement. It was further alleged that, armed with this information, the defendants did nothing

to crack down on offending vendors, to assist the sheriff's department in doing so, or to provide promised vendor information to the authorities. Fonovisa, Inc. v. Cherry Auction, Inc., 847 F. Supp. 1492, 1494-95 (E.D. Cal. 1994), rev'd, 76 F.3d 259. In its brief treatment of the issue, the Ninth Circuit concluded that the plaintiff had adequately alleged the element of knowledge. Fonovisa, 76 F.3d at 264.

Tiffany would contort this limited holding, plainly reflecting “ostrich-in-the-sand” behavior by a defendant armed with suitably specific information to be in a position to take action, into the sweeping principle that mere general awareness of a “pervasive problem” of counterfeiting “may form the basis for liability for contributory infringement.” Appellants’ Br. at 31. The District Court correctly recognized that Fonovisa fails to enunciate so broad a principle of law. SPA 47.

Hard Rock, supra, also does not provide authority for the proposition that “knowledge that [some] vendors were engaged in the sale of counterfeit goods [is] sufficient to state a claim for contributory trademark infringement.” Appellants’ Br. at 35. The issue in Hard Rock was whether the defendant flea-market operators were willfully blind to trademark violations by a particular vendor. 955 F.2d at 1149-50. The court there found evidence that, after having seen t-shirts with “cut labels” that “were being sold cheap,” the operators

deliberately failed to investigate further – “did not ask vendors whether their goods were counterfeit because they were sure to lie to him.” Id. at 1149. Even on such facts, the court found the evidence of willful blindness to be “at best, thin.” Id. Hard Rock offers no meaningful analogy to this case, where Tiffany would have eBay charged with knowledge of every one of its users who listed counterfeit Tiffany jewelry, whether or not it received notification from Tiffany.²⁰

Responding to Tiffany’s attempt to equate mere generalized knowledge of potential infringing activity with the sort of conduct giving rise to willful blindness, the District Court observed that to do so would amount to inflating the “reason to know” prong of the Inwood standard into “an affirmative duty to take precautions against potential counterfeiters, even when eBay had no specific knowledge of the individual counterfeiters.” SPA53. The law “explicitly precludes such an expansion of the ‘reason to know’ standard.” Id. (citing Hard Rock, 955 F.2d at 1149).

²⁰ The other easily distinguishable cases Tiffany cites likewise provide no support for either Tiffany’s “generalized knowledge” or its willful blindness arguments, as they each involved defendants who turned their backs on specifically identified and/or readily identifiable infringing conduct. See Appellants’ Br. at 37-38.

II. TIFFANY'S TAG-ALONG CLAIMS HAVE NO MERIT

Tiffany also appeals on its theories of direct trademark infringement, false advertising, and dilution, each of which the District Court found legally defective. SPA29-37. As a threshold matter, the District Court held correctly that if eBay is not responsible under Inwood for monitoring its site for any possible infringing uses of the Tiffany trademarks, a fortiori, it cannot be directly liable for any such uses. There is, moreover, no legal error in the District Court's finding that eBay is, in the alternative, protected by the nominative fair use doctrine.

A. Direct Trademark Infringement

Tiffany argues that eBay's "direct participation in the advertising and promotion of TIFFANY merchandise, much of which it knew or should have known was counterfeit, taken together with its profit participation, meet the indicia of direct infringement in violation of Section 32 of the Lanham Act." Appellants' Br. at 44. The District Court held that eBay's use of the Tiffany trademarks was protected nominative fair use, pursuant to which a defendant "may use a plaintiff's trademark to identify the plaintiff's goods so long as there is no likelihood of confusion about the source of defendant's product or the mark-holder's sponsorship or affiliation." SPA32 (citing Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402, 413, reconsideration denied, 431 F. Supp. 2d 425 (S.D.N.Y. 2006)); see also EMI Catalogue P' ship v. Hill, Holliday,

Connors, Cosmopulos Inc., No. 99-7922, 2000 U.S. App. LEXIS 30761, at *21 (2d Cir. Sept. 15, 2000) (“Where a mark incorporates a term that is the only reasonably available means of describing a characteristic of another’s goods, the other’s use of that term in a descriptive sense is usually protected by the fair use doctrine.”).

Applying the three-part test adopted by the Ninth Circuit in New Kids on the Block v. News Am. Publ’g, Inc., 971 F.2d 302 (9th Cir. 1992), the District Court found nominative fair use as to the use of the Tiffany trademarks on eBay’s website and through eBay’s purchase of sponsored links on Yahoo! and Google based on its findings that: Tiffany silver jewelry was not readily identifiable without use of the Tiffany trademarks; eBay used only as much of the trademarks as necessary; and Tiffany had failed to prove that consumers “believed that Tiffany endorsed the sale of new jewelry through eBay, or that consumers believed that Tiffany was a sponsor or affiliate of eBay.” SPA34; see also SPA32-37.

Tiffany concedes that the nominative fair use doctrine would apply but for the fact that there was purportedly “a substantial problem with the sale of counterfeit TIFFANY silver jewelry of which eBay was aware.” Appellants’ Br. at 45. This fact, Tiffany contends, invalidates the nominative fair use defense because it renders use of the Tiffany trademarks misleading as to the counterfeit items. Id. at 45-46. But Tiffany cites no authority for the proposition that nominative fair use does not apply where the defendant does not know that

particular uses of the plaintiff's trademarks amidst many legitimate uses are misleading. See SPA59 (“Tiffany has not proven that eBay had specific knowledge as to the illicit nature of individual listings.”). Tiffany's argument is fundamentally flawed, moreover, because the premise of its claim – that eBay “knowingly direct[ed] [users] to goods that it cannot confirm as genuine,” Appellants' Br. at 46 – is wrong as a matter of law. eBay is not obliged, under Inwood, to guarantee the authenticity of every item listed on its site, and, as the District Court found, a substantial number of the Tiffany items offered for sale on eBay are genuine. SPA22, 50. Moreover, when eBay obtained knowledge that a listing offered a potentially infringing item, eBay removed that listing from its website, see, e.g., SPA34, thereby discharging its duties under Inwood. It follows that eBay's inability to ensure that the Tiffany trademarks are used only in connection with genuine merchandise cannot form the basis of liability for direct trademark infringement.

B. False Advertising

The District Court rejected Tiffany's false advertising claim under section 43(a)(1)(B) of the Lanham Act (based on the same conduct as the direct trademark infringement claim) on the grounds that: (i) Tiffany failed to prove that eBay “had specific knowledge as to the illicit nature of individual listings”; (ii) because authentic Tiffany merchandise is offered on eBay, Tiffany failed to prove

that the challenged practices were literally false; and (iii) the challenged conduct was protected nominative fair use. SPA59.

Tiffany argues that the District Court erred because eBay allegedly knew that many of the Tiffany jewelry listings on its site were counterfeit, which “makes the advertising false and misleading on its face.” Appellants’ Br. at 47. This claim fails for the same reason that Tiffany’s direct trademark infringement claim fails: the law does not hold eBay accountable for the authenticity of every item listed on its site, particularly where eBay responded appropriately upon receipt of knowledge that an item was potentially infringing. SPA59; see also Gentry v. eBay Inc., 99 Cal. App. 4th 816, 836 (Cal. Ct. App. 2002) (holding that eBay’s promotional activities do not give rise to liability because it “would be based upon the misrepresentations of the individual defendants”). As the District Court concluded, “to the extent that the advertising was false, the falsity was the responsibility of third party sellers, not eBay.” SPA59. That conclusion was correct for all the reasons explained in Point I above.

C. Trademark Dilution

Finally, the District Court rejected Tiffany’s trademark dilution claim on the grounds that Tiffany failed to establish dilution by either blurring or tarnishment and that eBay’s uses of Tiffany’s trademarks were protected by the statutory nominative fair use defense under 15 U.S.C. § 1125(c)(3)(A)(i). The

court found that while a dilution claim might lie against an eBay seller who listed counterfeit Tiffany merchandise, no such claim could lie against eBay, which “never used the TIFFANY marks in an effort to create an association with its own product,” SPA63, and which consistently removed listings based on NOCIs from Tiffany, such that it would “defy logic” to hold eBay liable for such listings. SPA64.

eBay’s flat assertion that eBay “is responsible” for dilution caused by the sale of counterfeit Tiffany goods has no merit given eBay’s discharge of its obligations under Inwood. In addition, for the reason explained by the District Court, eBay’s nominative fair use defense is valid and is specifically recognized in the Lanham Act as a defense to a trademark dilution claim. See SPA64.

CONCLUSION

For the foregoing reasons, the judgment of the District Court should be affirmed in its entirety.

Dated: New York, New York
November 21, 2008

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Pursuant to Fed. R. App. P. 32(a)(7)(B), I hereby certify that the foregoing brief complies with the 14,000-word volume limitation of Fed. R. App. P. 32(a)(7)(B)(i). I make this representation based upon the word count generated by the word processing software used to prepare this brief, which reflects that this brief contains 13,914 words, excluding those portions exempted by Fed. R. App. P. 32(a)(7)(B)(iii). The font used for this brief is Times New Roman in 14-point type.

Dated: New York, New York
November 21, 2008

/s/ R. Bruce Rich
R. Bruce Rich

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)
COUNTY OF NEW YORK)

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