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Companies Must Police Unauthorized Online Sales Themselves, Cannot Rely on eBay or Other Sites

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If a company suspects that an online seller is engaged in the unauthorized re-selling of its products online, it is up to that company to take action and attempt to enforce its policies and procedures — to the extent that it has any.

While third-party websites like eBay might host the forum on which the unauthorized selling of a company's product(s) is taking place, third-party websites will typically not get involved with stopping unauthorized sales or enforcing a company's policies and procedures.

Trademark infringement and the First Sale Doctrine

One of the most common types of unauthorized sales involves trademark infringement. However, under the First Sale Doctrine, people can generally sell another's genuine products without infringing upon that other party's trademark.

Thus, potential illegality in the form of trademark infringement often turns on whether an online seller has sold products that are “materially different” from the genuine trademarked goods or that lack the quality controls applied by the manufacturer – exceptions to the First Sale Doctrine.

According to the United States Court of Appeals for the First Circuit, “any difference” between an allegedly infringing product and those of a trademark owner “that consumers would likely consider to be relevant when purchasing a product creates a presumption of consumer confusion sufficient to support a Lanham Act claim.” See *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633 (1st Cir. 1992).

Moreover, a manufacturer can demonstrate that an online seller is not following quality controls by showing the following: 1) the asserted quality control procedures are established, legitimate, substantial, and nonpretextual; 2) it abides by these procedures; and 3) sales of products that fail to conform to these procedures will diminish the value of its mark.” See *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238 (2d Cir. 2009).

Clearly, determining whether someone has actually sold “materially different” products or failed to adhere to specified quality controls involves a fact-specific analysis. Thus, it would be unrealistic for online commerce websites such as the aforementioned eBay to get involved with making factual determinations of whether purported unauthorized sales are, indeed, unauthorized; nor would they want to assume such a role.

Neither has the resources to undertake all of this for every alleged unauthorized sale, not to mention that the companies are not incentivized enough to want to engage in such thorough investigations.

Further, there is traditionally no legal mechanism to compel eBay or a similar website to do so either.

Contributory trademark infringement

Section 230 of the Communications Decency Act of 1996 generally shields “interactive” websites from liability for the actions of third party users on their websites. For instance, eBay generally cannot be held liable for a user of the website’s unauthorized sales, much in the same way that Facebook cannot be held liable for a false and defamatory post by one of its many users.

However, there is an exception for intellectual property violations and websites can be held liable for contributory trademark infringement (“*Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property.*”)

In order to realistically threaten or attempt to pin liability on eBay for contributory infringement, however, a company would have to show that eBay knew the sales on its website constituted trademark infringement, but chose to do nothing about it.

But this, in and of itself, is difficult to show.

All of this is to say that companies are generally left to police unauthorized sales and enforce trademark claims themselves and cannot rely on other websites or entities. Therefore, it is critical that companies facing a high volume of unauthorized sellers have a plan in place to [stop these unauthorized sales](#).

For more information, contact Vorys’ Illegal Online Seller Enforcement team at 877.545.6905. Read more about the practice at [services-648.html](#).