

Neutral Citation Number: [2009] EWHC 1094 (Ch)

Case No: HC07C01978

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 22 May 2009

Before :

THE HON MR JUSTICE ARNOLD

Between :

(1) L'ORÉAL S.A
(2) LANCOME PARFUMS ET BEAUTE & CIE
(3) LABORATOIRE GARNIER & CIE
(4) L'ORÉAL (U.K.) LIMITED

Claimants

- and -

(1) EBAY INTERNATIONAL AG
(2) EBAY EUROPE S.A.R.L.
(3) EBAY (UK) LIMITED
(4) STEPHEN POTTS
(5) TRACY RATCHFORD
(6) MARIE ORMSBY
(7) JAMES CLARKE
(8) JOANNA CLARKE
(9) GLEN FOX
(10) RUKHSANA BI

Defendants

Henry Carr QC and Tom Mitcheson (instructed by **Bristows**) for the **Claimants**
Geoffrey Hobbs QC and Philip Roberts (instructed by **Olswang**) for the **First-Third**
Defendants

The **Fourth-Tenth Defendants** did not appear and were not represented

Hearing dates: 9-12, 18-19 March 2009
Further written submissions: 27, 31 March, 7, 23, 27 April 2009

Judgment

MR JUSTICE ARNOLD :

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Introduction

1. Are eBay Europe liable for trade mark infringements committed by their users? Do eBay Europe themselves commit infringements by using trade marks in relation to infringing goods? In a nutshell, those are the main questions raised by this claim. This is a test case brought by L'Oréal, one of a number they have brought in courts around Europe (including Case RG 07/11365 *L'Oréal SA v eBay France SA*, in which the Tribunal de Grande Instance in Paris gave judgment on 13 May 2009). The issues are not peculiar to products of the kind sold by L'Oréal, and other brand owners have also brought claims against both eBay Europe and other providers of similar services. Given that the key aspects of European trade mark law have been harmonised by a European Directive, and that there is also a European Directive harmonising the liability of internet service providers, European courts ought to be in a position to give the same answers to the questions raised. As matters stand, however, they are not able to do so. This is for two main reasons. The less important one is that one aspect of European trade mark law has not been harmonised, and that is the question of accessory liability. The more important reason is that the legislation is unclear and the Court of Justice of the European Communities has either not pronounced on the issues of interpretation or has not yet provided a clear answer.

The parties

2. The Second, Third and Fourth Claimants are subsidiaries of the First Claimant. It is common ground that there is no need to differentiate between the Claimants, and I shall refer to them collectively as "L'Oréal".
3. The First, Second and Third Defendants are subsidiaries of eBay Inc, which is not a party to these proceedings. It is common ground that there is no need to differentiate between the First, Second and Third Defendants, and I shall refer to them collectively as "eBay Europe". I shall refer to eBay Inc's group of companies generally as "eBay".

4. The Fourth to Tenth Defendants are individuals who are alleged by L'Oréal to have sold infringing products through eBay Europe. L'Oréal has settled with the Fourth to Eighth Defendants and obtained judgment in default of defence against the Ninth and Tenth Defendants. The Fourth to Eighth Defendants have not admitted infringement, but have given contractual undertakings contained in confidential schedules to consent orders in Tomlin form. eBay Europe have brought contribution claims against the Fourth to Tenth Defendants for breach of their respective user agreements with eBay Europe. Those claims have been stayed pending the determination of L'Oréal's claims against eBay Europe. The Ninth and Tenth Defendants were joined to the claim in August 2008, a year after the proceedings were commenced.

The Trade Marks

5. One or other of the Claimants is the registered proprietor of the following registered trade marks ("the Trade Marks"):
 - i) UK Registration No. 476691 for L'OREAL in class 3, in respect of hair dyes and other preparations for the hair;
 - ii) UK Registration No. 655072 for LANCOME in class 3 in respect of non-medicated toilet preparations, cosmetic preparations, perfumes and perfumed soap;
 - iii) UK Registration No. 692680 for MAYBELLINE in class 3, in respect of cosmetics and non-medicated toilet preparations;
 - iv) UK Registration No. 1034105 for KERASTASE in class 3, in respect of perfumes, non-medicated toilet preparations, cosmetics, dentifrices, depilatory preparations, toilet articles, preparations for the hair, and soaps;
 - v) UK Registration No. 1099431 for MAGIE NOIRE in class 3, in respect of non-medicated toilet preparations, perfumes, soaps and cosmetics;
 - vi) UK Registration No. 1228643 for MATRIX in class 3, in respect of non-medicated toilet preparations; cosmetics; perfumes; preparations for the hair; soaps; cleansing preparations for toilet purposes; bath additives, hand creams, body massage creams, body lotions and face creams, all being non-medicated preparations for the care of the skin;
 - vii) UK Registration No. 1270710 for SHU UEMURA in class 3, in respect of soaps; perfumes; essential oils; cosmetics; hair lotions;
 - viii) UK Registration No. 1288684 for SOFT SHEEN in class 3, in respect of preparations and substances, all for the hair;
 - ix) UK Registration No. 1382742 for TRESOR in class 3, in respect of perfumes; toilet waters; non-medicated toilet lotions; soaps; cosmetics; make-up; oils, creams and liquids, all being perfumed lathering and softening products for use in the bath; non-medicated foaming preparations for use in the bath; toothpastes;

- x) UK Registration No. 1444126 for KIEHL'S in class 3, in respect of cosmetics; soaps; preparations for the hair and scalp; essential oils; non-medicated toilet preparations; facial scrubs and facial masks; perfumes, colognes and toilet waters; shampoos; deodorants for use on the person; anti-perspirants; sun-tanning preparations; shaving preparations; skin care preparations; talcum powders; lipsticks and lip balms; make-up and make-up removing preparations; cosmetic preparations for baths and showers;
- xi) UK Registration No. 1453116 for DEFINICILS in class 3, in respect of make-up products and products for the care of eyelashes;
- xii) UK Registration No. 1458930 for GARNIER in class 3, in respect of preparations for the maintenance, caring for and embellishing of the hair and the scalp, beards and moustaches, eyelashes and eyebrows, skin and nails; shampoos; hair sprays; hair dyes and bleaching agents; preparations for perming and setting hair; essential oils; cosmetics; non-medicated toilet preparations; toilet waters; soaps;
- xiii) UK Registration No. 1485613 for RENERGIE in class 3, in respect of perfumes, toilet waters and lotions, soaps, shampoos, creams; foaming and/or softening bath gels and liquids; dentifrices; make-up; cosmetics; deodorants for personal use;
- xiv) UK Registration No. 1564858 for POEME in class 3, in respect of perfume, toilet water; gels, salts for the bath and the shower; toilet soaps; body deodorants; creams, milks, lotions, gels and powders, all for the face, the body and the hands; sun care preparations; make-up preparations; shampoos;
- xv) CTM Registration No. 3115607 for AMOR AMOR in class 3 in respect of perfumes, eaux de toilette; bath and shower gels and salts not for medical purposes; toilet soaps; deodorants for personal use; cosmetics, in particular creams, milks, lotions, gels and powders for the face, body and hands; sun-tanning milks, gels and oils and after-sun preparations (cosmetics); make-up preparations; shampoos; gels, mousses, balms and preparations in aerosol form for hairdressing and haircare; hair lacquers; hair-colouring and hair-decolorizing preparations; preparations for waving and setting hair; essential oils;
- xvi) CTM Registration No. 4046785 for AMOR AMOR in class 3 in respect of perfumes, eaux de toilette; bath and shower gels and salts not for medical purposes; toilet soaps; deodorants for personal use; cosmetics, in particular creams, milks, lotions, gels and powders for the face, body and hands; sun-tanning milks, gels and oils and after-sun preparations (cosmetics); make-up preparations; shampoos; gels, mousses and balms, preparations in aerosol form for hairdressing and haircare; hair lacquers; hair-colouring and hair-decolorizing preparations; permanent waving and curling preparations; essential oils.

6. With one exception, the Trade Marks are either word marks or barely stylised word marks. The exception is CTM 4046785 which is a device mark that includes the words AMOR AMOR in manuscript block capitals.

7. L'Oréal divided the Trade Marks into two groups for the purposes of their claims. The first group, referred to as "the Lancôme Marks", consists of LANCOME, RENERGIE, DEFINICILS and AMOR AMOR. The second group, referred to as "the Link Marks", consists of DEFINICILS together with the remaining Trade Marks not included in the first group.
8. There is no challenge to the validity of the Trade Marks. It is common ground that each of the Trade Marks is very well known in the United Kingdom.

L'Oréal

9. L'Oréal are manufacturers and suppliers of high quality perfumes, cosmetics, haircare products and other products. In 2007, L'Oréal achieved consolidated sales of about €7 billion. L'Oréal employ over 63,000 people and are present in 130 countries around the world.
10. L'Oréal's business is divided into five divisions, namely (i) Professional Products, (ii) Consumer Products, (iii) Luxury Products, (iv) Active Cosmetics and (v) The Body Shop. The Professional Products division deals with products for hair salon professionals, including KERASTASE products. The Luxury Products division deals with L'Oréal's premium fragrance and cosmetic brands, including LANCOME, RALPH LAUREN, CACHAREL, KIEHL'S, SHU UEMURA, VIKTOR AND ROLF, DIESEL, STELLA MCCARTNEY, YVES ST LAURENT, BOUCHERON, GIORGIO ARMANI, HR and BIOTHERM. Within these brands are sub-brands, such as AMOR AMOR, which is a sub-brand within CACHAREL.
11. L'Oréal operate a closed selective distribution network in relation to their Luxury and Professional Products divisions. Control over distribution is retained by means of distribution contracts which restrain authorised distributors from supplying products to non-authorised distributors. L'Oréal allow the sale of products on the internet by authorised distributors only if the distributor also has a physical presence. It should be noted, however, that L'Oréal do not rely upon their distribution contracts in support of their claim.

eBay

12. eBay describe themselves as an online marketplace. They operate 21 websites in eight languages which display listings of goods for sale posted by users and which enable buyers to purchase such goods from the sellers. eBay Inc was founded in 1995 under the name AuctionWeb. It changed its name in 1997. It was listed on the NASDAQ stock exchange in 1998. eBay have been very successful. In 2008 eBay Inc's revenue was \$8.54 billion and its income was \$1.78 billion.
13. eBay have grown and changed even over the period between the earliest events giving rise to this litigation and now. eBay now have over 300 million registered users, of which about 84 million are active. More than 125 million active listings appear on eBay's websites at any given time. On average about 7.3 million new listings are posted each day, although this can rise to 12 million new listings a day.
14. As described in more detail below, eBay operate both auction-style and fixed price listings. L'Oréal contend that, so far as the auction-style listings are concerned, eBay

do in fact conduct an auction. eBay dispute this. It is not necessary to decide who is right about this, however, since L'Oréal do not contend that eBay act as agent for the sellers of the goods or that they ever have possession of the goods. At least to that extent, L'Oréal accept that eBay's activities differ from those of traditional auctioneers.

15. The websites operated by eBay Europe include www.ebay.co.uk ("the Site"), www.ebay.de and www.ebay.fr. eBay Inc provides services to eBay Europe to enable the latter to operate these websites. The databases on which live listings are stored are not divided by country, but are housed in four locations in the USA. eBay's software platform comprises about 30 million lines of code divided into some 237 sub-systems. Most of the software is bespoke.
16. The Site was launched in October 1999. There are about 16 million active listings on the Site at any one time. An average of around 1.3 million listings is posted each day, rising to a peak of over 4.5 million listings a day.

L'Oréal's claims against the Fourth to Tenth Defendants

17. L'Oréal claim that each of the Fourth to Tenth Defendants has infringed one or more of the Trade Marks by using signs identical to the Trade Marks in relation to goods identical to those for which the Trade Marks are registered. These claims all concern the Lancôme Marks.

The Fourth Defendant

18. The complaint against the Fourth Defendant concerns the advertisement, offer for sale, exposure for sale and sale of the following products: (1) a cosmetic described as "Lancome Maquicomplet Concealer Light Buff RRP £18.50!" which was sold on 23 November 2006; (2) cosmetic face preparation described as "Lancome Renergie Microlift Active Redefining Treatment" which was sold on 23 November 2006; and (3) a cosmetic eyelash treatment described as "Lancome Definicils Full Size Black Mascara WATERPROOF" which was sold on 5 December 2006.

The Fifth Defendant

19. The complaint against the Fifth Defendant concerns the advertisement, offer for sale, exposure for sale and sale of the following products: (4) a cosmetic face preparation described as "Lancome Maquicontrol Foundation Beige Camee III NEW" which was sold on 16 November 2006; (5) a cosmetic face preparation described as "Lancome Maquicontrol Foundation Beige Camee III NEW" which was sold on 21 November 2006; (6) a cosmetic nail preparation described as "Lancome Vernis Magnetic Nail Lacquer Blind Date NEW" which was sold on 21 November 2006; and (7) a cosmetic face preparation described as "Huge Lancome Adaptive Foundation Balanced NU 1 C" which was sold on 21 November 2006.

The Sixth Defendant

20. The complaint against the Fourth Defendants concerns the advertisement, offer for sale, exposure for sale and sale of the following products: (8) a cosmetic lip preparation described as "Lancome Juicy Tubes - Honey Violet, Full Size, New"

which was sold on 1 November 2006; (9) a cosmetic lip preparation described as "Lancome Juicy Tubes – Clear Shade, Brand New in Box" which sold on 21 November 2006; (10) a cosmetic lip preparation described as "Lancome Juicy Tubes - Glacier, Full Size, Brand New" which was sold on 21 November 2006; and (11) a cosmetic lip preparation described as "Lancome Juicy Tubes - Dreamworld, Full Size, New" which was sold on 21 November 2006.

The Seventh and Eighth Defendants

21. The complaint against the Seventh and Eighth Defendants concerns the advertisement, offer for sale, exposure for sale and sale of the following products: (12) a skin care preparation described as "BN Full Size Lancome Microlift 50ml" which was sold on 1 November 2006; (13) a cosmetic lip preparation described as "New and Unused FULL SIZE Lancome Juicy Tubes Miracle" which was sold on 5 December 2006; (14) a cosmetic lip preparation described as "Brand New FULL SIZE Lancome Juicy Tubes Simmer" which was sold on 8 November 2006; and (15) a cosmetic concealer described as "New Full Size Lancome Maquicomplet Concealer - Clair II" which was sold on 6 December 2006.

The Ninth Defendant

22. The complaint against the Ninth Defendant concerns the advertisement, offer for sale, exposure for sale and sale of the following product: (16) a fragrance described as "AMOR AMOR 'CACHAREL' 3.4 oz 100 ml EDT NO RESERVE NIB" which was sold on 21 April 2008. The listing included a photograph of the product and its packaging which reproduced the figurative AMOR AMOR CTM.

The Tenth Defendant

23. The complaint against the Tenth Defendant concerns the advertisement, offer for sale, exposure for sale and sale of the following product: (17) a cosmetic lip preparation described as "LANCOME BRILLANT MAGNETIC ULTRA-SHINE LIPSTICK" which was sold on 24 September 2007.

L'Oréal's claims against eBay Europe

24. L'Oréal make three principal claims against eBay Europe. The first is that eBay Europe are jointly liable for the infringements allegedly committed by the Fourth to Tenth Defendants. L'Oréal do not allege that eBay Europe are primarily liable in respect of the advertisement, offer for sale, exposure for sale or sale of the goods in question.
25. L'Oréal's second principal claim is that eBay Europe are primarily liable for use of the Link Marks (a) in sponsored links on third party search engines and (b) on the Site, in both cases in so far as such use is in relation to infringing goods.
26. So far as sponsored links are concerned, it is common ground that eBay Europe have purchased keywords consisting of the Link Marks which trigger sponsored links on third party search engines including Google, MSN and Yahoo. The effect of this is that a search on, say, Google using one of the Link Marks will cause a sponsored link to the Site to be displayed. If the user clicks on the sponsored link, he or she is taken

to a display of search results on the Site for products by reference to the Link Mark. eBay Europe choose the keywords based on the activity on the Site. eBay Europe pay a certain amount for each click-through of each keyword. (The operation of the Google AdWords service since 5 May 2008 is described in more detail in my judgment in *Interflora Inc v Marks and Spencer plc* [2009] EWHC 1095 (Ch).)

27. A number of examples of this are given in Annex 7 to L'Oréal's Re-Amended Particulars of Claim. Some of these were not relied on at trial, since L'Oréal did not have any evidence that the usage related to any infringing goods, but the following were:

i) A search on www.google.co.uk for "shu uemura" carried out on 27 March 2007 resulted in a sponsored link being displayed which read as follows:

"Shu Uemura
Great deals on Shu uemura
Shop on eBay and Save!
www.ebay.co.uk"

Clicking on the hyperlink at the top of the sponsored link (i.e. the underlined words "Shu Uemura" – note that the URL at the bottom of the sponsored link is not a hyperlink) led to a page from the Site showing a search for "shu uemura" in "All Categories" with the result "96 items found for shu uemura". In other words, the click-through did not merely lead to the home page of the Site, but triggered a search using the sign in question. The print-out in Annex 7 includes about half of the 96 items found by the search, and L'Oréal allege that most of those shown are for infringing goods. The basis for this allegation is that most of items are expressly stated to be "From Hong Kong" or (in one case) "From USA". In each case the price of the item is given in sterling and the postage "to SE21 2NJ" (i.e. the postal code for the address where the user's computer was situated) is given in sterling. For clarity when comparing this example with the next three, I should say that the print-out in Annex 7 does not reveal the result, if any, of the search with regard to eBay Shops or from eBay international sellers.

ii) A search on www.google.co.uk for "matrix hair" carried out on 27 March 2007 resulted in a sponsored link being displayed which read as follows:

"Matrix hair
Fantastic low prices here
Feed your passion on eBay.co.uk!
www.ebay.co.uk"

Clicking on the hyperlink at the top of the sponsored link led to a page from the Site showing a search for "matrix hair" in "All Categories" with the results (a) "5 items found for matrix hair", (b) "20 items found for matrix hair in eBay Shops" and (c) "24 items found for matrix hair from eBay international sellers". The print-out in Annex 7 shows 6 of the 24 items from international sellers. L'Oréal allege that all of these are for infringing goods. The basis of this allegation is that the "country/region" is stated to be "United States" in five cases and "Australia" in one case, and the items are priced in sterling.

- iii) A search on www.google.co.uk for “softsheen-carson hair” carried out on 27 March 2007 resulted in a sponsored link being displayed which read as follows:

“Soft Sheen

Great prices on hair care products
Feed your passion on eBay.co.uk!
www.ebay.co.uk.haircare”

Clicking on the hyperlink at the top of the sponsored link led to a page from the Site showing a search for “soft sheen” in “All Categories” with the results (a) “9 items found for soft sheen”, (b) “17 items found for soft sheen in eBay Shops” and (c) “12 items found for soft sheen from eBay international sellers”. The print-out in Annex 7 shows 3 of the 12 items from international sellers. L’Oréal allege that all of these are for infringing goods. The basis of this allegation is that the “country/region” is stated to be “United States” in two cases and “Canada” in one case, and the items are priced in sterling.

- iv) A search on www.google.co.uk for “magie noire” carried out on 28 March 2007 resulted in a sponsored link being displayed which read as follows:

“Magie Noire

Fantastic low prices on fragrances
Buy it. Sell it. Love it. eBay.
www.ebay.co.uk/fragrances”

Clicking on the hyperlink at the top of the sponsored link led to a page from the Site showing a search for “matrix hair” in “All Categories” with the results (a) “4 items found for magie noire”, (b) “2 magie noire items on eBay Express” and (c) “48 items found for magie noire from eBay international sellers”. The print out in Annex 7 shows 6 of the 48 items from international sellers. L’Oréal allege that all of these are for infringing goods. The basis of this allegation is that the “country/region” is stated to be “United States” in all cases, and the items are priced in sterling.

28. As for use of the Link Marks on the Site, this arises in the following way. eBay Europe enable users to browse and search the Site. Items are listed in 17 Categories, one of which is “Health & Beauty”. Within each Category is a number of sub-categories such as “Fragrances”, “Hair Care” and “Skin/Face Care”. Within these are sub-divisions such as “Women’s Fragrances”, “Conditioner” and “Cleansers”. Various options are offered to refine the search, including by reference to a list of brand names. These brand names include the Link Marks. A number of examples of this are given in Annex 8 to L’Oréal’s Re-Amended Particulars of Claim. Some of these were not relied on at trial, since L’Oréal did not have any evidence that the usage related to any infringing goods, but the following were:

- i) A search for “Shampoo & Conditioner” by reference to the brand “Kerastase” carried out on 31 July 2007 found 72 items. The print-out indicates that the user had also selected the search option “Location: Worldwide”. The print-out shows about half of the 72 items. Among the items shown on the print-out are four “KERASTASE” products stated to be “From Israel”, in each case priced

in sterling and with “postage to GBR” given in sterling. All four items were Buy It Now listings.

- ii) A search for “Skin/Face Care” by reference to the brand “Garnier Skin” carried out on 31 July 2007 found 101 items. The print-out indicates that the user had also selected the search option “Location: Worldwide”. The print-out shows about a third of the 101 items. Among the items shown on the print-out is one “Rosebud-Garnier” product stated to be “From Singapore” priced in sterling and with “postage to GBR” given in sterling. This item was a Buy It Now listing.

29. Counsel for eBay Europe complained in his opening skeleton argument that L’Oréal was attempting to introduce broad, general and unpleaded allegations of infringement going beyond the 17 specific instances involving the Fourth to Tenth Defendants through the evidence of L’Oréal’s Chief Trade Mark Counsel José Monteiro. He reiterated this complaint during the course of argument upon two other preliminary objections he raised at the outset of the trial. I do not agree that L’Oréal’s pleaded case is confined to the 17 specific instances involving the Fourth to Tenth Defendants: in my judgment it is perfectly clear from L’Oréal’s Re-Amended Particulars of Claim that L’Oréal’s claims extend well beyond those 17 instances. I do agree, however, that L’Oréal’s Re-Amended Particulars of Claim contain some broad and general allegations of infringement. In my ruling on the first day of the trial I observed:

“...if and in so far as I am being invited at this stage to restrict L’Oreal to the 17 particular instances, I decline to do so. That said, there will, in my judgment, be a limit to the extent to which the court is in a position to reach a conclusion upon abstract allegations of infringement as opposed to sufficiently particularised ones.

That as it seems to me at this stage is a hurdle that will need to be crossed by L’Oreal, but it does not mean that they should be summarily shut out from attempting to do so.”

30. The only particulars pleaded, and indeed almost the only evidence adduced, by L’Oréal in support of its case on the Links Marks are the print-outs contained in Annexes 7 and 8 to the Re-Amended Particulars of Claim which I have described above. I have concluded that these do provide a sufficient basis for determining L’Oréal’s claims in respect of the Link Marks, although the absence of further information gives rise to another contention on the part of eBay Europe leads which I will deal with below. Insofar as L’Oréal’s claims go wider than these specific instances, however, they are too abstract to permit any conclusion to be drawn at least at this stage of the proceedings.
31. L’Oréal’s third claim is that, in the event that the court finds that the Fourth to Tenth Defendants have committed infringements, L’Oréal are entitled to an injunction against eBay Europe to restrain future infringements by virtue of Article 11 of European Parliament and Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights (“the Enforcement Directive”) even if eBay Europe are not themselves liable for trade mark infringement.

The issues

32. These claims give rise to the following main issues:
- i) Were the goods sold by the Fourth to Tenth Defendants infringing goods? This issue divides into four sub-issues concerning (a) counterfeits, (b) non-EEA goods, (c) tester and dramming products and (d) unboxed products.
 - ii) Are eBay Europe jointly liable for any infringements committed by the Fourth to Tenth Defendants?
 - iii) Are eBay Europe liable as primary infringers for use of the Link Marks in relation to infringing goods?
 - iv) Do eBay Europe have a defence under Article 14 of the E-Commerce Directive?
 - v) Do L'Oréal have a remedy under Article 11 of the Enforcement Directive?
 - vi) Are the Distance Selling Regulations relevant to any of the foregoing issues, and if so how?
33. Although eBay Europe pleaded defences under sections 10(6) and 11(2) of the Trade Marks Act 1994, those defences were not pursued at trial.

The facts

34. Apart from L'Oréal's evidence regarding the alleged infringements and the scale of the infringement problem and documentary evidence such as print-outs from the Site, the principal source of evidence as to eBay's trading methods and policies and as to the operation of the Site was eBay Europe's witness Robert Chesnut. He joined eBay Inc as Associate General Counsel in 1999. Later he became Deputy General Counsel. From 2002 to mid-2007 he was head of eBay's Trust and Safety department, and he became Senior Vice President of Trust and Safety in 2004. After taking a sabbatical in 2007, Mr Chesnut returned to the position of Deputy General Counsel. He ceased to be employed by eBay in late summer 2008, but is retained as a consultant. As head of the Trust and Safety department, Mr Chesnut had global responsibility for the development of implementation of a wide variety of rules and policies covering all of eBay's websites, including but not limited to fraud protection. In addition to explaining eBay's trading methods and policies, Mr Chesnut provided a detailed commentary on the extensive account records for the Fourth to Tenth Defendants which had been disclosed by eBay Europe. These records, and Mr Chesnut's evidence about them, are the principal basis for the account of the activities of the Fourth to Tenth Defendants I give below. Mr Chesnut was an excellent and very knowledgeable witness. Nevertheless, it was noticeable that there were certain aspects of the operation of the Site, particularly in more recent periods, with which he was not fully familiar.

eBay Europe's activities

35. As noted above, eBay Europe's activities have changed over the time with which this case is concerned. They continue to change. I shall attempt to describe them roughly

as they were at the time of the alleged infringements, that is to say, during the period from November 2006 to April 2008, but even during this period there were changes. Moreover, I am handicapped in providing an accurate historical account by the fact that quite a lot of the evidence relates to the position subsequently. It does not appear to me that the changes that occurred between April 2008 and the trial in March 2009 are of particular significance so far as the issues in this case are concerned, however. For convenience, I shall mainly use the present tense in describing eBay Europe's activities during the relevant period. Since much of what I shall describe is common to eBay's European operations and those elsewhere in the world, I shall refer to eBay except where referring to something specific to eBay Europe.

36. Some of Mr Chesnut's evidence was contained in confidential witness statements and some of his oral evidence was heard in private. This was in order to protect the confidentiality of some of the methods used by eBay to deal with counterfeit products.
37. *Registration.* Before being permitted to buy items on the Site, users must register with eBay. To register, users must provide personal information, such as their name, address, telephone number and email address. The registration procedure includes a step to confirm the user's email address. If the user provides an anonymous email address, such as one from Hotmail, the user will also be asked to verify his or her identity using a credit or debit card.
38. In order to sell items on the Site, the user must not only register but also create a Seller's Account. For this purpose the user must provide details of a credit or debit card and bank account information, which eBay will check, and specify a payment method.
39. In the course of registration each user is asked to create a User ID. The User ID serves as a unique identifier, which is essential in a computerised system such as the Site. It can also be used as a form of pseudonym which enables the user to conceal his or her identity unless and until a transaction is completed. As discussed below, business sellers are required to provide their real name and address before this point, but private sellers are not (although they can do so voluntarily using an *About Me* page). This has the advantage for the sellers of providing a measure of privacy which users may have legitimate reasons for wanting, but it also provides a barrier to the identification of those dealing in counterfeit or other infringing goods. The User ID can also be used as a form of trading name.
40. A single individual can create multiple Seller's Accounts with a number of User IDs. eBay have the ability to search for different accounts being operated by the same person (referred to as "linked accounts") by comparing personal information and other features of the accounts. Where users are suspended for breach of eBay's policies, eBay attempt to identify linked accounts to prevent them from circumventing the suspension by opening or using other accounts. Determining when accounts are linked is not always straightforward, however.
41. *User Agreement.* Whether wishing to buy or sell, users must accept eBay Europe's User Agreement as part of the registration procedure. The version of the User Agreement in evidence, which applies to users registering on or after 10 July 2008 and to users who registered prior to that effect as from 13 August 2008, includes the following provisions:

“Introduction

Welcome to eBay. These terms and conditions apply to the services available from the domain and sub-domains of eBay.co.uk (which include, but are not limited to, ebaymotors.co.uk), and from all other eBay-branded websites provided for U.K. users. If you reside in the U.K. or another country that is a member of the E.U., by using the services on the eBay websites (eBay.co.uk, eBay.com and other related websites where this agreement appears) you are agreeing to the following terms including those available by hyperlink, with eBay Europe S.à.r.l. ..., and the general principles for the websites of our subsidiaries and international affiliates. If you reside within the United States, you are contracting with eBay, Inc. In all other countries, your contract is with eBay International AG. ...

Before you may become a member of eBay, you must read and accept all of the terms and conditions in, and linked to, this User Agreement. We strongly recommend that, as you read this User Agreement, you also access and read the linked information. By accepting this user agreement, you also agree that your use of some eBay-branded website or websites we operate may be governed by separate user agreements and privacy policies. The agreement that applies on any of our domains and subdomains is always the agreement that appears in the footer of each website. The User Agreement constitutes a legally binding agreement between you and eBay.

...

Using eBay

You may not use our sites and services if you are under the age of 18 or you are not able to form legally binding contracts, or if your eBay membership has been suspended.

While using eBay you will not:

- post list or upload content or items in an inappropriate category or areas on our sites;
- breach any laws, sell any counterfeit items or otherwise infringe the copyright, trademark or other rights of third parties;
- breach our policies including, without limitation, the [Prohibited and Restricted Items](#) policies and the other policies linked to from the "Additional terms" section below;

- fail to deliver payment for items purchased by you, unless the seller has materially changed the item's description after you bid, a clear typographical error is made, or you cannot authenticate the sender's identity;
- fail to deliver items purchased from you, unless the buyer fails to meet the posted terms, or you cannot authenticate the buyer's identity;

...

- post false, inaccurate, misleading, defamatory, or libellous content (including personal information);

...

If you are registering with eBay as a business entity, you represent that you have the authority to legally bind that entity. If you are trading as a business on eBay, you must comply with all applicable laws relating to online trading (please see [Business Selling Explained](#) for more information).

...

Abusing eBay

eBay and the eBay community work together to keep our sites and services working properly in the community safe. Please report problems, offensive content and policy breaches to us.

eBay's Verified Rights Owner (VeRO) program works to ensure that listed items do not infringe upon the copyright trademark or other rights of third parties. If you believe your rights have been infringed, please notified our VeRO team through our Verified Rights Owner (VeRO) programme and we will investigate.

Without limiting other remedies, we may issue you with warnings, limit, suspend, all terminate our service and user accounts, restrict or prohibit access to, and your activities on, the sites (including, without limitation, cancelling bids and removing listings), delay or remove hosted content, and take technical and legal steps to keep you off our sites if:

- we think that you are creating problems (including without limitation by harassing eBay style for other users or making unreasonable legal threats against eBay), or exposing us or another eBay user to financial loss or legal liabilities;

- we think that you are acting inconsistency with the letter or spirit of this Agreement or our policies;
- despite our reasonable endeavours we are unable to verify or authenticate any information you provide to us; or
- you earn in a feedback rating of -4.

...

You agree not to hold eBay responsible for any loss you may occur as a result of eBay taking any of the actions described above.

...

Compensation

You agree that you will only use our sites and services in accordance with this Agreement. You will compensate us in full ... for any losses or costs, including reasonable legal fees, we incur arising out of any breach by you of this Agreement or your violation of any law or the rights of a third party.

No agency

No agency, partnership, joint venture, employee-employer or franchisor-franchisee relationship is intended or created by this Agreement.

Resolution of disputes

... This agreement shall be governed and construed in all respects by the laws of England and Wales. You and eBay both agree to submit to the exclusive jurisdiction of the English courts;

Additional terms

The following policies (together with all further policies that can be access via click-through links contained in such policies) are part of this Agreement and provide additional terms and conditions related to specific services offered on our sites. We expect you to read all of the linked documents carefully:

- [Prohibited and Restricted Items](#)
- [Identity](#)
- [Rules for Buyers](#)

- Rules for Sellers
- Rules for Everyone

...”

42. It is a breach of the User Agreement for a buyer not to pay for an item or for a seller not to deliver, except in the limited circumstances stated. It is also a breach of the User Agreement to sell any counterfeit items or otherwise infringe the trade marks of third parties. The User Agreement also requires compliance with eBay’s policies. eBay have a series of policies covering listing, buying, selling, feedback, prohibited and restricted items and intellectual property. These policies control quite tightly what buyers and sellers can and cannot do on the Site. For example, certain types of items cannot be sold at all and items cannot be listed where the authenticity of the item is disclaimed or questioned.
43. One of the policies that featured quite extensively in the evidence at trial is a policy that prohibited sellers from selling unboxed cosmetics to buyers in Germany, but permitted the sale of such products elsewhere in the European Union. Mr Chesnut said that this policy was implemented because of “unsettled German law” concerning the sale of unboxed cosmetic products. In fact, all of the German decisions to which I was referred have held that this amounts to trade mark infringement, although two of those decisions have been appealed by eBay (see further below). Moreover, there is nothing in the reasoning of the German courts which depends on German domestic law as opposed to European trade mark law.
44. *Help pages and tutorials.* eBay provide numerous help pages and tutorials to educate and assist users in relation to particular activities. These include:
- i) *How do I sell?* This tutorial consists of five steps which explain to sellers how to list items so that they sell more successfully. Steps 2-5 are described in subparagraphs (ii)-(v) below.
 - ii) *How to Prepare your item for sale.* This page advises the user to research the item he or she is selling by looking at what other sellers have done through completed item searches and to take a photograph of the item for inclusion in the listing.
 - iii) *How to List your Item.* This page provides help on how to list, including choosing the sales format (auction-style or fixed price), selecting what categories to list in, writing an effective title and description, pricing, duration of listing and using optional features. The section headed *Write an effective Title & Description* advises the user how to choose a title and write a description so as to ensure that listings are found and items sold effectively. The advice includes making sure that the description includes the item’s brand.
 - iv) *Pricing, Payment & Postage.* This page contains advice on pricing, suggesting that in the auction-style format a low starting price and no reserve encourage a greater number of buyers. It also contains advice on what payment options to accept, recommending acceptance of an online payment system such as

PayPal, and on postage and returns and international shipping details. The latter section states:

“If you are only making your item available to buyers within your country, be sure to state this clearly in the listing. ... If you are making your item available to eBay buyers outside your country, be sure to also include international postage costs.”

- v) *How to Manage and Complete your Sales.* This page explains how sellers can keep track of their complete sales history using My eBay’s All Selling Page. It also advises users how to complete sales, including reminding them not to post the item before receiving payment and to leave feedback.
 - vi) *Guidelines for Creating Legally Compliant Listings.* This page provides general advice on how to create listings that do not infringe third party intellectual property rights. It advises sellers, for example, to create their own listings, use brand names appropriately and make sure the item is authentic.
 - vii) *About selling internationally.* This page states that “Choosing to offer your item internationally as well as to the United Kingdom or Ireland may significantly increase the number of potential buyers you reach”. It goes to explain the three ways in which sellers can expose their listings to buyers in other countries (by selecting International Site Visibility (as to which, see below), by listing directly on other eBay websites and by allowing postage to other countries). More information about International Site Visibility is provided on the page *Showing your items in search results on other eBay sites.*
 - viii) *How do I Buy?* This tutorial gives advice about buying items.
45. *Sales formats.* eBay provide two main sales formats, auction-style and fixed price.
46. In the auction-style format the seller offers to sell the item to the highest bidder whose bid is received within the listing period and exceeds any reserve price the seller has set. The seller must specify the starting price, the duration of the listing (1, 3, 5, 7 or 10 days, although some types of items cannot be listed for 1 or 3 day auctions) and the reserve price if any. Bids must be made in increments. As the auction progresses, eBay will send an email to a bidder whose bid has been exceeded, inviting him to make a new bid. By a technique referred to as Proxy Bidding, prospective buyers can set the highest price which they are prepared to pay and then instruct the Site automatically to bid in increments against other bids up to that limit.
47. The fixed price format is referred to as Buy It Now. In this format the seller offers to sell the item to the first person who offers to pay the stated price within the listing period. In some circumstances, sellers can offer an item for both auction-style sale and Buy It Now sale, in which case the latter option is only available so long as no bid is placed for the item. Another alternative is for the seller to provide a Make Offer option, allowing potential buyers to make an offer below the stated price to see if the seller will accept it.

48. In either format, items which are left unsold at the end of the listing period can be re-listed for free.
49. *Classified ads.* In addition to the auction-style and fixed price sales formats, recently eBay has commenced offering a classified advertisements service which is an online version of paper-based classified advertisements. This service is not the subject of L'Oréal's present claims, however.
50. *Listings.* Listings describe the items which sellers are offering for sale. A listing consists of three basic elements, (i) a title, (ii) a description and (iii) information about the category, sales format, price, duration of the listing, location of the item, where the seller is prepared to post the item to, the cost of postage and what payment methods are accepted. The title is short and searchable by buyers. The description is longer and is not searchable. The listing may, and frequently does, include one or more photographs of the item. Up to four photographs may be included, of which the first is "free" i.e. the price is included in the basic listing fee. As Mr Chesnut emphasised, listings are created and posted by users. eBay do not create, edit or post listings. Each listing is allocated a unique Item Number by eBay.
51. Creating good listings and uploading them can be time consuming, and so eBay provide a number of features and tools to ensure that the listing process is as efficient as possible. At the most basic level, eBay provide pre-set categories and sub-categories (such as brand) to organise listings and enable purchasers to find suitable items easily. Taking a perfume as an example, eBay's software assists the user to compile the listing for the perfume by requiring that choices be made from a number of pre-determined options, for example category, brand name, size, no. of photographs etc.
52. eBay offer various upgrades to individual listings in return for an extra fee. These include:
 - i) an option for the seller to list the item in more than one category, thus causing the item to come up on more buyer searches;
 - ii) Gallery, which provides buyers with a photograph of the item when searching and browsing;
 - iii) Featured First, which means that the item appears on the first page of search results in the Featured Items section;
 - iv) International Site Visibility, which ensures that the listing automatically appears in searches on other eBay sites selected by the seller (a specific fee is payable for each country selected);
 - v) the provision of highlighting, borders, bold or subtitles; and
 - vi) the use of Listing Designer software to customise the visual appearance of the listing in more sophisticated ways.
53. eBay also offer a number of features to assist mid-volume sellers with uploading their listings onto the Site, including automating the process so that new listings are added

over time (e.g. as existing listings expire). This comprises software called Turbo Lister (free) to upload items and Selling Manager/Selling Manager Pro (subscription required), which provide email and invoice templates as well as listing rescheduling and sales analysis tools.

54. In addition to the standard features available to all sellers, eBay offer enhanced software and advice for its higher volume sellers – those with business names, virtual shops displaying multiple items and PowerSeller status. The advice includes the services of eBay employees in the business development team whose job it is to assist sellers in increasing their volumes. For example, they telephone sellers to help them open eBay shops and advise about other eBay tools.
55. *Cross-promotion.* Cross-promotion is a sales tool provided by eBay to sellers to enable them to increase sales. Buyers are shown sellers' other listings in various ways, including when viewing one of that seller's items, when placing a bid or choosing Buy It Now for one item and in emails to buyers who are watching an item or who have asked to be notified when a listing has ended. In addition, unsuccessful bidders are notified of similar items on the Site that they might like to bid for instead.
56. *eBay Shops.* eBay Shops are pages within the Site that function as virtual shops. They enable sellers to list all their items in one place under a particular trading name and style. There are different levels of Shop (Basic Shop, Featured Shop and Anchor Shop) for which sellers must meet different requirements. eBay provide various tips and tools for operators of eBay Shops. These include:
 - i) *Build and Customise Your Shop.* This page explains how sellers can create an eBay Shop using Manage My Shop.
 - ii) *Promote Your Shop.* This page gives advice on a number of ways to increase sales, including listing strategies, cross-promotions, email marketing and keyword management. The latter two are described below.
 - iii) An email marketing tool which enables sellers to send email newsletters to buyers. Sellers can get 1000, 2,500 or 5,000 free emails a month depending on the level of shop and buy more for a penny each.
 - iv) A tool for customising search engine keywords so as to improve the shop page rankings in search engines.
 - v) A listing feeds tool enables sellers automatically to distribute listings to buyers, search engines and comparison sites.
 - vi) A promotional flyers tool enables shops to create their own flyers.
 - vii) Templates for creating business stationery.
57. *eBay Express.* In April 2006 eBay opened a new website called eBay Express, which was designed to function more like a standard internet shopping site for consumers with United States addresses. eBay Express comprised a separate sales channel for eBay Shops. A UK version was launched in October 2006. eBay Express was closed in 2008.

58. *PowerSellers.* eBay grant their most successful sellers 'PowerSeller' status if they achieve and maintain an "excellent sales performance record". To do this sellers on the Site must currently: (a) be registered as a business; (b) sell on average a minimum of £750 worth of items or 100 items per month for three consecutive months; (c) maintain a minimum average of four listings every month for the three previous months; (d) have been an active eBay member for 90 days; (e) have an overall feedback score of at least 100 with 98% positive; and (f) not violate any "severe" policies, or three of any type of policy, in a 60 day period. The software on the Site automatically reviews sellers' accounts twice a month to assess their eligibility for PowerSeller status. There are five levels of PowerSeller, from Bronze to Titanium, depending on the seller's sales volumes. One of the individual Defendants in the present case was a Silver PowerSeller, equating to £1500 or 300 items per month.
59. eBay Europe state on the Site that PowerSellers are "pillars of our community" and "exemplary members who are held to the highest standards of professionalism". PowerSellers display the PowerSeller icon, which is said to be "our symbol of recognition... You can feel assured that your transaction will go smoothly and that you are dealing with a seller who has consistently met the requirements established by eBay". In recognition of their elevated status, PowerSellers are entitled to a personal account manager, personal phone support, fast priority email support, final value fee discounts and access to a dedicated PowerSeller board.
60. About 27,500 of the 6.8 million registered sellers on the Site have PowerSeller status. Despite being "pillars of our community", PowerSellers are frequently the subject of sanctions. Mr Chesnut estimated that eBay suspended several thousand a month.
61. *International sellers.* eBay have a policy of promoting cross-border trade. As a result of this, many goods placed on the market by L'Oréal (and other trade mark owners) outside the EEA are offered for sale to UK buyers. One way in which this can happen is that a seller located in the UK can list goods on the Site which are located outside the UK. More importantly, there are four distinct circumstances in which a non-UK seller's listing may appear on the Site:
- i) Users of other eBay websites may register on the Site and then list items on the Site.
 - ii) Users of www.ebay.com and www.ebay.ca may pay for the International Site Visibility upgrade specifying the Site, so that their listings appear in the search results when a user of the Site searches using the default search options. In order to qualify for International Site Visibility both seller and listing must satisfy certain requirements: in particular, the seller must have a PayPal account and be PayPal Verified and the listing must specify international postage and payment by PayPal. Mr Chesnut's evidence was that this feature was introduced in May 2008, but he appeared to accept that international visibility may have been possible through a different mechanism prior to that date (as suggested by e.g. the MATRIX HAIR search in Annex 7 to the Re-Amended Particulars of Claim).
 - iii) Users of other eBay websites may indicate in their listings that they are prepared to deliver items located in the European Union to the UK, in which

case their listings appear in the search results when a user of the Site searches using the European Union search option.

- iv) Users of other eBay websites may indicate in their listings that they are prepared to deliver items located worldwide to the UK, in which case their listings appear in the search results when a user of the Site searches using the worldwide search option
62. The help page *Showing your items in search results on other eBay sites* which explains the advantages of, and how to achieve, International Site Visibility includes the following warning:

“Important: When selling internationally please verify you’re complying with foreign laws, which can differ from your local laws and restrict sales of authentic products. Get details about international trading.”

My attention was not drawn, however, to any warning to sellers located outside the EEA that selling genuine products marketed outside the EEA to buyers in the EEA may amount to trade mark infringement.

63. The help page *About Selling internationally* states:

“Currencies

There are two key features that help international buyers convert the price of your item to the currencies they understand:

Bids and prices on the item page automatically display in both the currency you specify and the approximate home currency equivalent for the site from which the buyer is viewing the item.

A buyer can convert all Search and Listings prices to local site currency by clicking the **Show all prices in local currency** (for example, US dollars on the US site) link in the **Show** box on the Search and Listings pages of all non-UK eBay sites.

For information about how to allow your international buyers to pay for items using different currencies, see *Using PayPal Internationally*.”

64. When listings on the Site are searched, the search results page displays the following statement at the bottom:

“Items that are listed in a currency other than Pounds Sterling display the converted amount in italicized text. Converted amounts shown are estimates based on Bloomberg’s conversion rates. If you need to get recent exchange rates, please use the Universal Currency Converter.”

65. It should be noted that the listings in Annex 7 to the Re-Amended Particulars of Claim which L’Oréal allege to constitute infringements include both (a) listings where

the price and the postage are stated in sterling, in neither case in italics, and (b) listings where the price is stated in sterling in italics and no postage is given.

66. *Searching listings.* In addition to browsing the various categories, eBay provide users of the Site with a variety of options to search for listings of interest to them. These include searching by brand, by product type, by price range, by condition, by type of seller, by sales format, by location and so on. In the case of location, there are four options: on the Site (which shows all listings that are listed on the Site or listed on www.ebay.com or www.ebay.ca where the seller has paid for International Visibility), UK only (which shows only items that – according to the seller - are physically located in the United Kingdom), European Union (which shows all items located in any European Union that the seller has indicated he or she is willing to deliver to the United Kingdom) and worldwide (which shows all items located anywhere that the seller has indicated he or she is willing to deliver to the United Kingdom).
67. *Completing a transaction.* The software on the Site controls each step of the process by which a transaction is completed. In the case of an auction-style listing, for example, the software provides prompts to the bidder and seller at each step. The prompts to the bidder include the following: (i) “Review and Confirm Bid”; (ii) “Bid Confirmation” - “it’s almost over and you’re currently the highest bidder”; (iii) “Congratulations you just bought this item”; (iv) “Review your purchase”; (v) “Choose a payment method”; (vi) “Confirm your payment”; (vii) “Thank you for your purchase” (this page also lists items that are in related categories to the product purchased); and (viii) “Order details”.
68. *PayPal.* PayPal was originally an independent company, but eBay purchased PayPal in 2002. The service is now provided in the UK by PayPal (Europe) Sarl & Cie, a subsidiary of eBay Inc, which is a credit institution regulated by the Luxembourg financial services authorities. PayPal provides a secure payment mechanism for online trading which avoids the need for buyers to supply their credit or debit card details, or bank account information, to sellers. The buyer pays PayPal which in turn pays the seller. When a user sets up a PayPal account, PayPal makes two random deposits of say 15p and 85p into the user’s bank account. The user must then confirm the amounts of those deposits to PayPal, thereby proving that they have control over that account. This is referred to as being “PayPal verified”.
69. As well as providing a secure payment mechanism, PayPal provides buyer protection. If the buyer does not receive the item, or the item arrives significantly not as described, then PayPal will reimburse the full value of the purchase including postage. There are certain requirements for a claim, such as that the buyer must raise a dispute with the seller within 45 days of the payment and make a claim to PayPal within 20 days of raising the dispute.
70. All sellers from the United Kingdom are required to accept payment by PayPal. There are certain categories of goods for which sellers can only accept payment by PayPal, such as computer software and mp3 players. Payment by cash or money transfer is prohibited for all categories of goods.
71. *Feedback.* Once a transaction has been completed, eBay encourage the buyer to post feedback about the seller. The feedback facility enables the purchaser to comment both about the service provided by the seller and the goods which he or she has

received and to provide an overall rating (positive, negative or neutral). eBay store this feedback so that it can be accessed against the User ID by visitors to the Site. Comments relating to individual listings cease to be visible when the listings are archived, however. As Mr Chesnut emphasised, eBay do not usually know whether comments made by buyers in feedback are true or not.

72. Since March 2007 buyers have been able to post more detailed feedback about sellers, referred to as Detailed Seller Ratings or DSRs, under four headings: Item as described, Communication, Dispatch time, Postage and Packaging charges. Buyers can give sellers one to five stars under each heading.
73. *Sellers' profiles.* When searching listings, buyers are presented with a profile of the seller under the heading "Meet the seller". Each seller has a Feedback Profile which consists of (a) the user's total feedback score (one point for a positive rating, zero for a neutral rating and minus one point for a negative rating), (b) a type and colour of star depending on the feedback score (starting with a yellow star for a score of 10) and (c) the positive feedback percentage over that last 12 months. Where applicable, the seller's profile identifies the seller as a PowerSeller. The profile states how long the seller has been a member of eBay and in what country. If the seller is registered as a business seller, this is stated. A link is provided to enable the buyer to view feedback comments relating to the seller.
74. *Dispute resolution.* eBay provide a dispute resolution service to resolve disputes between buyers and sellers. The service operates by reminding buyers and sellers of their obligations under the User Agreement (i.e. for the seller to deliver the goods promptly and as described and for the seller to pay for the goods promptly) and by facilitating communications between them.
75. Disputes between buyers and sellers are frequently resolved on the basis that the seller agrees to refund the price and postage in return for the buyer agreeing to withdraw a negative feedback rating. The evidence relating to the activities of the Fourth to Tenth Defendants shows that complaints by buyers that items are fakes are often resolved on this basis. (It should be noted that my account of the Fourth to Tenth Defendants' activities set out below does not include the multiple instances on which this occurred, particularly in the case of the Ninth and Tenth Defendants.)
76. *Fees earned by eBay Europe.* eBay Europe charge sellers three types of fees:
 - i) Insertion Fees. For example, for a cosmetic product listed for auction-style sale with a starting price of 99p, a 10p insertion fee is payable. These fees are charged when items are listed on the Site. They are stated to be non-refundable, but in practice eBay Europe do refund insertion fees when listings are cancelled by eBay Europe.
 - ii) Optional Feature Fees. These fees are charged for the use of optional features such as those described above.
 - iii) Final Value Fees. These fees are charged if and when the item is sold. The fee charged is a percentage of the final sale price. For example, a cosmetic selling at £10 attracts a final value fee of 8.75%.

77. *Filtering.* eBay use some 16,000 software filters to search listings for possible breaches of its policies. Where a listing is flagged by the software as potentially contravening a policy, it is reviewed by a customer services representative (“CSR”). eBay Inc spends over \$10 million a year maintaining and enhancing this software. In addition, eBay Europe employ hundreds of CSRs located in Dublin and Berlin to review listings.
78. Mr Chesnut explained that eBay’s filters took a varying amount of time to flag potentially infringing listings. Some filters fire more quickly than others. Generally speaking, however, most filters only fire after the listing in question has been published on the Site. Tens of thousands of listings are removed each month as a result of filtering or complaints filed under the VeRO programme or reports filed under the Community Watch scheme (as to the latter two of which, see below).
79. *VeRO programme.* eBay’s Verified Rights Owner or VeRO programme is a notice and take-down system that is intended to provide intellectual property owners with assistance in removing infringing listings from the Site. Since 2004 eBay Europe have employed a specific team based in Dublin to operate the VeRO programme for the Site (and the Irish eBay website). eBay Europe also employ teams to operate VeRO programmes for other sites.
80. In order to participate in the VeRO programme, rights owners must complete and submit a form headed “Notice of Claimed Infringement – Statutory Declaration” in respect of listings which they consider infringe their rights (a “NOCI”). The NOCI requires a representative of the rights owner solemnly and sincerely to declare that:
- “I am the owner, or any agent authorised to act on behalf of the owner, of certain intellectual property rights (‘IP Owner’);
- I have a good faith belief that the listings identified below (by item) offer items or contain materials that are not authorised by the IP Owner, its agent, or the law, and therefore infringe the IP Owner’s rights according to English law; and
- I make this declaration conscientiously believing it to be true and correct and in accordance with English law.”
81. The rights owner must identify each listing complained of by Item Number and in each case identify the reason for objecting to the listing by means of a Reason Code. There are 16 Reason Codes identifying different types of infringement. The infringements covered by the Reason Codes cover two main classes of infringement, namely infringing items and infringing listing content. Instances of infringing listing content include “uses unauthorized copy of copyrighted text” and “uses unauthorized copy of copyrighted image”.
82. A rights owner’s first completed NOCI must be sent to the VeRO team in Dublin by fax or post. Once it has been accepted by eBay Europe, the rights owner is deemed to be a participant in the program; no separate registration is required. Subsequent NOCIs may be sent by email to a dedicated email address.

83. Rights owners who enter into a VeRO Reporting Tool User Agreement can download and use the VeRO Reporting Tool, a software tool that enables a rights owner to report listings directly through the Site. There is also a Bulk Reporting Tool which enables a rights owner to report up to 500 items at once where the items are listed by the same seller and where the Reason Code is the same.
84. On receipt of a NOCI by eBay Europe, it will be reviewed by a CSR who will check that it has been correctly completed. In the case of the first NOCI the CSR will also attempt to verify that the complainant exists and owns the rights it claims, for example by searching online for trade marks owned by the complainant. The CSR will then review the listing complained of. If the listing appears to infringe the complainant's rights as alleged, then the CSR will take down the listing without further investigation. The CSR will not contact the seller before taking down the listing. If the position is unclear upon comparing the NOCI and the listing, the CSR will consult a specialist within the team. If the specialist is unable to deal with the NOCI, then the VeRO Manager or an in-house lawyer may be consulted and/or the rights owner may be contacted. Only if it is plain that the allegation is wrong will eBay Europe not take the listing down. In 2007 about 90% of listings reported through the VeRO programme were taken down within 6-12 hours and about 98% were taken down within 24 hours.
85. When a listing is taken down, an email is automatically sent to the seller explaining why it was taken down. The email advises the seller to contact the rights owner directly if the seller contests the rights owner's claim. An email is also sent to anyone who has bid on the item. The listing will be taken down even if the sale has already been concluded, in which the buyer will be advised not to complete the transaction. Any fees paid by the seller will be reimbursed. eBay emphasise that they are not in position to adjudicate allegations of infringement made by rights owners. Rather, they assume that such allegations are well-founded unless they are obviously unfounded, and leave it to the seller to sort matters out with the rights owner if he or she can. (The consequences of this from the perspective of the seller were considered by Pumfrey J in *Quads 4 Kids v Campbell* [2006] EWHC 2482 (Ch).)
86. eBay spends about \$20 million a year on the VeRO programme. More than 18,000 rights owners participate in the VeRO programme. L'Oréal has so far declined to participate in the VeRO programme, however, for the reasons explained below.
87. *Community Watch.* eBay operate a Community Watch scheme in which users are encouraged to report any listing or item which infringes eBay's policies. Over a million reports are submitted each quarter relating to the Site. Mr Chesnut's evidence, however, was that such reports tended to be unreliable.
88. *Sanctions.* eBay apply a variety of sanctions to users, and in particular sellers, who breach their policies. The sanctions increase in severity depending on the nature, number and frequency of the breaches. So far as sellers' listings which are alleged to infringe intellectual property rights are concerned, eBay distinguish between two main types of breach, coded INI and INL respectively. INI breaches relate to the item listed e.g. it is counterfeit. INL breaches relate to the listing rather than the item itself e.g. the listing infringes the copyright of a rights owner because it reproduces text or an image without permission. The principal sanctions applied by eBay in order of increasing severity are: removal of the listing; requiring the seller to complete an

online tutorial (a “VeRO tutorial”) explaining about eBay’s policies and intellectual property rights; imposition of a velocity limit or other selling restriction, typically limiting the number of items of a certain type which the seller can list; temporary suspension for varying periods; and indefinite (i.e. permanent) suspension. Mr Chesnut’s evidence was that, worldwide, eBay suspend around 2 million users annually, of whom around 50,000 are suspended through the VeRO programme. Where appropriate, eBay also refer matters to law enforcement agencies.

89. As I have said, which sanction is applied depends on the number, nature and frequency of breaches. In addition, when deciding what sanctions to apply, in some circumstances the seller’s feedback record is taken into account. Mr Chesnut explained eBay’s current policies with regard to sanctions in evidence given in private. It would not be appropriate to discuss these policies in a public judgment because it could assist infringers to avoid the imposition of such sanctions and thereby assist them to continue infringing. I do not consider that it is necessary to go into these details, however.
90. eBay also apply sanctions for breaches of other types of policies. One that is referred to below is the Seller Non-Performance policy. eBay categorise sellers into four types, referred to “Segment A”, “Segment B”, “Segment C” and “Segment D”, according to their feedback profile. A seller who persistently falls into the “Segment D” category will have his or her account suspended.
91. *High Risk Brands.* Mr Chesnut gave evidence that in 2006 eBay started to classify certain brands as High Risk Brands where there had been a demonstrated issue regarding counterfeit goods. He said that, as a result, a higher level of scrutiny was applied to users selling those brands e.g. they needed to be PayPal verified and confirm that they had access to a nominated bank account. Initially around 100 brands had been on the list of High Risk Brands, including some L’Oréal brands, and the list had since been expanded to around 550 brands. He was not able to say whether or not all of the Trade Marks were on the list of High Risk Brands. More generally, Mr Chesnut accepted that eBay were aware that luxury fragrances and cosmetics were frequently abused by sellers of counterfeits, parallel imports and unboxed products.

The Fourth Defendant’s activities

92. On 11 July 2004 Hannah Greatrex registered on the Site as “greatrex 007”. On 5 November 2006 the contact name was changed to Stephen Potts. There are emails to eBay from both “Hannah” and “Stephen” and one from “Stephen and Hannah”. I shall refer to whichever person was responsible for the relevant acts as the Fourth Defendant and as “he”. On 26 May 2007 the User ID was changed to “prettycowcosmetics”. On 17 August 2007 the User ID was changed to “campnibble”.
93. From 14 November 2004 to 24 August 2007, when the account was suspended as a result of these proceedings, the Fourth Defendant listed at least 14,752 items. A large proportion were health and beauty products and clothes, but items such as printers and mobile phone SIM cards were also listed. Around 5,000 items were products sold under the Trade Marks, but the Fourth Defendant also sold many other leading brands of cosmetics and fragrances.

94. The Fourth Defendant received over 5,000 feedbacks. One buyer said that the Fourth Defendant had sold him a fake.
95. eBay Europe have admitted that the Fourth Defendant was a PowerSeller and had an online shop on the Site. It is not clear from what date or dates this was the case. L'Oréal contend that the Fourth Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Fourth Defendant was a business seller.
96. On 21 and 22 November 2005 the Fourth Defendant had some listings removed due to breaches of eBay policies regarding keywords in titles. The fees were credited to the seller.
97. On 23 November 2005 Clinique filed a NOCI alleging "misuse of right's owners' brand name or trade mark or other related IP rights", but the actual complaint was that the listing used text from Clinique's website without permission. eBay removed the listing complained of and credited the fees to the seller.
98. Also on 23 November 2005 the Fourth Defendant had a listing removed for keyword spamming. The fees were credited to the seller.
99. On 11 April 2006 eBay's Shill Bidding Tool identified the Fourth Defendant as being involved in shill bidding (bidding on one's own item or having family, flatmates or employees bid for them). The relevant selling and bidding accounts were linked by IP address, name, physical address and phone. The Fourth Defendant's account was suspended for 7 days. On 21 April 2006 the Fourth Defendant signed a declaration confirming that he understood eBay's shill bidding policy and agreeing to comply with that policy as a condition of reinstatement to the Site. Once the 7 day suspension period had ended, the defendant's account was reinstated.
100. On 25 April 2006 Estée Lauder filed a VeRO complaint relating to a listing using the rights owner's text. The listing was ended and the fees credited to the seller. On 5 May 2006 Estée Lauder filed another VeRO complaint relating to a listing using the rights owner's text. The listing was ended, the fees credited to the seller and the seller was asked to complete a VeRO tutorial. Estée Lauder also sent the seller an email.
101. On 5 June 2006 Estée Lauder filed another VeRO complaint relating to a listing using the rights owner's text. The listing was ended, the fees credited to the seller and the seller was asked to complete a second VeRO tutorial.
102. On 16 July 2006 the Fourth Defendant qualified for eBay Express, but on 27 August 2006 ceased to qualify for eBay Express.
103. On 23 November 2006 IIS (as to which, see below) purchased products (1) and (2) complained of in these proceedings. On 5 December 2006 IIS purchased product (3). Items (1) and (3) were unboxed and described as "unboxed" and "no box" respectively in the listings. The Fourth Defendant's seller's profile at the time of the first sale stated that he was a PowerSeller with 1965 feedbacks of which 99.9% were positive and was registered as a business seller.

104. On 11 and 13 December 2006 eBay filters detected listings for LANCOME RENERGIE products, and a Clarins product, which were unboxed products being offered for sale with postage to Europe, including Germany. The listing was ended and the fees were credited to the seller.
105. On 23 December 2006 eBay filters detected a listing for another unboxed Clarins product. This was treated as the seller's second INI offence. The listing was removed, the fees were credited to the seller, the seller was required to take a third VeRO tutorial and a selling restriction was put on the account. The Fourth Defendant sent an e-mail to eBay asking why his listing had been ended. eBay responded that unboxed products could not be sold in Germany and referred the seller to eBay's policies on potentially infringing and prohibited items.
106. On 27 December 2006 eBay detected two listings for unboxed Clarins products. The account was suspended for seven days and the seller was required to complete a fourth VeRO tutorial. On 4 January 2007 the account was reinstated upon receipt of a reinstatement form (which requires proof of identity and address).
107. On 5 January 2007 eBay detected listings for two unboxed LANCOME cosmetics. The account was suspended for seven days and the seller was required to complete a fifth VeRO tutorial. On 7 January 2007 the account was reinstated early – it is not clear why.
108. On 9 March 2007 the Fourth Defendant hit a velocity limit (preventing him from listing more than a certain number of products in a 30 day period). The limit was left in place.
109. On 19 March 2007 Estée Lauder filed a NOCI for unauthorised use of an image in a listing. The listing was ended and the fees credited to the seller.
110. On 20 March 2007 the Fourth Defendant hit a velocity limit which was left in place.
111. On 28 March 2007 eBay detected a listing with unauthorised listing content.
112. On 29 March 2007 Estée Lauder filed a NOCI in relation to unauthorised use of an image. The Fourth Defendant was required to take a sixth VeRO tutorial.
113. On 26 June 2007, 8 July 2007 and 20 July 2007 the Fourth Defendant contacted eBay to discuss the velocity limits applied to the account, which were left in place.
114. Mr Chesnut also gave evidence about an account which eBay Europe now consider to be linked to the account discussed above. This was registered by Stephen Potts on 14 March 2002 with the User ID "potts-things". During the period from 2 July 2004 to 28 April 2007 this seller listed about 330 items. During this period a number of NOCIs were filed by TV Network Ltd and Umbro International Ltd raising complaints about listings for power juicers and about counterfeit football shirts. The account was suspended on 9 July 2008. Mr Chesnut was unsure why it had not been suspended in August 2007, but thought that it might be because the greatrex 007/prettycowcosmetics/campnibble account had been suspended in response to this litigation.

The Fifth Defendant's activities

115. On 13 October 2000 the Fifth Defendant registered on the Site as “tracy.r2”. On 25 April 2005 the User ID was changed to “cozmetiks2go”.
116. Between 20 January 2005 and 24 August 2007, when the account was suspended as a result of these proceedings, the Fifth Defendant listed 15,558 items. These were almost exclusively health and beauty products. These included products sold under the Trade Marks, but also many other leading brands. There is evidence that the Fifth Defendant listed large numbers of items at a time, for example over 100 items in one day.
117. During the period from 11 September 2001 to 24 August 2007, the Fifth Defendant received at least 8,311 feedbacks. Most were positive. 22 claimed that the items were not as described. Three (on 10 August 2006, 3 March 2007 and 18 July 2007) said that the products sold by the Fifth Defendant were fake.
118. eBay Europe have admitted that the Fifth Defendant was a PowerSeller and had an online shop on the Site. It is not clear from what date or dates this was the case. L’Oréal contend that the Fifth Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Fifth Defendant was a business seller.
119. Very little detailed information is available about the Fifth Defendant’s activities prior to autumn 2005.
120. It appears that shortly before 4 September 2005 Clinique complained to eBay that one or more of her listings infringe its rights in text describing its products. The listings were removed, and presumably the fees were credited to the seller.
121. On 3 October 2005 Benefit Cosmetics filed a NOCI complaining that the Fifth Defendant’s listings included its text and photographs. The listings were removed, and presumably the fees were credited to the seller.
122. On 13 October 2005 Estée Lauder filed NOCIs in respect of 16 listings. The account was suspended for seven days.
123. On 28 January 2006 eBay detected three listings for “unboxed and slightly tested” NARS products. The listings were ended and the fees were credited to the seller. When the Fifth Defendant queried the removal of the listings, eBay informed her that sellers were not permitted to list used cosmetics on the site.
124. On 21 August 2006 eBay detected two listings for unboxed LANCOME products offered for sale worldwide and therefore including Germany. The listings were removed and the fees were credited to the seller. When the Fifth Defendant queried this, she was informed by eBay “According to German law, new, original cosmetic products may only be sold in their original packaging.”
125. On 8 September Chanel filed a NOCI complaining of an “unlawful replica of a product made by the trademark owner”. The listing was ended and the fees were credited to the seller.

126. On 30 September 2006 eBay detected a listing for an unboxed LANCOME product offered for sale worldwide. The listing was ended, the fees were credited to the seller and the seller was required to complete a VeRO tutorial.
127. On 16 November 2006 IIS purchased product (4). On 21 November IIS purchased products (5), (6) and (7). All four items were unboxed and the descriptions stated:

“Unboxed & untested

Sorry due to country restrictions there will be no sales to Germany on this item

Anyone from Germany who purchases this item will have the transaction cancelled and the item relisted

All other European countries are welcome to purchase”.
128. In addition, the description of item (7) contained the statement “large professional sized”.
129. The Fifth Defendant’s seller’s profile at the time of the first sale stated that she was a PowerSeller with 3558 feedbacks of which 99.7% were positive. The profile invited buyers to visit the Fifth Defendant’s shop. It did not state that she was registered as a business seller. (Indeed, at the time of the fourth sale, it stated that she was registered as a private seller.)
130. On 16 January 2007 Estée Lauder filed a NOCI complaining of use of image or text without authorisation. The listing was ended and the fees were credited to the seller.
131. On 11 March 2007 eBay detected two listings of unboxed LANCOME products for sale worldwide. The listing was ended and the fees were credited to the seller.
132. On 6 January, 15 February, 20 February, 27 February and 15 March 2007 eBay detected potential breaches of one of its listing policies, the Accepted Payments policy, which prohibits sellers from accepting cash by post. On 15 March 2007 a three day selling restriction was placed on the account. All listings were removed and fees credited to the seller. The Fifth Defendant complained to eBay about losing “3 days salary” as a result.
133. On 30 March 2007 Estée Lauder filed two NOCIs concerning unauthorised listing content. The listing was ended, the fees were credited to the seller and the seller was required to complete a second VeRO tutorial.
134. On 6 April 2007 the Fifth Defendant sent eBay an email asking for a “listing limit” to be lifted. eBay replied that listing restrictions had been introduced to prevent the sale of counterfeit products.
135. On 20 April 2007 Estée Lauder filed a NOCI concerning unauthorised use of text in a listing. The listing was removed, the fees were credited to the seller and the seller was required to complete a third VeRO tutorial.
136. On 3 May 2007 the Fifth Defendant qualified for eBay Express.

137. On 28 June 2007 Estée Lauder filed a NOCI complaining about unauthorised listing content. The listing was removed, the fees were credited to the seller and the seller was required to complete a fourth VeRO tutorial.
138. On 9 August 2007 eBay identified 20 instances of keyword spamming.
139. Mr Chesnut also gave evidence about a number of other accounts now considered to be linked to the account discussed above, including the two discussed below. Although other accounts were suspended on 2 November 2007 as a result of being linked to the account discussed above following the commencement of these proceedings, the ones discussed below were only suspended on 24 June 2008 and 9 July 2008 respectively. Mr Chesnut explained that these accounts were not suspended originally because of a design flaw in the software for detecting linked accounts which was resolved in 2008.
140. The Fifth Defendant registered as “cozmetics2gogo” on 7 February 2006.
141. On 12 September 2007 and 18 September 2007 eBay detected listings for unboxed LANCOME products for sale offered worldwide. The listings were removed and the fees credited to the seller.
142. On 15 October 2007 the Fifth Defendant hit a velocity limit which was left in place due to the recent violations of the unboxed cosmetics policy.
143. On 16 October 2007 eBay detected a listing for an unboxed LANCOME product. The account was suspended for 7 days. When the Fifth Defendant complained about the suspension, eBay upheld it and explained the reason for it.
144. On 2 November 2007 the Fifth Defendant was reinstated having filed a reinstatement form. On the same day eBay detected a listing for an unboxed LANCOME item for posting worldwide. As a result of this persistent breach of the unboxed cosmetics policy, the account was suspended for 12 months. On 7 December 2007 the Fifth Defendant’s request for reinstatement was denied.
145. On 3 November 2007 Philip Ratchford registered an account under the User ID “look_divine” with the same contact address as the Fifth Defendant.
146. On 25 November 2007 eBay detected seven listings by look_divine for unboxed LANCOME items. The listings were ended, the fees credited to the seller and a selling restriction put on place. When look_divine queried the action taken, eBay explained that “new, original cosmetic products may only be sold in their original packaging under German law. Please remember this when you are listing your items and choosing your shipping options”.
147. On 8 December 2007 look_divine was identified as an account possibly linked to cozmetiks2go, but the CSR did not believe that the accounts were linked.
148. On 8 January 2008 California Tan Inc filed a NOCI alleging that the listing “contains unlawful use of trademark owner’s logo”. The listing was removed and the fees credited to the seller.

The Sixth Defendant's activities

149. On 15 October 2004 the Sixth Defendant registered on the Site as “cosmetics221”. From 15 October 2004 to 7 August 2007, when the account was suspended as a result of these proceedings, the Sixth Defendant listed 6, 713 items. She sold mainly health and beauty products, 80% of which were sold under the Trade Marks, but also clothes, “tan-thru” swimsuits and car spare parts. Mr Chesnut pointed out that among the brands of item listed by the Sixth Defendant was Fake Bake, which is a genuine brand name even though it includes the word “fake”.
150. The Sixth Defendant received 5,296 feedbacks. 17 stated that the product was not as described. Two stated that the items were fake.
151. eBay Europe have admitted that the Sixth Defendant had an online shop on the Site. It is not clear from what date or dates this was the case. L’Oréal contend that the Sixth Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Sixth Defendant was a business seller.
152. On 14 and 16 July 2006 L’Oréal’s Germany lawyers wrote to eBay about 38 listings by cosmetics221 and other sellers offering LANCOME products for sale without packaging in Germany. The letter alleged that such cosmetics infringed L’Oréal’s trade mark rights under German law. It was not sent as part of the VeRO programme. The listings were ended and the fees were credited to the sellers.
153. On 16 August 2006 L’Oréal made a further complaint about a listing for an unboxed LANCOME product. The listing was removed and the fees were credited to the seller.
154. On 4 September 2006 a member of eBay’s PowerSellers team tried to telephone the Sixth Defendant (although she does not appear to have been a PowerSeller) to discuss recent breaches of the unboxed cosmetics policy, but found that the number supplied by cosmetics221 account was incorrect. The representative used a Fraud Investigation Tool to place a flag on the account preventing her from listing new items or purchasing items until she provided eBay with an up-to-date phone number which had been verified.
155. On 11 September 2006 Fake Bake filed two NOCIs complaining about unauthorised use of copyrighted text in certain listings. The listings were ended and the fees were credited to the seller.
156. On 25 and 26 September Fake Bake filed two more NOCIs making the same type of complaint. The listings were ended, the fees were credited to the seller and the seller was required to complete a VeRO tutorial.
157. On 25 October 2006 L’Oréal again complained that the Sixth Defendant was listing an unboxed LANCOME product for sale in Germany. The listing was ended, the fees were credited to the seller and the seller was required to complete a second VeRO tutorial.

158. On 1 November 2006 IIS purchased product (8). The description included the statement “US shade”. The product was marked “TESTER”, although this was not visible from the photograph of the item on the Site.
159. At the time of this sale the Sixth Defendant had 3144 feedbacks, 99.7% of which were positive. Her seller’s profile invited buyers to visit her shop. It did not identify her as a business seller.
160. On 4 November 2006 L’Oréal again complained that the Sixth Defendant was listing six unboxed LANCOME products for sale in Germany. The listings were ended, the fees were credited to the seller, the seller was required to complete a third VeRO tutorial and selling restrictions were placed on the account.
161. On 5 November 2006 L’Oréal’s German lawyers complained about 67 listings by the Sixth Defendant, but no action was taken as there was no evidence that the products were being sold without packaging.
162. On 15 and 17 November 2006 L’Oréal complained about five listings of LANCOME products for sale unboxed in Germany. The listings were ended, the fees were credited to the seller, the seller was required to complete a fourth VeRO tutorial and a selling restriction was placed on the account. In addition an eBay representative telephoned the Sixth Defendant and recorded her response as “they were not aware of the problems listing testers on the German site.” eBay “advised them that they would need to make the changes and they said that they would do this and there wouldn’t be any problems in the future.”
163. On 21 November 2006 IIS purchased products (9), (10) and (11). Items (10) and (11) were described in their respective listings as “US shade”.
164. On 21 and 22 November 2006 L’Oréal again complained about listings of unboxed products. The listings were ended, the fees were credited to the seller, the seller was required to complete a fifth VeRO tutorial and a selling restriction was placed on the account.
165. On 2 December 2006 L’Oréal’s German lawyers complained about another listing. The listing was removed, the fees were credited to the seller, the seller was required to complete a sixth VeRO tutorial and a selling restriction was placed on the account.
166. On the same day eBay emailed the Sixth Defendant to inform her that eBay had received information from one of her competitors stating that her listings did not contain the information required by the German Distance Selling Regulations. eBay asked the Sixth Defendant to review her listings within five business days of the email and ensure that she either provided the necessary information or did not ship items to Germany.
167. On 4 December 2006 eBay attempted to contact the Sixth Defendant regarding her recent policy violations, but she did not answer the telephone.
168. On 5 and 7 December 2006 Fake Bake filed two NOCIs complaining about the content of listings by the Sixth Defendant. The listings were ended and the fees were credited to the seller.

169. On 18 January 2007, Fake Bake filed another NOCI complaining about the content of a listing. The listing was ended, the fees were credited to the seller and the seller was required to complete a seventh VeRO tutorial.
170. On 11 July 2007 L'Oreal complained about another listing by the Sixth Defendant. The listing was ended and the fees were credited to the seller.
171. L'Oréal make the point that, despite repeated complaints by L'Oréal's Germany lawyers in respect of listings by the Sixth Defendant, her account was only suspended as a result of these proceedings. Mr Chesnut said that he thought she should have been suspended "in order to get the message across", by which I understand him to have meant that she should have been temporarily suspended.
172. Mr Chesnut also gave evidence about eight other accounts now considered to be linked to the one discussed above, a number of which were suspended in June 2008.

The Seventh Defendant's activities

173. The Seventh Defendant registered on the Site on 21 September 2004 under the User ID "merlinchaos". It is evident that the Seventh and Eighth Defendants are connected since they share the same surname and contact address. Moreover, there are some emails in evidence apparently sent by both. Nevertheless, it is convenient to deal with them separately.
174. From 21 September 2004 to 24 August 2007, when the account was suspended as a result of these proceedings, the Seventh Defendant listed nearly 7,300 items. Most of them were health and beauty products, but some were clothes. 810 items were sold under the Trade Marks.
175. Between 25 October 2004 and 15 August 2007 the Seventh Defendant received about 2,100 feedbacks. Five asserted that the products sold were fakes.
176. eBay Europe have admitted that the Seventh Defendant was a PowerSeller. It is not clear from what date this was the case. L'Oréal contend that the Seventh Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Seventh Defendant was a business seller.
177. On 22 September 2005 Estée Lauder filed a NOCI, but the reason for this is unclear. The listing was ended and the fees credited to the seller.
178. On 31 October 2005 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in a listing. The listing was ended and the fees credited to the seller.
179. On 26 January 2006 Basic Research LLC filed a NOCI complaining about unauthorised use of a copyright image or text in a listing. The listing was ended and the fees credited to the seller. In addition, the account was suspended for seven days.
180. On 7 February 2006 the account was re-instated after the Seventh Defendant filed a reinstatement form with evidence of identity and address.

181. On 1 August 2006 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in two listings. The listings were removed and the fees credited to the seller.
182. On 8 November 2006 IIS purchased product (14). The description containing “small print” which stated:

“... some of the items I sell are GWP [gift with purchase] products” and may have ‘Not for individual resale or something similar printed on them....”

In fact this item was marked “Tester”, but this was not visible from the photograph.
183. At the time of this sale, the Seventh Defendant’s seller’s profile stated that he was a PowerSeller with 1066 feedbacks, of which 99.8% were positive.
184. On 21 November 2006 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in a listing. The listing was ended and the fees credited to the seller.
185. On 28 November 2006 Estée Lauder filed a NOCI alleging that two listings were parallel imports. eBay removed the listings and credited the fees to the seller.
186. On 6 December 2006 IIS purchased product (15). The “small print” contained the same statement as before.
187. On 14 February 2007 eBay removed velocity limits which applied to the account (it is unclear when these were imposed or why).
188. On 14 March 2007 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in two listings. The listings were ended and the fees credited to the seller.
189. On 4 April 2007 eBay detected three listings for unboxed LANCÔME products for delivery worldwide. eBay removed the listings and credited the fees to the seller.
190. On 14 May 2007 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in two listings. The listings were ended and the fees credited to the seller.
191. On 26 May 2007 Estée Lauder filed a NOCI making an unspecified trade mark complaint in respect of two items. The listings were ended, the fees credited to the seller, the seller was required to take a VeRO tutorial and a selling restriction was placed on the account.
192. On 1 July 2007 and on 1, 11 and 22 August 2007 the Seventh Defendant reached the velocity limits imposed on 26 May 2007, and the limits were left in place.

The Eighth Defendant’s activities

193. The Eighth Defendant registered on the Site on 18 February 2003 under the User ID “samsonjet”.

194. From 18 February 2003 to 24 August 2007, when the account was suspended as a result of these proceedings, the Eighth Defendant listed 28,267 items. They involved a large variety of products. Only 4% were sold under the Trade Marks.
195. eBay Europe have admitted that the Eighth Defendant was a PowerSeller. It is not clear from what date this was the case. L'Oréal contend that the Eighth Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Eighth Defendant was a business seller.
196. Very few details are available for the period prior to 9 August 2005, although it appears that eight VeRO complaints were filed during this period.
197. On 21 November 2005 Bare Escentuals complained that two listings made unauthorised use of its photographs. The listings were ended and the fees credited to the seller.
198. On 26 January 2006 Basic Research LLC filed a NOCI complaining about unauthorised use of a copyright image or text in a listing. The listing was ended and the fees credited to the seller.
199. On 14 February 2006 Dowluck Ltd filed a NOCI making an unspecified trade mark complaint about an item. The listing was removed and the fees credited to the seller.
200. On 19 June 2005 Rock & Republic Enterprises Inc filed a NOCI alleging that an item was a replica. The listing was ended and the fees credited to the seller.
201. On 5 July 2006 a member of eBay's Seller Outreach team (since replaced by the Business Development team) contacted the Eighth Defendant and advised her to open an eBay Shop given her level of sales, but she was not interested. On 7 July 2006 another member of the team contacted the Eighth Defendant and advised her to use eBay Express since she had been listing a lot of items in the Buy It Now format.
202. On 25 July 2006 Ermenegildo Zegna Corp filed a NOCI alleging that an item was counterfeit. The listing was ended and the fees credited to the seller.
203. On 26 July 2006 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in a listing. The listing was ended and the fees credited to the seller.
204. On 28 July 2006 Ermenegildo Zegna Corp filed a NOCI giving the reason code "other". It is not clear what the nature of the complaint was. The listing was ended and the fees credited to the seller.
205. On 31 July 2006 Ermenegildo Zegna Corp filed another NOCI giving the reason code "other". The listing was ended and the fees credited to the seller.
206. On 21 August 2006 Estée Lauder filed a NOCI complaining about unauthorised use of a copyright image or text in a listing. eBay removed the item, credited the fees to the seller and required the seller to take a VeRO tutorial.

207. On 5 October 2006 the Seller Outreach team contacted the Eighth Defendant again to suggest that she open an eBay Shop. She again said that she was not interested. Nor did she wish to upgrade from Selling Manager to Selling Manager Pro.
208. On 1 November 2006 IIS purchased product (12). On 5 December 2006 IIS purchased product (13). In each case the description contained "small print" with the same statement as the Seventh Defendant's listings. Item (13) was marked "Tester", but this was not visible from the photograph.
209. At the time of the first sale the Eighth Defendant's seller's profile identified her as a PowerSeller with 7024 feedbacks of which 99.5% were positive.
210. On 16 March 2007 The North Face Inc filed a NOCI alleging that an item listed was a replica. The listing was ended and the fees credited to the seller.
211. On 20 April 2007 Sage UK Ltd filed a NOCI complaining that the Eighth Defendant was distributing its software without a licence. The listing was removed and the fees credited to the seller.
212. On 24 May 2007 eBay detected an Abercrombie and Fitch shirt which was considered to be a potential trade mark infringement due to the item being listed at a price below market value and the Eighth Defendant's previous violations. The listing was ended, the fees were credited to the seller, the seller was required to take a VeRO tutorial and a selling restriction was placed on the account.
213. On 30 June 2007 and again on 1 and 22 July and 22 August 2007 the Eighth Defendant hit the velocity limits placed on the account which were left in place.
214. Mr Chesnut also gave evidence about 12 other accounts now considered to be linked to the Seventh and/or Eighth Defendants. Of these, the most significant was "posh_totty_1933" registered on 3 October 2005. posh_totty_1933 listed 27,588 items, of which only 134 were health and beauty items and only five were sold under the Trade Marks. posh_totty_1933 received about 4,390 feedbacks of which 75 referred to the item not being as described, three doubted the authenticity of the item and one accused the seller of being a fraudster. Between 16 November 2005 and 29 June 2007 five NOCIs were submitted by rights owners, all concerning clothing, handbags or footwear.

The Ninth Defendant's activities

215. The Ninth Defendant registered on the Site on 31 January 2008 under the User ID "glenfashionuk". The Ninth Defendant was suspended on 10 July 2008 for poor sales performance. This was prior to the Ninth Defendant being joined to these proceedings.
216. Between 31 January 2008 and 10 June 2008 the Ninth Defendant listed 246 items, all of which were fragrances. During this period he received 157 feedbacks, of which 14 accused him of selling fakes.

217. L'Oréal contend that the Ninth Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Ninth Defendant was a business seller.
218. On 8 April 2008 eBay detected a suspicious listing for an Armani product. It appears that the reason for this was that the listing included the sub-brand Black Code, and L'Oréal's German lawyers had notified eBay that such products were likely to be counterfeit as the correct name was Code. The listing was ended and the fees credited to the seller.
219. On 11 April 2008 Lexsi (as to which, see below) purchased product (16). At the time of this sale the Ninth Defendant's profile showed that he had 42 feedbacks of which 97.7% were positive. Although the description stated that the item was "brand new in retail box", the seller's small print stated:

"Please note that in order to comply with German law I cannot ship to Germany."
220. On 1 May 2008 eBay detected another two suspicious listings for Armani products. The listings were ended, the fees were credited to the seller, the seller was required to complete a VeRO tutorial and a selling restriction placed on the account limiting the number of items that could be sold over a 30 day period. The CSR who assessed the matter noted that feedback comments left for the Ninth Defendant suggested that he was selling counterfeit items.
221. On 8 May 2008 the Ninth Defendant hit the limit on his account which was left in place.
222. On 9 May 2008 the Ninth Defendant re-listed the same products, or at least the same type of products, as had been removed on 1 May 2008.
223. On 12 May 2008 the Ninth Defendant was identified as a Segment D seller and a 30 day buying and selling restriction was imposed on the account. On 10 June 2008 the Ninth Defendant was still a Segment D seller and therefore was suspended.
224. Mr Chesnut also gave evidence about two accounts now considered to be linked to the account discussed above. One of these was "zeinruthus". This account was registered on 25 May 2008, apparently by one Ruth Zein with an address in the USA.
225. Between 25 May 2008 and 15 July 2008 zeinruthus listed 194 items. On 6 June 2008 a NOCI was filed by Proctor & Gamble concerning unauthorised use of an image and in accordance with eBay's VeRO programme, the listing was ended and the fees credited to the seller. On 15 July 2008 zeinruthus was identified as a potential "fraud/high risk" account, apparently due to feedback about counterfeits. On the same day zeinruthus was identified as an account linked to glenfashionuk (i.e. the Ninth Defendant) by PayPal account, usage cookie, items listed and IP address. As a result the account was suspended.

The Tenth Defendant's activities

226. The Tenth Defendant registered on the Site on 30 November 2006 under the User ID "rukhsana 3304". On 19 February 2008 this was changed to "ukbargainz4u".
227. Between 30 November 2006 and 16 April 2008 the Tenth Defendant listed 465 items, a large proportion of which were health and beauty products. 57 were sold under the Trade Marks. 5% of her feedback comments suggested she was selling fake products.
228. L'Oréal contend that the Tenth Defendant was a business seller, in particular in relation to products sold under the Trade Marks. eBay Europe do not admit this, but have not positively denied it. I find that the Tenth Defendant was a business seller.
229. On 14 January 2007 eBay detected a potentially infringing listing for a Fendi bag. The listing was ended and the fees credited to the seller.
230. On 22 February 2007 eBay identified another potentially infringing listing for a Fendi bag. The listing was ended, the fees were credited to the seller, the seller was required to complete a VeRO tutorial and a selling restriction was placed on the account.
231. On 10 September 2007 Lexsi purchased product (17). At the time of this sale the Tenth Defendant's profile stated she had 58 feedbacks, of which 92.6% were positive, and that she was registered as a private seller.
232. On 11 September 2007 the Tenth Defendant was identified as a Segment D seller and a selling restriction imposed which ended her active listings and prevented her from creating new listings for 30 days. On 18 October 2007 the Tenth Defendant recommenced trading.
233. On 10 December 2007 the Tenth Defendant reached a velocity limit, which was left in place. On the same day eBay detected three suspicious listings for Coco Mademoiselle, Hugo Boss and Burberry products and the listings were removed. The Tenth Defendant's account notes record that the CSR who considered the suspicious listings noted that more than 10% of the Tenth Defendant's negative feedbacks were for selling fakes.
234. Despite the removal of the three suspicious listings, two of the same items were re-listed multiple times in the following three weeks.
235. On 20 December 2007 the Tenth Defendant hit a velocity limit, which was left in place.
236. On 24 December 2007 Estée Lauder submitted a NOCI concerning three listings complaining about unauthorised copies of copyright images. The listings were ended and the fees credited to the seller.
237. On 26 December 2007 the Tenth Defendant again hit a velocity limit, which was left in place. The CSR who considered this account again noted that more than 10% of the negative feedback score was for selling fakes.

238. On 28 December 2007 Estée Lauder submitted a further NOCI concerning unauthorised use of an image in a listing. The listing was ended and the fees credited to the seller.
239. On 2 January 2008 Estée Lauder submitted another NOCI concerning unauthorised use of their image and text in a listing. The listing was ended, the fees were credited to the seller and the seller was required to complete a VeRO tutorial.
240. On 3 January 2008 the Tenth Defendant hit a velocity limit and as before this was left in place.
241. On 5 January 2008 eBay's filters detected listings for potentially infringing items. As a result, the Tenth Defendant's account was suspended for 7 days. After completing her 7 day suspension, the Tenth Defendant was able to return to the Site upon completion of a reinstatement form.
242. On 11 February 2008 the Tenth Defendant was identified as a Segment C seller and was given a warning.
243. On 27 February 2008 the Tenth Defendant hit another velocity limit which was left in place.
244. On 17 March 2008 the Tenth Defendant was identified as a Segment D seller. This may have been due in part to the fact that since 30 December 2007 the Tenth Defendant had received another 10 feedback comments suggesting she was selling fakes. As a result, a 30 day selling restriction was imposed.
245. On 16 April 2008 the Tenth Defendant was again identified as a Segment D seller and was suspended.

The Fourth to Eighth Defendants' suppliers

246. As part of the settlements between L'Oréal and the Fourth to Eighth Defendants, those Defendants provided details of their suppliers of products sold under the Lancôme Marks. The majority of the products were purchased on eBay websites from suppliers located in the USA. For example, Cinby LLC was a supplier of all these Defendants. Mr Monteiro's evidence was that L'Oréal had not taken action against any of the suppliers that had been identified by these Defendants.

L'Oréal's evidence as to the scale of the problem

247. L'Oréal contend that the pleaded infringements are examples of widespread infringements of their registered trade marks on eBay's websites, and in particular the Site. L'Oréal adduced the following evidence to show the scale of the problem. To put this evidence in context, Mr Chesnut gave evidence that during 2007 the number of L'Oréal products listed on the Site each month ranged from 14,873 to 21,246.
248. *IIS*. Intelligence and Investigation Services Ltd ("IIS") was instructed to conduct daily searches for listings of LANCOME products on the Site during the period 30 October to 8 December 2006 and to make a minimum of five test purchases each day. In the event IIS did not carry out searches on ten days during the monitoring period. IIS searched All Categories for listings with "lancome" in the title. The number of listings

produced by these searches ranged from 1850 on 1 November 2006 to 3320 on 15 November.

249. IIS made a total of 250 test purchases. IIS attempted to purchase a variety of different products from a variety of different sellers, but generally did not attempt to target listings which were suspected of being counterfeits or otherwise infringing. 11 of these purchases were not delivered and one listing was removed by eBay Europe before the transaction had been completed. Thus IIS made 238 purchases which resulted in the products being delivered. Since some of the purchases were of more than one product, a total of 287 products were purchased. These included items (1)-(15) sold by the Fourth to Eighth Defendants.
250. Of the 287 products, L'Oréal's in-house expert Roland Delassus gave unchallenged evidence that 14 were counterfeits, 139 were non-EEA products, 49 were EEA products which were not intended for sale, and 84 were legitimate products intended for sale within the EEA. He was uncertain about one product. It follows that 153 out of 287 (53%) were either counterfeits or non-EEA products, and 202 out of 287 (70%) were not intended for sale in the EEA. All of the non-EEA products originated from the USA.
251. *Envisional*. Envisional Ltd ("Envisional") was instructed to monitor the Site from 5 to 15 December 2006 using Envisional's proprietary software for listings from worldwide sellers relating to various LANCOME products. Envisional's software identified a total of 12,855 listings. Of these 12,841 were cached. Of the cached listings, a number were duplicated in that more than one listing related to a single eBay Item Number. 12,782 cached listings related to unique Item Numbers. Of those, 9,593 (75%) expressly stated that the items for sale were located in a country outside the EEA. Of those, 8,657 stated that the item was located in the USA.
252. *Lexsi*. Laboratoire d'Expertise en Sécurité Informatique ("Lexsi") was instructed by L'Oréal in January 2007 to monitor five eBay websites using Lexsi's proprietary software with a view to identifying suspicious listings that may relate to counterfeit products. The software searches on a daily basis for listings which match certain criteria. These are then manually reviewed by Lexsi for suspicious listings which are notified to L'Oréal for further instructions.
253. Between 29 April 2007 and 10 October 2008 L'Oréal instructed Lexsi to purchase 37 products from suspicious listings on the Site which Lexsi had identified in this way. Of the 37 products, Mr Delassus gave unchallenged evidence that 27 were counterfeits. The feedback comments for the sellers in question contain multiple complaints about sales of fakes.
254. *French proceedings*. In France L'Oréal have commenced over 100 court actions against sellers of alleged counterfeit L'Oréal fragrances on eBay, I presume on www.ebay.fr. L'Oréal has so far prevailed in 47 cases.
255. *Complaints in Germany*. L'Oréal have also made repeated complaints to eBay through their German lawyers, although not as part of the VeRO programme. Instances of this are referred to above. As can be seen, such complaints have frequently led to removal of the listings complained of. In addition, however, L'Oréal

have brought several claims against eBay Europe in the German courts. A number of these are discussed below.

256. *Commentaries.* Over the last few years, a number of articles have been published in both general media and legal publications highlighting the problem of counterfeit products on eBay. I shall give two examples. First, a programme in the *Watchdog* strand broadcast on BBC One on 7 November 2006 reported that a number of counterfeit products had been purchased by the programme maker's researchers from PowerSellers trading on eBay. Secondly, in June 2007 Davenport Lyons, a firm of solicitors in London, published the second edition of a report commissioned from Ledbury Research, a luxury goods research agency, entitled *Counterfeiting Luxury: Exposing the Myths*. According to a survey carried out by the agency, eBay was the third most common medium for the purchase of fake products by UK consumers after market stalls and purchases made while travelling in Europe.

The difficulty of identifying counterfeit products

257. It is common ground that over the last few years counterfeiters have become increasingly sophisticated in their attempts to replicate the appearance of genuine cosmetics and fragrances. As a result, it is increasingly difficult even for experts to identify counterfeit products by visual inspection. Often, it may only be possible to identify a counterfeit product by chemical analysis.
258. eBay Europe point to what happened in the present proceedings as highlighting this difficulty. As noted above, items (1)-(15) sold by the Fourth to Eighth Defendants were purchased by IIS. In L'Oréal's Particulars of Claim served on 4 August 2007, items (3), (6) and (9) were alleged to be counterfeit. In addition, items (1) and (15) were alleged to be "either stolen, counterfeit or ... a genuine product originating from outside the EEA". On 5 August 2008 L'Oréal amended the Particulars of Claim *inter alia* to allege in the alternative that items (3), (6) and (9) originated from outside the EEA and to plead the alleged infringements by the Ninth and Tenth Defendants in relation to items (16) and (17). In a Schedule served on 22 August 2008, L'Oréal accepted that items (1) and (15) were genuine, but maintained that items (3), (6) and (9) were counterfeit. On 30 January 2009 L'Oréal served the expert report of Mr Delassus in which he accepted that all of items (1)-(15) were genuine. Thus of the five items which L'Oréal originally accused of being either definitely or possibly counterfeit, none was proved to be counterfeit.

L'Oréal's objections to the VeRO programme

259. L'Oréal consider that the VeRO programme suffers from a number of defects, as follows. First, it only permits a rights owner to take action once the rights owner is aware of the listing in question. This will inevitably be after the listing has been posted on the Site. Even by the time that the rights owner is able to react, the item may have been sold. This is still more likely by the time that eBay take action after receipt of the complaint.
260. Secondly, it places the burden on the rights owner to search for and complain about infringing listings. This is so even where L'Oréal's complaint is a systemic one, as in relation to the sale of non-EEA goods. Given the number of listings involved, the burden is an onerous one.

261. Thirdly, it is focussed on individual listings and not the profile of the seller. Although a particular listing may be taken down when the rights owner complains, there is nothing to stop the seller re-listing the same item at a later date nor to stop the seller from committing other infringements.
262. Fourthly, the rights owner does not know the true identity of the seller and therefore cannot take action against the seller without obtaining disclosure of the seller's name and contact details from eBay Europe. Mr Chesnut explained that this could be done without obtaining a court order provided the rights owner entered into a Personal Information Agreement; but this again places a burden on the rights owner.
263. Fifthly, L'Oréal considers that the sanctions applied to sellers are ineffective. In some cases the only sanction may be removal of the listing, but the item can be re-listed. L'Oréal do not dispute that, if the infringement relates to the listing rather than the item itself, then there is no reason why the item should not be re-listed with a revised listing; but L'Oréal point out that, even where the infringement relates to the item itself, there is usually nothing to stop the seller re-listing the same item. In other cases the seller may be required to complete a VeRO tutorial. As Mr Chesnut accepted, however, it is possible successfully to complete the tutorial whilst answering every single question wrongly. Furthermore, the sanction of requiring completion of a VeRO tutorial can be, and is, applied repeatedly. Instances of this are given above.
264. Sixthly, the system is rather tolerant of multiple infringements by sellers, as can be seen from the account of the Fourth to Tenth Defendants' activities I have given above.
265. Seventhly, even if a seller's account is permanently suspended, the seller can simply re-register under a different User ID and carry on as before unless eBay happens to detect that the accounts are linked.

L'Oréal's letter

266. On 22 May 2007 L'Oréal sent eBay Europe a letter formally notifying eBay Europe of L'Oréal's concerns regarding the widespread sale of infringing goods on eBay's European websites and requesting that eBay Europe take steps to address these concerns. This was followed by correspondence between the parties, but L'Oréal were not satisfied with eBay Europe's response and started these (and other) proceedings.

PriceMinister

267. L'Oréal contend that eBay could and should take further and better steps to prevent sales of counterfeit and otherwise infringing products on the Site. In support of this contention, L'Oréal draw a comparison with what is done by a third party, PriceMinister.
268. PriceMinister operates an online market place located at www.priceminister.com. This website is aimed at the French market. PriceMinister also operates websites aimed at the Spanish and UK markets. PriceMinister's French website is the second most popular e-commerce website in France after eBay Europe's French website. In France, PriceMinister has approximately 8.5 million members. In January 2009 there

were approximately 120 million items listed for sale and approximately 350,000 new products were listed on the website each day.

269. PriceMinister's business is based on an escrow model. One user lists a product for sale and another user can view the listing online and then purchase the product. There is no auction as all prices are fixed prices. After agreeing to purchase the product, the buyer transfers the price to PriceMinister which holds it as a trustee. The seller must then send the product to the buyer. When the buyer receives the product and leaves feedback confirming that he is satisfied with it, Price Minister pays the price to the seller after deducting its fee. If the buyer claims that the product is a fake and claim is justified, PriceMinister will reimburse the buyer.
270. PriceMinister's slogan is "*achat-vente garanti*" which literally means "buying-selling guaranteed" and is idiomatically translated as "buying and selling just got safer". PriceMinister aims to guarantee to its members the sale and purchase of genuine products. It therefore attempts to minimise the number of counterfeit products listed on the website. To this end, PriceMinister has developed filtering software to monitor listings both before and after they are posted on the site. This software does three things.
271. First, in certain cases it requires confirmation by sellers that the product is genuine when listing the item. When certain key brand names are entered (including LANCOME), a pop-up message appears on screen requiring the user to certify that the product is genuine and that they understand that if they expose counterfeit products for sale on the website they will be liable to sanctions.
272. Secondly, it searches listings for keywords such as "fake", "copy", "tester" and "not for sale". There are over 2,000 keywords that are filtered, some of which apply to all categories of goods and some of which only apply to certain categories.
273. Thirdly, it detects listings based on the profile of the seller including the number of products in one listing and the total number of products listed by the seller.
274. When the software identifies a listing as suspicious, the seller's account is suspended, the listing is not posted on the website and the PriceMinister Anti-Counterfeiting Team is notified. This Team assesses the listing and other available information. If the Team considers that a product may be counterfeit it sends the seller an email requiring the seller to provide an invoice or other document to show that it is not counterfeit. If there is no response or no document is sent or a document is provided which does not satisfy PriceMinister that the product is genuine, the seller's account is permanently blocked. PriceMinister takes steps to try to prevent such sellers from opening a new account.
275. In addition, to the foregoing, the software monitors feedback left by purchasers. If a keyword such as "fake" is detected, the seller's account is suspended and the Anti-Counterfeiting Team notified.
276. In 2006 L'Oréal brought proceedings against PriceMinister in France. In September 2007, PriceMinister entered into a confidential settlement agreement with L'Oréal. This requires even more stringent procedures to be adopted in relation to the sale of L'Oréal products than those outlined above. The nature of these procedures is

confidential, and it is not necessary to set them out in this judgment. Benoît Tabaka, PriceMinister's General Counsel, Legal and Public Affairs, accepted that the approach adopted by PriceMinister in relation to L'Oréal products was not economic.

Could eBay Europe do more?

277. L'Oréal contend that eBay Europe could do more to prevent, or at least minimise, sales of counterfeit and other infringing products on the Site. I am in no doubt that it would be possible for eBay Europe to do more than they currently do. For example, it would appear to be possible for eBay Europe to take some or all of the following steps, although some would be more technically challenging and costly than others: (i) filter listings before they are posted on the Site; (ii) use additional filters, including filters to detect listings of testers and other not-for-sale products and unboxed products; (iii) filter descriptions as well as titles; (iv) require sellers to disclose their names and addresses when listing items, at least when listing items in a manner which suggests that they are selling in the course of trade; (v) impose additional restrictions on the volumes of high risk products, such as fragrances and cosmetics, that can be listed at any one time; (vi) be more consistent in their policies, for example regarding sales of unboxed products; (vii) adopt policies to combat types of infringement which are not presently addressed, and in particular the sale of non-EEA goods without the consent of the trade mark owners; (viii) take greater account of negative feedback, particularly feedback concerning counterfeits; (ix) apply sanctions more rigorously; and (x) be more rigorous in suspending accounts linked to those of users whose accounts have been suspended (although it is fair to say that the evidence is that eBay Europe have recently improved their performance in this regard). The fact that it would be possible for eBay Europe to do more does not necessarily mean that they are legally obliged to do more, however. I shall return to this point below.

The key provisions of the Trade Marks Directive

278. First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks ("the Trade Marks Directive") includes the following provisions:

"Article 5

Rights conferred by a trade mark

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
 - (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
 - (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.
3. The following, *inter alia*, may be prohibited under paragraphs 1 and 2:
...
 - (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
 - (c) importing or exporting the goods under the sign;
 - (d) using the sign on business papers and in advertising....
5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purpose of distinguishing goods or services, where use of that sign without due cause take unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

Article 6

Limitation of the effects of a trade mark

1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,
...
 - (b) indications concerning the kind, quality, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;
 - (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;provided he uses them in accordance with honest practices in industrial or commercial matters.

...

Article 7

Exhaustion of the rights conferred by a trade mark

1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.
 2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”
279. By virtue of Article 65(2) and Annex XVII paragraph 4 of the Agreement on the European Economic Area, Article 7(1) of the Trade Marks Directive is to be read for the purposes of that Agreement with the words “in the Community” replaced by “in a Contracting Party”.
280. Articles 5(1)-(3), 6(1) and 7 of the Trade Marks Directive have been transposed into national law by sections 10(1)-(4), 11(2) and 12 of the Trade Marks Act 1994. Since this case is one of a number brought by L’Oréal against eBay Europe in different Member States, not to mention other cases brought by trade mark proprietors against other online service providers, and since it is not suggested that there is any material difference between the domestic provisions and those in the Directive, I shall refer throughout to the latter.
281. With effect from 28 November 2008, the original Trade Mark Directive has been replaced by a codified version, European Parliament and Council Directive 2008/95/EC of 22 October 2008. Since the alleged infringements were committed while the original Directive was in force, I shall continue to refer to that; but the same provisions are contained in the codified Directive.
282. Parallel provisions are contained in Articles 9(1)-(2), 12 and 13 of Council Regulation 40/94 of 20 December 1993 on the Community trade mark, which was replaced by a codified version, Council Regulation 207/2009/EC of 26 February 2009 with effect from 13 April 2009. For convenience I shall refer throughout to the provisions of the Directive, even though two of the Trade Marks are Community trade marks.

Use within Article 5(1)(a) of the Trade Marks Directive

The six conditions

283. The case law of the European Court of Justice establishes that the proprietor of a registered trade mark can only succeed in a claim under Article 5(1)(a) of the Trade Marks Directive if six conditions are satisfied: (i) there must be use of a sign by a third party; (ii) the use must be in the course of trade; (iii) it must be without the consent of the proprietor of the trade mark; (iv) it must be of a sign which is identical to the trade mark; (v) it must be in relation to goods or services which are identical to those for which the trade mark is registered; and (vi) it must affect or be liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services: see Case C-206/01 *Arsenal Football plc v Reed* [2002] ECR I-10273 at [51], Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar np* [2004] I-10989 at [59], Case C-48/05 *Adam Opel*

AG v Autec AG [2007] ECR I-1017 at [18]-[22] and Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-7041 at [16].

284. The first condition appears straightforward, but as discussed below and in my judgment in *Interflora v M & S* it is presently the subject of considerable dispute in courts around Europe.
285. The second condition is satisfied where the use of the sign takes place in the context of commercial activity with a view to economic advantage and not as a private matter: see *Arsenal* at [40], *Adam Opel* at [18], *Céline* at [17] and Case C-533/06 *O2 Holdings Ltd v Hutchison 3G Ltd* [2008] ECR I-4231 at [60].
286. For present purposes it is not necessary to comment on the third and fourth conditions.
287. So far as the fifth condition is concerned, use of a sign “in relation to” goods or services means use “for the purpose of distinguishing” the goods or services in question, that is to say, as a trade mark as such: see Case C-63/97 *Bayerische Motorenwerke AG v Deenik* [1999] ECR I-905 at [38], *Anheuser-Busch* at [64] and *Céline* at [20]; and cf. Article 5(5) and Case C-23/01 *Robelco NV v Robeco Groep NV* [2002] ECR I-10913 at [28]-[34].
288. The sixth condition is not one which appears on the face of Article 5(1)(a). As I shall explain below, it is a condition which has been read into Article 5(1)(a) by the ECJ as a matter of interpretation. It gives rise to a number of issues.

Use in relation to the trade mark proprietor’s goods

289. The sixth condition is obviously satisfied by use of the sign in relation to goods which do not emanate from the trade mark proprietor or a licensee, including counterfeits. As Article 7 of the Trade Marks Directive and the case law of the ECJ make clear, however, the sixth condition is also satisfied by:
- (a) use of the sign in relation to goods put on the market outside the EEA by or with the consent of the trade mark proprietor, but which have not been put on the market inside the EEA by or with the consent of the proprietor; and
 - (b) use of the sign in relation to goods have been put on the market within the EEA by or with the consent of the proprietor, but which the proprietor has legitimate reasons for opposing the further commercialisation of.
290. So far as situation (a) is concerned, the case law of the ECJ includes the following cases: Case C-355/06 *Silhouette International Schmiedt GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* [1998] ECR I-4799, Case C-173/98 *Sebago Inc v GB-Unic SA* [1999] ECR I-4130, Joined Cases C-414/99, C/415/99 and C-416/99 *Zino Davidoff SA v A & G Imports Ltd* [2001] ECR I-8691, Case C-244/00 *Van Doren + Q GmbH v Lifestyle Sports + Sportswear Handgesellschaft mbh* [2003] ECR I-3051, Case C-16/03 *Peak Holding AB v Axolin-Elinor AB* [2004] ECR I-11313, Case C-405/03 *Class International BV v Unilever NV* [2005] ECR I-8735 and Case C-281/05 *Montex Holdings Ltd v Diesel SpA* [2006] ECR I-10881.

291. An example of situation (b) is where the goods have been repackaged in a manner which does not comply with one or more of the conditions laid down by the ECJ in its jurisprudence: see in particular Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457, Case C-349/95 *Loendersloet v George Ballantine & Son Ltd* [1997] ECR I-6227, Case C-379/97 *Pharmacia & Upjohn SA v Paranova A/S* [1999] ECR I-6854, Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* (“*Boehringer I*”) [2002] ECR I-3759 and Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd* (“*Boehringer II*”) [2007] ECR I-3391.
292. Where a sign is used in relation to goods which have been put on the market within the EEA by or with the consent of the proprietor, and the proprietor has no legitimate reasons for opposing further commercialisation of them, it does not make any difference to the final result whether the correct analysis is that the use does not fall within Article 5(1)(a) at all, or that the use falls within Article 5(1)(a) but it is saved from infringement by Article 7(1). It is nevertheless important to know which is the correct analysis, since the answer necessarily informs one’s understanding of the scope of Article 5 as well its relation to Article 7 (and Article 6 come to that). In my opinion, the right answer is that the use falls within Article 5(1)(a), but is saved by Article 7(1), as the Grand Chamber of the ECJ held in *BMW v Deenik* at [34]-[45] (and see also Case C-337/95 *Parfums Christian Dior SA v Evora BV* [1997] ECR I-6013 and at [32]-[38]). It is a matter of regret that subsequent judgments of the ECJ have cast doubt upon this proposition, since it has led to doubt and confusion where previously there was none.
293. Counsel for eBay Europe submitted that Article 5(1) of the Trade Marks Directive is confined to use by a third party of a sign in relation to the *third party’s* goods. I do not agree. I consider that it is clear from Article 7 of the Trade Marks Directive, and confirmed by the decisions of the ECJ cited in paragraphs 289-292 above, that Article 5(1) extends to use by a third party of a sign in relation to the *trade mark proprietor’s* goods. So far as the fifth condition is concerned, the fact that the sign is used in relation to the trade mark proprietor’s goods does not affect the fact that it is being used for the purposes of distinguishing goods, that is, as a trade mark as such. Indeed, one might say that the use of a trade mark to denote the trade mark proprietor’s goods is the paradigm case of trade mark use. As to the sixth condition, such use is capable of affecting the functions of the trade mark precisely because it is use as a trade mark. This is most clearly so where the proprietor has grounds for opposing further commercialisation within Article 7(2).
294. Counsel for eBay Europe cited three recent judgments of the ECJ in support of his proposition. First, in *Adam Opel* the First Chamber held:
- “26. In addition, on the basis of the *BMW* judgment, the referring court asks whether there may be use by Autec of the Opel logo in its capacity as a trade mark registered for motor vehicles
27. In that respect, it is true that *BMW* concerned the use of a sign identical to the trade mark for services which were not identical to those for which that trade mark was registered, since the BMW trade mark, at issue in the main proceedings, was registered for vehicles but not for vehicle repair services. However, the vehicles marketed under the BMW trade mark by the proprietor

of that mark constituted the subject-matter of the services – the repairing of vehicles – supplied by the third party, so that it was essential to identify the origin of the BMW cars, the subject-matter of those services. It was having regard to that specific and indissociable link between the products bearing the trade mark and the services provided by the third party that the Court of Justice held that, in the specific circumstances of the BMW case, use by the third party of the sign identical to the trade mark in respect of goods marketed not by the third party but by the holder of the trade mark fell within Article 5(1)(a) of the directive.

28. Apart from that specific case of use of a trade mark by a third-party provider of services having as subject-matter the products bearing that trade mark, Article 5(1)(a) of the directive must be interpreted as covering the use of a sign identical to the trade mark in respect of goods marketed or services supplied by the third party which are identical to those in respect of which the trade mark is registered.
 29. First of all, the interpretation whereby the goods or services referred to in Article 5(1)(a) of the directive are those marketed or supplied by the third party follows from the wording of that provision itself, particularly the words ‘using ... in relation to goods or services’. Secondly, the contrary interpretation could lead to the words ‘goods’ and ‘services’ used in Article 5(1)(a) of the directive designating goods or services of the trade mark proprietor, whereas the words ‘goods’ and ‘service’ appearing in Article 6(1)(b) and (c) of the directive necessarily refer to those marketed or supplied by the third party, thereby leading, contrary to the scheme of the directive, to interpreting the same words in a different way according to whether they appear in Article 5 or in Article 6.
 30. In the main proceedings, since Autec does not sell vehicles, there is no use of the Opel logo by Autec as a trade mark registered for motor vehicles, for the purposes of Article 5(1)(a) of the directive.”
295. I do not consider that *Adam Opel* is sound authority for the proposition advanced by counsel for eBay Europe for the following reasons. First, the First Chamber appears to have overlooked the two lines of case law cited in paragraphs 290 and 291 above. Secondly, the First Chamber appears to have misunderstood the facts of *BMW v Deenik* and, as a result, misinterpreted the reasoning of the Grand Chamber in that case. In *BMW* Mr Deenik was not merely supplying vehicle repair services in relation to BMW cars, he was also engaged in the sale of second-hand BMW cars and some of the advertising complained of related specifically to the latter activity: see *BMW* at [8], [10], [31]-[33]. Accordingly, Mr Deenik had used a sign identical to the trade mark in relation to goods identical to those for which the mark was registered. Moreover, so far as the service of repairing BMW cars supplied by Mr Deenik was concerned, this would inevitably have involved the supply of spare parts and accessories for cars, in respect of which the mark was also registered: see *BMW* at [6]. Thirdly, the relevant paragraphs are *obiter* for the reason given by the First Chamber at [30].
296. Secondly, counsel for eBay Europe relied upon *Céline* at [15]-[27]. I do not propose to set this passage out or analyse it. It suffices to say that I do not consider that it

supports the proposition. Certainly, it does not add anything to the other two cases cited.

297. Perhaps the strongest authority relied on by counsel for eBay Europe is *O2 v Hutchison*. In that case the First Chamber held:

“33. Use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, a competitor’s mark may constitute use within the meaning of Article 5(1) and (2) of Directive 89/104.

34. First, Article 5(1) and (2) of Directive 89/104 must be interpreted as covering the use of a sign identical with, or similar to, the trade mark in respect of goods marketed or services supplied by the third party (see, to that effect, as regards Article 5(1)(a) of Directive 89/104, Case C-48/05 *Adam Opel* [2007] ECR I-1017, paragraph 28).

35. Second, an advertisement in which the advertiser compares the goods and services which he markets with those of a competitor is aimed, evidently, at promoting the goods and services of that advertiser. With such an advertisement the advertiser seeks to distinguish his goods and services by comparing their characteristics with those of competing goods and services. That analysis is confirmed by recital 15 in the preamble to Directive 97/55, in which the Community legislature pointed out that the aim of comparative advertising is to distinguish between the goods and services of the advertiser and those of his competitor (see Case C-112/99 *Toshiba Europe* [2001] ECR I-7945, paragraph 53).

36. Therefore, the use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, the mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as use for the advertiser’s own goods and services for the purposes of Article 5(1) and (2) of Directive 89/104.”

298. Nevertheless, I remain unconvinced by this. First, the First Chamber again overlooks the case law cited in paragraphs 290 and 291 above. Secondly, the foundation for paragraph [34] is paragraph [28] of *Adam Opel*, and that is not a sound foundation for the reasons given above. Thirdly, all that the First Chamber actually decides in this passage is that (i) Article 5(1) covers use in relation to a third party’s goods or services and (ii) comparative advertising involves such use. This does not establish that Article 5(1) does not extend to use in relation to the trade mark proprietor’s goods, particularly given that it was common ground in that case that the use of a trade mark in a comparative advertisement so far as it related to the trade mark proprietor’s goods or services was not an infringing use.

299. I feel confirmed in my opinion by the fact that in its most recent judgment on the point, Case C-59/08 *Copad SA v Christian Dior Couture SA* [2009] ECR I-0000, the First Chamber has stated the law in terms which necessarily mean that use in relation to the trade mark proprietor’s goods falls within Article 5(1)(a), in particular at [55]:

“Accordingly, the Court has already held that damage done to the reputation of a trade mark may, in principle, be a legitimate

reason, within the meaning of Article 7(2) of the Directive, allowing the proprietor of the mark to oppose further commercialisation of luxury goods which have been put on the market in the EEA by him or with his consent (see *Parfums Christian Dior*, paragraph 43, and Case C-63/97 *BMW* [1999] ECR I-905, paragraph 49).”

Other questions

300. Even assuming that I am right about use in relation to the trade mark proprietor’s goods, however, I consider that the current state of the ECJ’s jurisprudence is unclear with regard to at least three other inter-related questions. First, it is unclear precisely what the sixth condition adds to the fifth condition. Secondly, if the sixth condition does add something, it is unclear whether damage to functions other than the origin function can be relied upon to support a claim under Article 5(1)(a), and if so in what circumstances. Thirdly, if damage to functions other than the origin function can be relied on, it is unclear what the relation is between Article 5(1)(a) and Article 5(2) in double identity (identical sign and identical goods) cases. I shall elaborate briefly on each of these questions.
301. So far as the first question is concerned, the sixth condition originated in the judgment of the ECJ in *Arsenal*. In that case the ECJ held:
- “51. It follows that the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.
52. The exclusive nature of the right conferred by a registered trade mark on its proprietor under Article 5(1)(a) of the Directive can be justified only within the limits of the application of that article.
53. It should be noted that Article 5(5) of the Directive provides that Article 5(1) to (4) does not affect provisions in a Member State relating to protection against the use of a sign for purposes other than that of distinguishing goods or services.
54. The proprietor may not prohibit the use of a sign identical to the trade mark for goods identical to those for which the mark is registered if that use cannot affect his own interests as proprietor of the mark, having regard to its functions. Thus certain uses for purely descriptive purposes are excluded from the scope of Article 5(1) of the Directive because they do not affect any of the interests which that provision aims to protect, and do not therefore fall within the concept of use within the meaning of that provision (see, with respect to a use for purely descriptive purposes relating to the characteristics of the product offered, Case C-2/00 *Hölterhoff* [2002] ECR I-4187, paragraph 16).

55. In this respect, it is clear that the situation in question in the main proceedings is fundamentally different from that in *Hölterhoff*. In the present case, the use of the sign takes place in the context of sales to consumers and is obviously not intended for purely descriptive purposes.
56. Having regard to the presentation of the word ‘Arsenal’ on the goods at issue in the main proceedings and the other secondary markings on them (see paragraph 39 above), the use of that sign is such as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor.
- ...
59. The goods at issue are in fact supplied outside the control of Arsenal FC as trade mark proprietor, it being common ground that they do not come from Arsenal FC or from its approved resellers.
60. In those circumstances, the use of a sign which is identical to the trade mark at issue in the main proceedings is liable to jeopardise the guarantee of origin which constitutes the essential function of the mark, as is apparent from the Court's case-law cited in paragraph 48 above. It is consequently a use which the trade mark proprietor may prevent in accordance with Article 5(1) of the Directive.”
302. It is difficult to see either from this passage or from the ECJ’s subsequent case law what the sixth condition adds to the fifth condition. In both *Arsenal* at [51]-[60] and *Anheuser-Busch* at [59]-[60] the Court held that the sixth condition is satisfied where the use of the sign is such as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor i.e. the sign functions as a trade mark. In *Céline* at [19]-[23] the Court held that the fifth condition is satisfied where essentially the same criterion is fulfilled. Furthermore, the Court seems to treat the sixth condition as being satisfied in cases where the fifth condition is satisfied and as being not satisfied in cases where the fifth condition is not satisfied. *Arsenal* was an example of a case where the Court held that the fifth condition was satisfied (see paragraph [53] and [56]), and accordingly the sixth condition was satisfied (see paragraph [60]). It distinguished Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187 as a case where the fifth condition was not satisfied (see paragraph [54]), and therefore the sixth condition was not satisfied. Similarly, in *Adam Opel* the Court seems to have considered that the sixth condition was not satisfied because the fifth condition was not satisfied (see paragraphs [21]-[24]).
303. It might be suggested that what the sixth condition adds to the fifth condition is a requirement that the goods or services should not be goods or services of the trade mark proprietor, but for the reasons given above I do not think that that can be correct.
304. As to the second question, the jurisprudence of the ECJ case law cited in paragraphs 290, 291 and 299 above would seem to indicate that damage to functions other than the origin function, and in particular damage to the reputation of the trade mark, can be relied on.
305. That, however, leads to the third question. If damage to the reputation of the trade mark is relied on, does the trade mark proprietor need to establish that all the

requirements of Article 5(2) are satisfied? And if so, why given that the additional requirements of Article 5(2) are not mentioned in Article 5(1)(a)?

306. I would respectfully suggest that some of the present difficulty and confusion in European trade mark law would be dispelled if it were to be recognised that the sixth condition adds nothing to the fifth condition. Once it is shown that the first five conditions are satisfied, then the case falls within Article 5(1)(a). The question then is whether the use in question is saved from infringement by Article 6 or Article 7. If the use is in relation to goods placed on the market within the EEA by or with the consent of the trade mark proprietor, then Article 7(1) protects the use from infringement unless the proprietor can establish that Article 7(2) applies. It is not necessary in such a case to enquire whether Article 5(2) applies, although many of the same considerations are relevant both to Article 5(2) and to Article 7(2). The concern that some people feel that, if Article 5(1)(a) is given too broad a scope, then cases which ought not to infringe will be caught by it can be dealt with by appropriate interpretation and application of Articles 6 and 7. Thus in *Hölterhoff* it would seem clear that the defendant would have had a defence under Article 6(1)(b). As for the position concerning use in relation to the trade mark proprietor's services, this can be dealt with by interpreting Article 7 as extending to services as well as goods.

Were the goods sold by the Fourth to Tenth Defendants infringing goods?

307. It is common ground between L'Oréal and eBay Europe that, in the case of each of the 17 transactions relied on by L'Oréal, the goods were advertised on the Site, offered for sale and sold to purchasers acting on behalf of L'Oréal as described above. Accordingly each of the items in question is in evidence and there is a fairly complete documentary record of the relevant transactions. In addition, there is fairly extensive evidence regarding the activities of the Fourth to Tenth Defendants on the Site generally, which enable the transactions to be put in context. My findings in relation to those activities are set out above.
308. For the reasons given above, the Fourth to Tenth Defendants did not appear and were not represented at trial. Notwithstanding the settlement between L'Oréal and the Sixth Defendant, the Sixth Defendant disputes committing the acts alleged against her. In her Defence to eBay Europe's Contribution Notice she contends that those acts were actually committed by her daughter Nicola Ormsby, and that the relevant UserID was registered by Nicola Ormsby using the Sixth Defendant's name, address and bank account details. As Mr Chesnut pointed out, even if this is true, under the terms of the User Agreement, the Sixth Defendant would be liable for all acts committed using the account. For convenience, however, I shall assume for the purposes of this part of this judgment that the Fourth to Tenth Defendants were the persons who committed the respective acts in question.
309. Although it is the particular acts of use of the sign in question which are alleged to infringe the relevant Trade Mark, in the case of these 17 transactions it is convenient to express the issue, as I have done above, in terms of whether the goods which were the subject of the acts were infringing goods. This is because, as I shall explain below, whether the use of the sign does or does not infringe depends on the status of the goods.

310. L'Oréal claim that the goods sold by the Fourth to Tenth Defendants complained of were infringing goods for one or more of four reasons, as follows:
- i) In the case of items (16) and (17), L'Oréal say that the goods were counterfeits.
 - ii) In the remaining 15 cases, L'Oréal say that the goods had been put on the market outside the European Economic Area, but had not been put on the market in the EEA with their consent.
 - iii) In the case of items (7), (8), (13) and (14), L'Oréal say that the goods had not been put on the market at all, but were tester or dramming products which were not for sale to consumers. (The evidence of Mr Delassus was that item (6) was a tester as well, but this was not pleaded.)
 - iv) In the case of items (1), (4), (5), (12) and (15), L'Oréal say that, even if the goods had been placed on the market in the EEA with their consent, they had legitimate reasons to oppose further commercialisation since they were sold without external packaging and hence in contravention of the Cosmetic Products (Safety) Regulations 2004. (Items (3), (6) and (7) were also sold unboxed, but L'Oréal did not plead this as a ground of complaint in respect of these items.)
311. eBay Europe do not admit infringement by the Fourth to Tenth Defendants. eBay Europe have not advanced any positive case of non-infringement, however, except in relation to the tester and dramming products and the unboxed products.

Counterfeits

312. Mr Delassus gave unchallenged evidence that items (16) and (17) sold by the Ninth and Tenth Defendants are counterfeits. There is no evidence to the contrary. Accordingly, I find that items (16) and (17) are counterfeits. It follows that the acts of the Ninth and Tenth Defendants complained of infringed the relevant Trade Marks.

Non-EEA goods

313. Mr Delassus gave unchallenged evidence that items (1)-(15) were manufactured in the USA and that they were for sale in the USA or Canada or were not intended for sale at all.
314. In *Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176, [2007] RPC 24 at [16]-[17] Jacob LJ, with whom Chadwick and Lloyd LJJ agreed, approved the following summary of the principles established by the ECJ in the cases listed in paragraph 290 above:
- “i) Articles 5 to 7 of the Directive must be construed as embodying a complete harmonisation of the rules relating to the rights conferred by a trade mark and accordingly define the rights of proprietors of trade marks in the Community/EEA;

- ii) national rules providing for exhaustion of trade mark rights in respect of goods put on the market outside the EEA by the proprietor or with his consent are contrary to Article 7(1) of the Directive as amended by the EEA Agreement;
- iii) for there to be consent within the meaning of Article 7(1) such consent must relate to each individual item of the product in respect of which exhaustion of rights is pleaded;
- iv) the trade mark proprietor's consent to the marketing of goods within the EEA may be implied where it is to be inferred from facts and circumstances which unequivocally demonstrate that the proprietor has renounced his right to oppose placing of the goods on the market within the EEA.
- v) Implied consent cannot be inferred from:
 - a) the fact that the proprietor has not communicated his opposition to marketing within the EEA to all subsequent purchasers of goods placed on the market outside the EEA; or
 - b) from the fact that the goods carry no warning of a prohibition on their being placed on the market within the EEA;
 - c) or from the fact that the proprietor has transferred the ownership of the goods without imposing a contractual reservation and that, according to the law governing the contract, the rights transferred includes, in the absence of such a reservation, an unlimited right of resale or at least a right to market the goods within the EEA.”

315. Jacob LJ went on at [17]-[23] to hold that the onus lay on the defendant to prove consent express or implied, but rejected the submission that any special standard of proof was required.

316. In the present case eBay Europe did not advance any positive case of consent. Moreover, Mr Delassus and Mr Monteiro gave unchallenged evidence that L'Oréal had not consented to the goods being put on the market within the EEA. Accordingly, I find that L'Oréal did not consent to this. It follows that the acts of the Fourth to Eighth Defendants complained of infringed the relevant Trade Marks.

317. This makes it unnecessary to decide the next two issues so far as the specific acts of the Fourth to Eighth Defendants complained of are concerned, but as I shall explain below these issues remain of relevance for other reasons and therefore I still need to consider them. For this purpose I shall ignore the fact that the items in question originated from outside the EEA and consider what the position would be if they were EEA products. This is not an unrealistic assumption: Mr Delassus' evidence was that the test purchases made by IIS included both a significant number of tester and dramming bottles and a couple of unboxed products which had been distributed within the EEA.

Testers and dramming bottles

318. Testers are supplied without charge to L'Oréal's authorised distributors for use in demonstrating products to consumers in retail outlets. Dramming bottles are large containers from which small 5 ml aliquots can be taken for supply to consumers as free samples. Again, they are supplied to distributors without charge. Neither testers nor dramming bottles are intended for sale to consumers, and indeed they are often marked or labelled “not for sale” or “not for individual sale”.

319. In *Peak Holding* the ECJ held:

- “39. In the present case, it is not disputed that, where he sells goods bearing his trade mark to a third party in the EEA, the proprietor puts those goods on the market within the meaning of Art.7(1) of the Directive.
40. A sale which allows the proprietor to realise the economic value of his trade mark exhausts the exclusive rights conferred by the Directive, more particularly the right to prohibit the acquiring third party from reselling the goods.
41. On the other hand, where the proprietor imports his goods with a view to selling them in the EEA or offers them for sale in the EEA, he does not put them on the market within the meaning of Art.7(1) of the Directive.
42. Such acts do not transfer to third parties the right to dispose of the goods bearing the trade mark. They do not allow the proprietor to realise the economic value of the trade mark. Even after such acts, the proprietor retains his interest in maintaining complete control over the goods bearing his trade mark, in order in particular to ensure their quality.
43. Moreover, it should be noted that Art.5(3)(b) and (c) of the Directive, relating to the content of the proprietor's exclusive rights, distinguishes *inter alia* between offering the goods, putting them on the market, stocking them for those purposes and importing them. The wording of that provision therefore also confirms that importing the goods or offering them for sale in the EEA cannot be equated to putting them on the market there.
44. The answer to the first question must therefore be that Art.7(1) of the Directive must be interpreted as meaning that goods bearing a trade mark cannot be regarded as having been put on the market in the EEA where the proprietor of the trade mark has imported them into the EEA with a view to selling them there or where he has offered them for sale to consumers in the EEA, in his own shops or those of an associated company, without actually selling them.”

320. In Case I ZR 63/04 *Perfume Tester Bottles* reported in English at [2009] ETMR 9 the Bundesgerichtshof (German Federal Supreme Court) held:

- “I.a) ... The proprietor of the mark is thereby granted the opportunity to realise the economic value of his trade mark. For that reason, ‘putting on the market’ is deemed to have taken place if the proprietor of the mark has transferred to a third party the right to dispose of the goods bearing the mark, and has thereby realised the economic value of the mark (ECJ judgment of November 30, 2004 – *Peak Holding AB v Axolin-Elinor AB* (C-16/03) [2004] ECR I-11313; [2005] 1 CMLR 45; [2005] GRUR, 507 at [40-42]+Marken R 2005, 41). Therefore, a transfer of the right to dispose of the goods does not only take place if the proprietor of the mark has sold the goods bearing the mark to a third party within the European Community, but also if he has passed them on to customers within the European Community for the use of any third party, as in the case at issue. In so far as the claimant has given the tester bottles of

perfume to the depositaries for the purpose of further passing on the essence of the product to consumers, it has transferred the right to dispose of the goods bearing the trade mark to third parties and has realised the economic value of the trade mark through distribution for use for advertising purposes. It has thereby relinquished the possibility of controlling the further distribution of the trade marked goods within the European Community. As the Appeal Court has correctly accepted, neither the claimant's selective distribution system, nor the agreement in no. 5(2) of the standard form distribution contract change that in any way. The same applies where the claimant is not the proprietor of the mark itself, but rather gives the trade marked goods to its customers as a licensee.

- b) In the case law it is however recognised that putting on the market does not take place through the mere movement of goods within one undertaking between different establishments of the trade mark proprietor, or by trade in goods within a group of companies, by means of which the goods are made available for sale to a linked undertaking within the group (ECJ [2005] GRUR, 507, para.44— *Peak Holding AB v Axolin-Elinor AB* (cited above); BGH, judgment of April 27, 2006— I ZR 162/03, [2006] GRUR, 863, para.15 = WRP 2006, 1233— *Ex works*). However, there is no group company relationship between the claimant and its depositaries, and the supply relationship between them is not comparable to the management authority exercised within a group of companies. The depositaries are third-party undertakings independent of the claimant, which are only subject to any obligations within the framework of contractual arrangements.
- c) Rule no. 5(2) in the standard form distribution contract equally does not prevent the loss by the claimant, with the giving of the tester bottles of perfume to the depositaries, of the chance to control the product by means of a further supply of the trade marked goods. In that context the provisions agreed by the claimant with its depositaries are not of decisive significance. The deciding factor is rather the purpose for which it has left the tester bottles of perfume with its depositaries, and which includes the consumption of the scent by the public. The agreement restricting the purpose for which the perfumes may be used by the depositaries for testing by the general public is comparable to an agreement on territorial restrictions on distribution. Such restrictions only affect the relationship between the parties to the distribution contract and cannot exclude exhaustion of rights (ECJ [2005] GRUR, 507, para.54 et seq.— *Peak Holding AB v Axolin-Elinor AB* (cited above); BGH [2006] GRUR, 863, para.16— *Ex works*). The agreement in no. 5(2) of the standard form contract does not present an obstacle to a finding that the product has been put on the market within the meaning of §24(1) of the Trade Mark Act if it is to be interpreted as meaning that the claimant does not transfer the property in the tester bottles of perfume to its customers. This gives the proprietor of the mark just as little control over trade marked goods given to customers who are not part of its group of companies as a contractual agreement restricting distribution.
- d) The appeal in cassation is unsuccessful in asserting that the character of the products which are given solely for consumption is changed in a way that excludes exhaustion by the fact that these are turned into goods for sale. It

argues that sale is an act of exploitation which is not relinquished by the proprietor of the mark in the first grant of the goods solely for use. We cannot follow that view.

Putting the trade marked goods on the market involves exhaustion of all rights of use (*cf.* on Art.7(1) of the Trade Mark Directive (EEC Directive 89/104): ECJ [2005] GRUR, 507, para.53— *Peak Holding AB v Axolin-Elinor AB* (cited above). ...

3. There is no need to request a preliminary ruling from the Court of Justice of the European Communities, because there is no reasonable doubt as to the interpretation of the concept of putting on the market under Art.7(1) of the EEC Trade Mark Directive...”
321. Counsel for L’Oréal submitted that the decision of the Bundesgerichtshof was wrong for two reasons. First, he argued that the Bundesgerichtshof’s reasoning was flawed even on its own terms. The Bundesgerichtshof’s reasoning was that the trade mark proprietor realised the economic value of tester products because the purpose for which tester products were supplied to distributors was to promote the sale of the proprietor’s goods. Counsel argued that the economic value was only realised in that way if and when the tester products were actually used for that purpose. If, on the other hand, the tester products were not used for that purpose, but diverted from it, then the trade mark proprietor did not realise any economic value from them.
322. Secondly, he pointed out that the ECJ had held in *Peak Holding* that the offer for sale of goods was not sufficient to put them on the market in the EEA and argued that the position was *a fortiori* where the goods had not even been offered for sale by or with the consent of the trade mark proprietor.
323. In response to the first argument, counsel for eBay Europe submitted that whether the economic value of the goods had been realised was a question of fact in relation to which there could not be a blanket rule. For example, he postulated, the authorised distributor could have given the product to a member of staff and in such a case the economic value would be realised by the gift. I would observe that there is no evidence before me of such an occurrence, or even that it is likely to have happened. If one were to speculate about how the tester and dramming bottles came to be sold on the Site, I consider it more likely that they were stolen by employees of authorised distributors. In any event, counsel for L’Oréal argued that, even if the goods had been given by authorised distributors to their employees, L’Oréal would not have realised the economic value of the goods as a result.
324. In response to the second argument, counsel for eBay Europe relied upon the second ruling of the ECJ in *Peak Holding*, namely that the stipulation of a prohibition on reselling in a contract of sale did not preclude exhaustion. As to this, my understanding of the evidence is that testers and dramming bottles are not sold by L’Oréal to their authorised distributors. L’Oréal do not rely upon a prohibition in a contract of sale as precluding exhaustion, rather L’Oréal contend that there has been no transaction which results in them realising the economic value of the goods.
325. Counsel for eBay Europe also relied upon the decision of the ECJ in *Copad*. In that case the ECJ considered the interaction between Articles 7(1), 7(2) and 8(2) of the

Directive in the context of sales of perfumes made by a licensee in contravention of its licence agreement. In my judgment, this decision is of little assistance with regard to the question I am presently considering.

326. The judgment of the Bundesgerichtshof is entitled to the greatest of respect. It may be correct. I am unable to agree, however, that the matter is *acte clair*. In my judgment, it is arguable that the Bundesgerichtshof's decision is wrong for the reasons given by counsel for L'Oréal. Accordingly, I consider that guidance is required from the ECJ on this issue.

Unboxed products

327. Article 6(1) of Council Directive 76/768/EEC of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products (as subsequently amended) ("the Cosmetics Products Directive") provides so far as relevant as follows:

"Member States shall take all measures necessary to ensure that cosmetic products may be marketed only if their packaging, containers or labels bear the following information in indelible, easily legible and visible lettering; ...

...

- (c) the date of minimum durability shall be indicated by the words: 'best used before the end of' followed by either:

— the date itself, or

— details of where it appears on the packaging.

The date shall be clearly expressed and shall consist of either the month and year or the day, month and year in that order. If necessary, this information shall be supplemented by an indication of the conditions which must be satisfied to guarantee the stated durability....

...

- (g) a list of ingredients in descending order of weight at the time they are added. That list shall be preceded by the word 'ingredients'. Where that is impossible for practical reasons, an enclosed leaflet, label, tape or card must contain the ingredients to which the consumer is referred either by abbreviated information or the symbol given in Annex VIII, which must appear on the packaging...."

328. The Cosmetics Products Directive was at the material times transposed into national law by the Cosmetics Products (Safety) Regulations 2004, SI 2004/2152. (These have subsequently been replaced by the Cosmetics Products (Safety) Regulations 2008, SI 2008/1284, regulation 12 of which is in similar terms to regulation 7 of the 2004

Regulations.) Regulation 7 of the 2004 Regulations provided so far as relevant as follows:

- “(1) Subject to paragraphs (5)(b) and (9) to (12) below, no person shall supply a cosmetic product unless the packaging in which it is supplied bears, in lettering which is visible, indelible and easily legible, a list of its cosmetics ingredients (preceded by the word ‘ingredients’) in descending order of weight, the weight to be determined at the time the ingredients are added to the product.
- (2) Subject to paragraphs (3), (4), (5)(a), (6) to (8), (13) and (14) below, no person shall supply a cosmetic product unless the container and packaging in which it is supplied bear the following particulars in lettering and other symbols (where appropriate) which is visible, indelible and easily legible –

...

- (b) in the case of a cosmetic product likely before the end of 30 months from the manufacture thereof to cease either to comply with the requirements of regulation 4 or to fulfil the purpose for which it was intended, the words ‘Best before....’ immediately followed by -
 - (i) the earliest date on which it is likely so to cease; or
 - (ii) an indication of where that date appears on the labelling,and any particular precautions to be observed to ensure that the product does not so cease before that date.”

329. “Supply” is defined by regulation 3(1) as including:

“offering to supply, agreeing to supply, exposing for supply and possessing for supply, and cognate expressions shall be construed accordingly”.

330. Contravention of regulation 7 of the 2004 Regulations is to be treated as if it were a contravention of safety regulations made under section 11 of the Consumer Protection Act 1987: see regulation 13. Accordingly, it constitutes a criminal offence.

331. L’Oréal contend that the sale of unboxed products contravenes the 2004 Regulations, in particular where this results in the absence of (a) the list of ingredients and/or (b) the best before date, and that they therefore have legitimate reasons to oppose further commercialisation of such products.

332. It should be noted that L’Oréal did not plead or open any case that they had legitimate reasons to oppose the sale of unboxed products on the ground that this was damaging to the image of the products and hence to the reputation of the relevant Trade Marks. Despite this, counsel for L’Oréal asserted in his closing submissions that this was a reason for L’Oréal to object. In my judgment this ground of complaint is not open to

L'Oréal in the present case; but I shall nevertheless consider it since it could potentially be raised by L'Oréal in a future case.

333. Counsel for eBay Europe did not dispute that the sale of unboxed products which lacked a list of ingredients and/or a best before date would contravene the 2004 Regulations. He submitted, however, that it was not correct to treat a contravention of the 2004 Regulations as *ipso facto* constituting a legitimate reason for L'Oréal to oppose further commercialisation of the goods. In support of this submission he relied on two strands of the case law of the ECJ.
334. First, he relied upon the decision of the ECJ in *Boehringer II*, and upon the subsequent decision of the Court of Appeal in *Boehringer Ingelheim KG v Swingward Ltd* [2008] EWCA Civ 83, [2008] ETMR 36, as establishing that, where the trade mark proprietor opposed further commercialisation of a repackaged pharmaceutical product on the ground that the replacement or relabelled packaging did not comply with the condition that it should not be liable to damage the reputation of the trade mark, it was a question of fact whether the packaging complained of was liable to damage the trade mark's reputation or not. (I note in passing that counsel for L'Oréal did not suggest that this was affected by the subsequent ruling of the ECJ in Case C-276/05 *The Wellcome Foundation Ltd v Paranova Pharmazeutika Handels GmbH* [2008] ECR I-0000).
335. Secondly, he relied upon the Opinion of Advocate General Stix-Hackl in *Zino Davidoff*. In that case the claimant relied on the fact that the defendant had removed or obliterated the batch code numbers from the toiletries and cosmetics as constituting a legitimate reason for opposing further commercialisation of those goods. It should be noted that the claimant did not allege that this constituted a breach of the Cosmetic Products (Safety) Regulations 1996, SI 1996/2925, which at that time implemented the Cosmetic Products Directive in national law: see the judgment of Laddie J in *Zino Davidoff SA v A & G Imports Ltd* [1999] RPC 631 at [57]. Instead, the claimant contended that removal or obliteration was damaging because it hindered recall of the goods and/or adversely affected the appearance of the packaging. Nevertheless, Laddie J appears to have contemplated that contravention of the 1996 Regulations might be said to provide a legitimate reason. Accordingly, he referred the following questions to the ECJ:
- “(4) Is Article 7(2) of the Directive to be interpreted in such a way that legitimate reasons for the proprietor to oppose further commercialisation of his goods include any actions by a third party which affect to a substantial extent the value, allure or image of the trade mark or the goods to which it is applied?
 - (5) Is Article 7(2) of the Directive to be interpreted in such a way that legitimate reasons for the proprietor to oppose further commercialisation of his goods include the removal or obliteration by third parties (in whole or in part) of any markings on the goods where such removal or obliteration is not likely to cause any serious or substantial damage to the reputation of the trade mark or the goods bearing the mark?
 - (6) Is Article 7(2) of the Directive to be interpreted in such a way that legitimate reasons for the proprietor to oppose further commercialisation of his goods include the removal or obliteration by third parties (in whole or in part) of

batch code numbers on the goods where such removal or obliteration results in the goods in question

- (i) offending against any part of the criminal code of a Member State (other than a part concerned with trade marks) or
- (ii) offending against the provisions of Directive 76/768/EEC?"

336. In her Opinion the Advocate General expressed the following views with regard to these questions (footnotes omitted):

“1. Damage to the reputation of the trade mark

109. In its judgment in *Parfums Christian Dior* the Court held that ‘the damage done to the reputation of a trade mark may, in principle, be a legitimate reason, within the meaning of Article 7(2) of the Directive, allowing the proprietor to oppose further commercialisation of goods which have been put on the market in the Community by him or with his consent. According to the case-law of the Court concerning the repackaging of trade-marked goods, the owner of a trade mark has a legitimate interest, related to the specific subject-matter of the trade mark right, in being able to oppose the commercialisation of those goods if the presentation of the repackaged goods is liable to damage the reputation of the trade mark ... As regards the instant case, which concerns prestigious, luxury goods, the reseller must not act unfairly in relation to the legitimate interests of the trade mark owner. He must therefore endeavour to prevent his advertising from affecting the value of the trade mark by detracting from the allure and prestigious image of the goods in question and from their aura of luxury’.

110. The judgment in *Parfums Christian Dior* concerned the use of a trade mark for advertising purposes. In *Bristol-Myers Squibb and Others*, the Court followed the same line of reasoning in regard to the repackaging of products for purposes of sale:

‘Even if the person who carried out the repackaging is indicated on the packaging of the product, there remains the possibility that the reputation of the trade mark, and thus of its owner, may nevertheless suffer from an inappropriate presentation of the repackaged product. In such a case, the trade mark owner has a legitimate interest, related to the specific subject-matter of the trade mark right, in being able to oppose the marketing of the product. In assessing whether the presentation of the repackaged product is liable to damage the reputation of the trade mark, account must be taken of the nature of the product and the market for which it is intended.’

111. It may further be inferred from the judgment in *Parfums Christian Dior* that damage to reputation will be treated as a legitimate reason only if it is serious.

112. Serious damage to the reputation of a trade mark is thus recognised in the Court's case-law as constituting a legitimate reason for the purposes of Article 7(2).

2. Removal or obliteration of batch code numbers

113. The essential question here is whether Article 7(2) of the Trade Marks Directive covers removal or obliteration of batch code numbers, which, it would appear, must be affixed pursuant to the provisions implementing Directive 76/768/EEC on pain of criminal proceedings.

114. The Court has already had the opportunity to set out its views on a similar issue in the *Loendersloot* judgment. In comparable fashion to the national proceedings here in Case C-414/99, the trade mark proprietor in *Loendersloot* invoked a labelling obligation under Community law, whereas the parallel importer stressed the need to remove or obliterate the identification numbers in order to carry out the parallel imports. The Court commented as follows on those issues:

‘It must also be acknowledged, however, that for the producers application of identification numbers may be necessary to comply with a legal obligation, in particular under Council Directive 89/396/EEC of 14 June 1989 on indications or marks identifying the lot to which a foodstuff belongs (OJ 1989 L 186, p. 21), or to realise other important objectives which are legitimate from the point of view of Community law, such as the recall of faulty products and measures to combat counterfeiting.

... where identification numbers have been applied for [specified] purposes ..., the fact that an owner of trade mark rights makes use of those rights to prevent a third party from removing and then reaffixing or replacing labels bearing his trade mark in order to eliminate those numbers does not contribute to artificial partitioning of the markets between Member States. In such situations there is no reason to limit the rights which the trade mark owner may rely on under Article 36 of the Treaty.’

115. Here also transposition of the assessment would appear to merit discussion since the legal framework in the present cases is to be sought in Article 7 of the Trade Marks Directive and not in Article 36 of the EC Treaty (now, after amendment, Article 30 EC). The Commission does not regard this as being an obstacle and refers in this connection to the established case-law of the Court which has already been discussed. However, in so far as that case-law focuses on the restriction of trade between the Member States and on the intention artificially to partition markets, a direct application of the points there held to be conclusive to the circumstances obtaining in the present proceedings would not appear to be possible.

116. In accordance with the relationship outlined between the free movement of goods and the exercise of the rights deriving from the trade mark, the exercise of these latter rights under Article 7(2) in the context of trade within the Community is understood as an exception to the free movement of goods which is permissible only so long as it is justified for the safeguarding of rights constituting the specific subject-matter of the right conferred by the trade mark. To that extent the national court is also required to examine whether the exercise of the right conferred by the trade mark pursues a justified objective with proportionate means.

117. This argument appears to be transposable to parallel imports of branded goods from non-member countries. In the conflict between the rights of the trade mark proprietor and the interest of the person purchasing the products, exercise of the trade mark rights would appear to be justified only if it is necessary in order to safeguard the rights which form the specific subject-matter of the right conferred by the trade mark. Consequently, it would also be necessary in the present case, in accordance with the evaluation carried out in the *Loendersloot* judgment, to examine how far removal or obliteration of the batch code numbers affects the guarantee of origin, impacts adversely on the original condition of the products concerned, and damages the reputation of the trade mark. As the case-law stands at present, there must in these cases be a corresponding degree of seriousness. Examination as to whether these conditions have been satisfied in an individual case is, however, a matter for national courts.
118. Finally, a question arises as to how the removal or obliteration of the batch code numbers is to be assessed in isolation. So far as can be ascertained, these numbers must be affixed in order to ensure compliance with a statutory obligation deriving from a directive, and the removal or obliteration of these numbers was not accompanied by any further measure, such as, for instance, relabelling or repackaging.
119. In his Opinion in *Loendersloot*, Advocate General Jacobs noted: 'It is clear that the removal of such identification numbers cannot be resisted by virtue of trade-mark rights taken alone.' The Court, however, focused conclusively on the fact that the affixing of an identification number in compliance with a statutory obligation or pursuant to some other - from the Community-law perspective - legitimate objective cannot constitute an artificial partitioning of the markets between Member States.
120. Since in the present case the last-mentioned factor cannot play any role, the removal or obliteration of batch code numbers affixed in compliance with a statutory obligation may be of relevance for purposes of trade mark rights only if it would have a disproportionately adverse effect on the specific subject-matter of the trade mark right.
121. As the Commission has correctly pointed out, there is none the less an unmistakable connection between the reputation of a trade mark meriting protection and a recall of potentially defective or sub-standard products which is facilitated by the obligation to affix batch code numbers. In the interests of the good reputation of the trade-marked products, the trade mark proprietor has a legitimate interest in being able to remove such products from circulation. Consequently, it would also be necessary in the national proceedings to examine whether the damage to the reputation of the trade mark is rendered - sufficiently - serious by the removal or obliteration of the prescribed batch code numbers. An infringement of the cosmetics directive would be relevant in the context of trade mark rights only under this aspect.
122. It must remain open whether the legitimate reasons which would justify a trade mark proprietor in opposing further commercialisation within the EEA of products bearing the trade mark may include third-party removal or

obliteration (in whole or in part) of marks identifying the products only because this constitutes a criminal offence. So far as can be ascertained, the order for reference does not indicate whether the trade mark proprietor would incur criminal liability if the identifying mark prescribed by the cosmetics directive were absent and he had not himself brought the trade-marked products into circulation within the EEA.”

337. On this basis she advised the Court to rule as follows:

“(4) On a proper construction of Article 7(2) of the Trade Marks Directive, the legitimate reasons which justify a trade mark proprietor in opposing further commercialisation of products bearing the trade mark include any actions of third parties which seriously affect the value, allure or image of the trade mark or the products which bear that mark.

(5) On a proper construction of Article 7(2) of the Trade Marks Directive, the legitimate reasons which justify a trade mark proprietor in opposing further commercialisation of products bearing the trade mark do not include the actions of third parties or circumstances which do not affect the rights constituting the specific subject-matter and essential function of the rights conferred by the trade mark.”

338. In its judgment the ECJ did not consider it necessary to rule on these questions.

339. Counsel for L’Oréal criticised the reasoning of the Advocate General as being unclear and submitted that it had been undermined by the different approach taken by the Court in its ruling on the first three questions to that taken by the Advocate General in her Opinion. He also submitted that in any event removal of the entire outer packaging constituted a stronger case for opposing further commercialisation than mere removal of a batch code.

340. My attention was drawn to three decisions of the Regional Court of Hamburg concerning unboxed products. The first is Case 408 O 5/07 *L’Oréal SA v eBay International AG*, a decision dated 31 August 2007. The second is Case 408 O 22/07 *L’Oréal SA v eBay International AG*, another decision dated 31 August 2007. The third decision is Case 408 O 100/07 *Lancôme Parfums et Beauté & Cie v eBay International AG*, a decision dated 24 August 2007. In its judgment in each of these cases the Regional Court held that eBay users who had offered unboxed RALPH LAUREN, CACHEREL and LANCOME products for sale had infringed the claimants’ trade marks and that eBay was liable for those infringements as a “disturber” (as to which, see below). The reasoning was not based upon the Cosmetic Products Directive, however, but upon the proposition that in the case of luxury cosmetics the trade mark proprietor has a legitimate interest in opposing further commercialisation of unboxed products since it adversely affects the marketing (i.e. the image) of the products. In support of this proposition the Regional Court cited a number of earlier decisions of the higher German courts, including a decision of the Bundesgerichtshof in 2001, *Removal of Inspection Number II*. I was not referred to the latter case, but I assume it concerns the same batch code issue which was referred in *Zino Davidoff*.

341. I was told that an appeal against the first decision had been withdrawn, but that appeals against the second and third decisions had been heard and that the judgment of the Higher Regional Court on the appeals was expected on 23 April 2009. At the time of writing this judgment, however, I am not aware of the outcome of those appeals.
342. In my judgment, the questions which were referred by Laddie J and considered by the Advocate General in *Zino Davidoff* remain questions on which guidance from the ECJ is required.

Are eBay Europe jointly liable for infringements committed by the Fourth to Tenth Defendants?

343. L'Oréal contend that eBay Europe are liable for infringements committed by the Fourth to Tenth Defendants.

Community law

344. As noted above, it is settled law that Article 5 to 7 of the Trade Marks Directive embody a complete harmonisation of the rules relating to infringement of the rights conferred by registration of a trade mark within the Community. Those rules do not, however, harmonise the law of accessory liability applicable to such infringements. Accordingly, the question of accessory liability is primarily a matter for national law.
345. I can conceive that it might nevertheless be argued that the Trade Marks Directive did approximate national laws on accessory liability in the context of infringement of national trade marks to some extent. It might also be argued that the Community Trade Mark Regulation implicitly regulated the question of accessory liability in the context of infringement of Community trade marks to some extent. In the present case, however, it was common ground between counsel that there was no conflict between domestic law and Community law on this issue if domestic law was properly interpreted and applied in the manner that they respectively contended for. Accordingly, it is not necessary to enquire into the effect of Community law any further.

Domestic law

346. In England and Wales accessory liability even for statutory torts such as trade mark infringement is governed by the common law, and in particular the law as to joint tortfeasorship. There is no real dispute between the parties as to that law, as opposed to its application to the facts. It is nevertheless necessary to be clear as to what the law is. Since it is judge-made law, for that purpose I must refer to the principal modern authorities.
347. In *Amstrad Consumer Electronics plc v The British Phonographic Industry Ltd* [1986] FSR 159 Lawton LJ said at 205 and 206:

“What were the consequences in law, first of Amstrad knowing that the majority of those who bought their machines would use them to copy unlawfully pre-recorded cassettes protected by copyright and, secondly, of their intention to supply that

market? ... I am satisfied that mere knowledge on the part of the supplier of equipment that it would probably be used to infringe someone's copyright does not make the supply unlawful; nor does an intention to supply the market for such user."

"... mere supplying with knowledge and intent will not be enough to make the supplier himself an infringer or a joint tortfeasor with someone who is. ... the law relating both to patents and copyrights is in restraint of trade. Patentees and the owners of copyright have the rights given to them by statute and no others. Those who infringe those rights are penalised. Acts short of infringement are not. Amstrad's supplying therefore was not an act of infringement."

For similar reasons to those expressed in these passages, Slade LJ and Glidewell LJ held that Amstrad were not liable as joint tortfeasors.

348. In *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013 Lord Templeman, with whom Lord Keith of Kinkel, Lord Griffiths, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle agreed, said at 1055E-F, 1057B-C, 1058E-H and 1060B-C:

"B.P.I. next submitted that Amstrad were joint infringers; they became joint infringers if and as soon as a purchaser decided to copy a record in which copyright subsisted; Amstrad could become joint infringers not only with the immediate purchaser of an Amstrad model but also with anyone else who at any time in the future used the model to copy records. My Lords, Amstrad sell models which include facilities for receiving and recording broadcasts, disc records and taped records. All these facilities are lawful although the recording device is capable of being used for unlawful purposes. Once a model is sold Amstrad have no control over or interest in its use. In these circumstances the allegation that Amstrad is a joint infringer is untenable."

"My Lords, joint infringers are two or more persons who act in concert with one another pursuant to a common design in the infringement. In the present case there was no common design. Amstrad sold a machine and the purchaser or the operator of the machine decided the purpose for which the machine should from time to time be used. The machine was capable of being used for lawful or unlawful purposes. All recording machines and many other machines are capable of being used for unlawful purposes but manufacturers and retailers are not joint infringers if purchasers choose to break the law. Since Amstrad did not make or authorise other persons to make a record embodying a recording in which copyright subsisted, Amstrad did not entrench upon the exclusive rights granted by the Act of 1956 to copyright owners and Amstrad were not in breach of the duties imposed by the Act."

“My Lords, I accept that a defendant who procures a breach of copyright is liable jointly and severally with the infringer for the damages suffered by the plaintiff as a result of the infringement. The defendant is a joint infringer; he intends and procures and shares a common design that infringement shall take place. A defendant may procure an infringement by inducement, incitement or persuasion. But in the present case Amstrad do not procure an infringement by offering for sale a machine which may be used for lawful or unlawful copying and they do not procure infringement by advertising the attractions of their machine to any purchaser who may decide to copy unlawfully. ... The purchaser will not make unlawful copies because he has been induced or incited or persuaded to do so by Amstrad. The purchaser will make unlawful copies for his own use because he chooses to do so. Amstrad’s advertisements may persuade the purchaser to buy an Amstrad machine but will not influence the purchaser’s later decision to infringe copyright. Buckley LJ observed in *Belegging-en Exploitiemaatschappij Lavender BV v Witten Industrial Diamonds Ltd*, at p. 65, that ‘Facilitating the doing of an act is obviously different from procuring the doing of an act.’ ... Generally speaking, inducement, incitement or persuasion to infringe must be by a defendant to an individual infringer and must identifiably procure a particular infringement in order to make the defendant liable as a joint infringer.”

“Under and by virtue of [the Copyright Act 1956] Amstrad owed a duty not to infringe copyright and not to authorise an infringement of copyright. They did not owe a duty to prevent or discourage or warn against infringement.”

349. In *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583 Mustill LJ, with whom Ralph Gibson and Slade LJ agreed, said at 608-609:

“I have set out these cases in some detail in deference to the care with which they were analysed during the argument on this appeal. In truth, however, I believe that they do little more than illustrate how in various factual situations the courts have applied principles which are no longer in doubt, save perhaps as regards the relationship between indirect infringements by procuring and by participation in a common design. There may still be a question whether these are distinct ways of infringing, or different aspects of a single way. I prefer the former view, although of course a procurement may lead to a common design, and hence qualify under both heads. We need not however explore this question, since Mr. Gratwick has (rightly, in my judgment) disclaimed any reliance on that part of his clients’ pleaded case which is founded on procurement, and has concentrated his arguments on the allegation of a common design. As to the authorities on this subject, if I am right in the view just expressed that they are really cases on the facts, I suggest that little is to be gained by matching the circumstances of each case against each of the allegations in the draft amended statement of claim.

For my part I prefer to take the relevant part of the amendment as a whole, and to ask whether, if the allegations therein are proved to be true (and there seems no dispute that they will be), and if they are set in the context of the relationship between the companies in the Gillette Group, when that has emerged at the trial, a judge directing himself correctly could reasonably come to the conclusion that - (a) there was a common design between Boston and G.U.K. to do acts which, if the patent is upheld, amounted to infringements, and (b) Boston has acted in furtherance of that design. I use the words 'common design' because they are readily to hand, but there are other expressions in the cases, such as 'concerted action' or 'agreed on common action' which will serve just as well. The words are not to be construed as if they formed part of a statute. They all convey the same idea. This idea does not, as it seems to me, call for any finding that the secondary party has explicitly mapped out a plan with the primary offender. Their tacit agreement will be sufficient. Nor, as it seems to me, is there any need for a common design to infringe. It is enough if the parties combine to secure the doing of acts which in the event prove to be infringements."

350. In *Credit Lyonnais Bank Nederland NV v Export Credit Guarantee Department* [1998] 1 Lloyds Rep 19, Hobhouse LJ, with whom Thorpe LJ agreed, said at 46:

"The overall effect of these cases is clear. It is only conduct which comes into the first or the third of the categories I have set out above which constitute the commission of a tort. The criminal law for obvious policy reasons goes further than the civil law. Acts which knowingly facilitate the commission of a crime amount to the crime of aiding and abetting but they do not amount to a tort or make the aider liable as a joint tortfeasor.

...

Accordingly, in my judgment there is no second category in the law of tort. Mere assistance, even knowing assistance, does not suffice to make the 'secondary' party liable as a joint tortfeasor with the primary party. What he does must go further. He must have conspired with the primary party or procured or induced his commission of the tort (my first category); or he must have joined in the common design pursuant to which the tort was committed (my third category)."

351. In *SABAF SpA v Meneghetti SpA* [2002] EWCA Civ 976, [2003] RPC 14 Peter Gibson LJ giving the judgment of the Court said at [59]:

"The underlying concept for joint tortfeasance must be that the joint tortfeasor has been so involved in the commission of the tort as to make himself liable for the tort. Unless he has made the infringing act his own, he has not himself committed the tort. That notion seems to us what underlies all the decisions to which we were referred. If there is a common design or

concerted action or otherwise a combination to secure the doing of the infringing acts, then each of the combiners has made the act his own and will be liable. Like the judge, we do not think that what was done by Meneghetti was sufficient. It was merely acting as a supplier of goods to a purchaser which was free to do what it wanted with the goods. Meneghetti did not thereby make MFI's infringing acts its own."

352. Counsel for L'Oréal also relied upon the decision of the Court of Appeal in *MCA Records Inc v Charly Records Ltd* [2001] EWCA Civ 1441, [2002] EMLR 1, in which a shadow director of a company was held liable for the infringing acts of his company applying the principles set out in *CBS v Amstrad* and *Unilever v Gillette*. I do not consider that the decision adds anything to the understanding of those principles, however, as opposed to their application to the question of the liability of directors and shadow directors for the acts of their companies.

Was there any release?

353. In his closing submissions counsel for eBay Europe pointed out that in a judgment reported at [2008] FSR 37 Master Bragge had ordered disclosure to eBay Europe of the confidential schedules to the Tomlin orders between L'Oréal and the Fourth to Eighth Defendants. Master Bragge ordered disclosure of the schedules so as to enable eBay Europe to see whether those Defendants had been discharged from liability without any reservation of L'Oréal's rights against eBay Europe, in which case eBay would be released from liability by virtue of such discharge. Counsel for eBay Europe submitted:

"The circumstances which justified the making of the unappealed order for disclosure raised an issue as to whether there is any subsisting liability for acts on the part of D4 to D8 in respect of which the eBay Defendants could be said to be jointly liable as alleged in paragraph 36 of the Particulars of Claim. L'Oréal could easily have provided documents and evidence as to the subsistence of such liability. They have not done so. The Court should not speculate as to whether the disclosure and evidence which has not been provided would have established the subsistence of such liability."

354. This amounts to a submission that I should conclude that the terms of settlement between L'Oréal and the Fourth to Eighth Defendants amounted to a release of eBay Europe's liability (if any) because L'Oréal have failed affirmatively to prove that they did not do so. I reject this submission for the following reasons.
355. First, Master Bragge's order laid down a timetable for eBay Europe to apply to strike out the claims of joint tortfeasorship with the Fourth to Eighth Defendants, if so advised, after disclosure of the confidential schedules. In the event, no such application was made.
356. Secondly, eBay Europe did not plead that there had been a release. eBay Europe not having alleged that there was a release, L'Oréal were not under any obligation to give any further disclosure or adduce evidence to show that there was not.

357. Thirdly, the terms recorded in the confidential schedules do reasonably clearly reserve L'Oréal's rights against eBay Europe. Indeed, counsel for eBay Europe did not suggest that they did not.
358. Fourthly, there is no evidence that any other documents containing a release exist. Presumably for that reason, eBay Europe have not applied for disclosure of such documents.

Procurement

359. L'Oréal put their case in two ways, namely that eBay Europe are joint tortfeasors either by procurement or by participation in a common design. I do not see how L'Oréal can succeed upon the basis of procurement if they do not succeed upon the basis of participation in a common design. I shall nevertheless deal with procurement shortly. As Lord Templeman said in *CBS v Amstrad*, procurement, whether by inducement, incitement or persuasion, "must be by a defendant to an individual infringer and must identifiably procure a particular infringement in order to make the defendant liable". In my judgment the evidence does not establish procurement by eBay Europe of the particular acts of infringement by the Fourth to Tenth Defendants complained of.

Participation in a common design

360. *L'Oréal's contentions.* Counsel for L'Oréal founded his argument primarily upon the well-known passage from the judgment of Mustill LJ in *Unilever v Gillette* which I have quoted above. He submitted that eBay Europe had participated in a common design to infringe the Trade Marks because they had combined with the Fourth to Tenth Defendants to secure the doing of acts which proved to be infringements.
361. In support of this submission he highlighted a number of aspects of eBay Europe's involvement in such acts, and in particular the following:
- i) eBay Europe actively promote the listing of items upon the Site in a variety of ways as described above. These include encouraging sellers to register and to list items for sale, assisting sellers to list items for sale by various methods and providing facilities such as eBay Shops and eBay Express.
 - ii) eBay Europe exercise some degree of control over the content of listings. In particular, eBay Europe use software filters to detect listings of prohibited or suspicious listings and employ CSRs to review such listings.
 - iii) eBay Europe also exercise some degree of control over the behaviour of sellers through the application of sanctions for breach of policies as discussed above. Although sanctions are often applied as a result of complaints through the VeRO programme, sanctions are also imposed unilaterally by eBay Europe. Nevertheless, the evidence in relation to the activities of the Fourth to Tenth Defendants demonstrates that sellers can repeatedly commit acts which lead to complaints by rights owners and/or buyers and yet be permitted by eBay Europe to continue trading.

- iv) eBay Europe control the sale process both technically and legally. From a technical point of view, each step of the sale process is controlled by eBay's software apart from the actual delivery of and payment for the item. From a legal perspective, eBay Europe have a contract with both the seller and buyer, which requires each party to complete the transaction as well as imposing other terms and conditions.
 - v) eBay Europe are intimately involved in the sales transaction. Although eBay Europe arrange their business so that they do not sell the goods as agent in the way that an auctioneer does, where an item is sold by the auction-style format their role is close to that of an auctioneer. This is particularly true where the buyer makes use of the proxy bidding facility.
 - vi) eBay Europe profit directly from both the listing and the sale of items.
362. Counsel for L'Oréal also made three further points in support of the claim of participation. First, he pointed out that the present case was clearly distinguishable from a number of previous cases in which a claim of joint tortfeasorship had been rejected, such as *CBS v Amstrad*. In that case the defendant had sold machines to third parties which the third parties *subsequently* used to infringe the claimants' rights. The machine could be used for lawful or unlawful purposes, it was the third parties who decided what to do with it and the third parties were not under the control or even influence of the defendant at the time when they committed the infringements. By contrast, in the present case the infringing acts are acts of advertisement, offer for sale, exposure for sale and sale which are committed by means of the Site. Thus, counsel argued, the infringing acts themselves are subject to the control of eBay Europe and eBay Europe profit from the infringing acts themselves.
363. Secondly, he drew my attention to what was said by Lord Denning in *R.H. Willis & Son v British Car Auctions Ltd* [1978] 1 WLR 438 at 441H-442E and at 443D-H:

“The question that arises is the usual one: which of the two innocent persons is to suffer? Is the loss to fall on the owners? ... Or on the auctioneers? ... In answering that question in cases such as this, the common law has always acted on the maxim *nemo dat quod non habet*. It has protected the property rights of the true owner. It has enforced them strictly as against anyone who deals with the goods inconsistently with the dominion of the true owner. Even though the true owner may have been very negligent and the defendant may have acted in complete innocence, nevertheless the common law held him liable in conversion. Both the ‘innocent acquirer’ and the ‘innocent handler’ have been hit hard. That state of the law has often been criticised. It has been proposed that the law should protect a person who buys goods or handles them in good faith without notice of any adverse title, at any rate where the claimant by his own negligence or otherwise has largely contributed to the outcome. Such proposals have however been effectively blocked by the decisions of the House of Lords in the last century of *Hollins v Fowler* (1875) L.R. 7 H.L. 757, and in this century of *Moorgate Mercantile Co. Ltd v Twitchings* [1977] A.C. 890, to which I may add the decision of this court in

Central Newbury Car Auctions Ltd v Unity Finance Ltd [1957] 1 Q.B. 371.

In some instances the strictness of the law has been mitigated by statute, as for instance, by the protection given to private purchasers by the Hire-Purchase Acts. But in other cases the only way in which the innocent acquirers or handlers have been able to protect themselves is by insurance. They insure themselves against their potential liability. This is the usual method nowadays. When men of business or professional men find themselves hit by the law with new and increasing liabilities, they take steps to insure themselves, so that the loss may not fall on one alone, but be spread among many. It is a factor of which we must take account: see *Post Office v Norwich Union Fire Insurance Society Ltd* [1967] 2 Q.B. 363, 375 and *Morris v Ford Motor Co. Ltd* [1973] 1 Q.B. 792, 801.”

“It is clear that the auctioneers insure against both kinds of sale equally. On every one of the sales, under the hammer or on provisional bids, the auctioneers charge an ‘indemnity fee’ to the purchaser. He has to pay a premium of £2 on each vehicle purchased. In return for it the auctioneers ... through an associate company ... insure the purchaser against any loss he may suffer through any defect in title of the seller. So if the true owner comes along and re-takes the goods from the purchaser or makes him pay damages for conversion, the auctioneers (through their associate company) indemnify the purchaser against the loss. The premium thus charged by the auctioneers (through their associate company) is calculated to cover the risk of the seller having no title or a defective title. That risk is the same no matter whether the true owner sues the auctioneer or the purchaser. ... This system is the commercial way of doing justice between the parties. It means that all concerned are protected. The true owner is protected by the strict law of conversion. He can recover against the innocent acquirer and the innocent handler. But those innocents are covered by insurance so that the loss is not borne by any single individual but is spread through the community at large. The insurance factor had a considerable influence on the Law Reform Committee. In view of it they did not recommend any change in the law see the 18th Report, paragraph 48 and note 2. So also it may properly have an influence on the courts in deciding issues which come before them.”

Counsel submitted that eBay Europe already provided insurance for buyers through PayPal and could insure their own liability in the same way as described in that case.

364. Thirdly, he submitted that eBay Europe had failed to take “all reasonable measures” to prevent the infringements. In this regard he argued that eBay Europe could and should take various steps to combat infringement beyond those currently taken.

365. *eBay Europe’s contentions.* In his submissions counsel for eBay Europe made three main points. First, he submitted that, as a matter of law, eBay Europe were under no

duty or obligation to prevent third parties from infringing L'Oréal's (or anyone else's) registered trade marks. In support of this, he relied in particular upon the final passage from the speech of Lord Templeman in *CBS v Amstrad* quoted above.

366. Secondly, he submitted that, as a matter of fact, the Site operates in a neutral and impartial manner, irrespective of whether it is being used by sellers to sell infringing goods or non-infringing goods. To the extent that the Site discriminates between the sale of infringing and non-infringing goods, it attempts to prevent or at least minimise infringements, in particular through the VeRO programme.
367. Thirdly, he submitted that, at worst, eBay Europe was guilty of facilitating infringements with knowledge that infringements were likely to occur (but not foreknowledge of the specific infringing acts). As shown by the authorities cited above, that was not enough to amount to joint tortfeasorship. In this regard, he pointed out that the particular infringements complained of had to be considered in the context of the Fourth to Tenth Defendants' trading histories generally. He submitted that these showed that the Fourth to Tenth Defendants had sold a large proportion of items without complaint. He also submitted that their trading histories were as individual and distinctive as their own fingerprints.
368. In addition, counsel for eBay Europe submitted that in reality L'Oréal's claim of joint tortfeasorship was a thinly-disguised attack on eBay's business model.
369. *Discussion.* I have found this a difficult issue to decide. It requires the application of well-established principles to a new and rather different scenario to those to which they have previously been applied. In particular, I agree with counsel for L'Oréal that the situation in the present case is rather different to the situation which exists where the defendant sells a product or machine and the infringement is subsequently committed by the purchaser.
370. I confess to having considerable sympathy with the suggestion that eBay Europe could and should deal with the problem of infringement by accepting liability and insuring against it by means of a premium levied on sellers. In characterising L'Oréal's claim as an attack on eBay's business model, it seems to me that counsel for eBay Europe came close to the heart of the issue. As the evidence in this case graphically demonstrates, eBay and its competitors have created a new form of trade which carries with it a higher risk of infringement than more traditional methods of trade. I consider that there is much to be said for the view that, having created that increased risk and profited from it, the consequences of that increased risk should fall upon eBay rather than upon the owners of the intellectual property rights that are infringed.
371. Nevertheless, I have concluded that the three main points made by counsel for eBay Europe are well founded and add up to a complete answer to L'Oréal's case. It is worth elaborating on each of them.
372. As to the first point, eBay Europe pleaded this at the outset in their Defence. They made a number of attempts to elicit from L'Oréal a clear and unequivocal statement as to whether L'Oréal accepted it or dissented from it, and if the latter why. In a supplementary skeleton argument for trial counsel for eBay Europe complained that no clear and unequivocal statement had been forthcoming from L'Oréal. He went on to

submit that L'Oréal's position in relation to the questions as to (a) whether eBay Europe were under such a duty, and if so (b) its legal basis and (c) its scope, were unclear from L'Oréal's skeleton argument. In response, L'Oréal served a supplementary skeleton argument contending that: (a) eBay Europe were under a legal obligation not to procure trade mark infringements, nor participate in a common design to infringe; (b) the legal basis for this was the law as to joint tortfeasorship; and (c) although trade mark infringement was a tort of strict liability, in considering whether eBay Europe were jointly liable it was relevant to consider whether eBay Europe had taken "all reasonable measures" to prevent infringement. This led to an application on the first day of trial by counsel for eBay Europe for an order requiring L'Oréal further to clarify their position. I refused that application, ruling that the answers L'Oréal had given were sufficient to define the issues.

373. In my judgment, the answers given by L'Oréal to the three questions are revealing. So far as the first question is concerned, it seems to me that L'Oréal's answer either amounts to an acceptance that eBay Europe are under no duty to prevent infringements by third parties or amounts to a circular argument: eBay Europe are under a duty to prevent third parties from infringing because they are under a duty not to participate in a common design to infringe and they have participated in a common design to infringe because they have failed to prevent third parties from infringing.
374. As for the third answer, how can it be relevant to enquire whether eBay Europe have taken "all reasonable measures" to prevent infringement by third parties unless eBay Europe are under some legal duty or obligation to take all reasonable measures? Furthermore, what is the criterion or benchmark by which the court is to judge the reasonableness of the measures taken by eBay Europe? L'Oréal have put forward PriceMinister as a comparator, but in my judgment it is not a useful comparator even if one disregards the special steps it takes in relation to L'Oréal's products because it operates according to a different business model and on a different scale. In any event, why should PriceMinister be taken as the benchmark and not some other competitor of eBay?
375. In my judgment the right answer is that, as a matter of domestic common law, eBay Europe are under no legal duty or obligation to prevent infringement of third parties' registered trade marks. I qualify my answer in that way because eBay Europe may come under such a duty or obligation with regard to future infringements as a result of the operation of Article 11 of the Enforcement Directive (as to which see below), but that does not affect their liability for past infringements on the ground of joint tortfeasorship.
376. Turning to the second point made by counsel for eBay Europe, he submitted that eBay's systems and policies contained no inbuilt bias or tendency in favour of infringing activities, but rather the reverse. It is worth considering this proposition in relation to each of the four types of infringement that are in issue in this case.
377. So far as counterfeits are concerned, I consider that the proposition is true. There is nothing in eBay's systems and policies which favours or encourages the listing or sale of counterfeit goods. On the contrary, eBay Europe take active steps to prevent or at least minimise such activities. The fact that eBay could take further steps does not affect this.

378. With regard to testers and dramming products, I again consider that the proposition is true. eBay do not, so far as the evidence goes, take any specific steps to combat the sale of such items; but there is nothing in eBay's systems and policies which favours or encourages the listing or sale of testers or dramming products. Again, the fact that eBay could take specific steps to combat the sale of such items does not affect this.
379. As to unboxed products, I again consider that the proposition is true. Again, there is nothing in eBay's systems and policies which favours or encourages the listing or sale of unboxed products. In the case of sales to Germany, eBay Europe take active steps to prevent such products. I have to say that I consider it anomalous that eBay Europe apply a different policy in other Member States of the Community; but that does not amount to condoning, let alone encouraging, such activities in those countries.
380. L'Oréal's strongest case is in relation to non-EEA goods. In this instance I do not consider that counsel for eBay Europe's proposition is true. On the contrary, the evidence shows that eBay actively encourage the listing and sale of goods from outside the EEA to buyers in the United Kingdom and provide specific facilities to assist sellers to do this. Moreover, no steps are taken to discourage such infringements, let alone to try to prevent them. I have reflected long and hard on whether this is enough to make eBay Europe jointly liable for such infringements, even if not for the other types of infringements. In the end, and not without considerable hesitation, I have concluded that it is not. I shall explain why below.
381. Turning to the third point made by counsel for eBay Europe, in my judgment eBay Europe do facilitate the infringement of third parties' trade marks, including L'Oréal's Trade Marks, by sellers; they do know that that such infringements have occurred and are likely to continue to occur; and they profit from such infringements except where the rights owner makes a VeRO complaint in sufficient time. I would add that, while it is true that the Fourth to Tenth Defendants' trading histories are different from one another, certain common patterns and themes do emerge from the narratives set out above. Nevertheless, I accept counsel's submission that these factors are not enough to make eBay Europe liable as joint tortfeasors.
382. As I have already indicated, the issue of whether eBay Europe are liable as joint tortfeasors is at its most acute in relation to non-EEA goods. This is particularly so in the case of International Site Visibility: as discussed below, this facility provides a specific mechanism for foreign sellers to target UK buyers. Nevertheless, it cannot be said that the facility is one which inherently leads to infringement. It is capable of being used by sellers in a manner which does not infringe third party trade marks. Whether the use of International Site Visibility leads to infringement depends on the autonomous actions of the foreign sellers. Given that (i) eBay Europe is under no legal duty to prevent infringement and (ii) facilitation with knowledge and an intention to profit is not enough, I conclude that, even in these circumstances, eBay Europe are not liable as joint tortfeasors.

Are eBay Europe liable as primary infringers for the use of the Link Marks in relation to infringing goods?

383. L'Oréal's claims concerning use of the Link Marks in sponsored links on third party search engines and on the Site raise slightly different issues and require separate consideration. It is nevertheless important to re-iterate that in both cases L'Oréal only

claim that such use amounts to an infringement where and to the extent that the use relates to infringing goods.

Use in sponsored links

384. *The complaint.* In considering this allegation, it is first necessary to be clear as to what is being complained of. Sub-paragraph (1) of the Particulars under paragraph 34 to the Re-Amended Particulars of Claim particularises this claim as follows:

“The use of signs identical to the Link Marks on advertising links sponsored by eBay appearing on popular and well-known third party search websites. These link to products appearing on the Site from time to time which use such signs. Examples showing the use of such links are attached hereto as Annex 7.”

385. This pleading is somewhat vague as to precisely what act or acts are relied upon as constituting the allegedly infringing use. My reading of it, however, is that what is complained of is the appearance of the relevant sign as it appears in the sponsored link in the search result. Thus in the first example set out in paragraph 27 above, what is complained of is the appearance of the words “Shu Uemura” in the sponsored link. It can be seen that in this example the sign is used twice, once in the hyperlink at the top of the link and once in the text underneath. As I understand it, L’Oréal complain of both these uses. In the other three examples, the sign only appears in the hyperlink.

386. It should be noted that L’Oréal do not complain of any other uses of the relevant sign which may have occurred, for example when eBay Europe purchased the relevant keyword or when the user entered the search request or when that search request was processed internally by the third party search engine provider (in these examples, Google). The pleading is perhaps ambiguous as to whether L’Oréal complain of the use of the relevant sign on the page containing the search results to which the user is taken if he or she clicks on the sponsored link; but since this type of use is essentially the same as that which is the subject of L’Oréal’s next claim, the question is academic.

387. It is convenient to consider L’Oréal’s claim in respect of the sponsored links, and eBay Europe’s defences to it, under five headings. First, is there “use” of the signs in question by eBay Europe at all (i.e. is the first condition for liability under Article 5(1)(a) satisfied)? Secondly, if so, is such use “in relation to” the allegedly infringing goods (i.e. is the fifth condition satisfied)? Thirdly, if so, is such use “in the course of trade” (i.e. is the second condition satisfied)? Fourthly, if so, is such use in the United Kingdom? Fifthly, if so, is the use complained of an infringing act? There is no dispute that the signs in question are identical to the relevant Trade Marks or that the goods in question are identical to goods in respect of which the Trade Marks are registered. Nor is there any dispute that L’Oréal has not consented to the uses complained of.

388. *Use?* L’Oréal contend that the sponsored link constitutes an advertisement placed by eBay Europe falling within Article 5(3)(d) of the Trade Marks Directive, albeit that it is displayed to the user by Google in response to a search request made by the user employing the sign in question. L’Oréal argue that a sponsored link is entirely analogous to an advertisement placed by an advertiser in a newspaper or television

broadcast or other medium. Accordingly, L'Oréal say that the sponsored link amounts to "use" of the signs complained of (which it is not disputed are identical to the relevant Link Marks) by eBay Europe (whether or not it constitutes use by the user and/or by Google) falling within Article 5(1)(a).

389. eBay Europe contend that display of the sponsored link did not involve "use" of the sign in question by eBay Europe. In support of this argument, counsel for eBay Europe relied upon *Wilson v Yahoo! Ltd* [2008] EWHC 361 (Ch), [2008] ETMR 33. In that case the claimant was the proprietor of a Community trade mark consisting of the words MR SPICY registered in Classes 29, 30 and 42. The defendants were subsidiaries of Yahoo! Inc and provided a search engine service. The claimant complained that, when a user entered "mr spicy" as a search request, the defendants' search engine displayed sponsored links for Sainsbury's Supermarkets Ltd and Pricegrabber.com. It is important to note that the Sainsbury's sponsored link did not include the word "spicy" let alone the sign "mr spicy", while the Pricegrabber sponsored link included the word "spicy" as a hyperlink but not the sign "mr spicy". The defendants' evidence was that Sainsbury's and Pricegrabber had purchased the keyword "spicy" and that the detection of this keyword in the search request was what had triggered the sponsored links. The defendants expressly denied that Sainsbury's or Pricegrabber (or anyone else) had purchased the keyword "mr spicy", and there was no credible evidence to the contrary.
390. The claimant's principal claim was that there had been an infringement pursuant to Article 9(1)(a) of the CTM Regulation, although he sought to introduce claims for infringement of Article 9(1)(b) and (c) by amendment. Morgan J granted summary judgment against the claimant, who was not legally represented. Morgan J's principal reasons for dismissing the claim were that (i) the only use of MR SPICY was by the user and not the defendants; and (ii) even if one regarded the sponsored links as constituting a use by the defendants, such use was only of the word "spicy" which was neither identical to nor confusingly similar to MR SPICY.
391. In my judgment the present case is readily distinguishable from the *Wilson* case. First, the sponsored links here include signs which are admittedly identical to the relevant Trade Marks, whereas that was not the case in *Wilson*. Secondly, the defendants who are alleged to have made the infringing use here are the advertisers rather than the search engine provider, whereas in *Wilson* it was the other way around (indeed, it appears that the claimant in *Wilson* had originally sued Sainsbury's, but discontinued that claim).
392. In my opinion the display of the sponsored links to users does constitute "use" of the signs in question by eBay Europe. In view of the current uncertainty over this and related questions discussed in my judgment in *Interflora v M & S*, however, I do not feel able to say that this is *acte clair*.
393. *In relation to?* L'Oréal contend that such use is use "in relation to" all goods listed on the Site under the relevant Trade Mark at the time when the sponsored link is displayed i.e. the listings which would be displayed if and when the user clicked on the hyperlink. Accordingly, where those listings include both infringing and non-infringing goods, L'Oréal contend that such use is in relation to both infringing and non-infringing goods; and is in an infringement in so far as it is in relation to infringing goods. On L'Oréal's case it is immaterial whether use in relation to non-

infringing goods escapes infringement because it does not fall within Article 5(1)(a) at all or because it is saved by Article 7(1).

394. Counsel for eBay Europe accepted that, when the user clicked through to the Site, there was use of the signs in question in relation to the particular listings of the particular sellers thrown up by the search. So far as such use was concerned, he submitted:

“This does not involve use of any L’Oreal trade marks ‘*in relation to*’ any particular goods offered for sale or supply by any of the eBay Defendants ‘*in the course of trade.*’ Moreover, to the extent that it involves use of any L’Oreal trade marks ‘*in relation to*’ any particular goods offered for sale or supply by any particular seller ‘*in the course of trade*’, the use cannot be stigmatised as infringing use except and unless it is directly hypothecated to infringing products.”

395. As I understood his argument, counsel for eBay Europe accepted that the use of the relevant sign in a particular listing by a particular seller was use “in relation to” the particular goods the subject of that listing, and thus an infringement by the seller (but only the seller) if those goods were infringing goods (subject to the third and fourth points discussed below); but he submitted that the use of the sign in displaying the search results by eBay Europe was not use “in relation to” infringing goods, and hence not an infringement by eBay Europe, because such use was not “directly hypothecated to” the infringing goods; and still less was use of the sign in the sponsored link use in relation to infringing goods because such use was even less “directly hypothecated to” the infringing goods.
396. Counsel for L’Oréal riposted that eBay Europe was in no better position than a retailer who placed an advertisement in a newspaper saying “Lancôme perfumes for sale at low prices in our shop now” at a time when the goods for sale in the shop included both infringing and non-infringing goods, and that the placing of such an advertisement would amount to an infringement.
397. In my view the problem with L’Oréal’s newspaper analogy is that whether or not an advertisement is an infringement must depend on whether it relates to identifiable goods which can be shown to be infringing. If it does not relate to identifiable goods which can be shown to be infringing, but merely to goods of a general class some, but not of all, of which turn out to be infringing upon further investigation, I find it difficult to see that the placing of the advertisement, or the making of any offer or exposure for sale thereby, is in itself an infringing act.
398. Even if I am right about that, however, that is not the end of the matter so far as L’Oréal’s second proposition is concerned. In the case of the sponsored links complained of, there is some degree of nexus between the use of the sign in the sponsored link and what I will assume for the moment are infringing goods in that clicking on the sponsored link leads the user directly to listings for goods by reference to the sign which include infringing goods. In the present state of the ECJ’s jurisprudence I consider it arguable that this is sufficient to constitute use “in relation to” infringing goods.

399. I would add that I agree with L'Oréal that it is immaterial to this question whether use in relation to genuine goods is outside the scope of Article 5(1)(a) of the Directive altogether or whether it is within the scope of Article 5(1)(a) of the Directive and saved from infringement by Article 7(1).
400. *In the course of trade?* L'Oréal contend that acts complained of were carried out "in the course of trade" since eBay Europe are plainly engaging in commercial activity with a view to economic advantage. Counsel for eBay Europe did not dispute this.
401. Since L'Oréal accept that the sponsored links only infringe in so far as they relate to infringing listings, however, it is also necessary to consider whether the sellers were acting in the course of trade. L'Oréal contend that they were. Counsel for eBay Europe did not dispute that, if there was use of the signs in question in the United Kingdom by virtue of the allegedly infringing listings, then the use was in the course of trade. Rather, he submitted that the requirement that use be in the course of trade had to be borne in mind when considering whether the use was in the United Kingdom.
402. *In the United Kingdom?* Since most of the Trade Marks are United Kingdom trade marks, it is necessary to consider whether the use complained of is use in the United Kingdom. (Although two of the Trade Marks are Community trade marks, L'Oréal's complaint is that they have been infringed in the United Kingdom.) It is common ground that the mere fact that a website is accessible in the United Kingdom does not mean that an advertisement or offer for sale featuring a particular sign displayed on that website constitutes use of that sign in the United Kingdom. Such an advertisement or offer for sale only constitutes use in the United Kingdom if it is aimed or targeted at consumers in the United Kingdom: see *Euromarket Designs Inc v Peters* [2001] FSR 288 at [21]-[25] and *800-FLOWERS Trade Mark Application* [2000] FSR 697 at 704-706 (affirmed [2001] EWCA Civ 721, [2002] FSR 191).
403. L'Oréal contend that the sponsored links are aimed or targeted at consumers in the United Kingdom since they are advertisements for the Site, which is a website specifically aimed or targeted at UK users. I did not understand counsel for eBay Europe to dispute this.
404. Again, however, it is also necessary to consider whether the allegedly infringing listings are aimed or targeted at UK consumers. L'Oréal contend that they are. Of the four situations in which non-UK sellers' listings may appear on the Site listed in paragraph 61 above, counsel for eBay Europe did not dispute that the first did involve targeting UK consumers but contended that the second, third and fourth did not.
405. So far as International Site Visibility is concerned, in my judgment this clearly does involve targeting UK consumers since this upgrade is country-specific. In order for listings to be visible on the Site, the sellers must have selected visibility in the UK and paid the fee for visibility in the UK.
406. So far as listings revealed by European Union or worldwide searches are concerned, the position is more finely balanced. Such listings are in a sense aimed at the whole of the European Union or the world. Nevertheless, on balance I consider that they are sufficiently targeted at UK consumers because such listings will only be returned by the search if the seller has indicated that he or she is prepared to deliver to the United

Kingdom among other countries. If a UK buyer purchases the item in question, then a contract of sale will be concluded which will probably be made in the United Kingdom. Whether that is so or not, the seller will (unless he or she defaults) post the item to the United Kingdom and will thereby import it into the United Kingdom.

407. In this connection, counsel for eBay Europe relied on the decision of the Hamburg District Court in Case 406 O9/07 *L'Oréal SA v eBay International AG* (20 April 2007). This was a claim by L'Oréal against eBay for unfair competition, not trade mark infringement. L'Oréal objected to listings by a seller identified as www.flaconetti.de which were (i) accessible on the German eBay site as a result of a search for L'Oréal's brands with the worldwide option, (ii) priced in US dollars with a euro equivalent and (iii) did not include the seller's name or information about the buyer's right to cancel the purchase. Counsel for eBay Europe told me, although it does not appear from the face of the decision, that L'Oréal argued the display of these listings amounted to unfair competition because they did not comply with Council Directive 97/7/EC of 20 May 1997 on the protection of consumers in respect of distance contracts ("the Distance Selling Directive", as to which see below). The same seller also published listings on the German eBay website priced in euros which did include the seller's name and information about the right to cancel. The District Court rejected the claim on the ground that the US dollar listings were not intended for the German market.
408. I have to say that I do not find this decision of much assistance. As I have pointed out, it is based on unfair competition law. Even so, the test applied by the Hamburg court seems broadly consistent with that applied in this jurisdiction. The facts of the case, or at least the evidence, seem to have been different to those here. In particular, the evidence before me is that a worldwide search on the Site only produces listings for goods which the sellers have indicated that they are prepared to deliver to the UK, whereas there is no reference to that factor in the decision. Moreover, the Hamburg court relied on the fact that the listings quoted prices in euros, which is not a currency specific to Germany. By contrast, in the present case the prices are quoted in sterling.
409. Turning to the specific listings which are the subject of L'Oréal's complaint as particularised by reference to Annex 7, as I have said above these fall into two categories.
410. The first category is where both price and postage are stated in sterling, in neither case in italics. All the listings in this category were thrown up by the search when the SHU UEMURA sponsored link was clicked. I infer that the sellers were either UK sellers or non-UK sellers who had registered on the Site. In my judgment these listings are clearly targeted at UK consumers.
411. The second category is where the price was stated in sterling, in italics, indicating that the price had been converted from a foreign currency. All the listings in this category were listings described as being "from eBay international sellers". It is not clear from the evidence precisely how these listings came to be displayed, but it appears to have been due to some predecessor of the International Site Visibility feature since it is common ground that it was not due to a worldwide search. That being so, I consider that these listings are clearly targeted at UK consumers. It is immaterial that the sellers rely upon eBay to convert their prices into sterling rather than doing it themselves.

412. I would add that, even if the listings had appeared as a result of a worldwide search, I would still reach the same conclusion for the reasons given above.
413. *Infringing use?* As already noted, L'Oréal contend that the sponsored links infringe where they relate to listings for non-EEA goods. L'Oréal accept that the sponsored links do not infringe where they relate to goods placed on the market within the EEA by or with the consent of L'Oréal, except testers and dramming products and unboxed products, since in those circumstances the use is protected by Article 7(1).
414. Counsel for eBay Europe submitted that the fact that the listings indicated that the goods were located in a country outside the EEA did not, or at least did not necessarily, mean that there was an infringement. In this connection, he pointed out that there was an important distinction between L'Oréal's claims regarding items (1)-(15) sold by the Fourth to Eighth Defendants and L'Oréal's claims regarding the acts particularised by reference to Annex 7 of the Re-Amended Particulars of Claim, namely that in the former cases L'Oréal had arranged for trap purchases to be made, whereas in the latter cases L'Oréal had not. Counsel for eBay Europe submitted that the significance of this was that in the former cases the goods in question had in fact been sold and delivered to purchasers in the United Kingdom in factual circumstances which were the subject of evidence before the court; but in the latter cases there was no evidence as to what would have happened even supposing that UK buyers had successfully bid for the goods in question. From this starting point, Counsel for eBay Europe advanced four arguments which I will consider in turn.
415. First, counsel for eBay Europe submitted that there can be no liability for infringement in respect of any offering for sale or sale which does not necessarily entail putting the specific goods at issue on the market within the territorial limits of the protection conferred by the relevant registration. In support of this submission he relied on *Class International* at [51]-[61], *Montex Holdings* at [22]-[24] and [28]-[32] and the judgment of the Court of Appeal in *Eli Lilly & Co v 8PM Chemists Ltd* [2008] EWCA Civ 24, [2008] FSR 12, where Jacob LJ giving the judgment of the Court said at [46]:
- “So, no placing on the market, no infringement. The touchstone is clear.”
416. Counsel for L'Oréal distinguished *Class International*, *Montex Holdings* and *Eli Lilly* as being cases concerned with goods in transit under customs procedures other than release for free circulation and where there had been no advertisement, offer for sale or exposure for sale within the United Kingdom. He submitted that the present case was different because it involved the advertisement, offer for sale and exposure for sale within the United Kingdom by virtue of listings which targeted UK consumers of goods which had been placed on the market by L'Oréal outside the EEA.
417. Counsel for eBay Europe riposted that the reasoning in those cases suggested that, where one was concerned with an advertisement, offer for sale or exposure for sale on a website which at best was targeted at UK consumers in the sense described above, that was not enough to constitute infringement unless it was also possible to say that the advertisement, offer for sale or exposure for sale necessarily entailed putting the goods on the market in the United Kingdom. Accordingly, if the advertisement, offer

for sale or exposure for sale could equally lead to a sale to a different market, that was not enough.

418. In my opinion L'Oréal is right on this point. I consider that eBay Europe's argument confuses the use complained of (namely the advertisement etc constituted by the sponsored link) with the status of the goods (namely whether they fall within Article 7(1) or not). Nevertheless, I do not feel able to say that this is *acte clair*. Accordingly, I consider that guidance is required from the ECJ.
419. Secondly, counsel for eBay Europe relied on the fact that, unlike counterfeit goods, parallel imports are not subject to border control measures pursuant to Council Regulation 1383/2003/EC of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights. Accordingly, he submitted, it would be wrong in principle to require eBay Europe to establish electronic border control measures of greater restrictiveness than L'Oréal could lawfully ask the customs authorities to apply.
420. Counsel for L'Oréal responded that the position under Council Regulation 1383/2003/EC was irrelevant. I agree. Although a trade mark owner cannot request border control measures in respect of parallel imports, it can invoke its ordinary legal remedies in respect of parallel imports.
421. Thirdly, counsel for eBay Europe submitted that the court could not exclude the possibility that L'Oréal had impliedly consented to the putting of the goods in question upon the market in the EEA. In this connection, he reminded me that the ECJ had held in its ruling in *Zino Davidoff* that "consent may be implied, where it follows from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the European Economic Area". He also relied upon the absence of disclosure by L'Oréal of documents relating to their policies and procedures for the enforcement of their trade mark rights against parallel imports of genuine products, and submitted that the decision of the Court of Appeal in *Honda Giken Kogyo Kabushiki Kaisha v KJM Superbikes Ltd* [2007] EWCA Civ 313 showed that such disclosure would be necessary to resolve this issue.
422. Counsel for L'Oréal responded that L'Oréal had given proper disclosure and pointed out that eBay Europe had not applied for further disclosure. He distinguished *Honda* on the basis that in that case a positive case of consent had been pleaded by the defendants, whereas in the present no such case had been pleaded by eBay Europe. He also relied on the evidence of Mr Monteiro that L'Oréal had made many claims against parallel importers in the UK as confirming that L'Oréal did not consent to parallel imports from outside the EEA and took action against them when they considered it appropriate to do so.
423. In my judgment, there is no evidence that L'Oréal impliedly consented to the acts of the sellers in question (still less to the sale and delivery of the goods in question to the United Kingdom in the event that UK buyers bought the items).
424. Fourthly, counsel for eBay Europe submitted that the court could not exclude the possibility that the goods in question had been placed on the market in the EEA by L'Oréal even though the seller stated that they were located outside the EEA. In the

first place, one only had the seller's word for it that the goods were located where he or she said and so they could be located within the EEA. Even if that was true, the goods might have been exported from the EEA by someone.

425. Counsel for L'Oréal accepted that these were theoretical possibilities, but submitted that it was highly probable that the goods were located where the seller stated and had not been exported from the EEA, because a false statement of location would affect the postage cost and it would probably be uneconomic to sell back to the EEA goods exported from the EEA. I agree. Moreover, in the case of the listings in question it is probable, and I find, that the goods were located where the sellers stated and had been placed on the market outside the EEA.

Use on the Site

426. Again, it is convenient to consider L'Oréal's claim in respect of use on the Site under the same five headings.
427. *Use?* Again there is an issue as to whether there is a "use" of the signs in question by eBay Europe. The nature of the alleged use is slightly different to that in the case of the sponsored links, however, in that it is more like a heading in classified advertising and less like an actual advertisement itself. Nevertheless, my conclusion is the same.
428. *In relation to?* Again, L'Oréal contend that such use is "in relation to" all goods listed on the Site under the relevant Trade Mark at the time the search is carried out, and hence in relation to both infringing and non-infringing use. Again, I consider that it is arguable that there is a sufficient nexus between the use and the infringing goods.
429. *In the course of trade?* The position is the same as in the case of the sponsored links.
430. *In the United Kingdom?* The position is much the same as in the case of the sponsored links. In the case of the specific listings which are the subject of L'Oréal's complaint as particularised by reference to Annex 8, these all fall within the first of the two categories described above. Accordingly, I conclude that these listings are all targeted at UK consumers.
431. *Infringing use?* The position is the same as in the case of the sponsored links. Again, I consider that guidance is required as to whether, as eBay Europe contend, L'Oréal must show that the listings necessarily entail putting the items on the market in the United Kingdom.

Do eBay Europe have a defence under Article 14 of the E-Commerce Directive?

432. eBay Europe contend that in any event they have a defence under Article 14 of European Parliament and Council Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ("the E-Commerce Directive").

Key provisions of the E-Commerce Directive

433. The E-Commerce Directive contains no less than 65 recitals which explain its purpose and guide its interpretation. My attention was drawn to recitals (17), (25), (29), (42),

(45), (46) and (47). Of these the most relevant are recitals (42), (45), (45), (46), (47) and (48), which read as follows:

- “(42) The exemptions from liability established in this Directive cover only cases where the activity of the information society service provider is limited to the technical process of operating and giving access to a communication network over which information made available by third parties is transmitted or temporarily stored, for the sole purpose of making the transmission more efficient; this activity is of a mere technical, automatic and passive nature, which implies that the information society service provider has neither knowledge of nor control over the information which is transmitted or stored.
- (45) The limitations of the liability of intermediary service providers established in this Directive do not affect the possibility of injunctions of different kinds; such injunctions can in particular consist of orders by courts or administrative authorities requiring the termination or prevention of any infringement, including the removal of illegal information or the disabling of access to it.
- (46) In order to benefit from a limitation of liability, the provider of an information society service, consisting of the storage of information, upon obtaining actual knowledge or awareness of illegal activities has to act expeditiously to remove or to disable access to the information concerned; the removal or disabling of access has to be undertaken in the observance of the principle of freedom of expression and of procedures established for this purpose at national level; this Directive does not affect Member States' possibility of establishing specific requirements which must be fulfilled expeditiously prior to the removal or disabling of information.
- (47) Member States are prevented from imposing a monitoring obligation on service providers only with respect to obligations of a general nature; this does not concern monitoring obligations in a specific case and, in particular, does not affect orders by national authorities in accordance with national legislation.
- (48) This Directive does not affect the possibility for Member States of requiring service providers, who host information provided by recipients of their service, to apply duties of care, which can reasonably be expected from them and which are specified by national law, in order to detect and prevent certain types of illegal activities”

434. Articles 13, 14 and 15 provide:

“Article 13

‘Caching’

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:
 - (a) the provider does not modify the information;
 - (b) the provider complies with conditions on access to the information;
 - (c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;
 - (d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and
 - (e) the provider acts expeditiously to remove or disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.
2. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 14

Hosting

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:
 - (a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or
 - (b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.
3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information

Article 15

No general obligation to monitor

1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.
 2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements”
435. The E-Commerce Directive was transposed into domestic law by the Electronic Commerce (EC Directive) Regulations 2002, SI 2002/2013. In particular, Article 14 of the E-Commerce Directive is implemented by regulation 19 of these Regulations. There is little difference between the wording of the two provisions, however, and it was not suggested by either side that they bore different meanings.

Discussion

436. Counsel for eBay Europe submitted that it is evident from a comparison of Articles 13 and 14 that Article 14 covers “storage of information” that was not merely “automatic, intermediate and temporary”. Otherwise, he argued that there is storage of data for the purposes of Article 14 when information is recorded in electronic form and there is no limit as to the nature or content of the information which is stored. Thus he argued that it included information recorded for access or retrieval in electronic form including access or retrieval by display on screen. He went on to submit that L’Oréal’s refusal to participate in the VeRO programme meant that eBay Europe could not have the knowledge or awareness required for loss of immunity. He also submitted that, if L’Oréal’s contentions in this case were upheld, it would be tantamount to imposing on eBay Europe a general obligation to monitor contrary to Article 15.
437. Counsel for L’Oréal submitted that recital (42) shows that Article 14(1) is limited to “the technical process of operating and giving access to a communication network...”

and applies to activities “of a mere technical, automatic and passive nature”, where “the provider has neither knowledge of nor control over the information ... stored”. Thus Article 14(1) applies to cases where the information society service provider has no control over the information to be stored. Accordingly, he argued, Article 14(1) cannot apply in the present case because the activities of eBay Europe go far beyond the mere passive storage of information provided by third parties. On the contrary, eBay Europe actively organised and participated in the processing and use of the information to effect the advertising, offering for sale, exposing for sale and sale of goods including infringing goods. Furthermore, the use of the Link Marks, particularly in sponsored links, went well beyond hosting on any view.

438. Counsel for L’Oréal also submitted that Article 14(2) makes it clear that the hosting defence does not apply where the recipient of the service (the provider of the information to be stored) is acting under the control of the provider of the information service. Here the recipient of the service is the seller, and the provider of the information society service is eBay Europe. Counsel argued that eBay have the power to control the information which is stored by sellers and purport to exercise that power. eBay Europe control whether the listings are displayed, and if so for how long, by means of filters and sanctions for breaches of their policies which include removal of listings.
439. Furthermore, counsel for L’Oréal submitted that eBay Europe were well aware of “facts or circumstances from which the illegal activity or information is apparent”. In this regard he relied on eBay Europe’s own knowledge of what was taking place on the Site, on the letter from L’Oréal to eBay Europe dated 22 May 2007 drawing attention to the problems and giving examples of infringements and on the evidence relating to the activities of the Ninth and Tenth Defendants. He disputed that requiring eBay Europe to take steps to stop, or least minimise, activities of the kind complained of amounted to imposing a general duty to monitor.
440. Finally, counsel for L’Oréal submitted in any event Article 14(3) made it clear that L’Oréal was entitled to an injunction even if Article 14(1) provided eBay Europe with a defence to a claim for financial remedies.
441. My attention was drawn to a selection of decisions of courts of other Member States, although I understand that there are others. In Case RG 06/02604 *Hermès International v Feitz*, a decision of the Tribunale de Grande Instance in Troyes dated 4 June 2008, it was held that eBay was not a mere host and therefore was not protected by the French implementation of Article 14 of the E-Commerce Directive. By contrast, in Case A/07/06032 *Lancôme Parfums et Beauté & Cie v eBay International AG*, a decision of the Brussels Commercial Court dated 31 July 2008, it was held that eBay was protected by the Belgian implementation of Article 14. Counsel for L’Oréal submitted, however, that the Belgian court had, rightly or wrongly, understood that Lancôme’s claim only related to the hosting activities carried out by eBay, and in particular storing listings, and thus the decision was distinguishable from the present case. He also told me that the decision was under appeal. More importantly, perhaps, I note that in the three *Internet Auction* judgments of the Bundesgerichtshof discussed below, the Bundesgerichtshof seems to have taken a fairly expansive view of the scope of Article 14(1); but since it held that the online service providers were not liable for trade mark infringement anyway, its statements about Article 14(1) would appear to be *obiter dicta*.

442. In any event, there are three references pending before the ECJ which include questions as to the proper interpretation of Article 14, namely the three *Google* references from the Cour de Cassation discussed in my judgment in *Interflora v M & S*.
443. Although I prefer the arguments of counsel for L'Oréal to those of counsel for eBay Europe, I do not think it can be said that the interpretation of Article 14 is *acte clair*. This is another matter upon which guidance from the ECJ is required.

Do L'Oréal have a remedy under Article 11 of the Enforcement Directive?

444. L'Oréal rely on Article 11 of the Enforcement Directive as entitling L'Oréal to an injunction against eBay Europe even if (contrary to their contentions) eBay Europe are not liable for trade mark infringement. L'Oréal contend that, having established a number of infringements by the Fourth to Tenth Defendants, Article 11 of the Enforcement Directive requires the court to grant an injunction against eBay Europe to prevent the same or similar infringements in the future. Furthermore, L'Oréal contend that a fairly broad view must be taken as to what constitutes a "similar" infringement. As I understand L'Oréal's case, this would extend to an injunction in relation to testers and dramming products and unboxed products even though I have found that the acts of the Fourth to Eighth Defendants infringed upon a more general ground.

Relevant provisions of the Enforcement Directive

445. Article 11 provides:

"Injunctions

Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC."

446. Article 2(3) provides:

"This Directive shall not affect:

- (a) the Community provisions governing the substantive law on intellectual property, Directive 95/46/EC, Directive 1999/93/EC or Directive 2000/31/EC, in general, and Articles 12 to 15 of Directive 2000/31/EC in particular".

Domestic law

447. It is common ground that the United Kingdom has not taken any specific steps to implement the last sentence of Article 11, but instead has relied upon its pre-existing law as being in compliance with that provision. It is not entirely clear, however, that English law is fully compliant with that provision.

448. Section 37(1) of the Supreme Court Act 1981 (shortly to be re-named the Senior Courts Act) provides:

“The High Court may by order (whether interlocutory or final) grant an injunction or appoint a receiver in all cases in which it appears to be just and convenient to do so.”

449. The ambit of the power conferred by section 37(1) has been considered by the House of Lords and the Privy Council in at least six cases in the last 30 years: *The Siskina* [1979] AC 210, *South Carolina Insurance Co Ltd v Assurantie Maatschappij De Zeven Provinciën NV* [1987] AC 24, *Pickering v Liverpool Daily Post* [1991] 2 AC 370, *Kirklees MBC v Wickes Building Supplies Ltd* [1993] AC 227, *Channel Tunnel Group Ltd v Balfour Beatty Construction Ltd* [1993] AC 334 and *Mercedes-Benz AG v Leiduck* [1996] AC 284. In *South Carolina* a majority of the House and in *Pickering* a unanimous House held that (with the exception of injunctions to restrain proceedings overseas) the power was limited to two situations: (i) where one party to an action can show that the other party has invaded, or threatens to invade, a legal or equitable right of the former, for the enforcement of which the latter is amenable to the jurisdiction of the Court; and (ii) where one party to an action has behaved, or threatens to behave, in a manner which is unconscionable. Despite this, dicta in the *Kirklees*, *Channel Tunnel* and *Mercedes-Benz* cases suggest that the power may not be so confined.

450. More recently, in *Broadmoor Special Hospital Authority v Robinson* [2000] QB 775 Lord Woolf MR at [20], with whom Waller LJ agreed at [55], cited with approval the following passage from Spry, *Equitable Remedies* (5th ed, 1997) at 323:

“The powers of courts with equitable jurisdiction to grant injunctions are, subject to any relevant statutory restrictions, unlimited. Injunctions are granted only when to do so accords with equitable principles, but this restriction involves, not a defect of powers, but an adoption of doctrines and practices that change in their application from time to time. Unfortunately, there have sometimes been made observations by judges that tend to confuse questions of jurisdiction or of powers with questions of discretions or of practice. The preferable analysis involves a recognition of the great width of equitable powers, an historical appraisal of the categories of injunctions that have been established and an acceptance that pursuant to general equitable principles injunctions may issue in new categories when this course appears appropriate.”

451. The same passage appears in the current (7th, 2007) edition of Dr Spry's book at 323. He deals with the same point more fully at pages 332-333 as follows (footnotes omitted):

“Where, as in most jurisdictions, superior courts now exercise the powers of the former Court of Chancery, whether or not they are also able to grant legal injunctions or are affected by special Judicature Act provisions, their powers of granting injunctions are unlimited, provided that they have jurisdiction over the defendant in the circumstances in question. These powers are however exercised in accordance with the principles set out here under.

First, an injunction may issue in the protection of any legal right whatever, save for an applicable statutory provision provides to the contrary. For these purposes the relevant legal right must ordinarily be a present right of the plaintiff, as opposed to a right that he merely expects or hopes to acquire in the future.

Secondly, an injunction may issue in the enforcement of any equitable right. Here on a strict analysis the right to the injunction itself represents pro tanto the equitable right in question. Hence in ascertaining whether an injunction may be obtained on this basis it is necessary to determine whether injunctions of the relevant kind were formally granted in the exclusive or concurrent jurisdiction of courts of equity, and if not, whether the principles underlying those jurisdictions should nonetheless now be treated as rendering the grant of the injunction appropriate.

Thirdly, an injunction may issue pursuant to its natural power to grant injunctions conferred in respect of a particular subject matter, such as family law or trade practises law.

Fourthly, an injunction may issue in the protection of a legal privilege or freedom. So an injunction may be obtained to prevent a person from harassing the plaintiff. Likewise even if, on the principles that have been set out here, an injunction is not otherwise obtainable to enjoying the bringing or continuation of proceedings in another court - whether in an inferior court, a court of special jurisdiction or a foreign court - it may nevertheless be obtained if the bringing or continuation of those proceedings would be unconscionable. Injunctions of these kinds may be granted whether or not inconsistent proceedings have been or will be commenced in the forum.

Fifthly, an injunction (such as a Mareva injunction or freezing order) may issue in other cases in which, on miscellaneous grounds, the conduct restraint would be unconscionable. It has been said in the House of Lords that this term includes conduct

which is oppressive or vexatious or which interferes with the due process of the court. Here s. 37 of the Supreme Court Act 1981 and other such provisions merely confirm the width of the court's inherent powers.”

452. Counsel for L'Oréal submitted that the basis for the grant of an injunction could be found in a somewhat obscure equitable principle known as the equitable protective jurisdiction. In *Norwich Pharmacal Co v Customs & Excise Commissioners* [1974] AC 133 Buckley LJ stated this as follows:

“If a man has in his possession or control goods the dissemination of which, whether in the way of trade or, possibly, merely by way of gifts (see *Upmann v Forester*, 24 Ch.D. 231) will infringe another's patent or trade mark, he becomes, as soon as he is aware of this fact, subject to a duty, an equitable duty, not to allow those goods to pass out of his possession or control at any rate in circumstances in which the proprietor of the patent or mark might be injured by infringement ensuing. The man having the goods in his possession or control must not aid the infringement by letting the goods get into the hands of those who may use them or deal with them in a way which will invade the proprietor's rights. Even though by doing so he might not himself infringe the patent or trade mark, he would be in dereliction of his duty to the proprietor. This duty is one which will, if necessary, be enforced in equity by way of injunction: see *Upmann v Elkan*, L.R. 12 Eq. 140, 7 Ch App 130.”

453. As counsel for eBay Europe pointed out, however, in *Amstrad v BPI* at 214-215 Slade LJ held that this principle had no application to a case where the dissemination of the goods in question would not of itself infringe the claimant's rights. Similarly, I find it somewhat difficult to see how this principle can be extended to a case where the person against whom the injunction is sought does not have the allegedly infringing goods within his possession, custody or control.

454. Nevertheless, in the light of the general principles I have set out above, I consider that, if Article 11 requires that the grant of an injunction against an intermediary who is not an infringer, then that provides a sufficient reason for a court of equity to exercise its power to grant an injunction to protect an intellectual property which has been infringed. In saying this, I am not treating Article 11 as having direct effect; but as providing a principled basis for the exercise of an existing jurisdiction in a new way. The question then is whether, and if so to what extent, that is what Article 11 requires.

What does Article 11 require?

455. In this connection, my attention drawn was to a series of three decisions of the Bundesgerichtshof, Case I ZR 304/01 *Internet Auction I* (reported in English at [2006] ECC 9, [2005] ETMR 25 and [2005] IIC 573), Case I ZR 35/04 *Internet Auction II* (reported in English at [2007] ETMR 70) and Case I ZR 73/05 *Internet Auction III* (30 April 2008, but so far as I am aware not yet reported in English).

456. The first case concerned claims by Rolex SA and Manufacture des Montres Rolex SA against ricardo.de AG, another company which provides an online auction-style service, about the offering for sale of imitation ROLEX watches explicitly described as such by users of ricardo's website. The Bundesgerichtshof held that, assuming they had used the signs in the course of trade, the sellers had infringed Rolex's trade marks; but that ricardo had neither infringed the trade marks nor participated in infringement by the users. Accordingly, Rolex's claim for damages was dismissed. Nevertheless, the Bundesgerichtshof held that Rolex had a claim to an injunction based on the German legal principle of *Störerhaftung*, which may be translated as "disturber" or "interferer" liability,* since ricardo had wilfully made an adequate causal contribution to the infringements. The Bundesgerichtshof held that Rolex would be entitled to an order requiring ricardo to take reasonable measures, such as filtering, to prevent further infringements, but that ricardo could not be required to take steps which would jeopardise its entire business model, nor would ricardo be liable for further infringements it was unable to detect by filtering. The Bundesgerichtshof was not able to reach a final conclusion as to whether Rolex were entitled to an injunction, however, since the Higher Regional Court had not made a finding as to whether the users had used the signs in the course of trade. Accordingly the case was remanded to the Higher Regional Court.
457. In reaching this conclusion, the Bundesgerichtshof held that a claim for an injunction on the ground of *Störerhaftung* was not precluded by sections 8 to 11 of the German Telecommunications Act which implemented the E-Commerce Directive. Furthermore, it held that the German legislation conformed in this respect with Article 14(3) of the E-Commerce Directive: see [2006] ECC 9 at [29]. As I understand it, the Bundesgerichtshof did not consider Article 11 of the Enforcement Directive in this decision since the Enforcement Directive was not yet in force.
458. The Bundesgerichtshof's decision in *Internet Auction I* has been the subject of extrajudicial explanation by Prof. Dr. Joachim Bornkamm, the President of the First Civil Chamber and a party to the decision, in a paper entitled *E-Commerce Directive vs. IP Rights Enforcement – Legal Balance Achieved* given at a conference in Brussels on 6 March 2007 and subsequently published in English at [2007] GRUR Int 642. In his paper Judge Bornkamm explains the doctrine of *Störerhaftung* and its application to the present situation as follows (footnotes omitted):

"It is, however, consistent practice of German courts that whenever an absolute right, i.e. a right which is enforceable against everyone, is in question a third person who has neither committed an infringement in his own right nor has aided and abetted the infringement of a principal infringer can be asked to stop any interference ('*Störung*') he has caused in the past. Sec. 1004 of the German Civil Code grants such a right to (permanent) injunctive relief to the proprietor against anybody who was caused an interference with the property. German courts apply this provision to interferences as with any other absolute right, i.e. intellectual property. This liability of the

* In the translation in ETMR the word "perpetrator" is used and in the translation in IIC the word "accessory" is used, neither of which is accurate.

'interferer' (*Störer*) is related to a rule of reason, which takes into account that even such a liability limited to injunctive relief involves a duty to take care. Nobody shall be held liable as an interferer (*Störer*) if it would be unreasonable to burden him with a duty to examine whether or not his behaviour could interfere with the (intellectual) property of a third person. For example, a carrier who transports counterfeit goods from A to B may be an important link in the chain of causation leading to the infringing sales of the goods in B. Still he could not be held liable as an interferer (*Störer*) because it will be unreasonable to burden him with a duty to examine the goods he has to carry in regard to possible trademark infringements.

Applying this doctrine to a host provider like RICARDO or eBay, that opens a platform for an internet auction, leads to the conclusion that there can be no *ex ante* examination of any infringing content of the vendors may want to put up for sale. If the host provider was expected to screen and control any contents before it is offered on the internet, this would clearly mean the end of such a business model. Taking into account the number of individual sales taking place on a platform of this kind, it can only be operated in a way that individual offers are put up the sale by the vendor without the assistance of the host provider. A duty to react in the case of infringement would, however, be reasonable once a clear infringement has been shown by the right holder. In this case the host provider should indeed be obliged to remove the infringing object from the platform and to install measures in order to prevent a repetition of such an infringement."

459. Judge Bornkamm goes on to express the following conclusion:

"The solution found in the RICARDO judgment of the Bundesgerichtshof strikes a fair balance between intellectual property rights and the interests of host providers. On the one hand, it does not impose an unreasonable burden on the provider. On the other hand, it makes sure that the provider takes all reasonable steps to prevent further infringements of the same kind. It seems only fair that a provider, who would profit from the sales of counterfeit goods, does everything in his power to prevent such infringements. The balance struck by the German courts is in accordance with European law, but European law only allows such a balance without stipulating it. Hence there is room for further harmonisation, which would not only allow member states to strike such a balance but which would also would ask such a balance in order to give adequate protection to intellectual property rights."

460. The second case concerned claims by Rolex against eBay about the offering for sale of imitation ROLEX watches, some of which were explicitly described as such, on the

German eBay website. The Bundesgerichtshof essentially re-iterated its conclusions in the first case. It held that the sellers were liable for trade mark infringement, but eBay was not. Nevertheless, it held that Rolex were entitled to an injunction against eBay on the basis of *Störerhaftung*. In reaching this conclusion, it held that Article 11(3) of the Enforcement Directive not merely enabled, but also required recourse to this principle of national law in the case of intermediaries, even where the trade mark sued upon was a Community trade mark in respect of which questions of infringement were governed by the CTM Regulation: see [2007] ETMR 70 at [36]-[38]. It also held that such an injunction could be granted not only where there had already been an infringement, but also where there was an imminent threat of infringement: see [41]. The Bundesgerichtshof remanded the case back to the Higher Regional Court to consider whether an injunction was justified on the facts.

461. The third case was a further appeal in the *Rolex v ricardo* proceedings. When the case was remanded to the Higher Regional Court, it had found that the users had acted in the course of trade in eight out of nine cases and granted an injunction. On the further appeal, the Bundesgerichtshof held that the Higher Regional Court was not justified in concluding that the users had acted in the course of trade in all eight cases but only in two. It agreed with the Higher Regional Court that Rolex was entitled to an injunction both because of clear past infringements and because ricardo was aware of infringements from a press release issued by Rolex in 1999, but considered that the injunction went beyond what Rolex were entitled to and/or was insufficiently precise in certain respects. Accordingly it substituted a more limited form of injunction. I note with interest that the Bundesgerichtshof considered that the fact that the two sellers in question had 26 and 75 feedbacks respectively was sufficient to indicate, and enable ricardo to detect, that they were acting in the course of trade.
462. The doctrine of *Störerhaftung* and its application to online service providers have recently been discussed by Dr Alexander Bayer in a paper entitled *Liability 2 - Does the Internet environment require new standards for secondary liability? An overview of the current situation in Germany* published in Prinz zu Waldeck and Pymont et al (eds), *Patents and Technological Progress in a Globalized World: Liber Americorum Joseph Strauss* (Springer, 2009), pp. 365-377. Dr Bayer traces the development of the doctrine from its origins in three decisions of the Bundesgerichtshof in the 1950s. Notwithstanding the recent decisions of the Bundesgerichtshof in the cases discussed above, he expresses the view that:
- “... its requirements and scope have not yet been determined. This is particularly true with respect to legal offences committed online, i.e. through services provided by Internet Service Providers...”
463. Counsel for eBay Europe submitted that *Störerhaftung* is a doctrine peculiar to German law which has no counterpart in English law. That I entirely accept, but for the reasons given above it does not follow that an English court has no power to grant an injunction against an intermediary if that is what Article 11 requires.
464. Counsel for eBay Europe also submitted that, while the Bundesgerichtshof may have been entitled to apply the doctrine of *Störerhaftung* in the way that it had, the Bundesgerichtshof had gone rather further than Article 11 required. He accepted that, once it was shown that a third party had infringed a trade mark, then the third

sentence of Article 11 required that an injunction be available against an intermediary whose services had been used to commit that infringement. He submitted, however, that Article 11 merely required that an injunction be available against the intermediary to prevent the continuation of that specific act of infringement. Furthermore, he argued that, if Article 11 was interpreted as requiring the taking of the kind of steps contemplated by the Bundesgerichtshof, that was tantamount to imposing a general obligation to monitor contrary to Article 15 of the E-Commerce Directive and that Article 2(3) of the Enforcement Directive shows that that is not a permissible interpretation of Article 11.

465. I conclude that the scope of the obligation placed on Member States by the third sentence of Article 11, and in particular the scope of the injunction which it requires to be available against intermediaries, is unclear. This is another matter upon which the guidance of the ECJ is required.

Are the Distance Selling Regulations relevant to any of the foregoing issues, and if so how?

466. The Distance Selling Directive has been implemented in domestic law by the Consumer Protection (Distance Selling) Regulations 2000, SI 2000 No. 2334 (“the Distance Selling Regulations”).

467. In paragraph 40(16) of the Re-Amended Particulars of Claim, L’Oréal plead:

“The Distance Selling Regulations provide protection to consumers in relation to any consumer distance contract. ‘Buy It Now’ sales advertised on the Site are covered by the scope of the Distance Selling Regulations. Accordingly, under the Distance Selling Regulations, ‘Buy It Now’ offers on the Site should provide the consumer with information in respect of the identity of the supplier and the supplier’s address where the contract requires payment in advance. Relevant sellers on the Site do not provide such information, including the Fourth, Fifth, Sixth, Seventh and Eighth Defendants.”

468. L’Oréal rely upon this allegation in support of (i) their allegation of joint torfeasorship and (ii) their case that eBay Europe are not protected by the E-Commerce Directive. It is far from clear on the face of the pleading, however, what relevance this allegation has to either of those issues.

Selected provisions of the Distance Selling Regulations

469. The Distance Selling Regulations include the following provisions:

“Interpretation

3. (1) In these Regulations -

“breach” means contravention by a supplier of a prohibition in, or failure to comply with a requirement of, these Regulations;

“business” includes a trade or profession;

“consumer” means any natural person who, in contracts to which these Regulations apply, is acting for purposes which are outside his business;

...

“distance contract” means any contract concerning goods or services concluded between a supplier and a consumer under an organised distance sales or service provision scheme run by the supplier who, for the purpose of the contract, makes exclusive use of one or more means of distance communication up to and including the moment at which the contract is concluded;

...

“excepted contract” means a contract such as is mentioned in regulation 5(1);

“means of distance communication” means any means which, without the simultaneous physical presence of the supplier and the consumer, may be used for the conclusion of a contract between those parties; and an indicative list of such means is contained in Schedule 1;

...

“operator of a means of communication” means any public or private person whose business involves making one or more means of distance communication available to suppliers;

“period for performance” has the meaning given by regulation 19(2);

...

“supplier” means any person who, in contracts to which these Regulations apply, is acting in his commercial or professional capacity; and

...

Contracts to which these Regulations apply

4. These Regulations apply, subject to regulation 6, to distance contracts other than excepted contracts.

Excepted contracts

- 5.(1) The following are excepted contracts, namely any contract -

...

(f) concluded at an auction.

...

Information required prior to the conclusion of the contract

7.(1) Subject to paragraph (4), in good time prior to the conclusion of the contract the supplier shall -

- (a) provide to the consumer the following information -
 - (i) the identity of the supplier and, where the contract requires payment in advance, the supplier's address;
 - (ii) a description of the main characteristics of the goods or services;
 - (iii) the price of the goods or services including all taxes;
 - (iv) delivery costs where appropriate;
 - (v) the arrangements for payment, delivery or performance;
 - (vi) the existence of a right of cancellation except in the cases referred to in regulation 13;
 - (vii) the cost of using the means of distance communication where it is calculated other than at the basic rate;
 - (viii) the period for which the offer or the price remains valid; and
 - (ix) where appropriate, the minimum duration of the contract, in the case of contracts for the supply of goods or services to be performed permanently or recurrently;
- (b) inform the consumer if he proposes, in the event of the goods or services ordered by the consumer being unavailable, to provide substitute goods or services (as the case may be) of equivalent quality and price; and
- (c) inform the consumer that the cost of returning any such substitute goods to the supplier in the event of cancellation by the consumer would be met by the supplier.”

470. Under regulations 26-29, enforcement of the Distance Selling Regulations is a matter for enforcement authorities such as the Director General of Fair Trading, who can apply for an injunction. It is common ground that the Regulations do not create or confer any private right of action.

Application of the Distance Selling Regulations to eBay Europe

471. It is common ground that a Buy It Now transaction is a distance contract if the supplier (the seller) is acting in a commercial capacity. L'Oréal suggest that anyone other than a private seller on an occasional basis (e.g. selling an unwanted present) is acting in a commercial capacity. More particularly, L'Oréal contend that PowerSellers such as the Fourth-Eighth Defendants and operators of eBay Shops such as the Fourth-Sixth Defendants are acting in a commercial capacity. Counsel for eBay Europe did not concede this, but nor did he directly dispute it.
472. The help page on the Site entitled *Legal Guidance for Business Sellers* states that users should register as a business if they (i) sell items that they have bought to resell, (ii) make items themselves and sell them, intending to make a profit, (iii) are a Trading Assistant or (iv) buy items for their business. (The page entitled *Registering as a Business* suggests that users should also register as a business if they sell a large amount of goods on a regular basis or sell new items that they have not acquired for their own personal use.) It advises that the Distance Selling Regulations apply to Buy It Now listings, but not to auction-style listings. It advises that where the Distance Selling Regulations apply a seller has to refund an item if the buyer changes his or her mind within 7 days of the day on which the item was delivered (this requirement is imposed by regulation 10). So far I can see, it does not advise users about the requirements of regulation 7. This and other help pages do, however, advise business sellers of the need to comply with the Electronic Commerce (EC Directive) Regulations 2002 by providing full contact details.
473. The basis upon which eBay Europe advise users that the Distance Selling Regulations do not only apply to auction-style listings is regulation 5(1)(f) and advice published by the Office of Fair Trading that the Regulations “do not apply to ... auctions, including internet auctions”. It appears, however, that the position may be different in Germany.
474. L'Oréal contend that many sellers on the Site act in a commercial capacity, but do not register as business sellers, and that many such sellers (and some sellers who do register as business sellers) do not comply with regulation 7 of the Distance Selling Regulations. L'Oréal also contend that eBay Europe participate in such breaches because it has sufficient information available to it, in particular from account histories and feedback records, to know that this is so.

Relevance?

475. Even if L'Oréal were right about this, I am not persuaded that it would be relevant to the issues arising in this case which are discussed above. In this regard, it is instructive that there was no mention of the Distance Selling Regulations in L'Oréal's detailed skeleton argument for trial. Accordingly, I decline to make any findings as to whether sellers are contravening the Regulations or whether, if so, eBay Europe bear any legal liability for such breaches.

A reference to the ECJ?

476. In eBay Europe's skeleton argument for trial counsel for eBay Europe pointed out that the issues in the present case touched upon matters that were already the subject of

pending references before the ECJ. He identified eight references that were then thought to be pending, although it was later discovered that the ECJ had already dealt with one of these by reasoned order (Case C-62/08 *UDV North America Inc v Brandtraders NV*, 19 February 2009). Since the hearing, the ECJ has given judgment on a second reference (*Copad*). The other six references are all references concerning Google Adwords, or similar services, and at present they remain pending. Those six references are considered in some detail in my judgment in *Interflora v M & S*.

477. When I enquired whether eBay Europe was contending that this court should refer questions to the ECJ for a preliminary ruling, counsel replied that eBay Europe considered that a reference on the issues arising in these cases was long overdue. He adhered to that position in his closing submissions. Counsel for L'Oréal accepted in his closing submissions that the present case raised one issue of law which was not *acte clair* and upon which it would be appropriate for this court to seek guidance from the ECJ, namely the issue in relation to testers and dramming bottles; but he submitted that, apart from that issue, the legal issues in the present case were either issues of English law or were *acte clair*.
478. For the reasons given above I have concluded that this case raises a number of issues of Community law upon which the guidance of the ECJ is required. Since this court is not a court of last resort, I have a discretion as to whether to make a reference or to attempt to decide the issues myself. In my judgment, in the circumstances of the present case it is clearly better to make a reference myself, for the following reasons.
479. First, I consider that there are clearly some issues of law which are difficult and important even though others appear more straightforward. If I did not refer, I consider that it is highly likely that the Court of Appeal would do so on any appeal. Thus refusing to refer now would simply entail further delay and costs for the parties.
480. Secondly, as I have observed, this is one of a number of cases around Europe both between the same parties and between other parties raising the same or similar issues. *Interflora v M & S* is another one. The sooner the courts of Europe are able to arrive at common answers to these issues, the better. Accordingly, the ECJ should be asked to rule on these issues as soon as possible.

Conclusions

481. For the reasons given above, I conclude as follows:
- i) The Fourth to Tenth Defendants have infringed the Trade Marks. In the case of the Fourth to Eighth Defendants the goods they sold were put on the market outside the EEA and L'Oréal did not consent to those goods being put on the market within the EEA. In the case of the Ninth and Tenth Defendants the goods they sold were counterfeits.
 - ii) Whether the sale by sellers on the Site of testers and dramming products and of unboxed products amounts to an infringement of the Trade Marks depends upon questions of interpretation of the Trade Marks Directive as to which the law is unclear (see paragraphs 319-326 and 331-342 above). Although these questions are academic so far as the acts committed by the Fourth to Tenth Defendants are concerned, they are potentially relevant to the question of

what relief, if any, L'Oréal are entitled to. Accordingly, guidance from the ECJ is required on these points.

- iii) eBay Europe are not jointly liable for the infringements committed by the Fourth to Tenth Defendants.
- iv) Whether eBay Europe have infringed the Link Marks by use in sponsored links and on the Site in relation to infringing goods again depends upon a number of questions of interpretation of the Trade Marks Directive upon which guidance from the ECJ is required (see paragraphs 388-392, 393-398 and 413-418 above).
- v) Whether eBay Europe have a defence under Article 14 of the E-Commerce Directive is another matter upon which guidance from the ECJ is needed (see paragraphs 436-443 above).
- vi) As a matter of domestic law the court has power to grant an injunction against eBay Europe by virtue of the infringements committed by the Fourth to Tenth Defendants, but the scope of the relief which Article 11 requires national courts to grant in such circumstances is another matter upon which guidance from the ECJ is required (see paragraphs 455-465 above).

482. I shall hear further argument on the precise formulation of the questions to be referred to the ECJ. The parties should exchange proposed drafts of the questions in advance of that hearing. The parties should also consider the guidance given by Arden LJ in *Horvath v Secretary of State for Environment* [2007] EWCA Civ 620 at [80].