

BRAND PROTECTION AFTER *TIFFANY V. COSTCO*

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State Bar of Texas
**INTELLECTUAL PROPERTY LAW WORKSHOP:
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CHAPTER 5

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BIOGRAPHICAL INFORMATION

Oren Gelber is Associate General Counsel - Marketing & Intellectual Property for Academy Sports + Outdoors, where she supports, among other things, brand development, enforcement and protection of Academy's 17 private label brands. Prior to joining Academy, Oren spent 10 years practicing intellectual property law, including representing the world's largest watch manufacturer and its various brands, the foundation of a famed pop artist and two of France's most notable fashion houses.

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BIOGRAPHICAL INFORMATION

A. Experience

- Associate, Gunn, Lee & Cave, P.C.
- Law Clerk, Chief United States District Judge Fred Biery

B. Education

- J.D., St. Mary's University School of Law
- B.S.Ch.E., The University of Texas at Austin

C. Professional Activities

- Fellow, Texas Bar Foundation
- Director, San Antonio Bar Association
- Fellow, San Antonio Bar Foundation
- Member, San Antonio Young Lawyers Association
- Director, St. Mary's University School of Law Alumni Association
- Director, St. Mary's University Hispanic Law Alumni Association

D. Selected Publications

- "Trademark Applications Worth Talking About," TexasBarCLE: 33rd Annual Advanced Intellectual Property, February 2020
- "Litigating a Case with More than Just Patents," TexasBarCLE: 15th Annual Advanced Patent Litigation, July 2019
- "Impressions of a TTAB Oral Argument Hearing From a First-Time Advocate," State Bar of Texas IP Section, Newsletter, August 2018 at 16–19.
- "Texas Supreme Court Update," State Bar of Texas Litigation Section, News for the Bar, November 2017.
- "Impact of Apple v. Samsung on Design Patent Enforcement," TexasBarCLE: 13th Annual Advanced Patent Litigation, July 2017
- "Practical Trial & Motions Tips," San Antonio Bar Association Seminar: Bench Motions & Trials IX, May 2017 (co-authored with Judge Michael Mery).
- "Gorsuch's Appointment Could Affect the Deference Given to the USPTO Under Chevron and Auer," State Bar of Texas IP Section, Newsletter, May 2017 at 17–19.

- “Texas Supreme Court Update,” State Bar of Texas Litigation Section, News for the Bar, March 2017.
- “Texas Supreme Court Update,” State Bar of Texas Litigation Section, News for the Bar, November 2016.
- “Three Precedential Trademark Cases from Fall 2015,” State Bar of Texas IP Section, Newsletter, February 2016 at 8–9.

E. Selected Presentations

- Counterfeiting is Bigger than Handbags: Public Health and Economic Risks, Southwest Fulbright Symposium, San Antonio, Texas, April 2019
- Trademarks in Entertainment Law, Law Society for Sports, Entertainment, and Media, San Antonio, Texas, March 2019
- *The Crossroads of Intellectual Property and Energy Law*, Society of Oil and Gas Students, St. Mary’s University School of Law, San Antonio, Texas, March 2019
- *Trademarks in Professional Sports*, San Antonio Young Lawyers Association, AT&T Center, San Antonio, Texas, January 2019
- A Primer on Trademarks, Counterfeit Pharma Seminar, San Antonio, Texas, February 2018
- An Introduction to Trademarks, State Bar of Texas Pro Bono IP Workshop, El Paso, Texas, January 2018 (co-authored with Marylauren Ilagan)
- Impact of Apple v. Samsung on Design Patent Enforcement, TexasBarCLE: 13th Annual Advanced Patent Litigation, Horseshoe Bay, Texas, July 2017
- Intellectual Property Issues for Health Law Practitioners, San Antonio Bar Association Health Law Section, San Antonio, Texas, March 2017
- An Introduction to Trademarks, State Bar of Texas Pro Bono IP Workshop, Corpus Christi, Texas, January 2017 (co-authored with Darrian Campbell)



Marylauren Ilagan is the Director of Intellectual Property for Mary Kay Inc. in Addison, TX. Marylauren counsels the Product Development, Creative & Brand Development, and Marketing departments and the Executive Team on various IP matters, including patent, trademark, and copyright opportunities and risks. She is also responsible for managing Mary Kay's 10,000+ global intellectual property assets and securing IP protection for the Company's valuable brands and beauty care technologies.

In addition to clearing IP risk and securing IP registrations for Mary Kay's valuable IP assets, Marylauren directs and oversees the Company's global IP enforcement program which includes online and social media brand enforcement, Customs IP enforcement, parallel import enforcement, and unauthorized e-commerce sales enforcement. This also program includes Mary Kay's Anti-Counterfeiting Program in China that has seen successes in seizures of millions of counterfeit products valued at over \$12M USD and over 100 active IP litigations, administrative enforcement actions, and customs investigations and raids.

Marylauren is also a registered patent attorney before the U.S. Patent and Trademarks Office. Prior to joining Mary Kay Inc., Marylauren was a patent attorney and IP Associate at the Houston IP boutique, Novak Druce + Quigg LLP (now Polsinelli PC). There, she prepared and prosecuted over 200 patent applications and ex parte and inter partes patent reexaminations, as well as counseled clients in the fields of software, telecommunications, and consumer products on IP clearance and strategy.

Marylauren graduated from Rice University with a Bachelor of Science in Mechanical Engineering and obtained her J.D. from the Franklin Pierce Law Center (now University of New Hampshire Franklin Pierce School of Law) in Concord, NH.

Michael Moore is Assistant General Counsel, Senior Director, Trademarks and Copyright for Mattel, Inc. and its family of companies, where he is responsible for managing all trademark and copyright matters for Mattel's brands including Barbie, Hot Wheels, Fisher Price, American Girl, Thomas & Friends, UNO, among other famous toy brands. Mr. Moore joined Mattel in December 2000. Michael currently sits on the Board of Directors for the International Trademark Association (INTA).

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BRAND PROTECTION AFTER *TIFFANY V. COSTCO*

In the last twenty years, the exchange of counterfeit goods moved largely from street corners to online marketplaces such as eBay and Amazon.com. This movement presented IP owners with new challenges. For example, online counterfeit sellers are often difficult to locate, and litigation against these sellers (typically individuals) is financially inefficient. As a result, IP owners started filing lawsuits against online marketplaces. The plaintiffs allege secondary infringement.¹

In *Tiffany v. eBay* (discussed below), the Second Circuit held that eBay was not liable for contributory trademark infringement. The Court held that imposing such liability on eBay required a showing that eBay (1) possessed contemporary knowledge about particular items on its site that infringe or will infringe in the future and (2) subsequently refused to act on that knowledge.

I. **TIFFANY (NJ) INC. V. EBAY, INC., 600 F.3D 93 (2D CIR. 2010)**

Founded in 1873, Tiffany is an American luxury jewelry and specialty retailer headquartered in New York City. It sells jewelry, sterling silver, china, crystal, among other luxury goods. Tiffany was concerned in the mid-2000's that bad actors were using eBay's online marketplace to sell counterfeit jewelry. Alarmed that the bad acts occurred under eBay's watch, Tiffany sued eBay for trademark infringement, trademark dilution and false advertising. The trial court determined that eBay was not liable, based on the facts presented. Tiffany appealed.

On appeal, Tiffany argued that eBay infringed because eBay knew or had reason to know of the counterfeit activity. The Court distinguished eBay's knowledge of counterfeit activities for direct infringement from the false advertising claims.

The Court acknowledged that eBay promptly removed all listings that Tiffany challenged as counterfeit and proactively identified and removed counterfeit goods. eBay implemented several systems for cracking down on counterfeit activity:

- eBay spent as much as \$20 million each year on tools to promote trust and safety on its website.
- eBay set up "buyer protection programs," wherein a buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be genuine.
- eBay established a "Trust and Safety" department, with approximately 4,000 employees focused on trust and safety issues, including over 200 who "focus exclusively on combating infringement" and 70 who "work exclusively with law enforcement."
- eBay implemented a "fraud engine," dedicated to uncovering illegal listings, including counterfeit listings. eBay employed manual and automated searches for keywords in listings in an effort to identify blatant instances of potentially infringing activity. In addition to general filters, the fraud engine incorporated Tiffany-specific filters, including ninety different keywords designed to distinguish between genuine and counterfeit Tiffany goods.
- eBay periodically conducted manual reviews of listings in an effort to sellers thought to be selling counterfeit goods, including Tiffany goods.
- eBay maintained and administered the "Verified Rights Owner Program": a notice-and-takedown system allowing owners of intellectual property rights, including Tiffany, to report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings. eBay's practice was to remove reported listings within twenty-four hours of receiving a notice, but eBay in fact deleted seventy to eighty percent of such listings within twelve hours of notification.
- eBay allowed Tiffany to maintain an "About Me" page, with the headline "**BUYER BEWARE.**" The page begins: "**Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.**" The page continues: "The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www.tiffany.com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you."

eBay incurred significant expense combating counterfeit activity, and eBay often did so at the expense of its business model (e.g., allowing the Tiffany "About Me" page, which discouraged purchasing Tiffany jewelry on eBay).

¹ Andrew Lehrer, *Tiffany v. Ebay: Its Impact and Implications on the Doctrines of Secondary Trademark and Copyright Infringement*, 18 B.U. J. SCI. & TECH. L. 373 (2012).

After considering eBay's preventative steps and the fact that there was no evidence that eBay possessed contemporary knowledge about particular items on its site that infringe, the Court ruled in favor of eBay regarding trademark infringement and dilution. It determined that imposing liability on eBay simply because eBay could not guarantee the genuineness of all of the products offered on its website would have unduly inhibited the lawful resale of genuine goods. Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit goods. The judgment was affirmed with respect to the claims of trademark infringement and dilution. However, the cause was remanded for further proceedings with respect to the false advertising claim.

The *Tiffany v. eBay* decision did not give Tiffany (and other brand owners) the outcome it was seeking. Perhaps a different holding might arise in a lawsuit between a brand owner and an online marketplace where the online marketplace made no effort to combat counterfeiting and/or was less removed from the counterfeiting parties.

II. TIFFANY & CO. V. COSTCO WHOLESALE CORP., 971 F.3D 74 (2D CIR. 2020)

More recently, Tiffany sued Costco, alleging that Costco was liable for trademark infringement and counterfeiting in connection with its sale of diamond engagement rings identified by point-of-sale signs containing the word "Tiffany."²

Costco did not dispute Tiffany's ownership of a registered trademark for the word "Tiffany." Rather, Costco argued that Costco was using that word in a different, widely recognized sense, in order to specify a style of pronged diamond setting not exclusive to rings affiliated with Tiffany. Costco argued that its use of the term was not likely to confuse consumers. Alternatively, Costco argued, even if some degree of confusion was likely, it was entitled under the Lanham Act to the descriptive fair use of an otherwise protected mark.

The district court granted summary judgment in Tiffany's favor. It held that no reasonable jury could credit either of Costco's arguments. The case continued by way of an advisory jury trial on the question of damages. From there, the district court entered an award in the amount of \$21,010,438.35. The amount reflected Costco's trebled profits along with punitive damages and prejudgment interest.

On appeal, Costco argued that the district court's determination of liability was inappropriate at the summary judgment stage. The Second Circuit agreed that questions of fact remained. Accordingly, the judgment of the district court was VACATED and REMANDED for trial.

The Court in *Tiffany v. Costco* addressed descriptive fair use, a topic left open in *Tiffany v. eBay*. Tiffany presumably would have preferred an outcome wherein Tiffany could stop online marketplaces from referencing Tiffany products or allowing third-parties to identify Tiffany products.

III. CONCLUSION

Tiffany is not alone in these efforts. Similar lawsuits have taken place. Online marketplace liability appears to remain a hot topic in the law. At the forthcoming presentation, attendees will hear about similar cases concerning marketplace liability, recent legislation concerning marketplace liability, as well as several brand enforcement strategies.

² A diamond ring setting is the metal structure that keeps a diamond or gemstone securely in place. Common settings include, the prong setting, the pavé setting, and the Tiffany setting, among others. The Tiffany setting was designed by Tiffany & Co. in 1886. It features six prongs that are positioned to showcase a diamond's sparkle as much as possible. It is usually paired with a plain band to draw eyes to the diamond.