

## News

## Another Federal Court Ruling Strengthens Brands' Approach to Reduce Gray Market Sales on Amazon

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A Colorado federal court has entered judgment against an unauthorized grey market seller that further strengthens the ability of brands to stop the unauthorized sales of their products on Amazon and other online marketplaces. The ruling is the second of its kind in less than six months, and again confirms that brands have a viable path for stopping the unauthorized sales of their products.

Tyler B. Pensyl of Vorys, Sater, Seymour and Pease LLP argued the case on behalf of Otter Products, LLC and TreeFrog Developments, Inc. (collectively, Otter Products), who manufacture and sell mobile phone accessories under the OtterBox and LifeProof brands. See *Otter Products, LLC v. Wang*, No. 1:18-cv-03198 (D. Colo.)

The U.S. District Court for Colorado found for Otter Products on its claims for trademark infringement, unfair competition, false advertising, trademark dilution, unfair and deceptive trade practices, and tortious interference with contract. The Court's decision made a number of key findings.

- First, the Court held that the defendant was infringing on Otter Products' trademarks and creating consumer confusion by selling products outside of Otter Products' quality controls. The Court explained that because the products the defendant sold were sold outside of Otter Products' quality controls, they were not genuine Otter Products and the sales diminished the value of Otter Products' trademarks.
- Second, the Court held that the defendant was infringing on Otter Products' trademarks by selling products that did not come with Otter Products' warranty. The Court reasoned products sold without a manufacturer's warranty are materially different products, and the defendant's sales of products without Otter Products' warranty were likely to cause consumer confusion.
- Third, the Court held that the defendant had tortiously interfered with Otter Products' contracts with its authorized resellers by acquiring products from them for the purpose of reselling the products on Amazon.

The Court issued a permanent injunction against the defendant, prohibiting him from, among other things, advertising or selling Otter Products on Amazon or any other online marketplace. The defendant's Amazon marketplace storefront has since been shut down. The court also disgorged the defendant's profits and awarded Otter Products more than \$60,000 in damages.

The Court's ruling is significant for brands trying to stop the unauthorized sales of their products.

"We hear from hundreds of brands a year regarding the struggles they face with a growing number of unauthorized online sellers that are hurting their brand equity," said Whitney Gibson, leader of Vorys eControl group. "This ruling is significant because it gives brands a roadmap to combat unauthorized sellers. Brands that have struggled with unauthorized sellers can now integrate this approach into their comprehensive strategy to tackle the problem."

The Court's decision is the second ruling in less than six months in which a court held a grey market seller sales of products online was unlawful. In November 2018, the Northern District of California entered judgment against a defendant for trademark infringement and unfair competition arising from the unauthorized sale of Health Concerns products. See *ADG Concerns, Inc. v. Tsalevich LLC*, No. 18-cv-00818 (N. D. Cal.).

#### About Vorys eControl

Vorys eControl was founded on this vision: to provide effective, efficient and legally compliant solutions that allow companies to protect and grow their brand value by controlling sales in the age of eCommerce. Today, we represent nearly 300 brands, including several of the world's largest companies. We regularly speak across the country educating companies and service providers regarding innovative solutions to the challenges involved in controlling sales across online and brick-and-mortar channels.

Identifying and neutralizing issues with unauthorized sales, MAP violations, brand equity, erosion, product diversion and quality control, Vorys helps companies achieve their goals with an array of services from consultations and strategy development to providing foundational policies and enforcement. Vorys' full scope of services allows us to provide a truly comprehensive approach that delivers unique business value. Learn more at <https://www.vorysecontrol.com/>.

#### About Otter Products, LLC

OtterBox innovates bold products that deliver confidence and trust in any pursuit. From its humble beginnings with a drybox in a Fort Collins, Colo., garage, OtterBox has honed and leveraged its expertise in manufacturing and design to become the No. 1-selling smartphone case brand in the U.S. and a leader in rugged outdoor lifestyle products. At the center of every OtterBox innovation is a deeper goal to effect positive, lasting change. In partnership with the OtterCares Foundation, OtterBox grows to give back by inspiring kids to change the world through entrepreneurship and philanthropy. To learn more about this mission, visit [otterbox.com/givingback](https://www.otterbox.com/givingback). For more information, visit <https://www.otterbox.com/>.