Summary of the recent ECJ L’Oreal v eBay judgment – July 2011
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In the highly anticipated L’Oréal/eBay judgment the European Court of Justice builds on the Google/France case, discusses various modalities of trademark use on the internet and provides guidelines for the liability of moderators of online market places. However, all of this also raises a number of new questions.

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1. Case

L’Oréal initiated proceedings in the United Kingdom against the well-known electronic marketplace eBay and a number of people who offered L’Oréal products for sale on the British eBay website without the consent of L’Oréal. eBay bought L’Oréal trademarks as a keyword from Google, by means of which sponsored links to listings for L’Oréal products on eBay are activated. According to L’Oréal, eBay infringes on its trademarks or is at least responsible for the trademark infringements committed by its sellers. The British High Court of Justice asked the European Court of Justice ten prejudicial questions.

2. Sale on eBay: a qualification from a trademark point of view

The Court states in its preliminary considerations that only a trademark owner can act against the unauthorised sale of its products through online marketplaces if “owing to their volume, their frequency or other characteristics the sales made on such a marketplace go beyond the realms of a private activity.” Only in such cases the seller will be acting “in the course of trade” of art. 5 of the Trademark Directive (old) and art. 9 Community Trademark Regulation (old). After that, the Court discusses a number of specific forms of trade on eBay relating to L’Oréal’s complaints. The Court reaches the following conclusions:

1. Only a trademark owner can act against the resale at online marketplaces of products which have been put on the market outside the European Union (respectively the EEA), if those offers are aimed at consumers located in the territory of the EU/EEA covered by the trademark. It is not sufficient that the online marketplace is accessible from that territory. A significant factor might be that in an advertisement on the online marketplace the reseller mentions countries to which they are prepared to send the offered product (paragraph 67 of the judgment).

2. Dispensing testers and dramming products by the trademark owner to distributors is, subject to evidence of the contrary, not considered as having been put on the market within the meaning of Trademark Directive and the Community Trademark Regulation (paragraph 73 of the judgment).

3. The trademark owner can act against the trade of products of which the packaging has been removed by the reseller, when due to the removal (i) essential information (e.g. the identity of the manufacturer) is missing or (ii) the trademark owner can prove that the removal of the packaging is detrimental to the image of the product and thus to the reputation of the mark (paragraph 82 of the judgment).
3. Advertising with Adwords

Subsequently, the Court discusses - in paragraphs 84-97 - eBay advertisements on search engine Google that are linked to L’Oréal trademarks as a keyword. These adverts refer to offers of L’Oréal products on eBay. The British High Court questioned whether eBay was 'using' the L’Oréal trademarks within the meaning of Art. 5 sub 1(a) of the Directive and art. 9 sub 1(a) of the Community Trademark Regulation. The British High Court questioned whether eBay was 'using' the L’Oréal trademarks within the meaning of Art. 5 sub 1(a) of the Directive and art. 9 sub 1(a) of the Community Trademark Regulation. According to the Court this was not the case to the extent that eBay advertised on Google for its own electronic marketplace. However, according to the Court eBay did use the L’Oréal trademarks in this sense to the extent that it advertised on Google for the branded products which its customer-sellers offer on the eBay website. “In the last case, eBay is liable for a "sub a" trademark infringement if the advert creates a difficulty or impossibility for a reasonably well-informed and reasonably observant internet user to establish whether the articles mentioned in the advertisement originate from the trademark owner or a third party.

4. Offers on eBay

The Court then confirms, in line with Google/France, that the operator of the electronic marketplace itself is not using a trademark if it creates the possibility for its sellers to show offers on its website on which the trademarks appear. Whether eBay is liable for this, is not to be judged on the basis of the Trademark Directive, but on the basis of the E-Commerce Directive (paragraph 104 and 105 of the judgment).

5. Liability of eBay

The next, more interesting question that has been discussed in the judgment is whether eBay can rely on the exclusion of liability for providers of information society services within the meaning of art. 14 of the E-Commerce Directive. According to the Court, service providers like eBay cannot rely on that provision, if they have an active role, as a result of which they have knowledge or control of the stored data.

The Court defines that the moderator of an electronic marketplace has such an active role, when it provides assistance, such as the promotion of offers or optimising the way in which the offers are displayed, and therefore does not have a neutral role anymore (paragraph 116; see also paragraph 114 in which the Court concludes that this applies to eBay). Insofar as a moderator does not have an active role, it still cannot rely on the exclusion of liability "if it was aware of facts or circumstances on the basis of which a diligent economic operator should have realised that the offers for sale in question were unlawful and, in the event of it being so aware, failed to act expeditiously in accordance with art. 14(1)(b) of Directive 2000/31."

6. Measures against online service providers

Finally, the Court considers that national courts not only have to be able to order measures against operators of online marketplaces in view of terminating an infringement, but also in order to prevent new infringements. Such measures have to be effective, proportionate and dissuasive and must not create barriers to legitimate trade (paragraph 144). The Court mentions, as an example, that the operator of an online marketplace is obliged to suspend the infringing seller’s account, in order to prevent new infringements of that seller with respect to the same trademarks. Judges should also be able to order measures to establish the identity of the sellers more easily. However, one cannot demand a general, active monitoring duty of an online marketplace (paragraphs 139-142 of the judgment).