

MARCH 2021

DEVOTED TO
LEADERS IN THE
INTELLECTUAL
PROPERTY AND
ENTERTAINMENT
COMMUNITY

VOLUME 41 NUMBER 3

THE *Licensing*
Journal®

Edited by Gregory J. Battersby and Charles W. Grimes



Praxis



Counterfeit Corner

Morgan Nickerson and
Jack Brodsky

Manufacturers Have Rights Against Counterfeiters: *Omega* a Reminder That “Willful Blindness” Is Never a Defense to Contributory Infringement

Willful blindness is never a defense to contributory trademark infringement or counterfeiting. This has been the standard ever since the 2010 *Tiffany (NJ) Inc. v. eBay, Inc.* 600 F.3d 93 (2nd Cir. 2010) decision when the U.S. Court of Appeals for the Second Circuit established that Internet marketplaces cannot avoid contributory trademark infringement and counterfeiting when they turn a blind eye to specific conduct of others on their platform. The Second Circuit’s recent decision in *Omega SA v. 375 Canal, LLC et al.*, No. 1:2012cv06979 (S.D.N.Y. 2013) serves as a reminder for manufacturers that service providers, property owners, and others cannot escape liability for contributory trademark infringement or counterfeiting by claiming to lack knowledge of a specific infringer, where the defendant was willfully blind as to the identity of the potential

infringer. Manufacturers must be aware of their right and ability to enforce their trademarks against those who permit infringement and counterfeiting of their marks and allow infringers to trade off of the goodwill developed in the manufacturer’s products and services—whether that be on the Internet or Canal Street, as was the case in *Omega*.

Omega v. 375 Canal: The Second Circuit Reaffirms the “Willful Blindness” Standard a Decade Later

In 2010, the Second Circuit found that eBay, one of the largest Internet marketplaces, was not liable for contributory trademark infringement for the sale of counterfeit Tiffany products on the website, as eBay did not have reason to know of specific instances of infringement.¹ The Court required Tiffany to prove that eBay had “more than general knowledge” that its platform was being used to sell counterfeit goods.² However, the Court clarified that where eBay, or another service provider, knows of specific instances of infringing

product listings, eBay can be held contributorily liable for failing to take action.³ Specifically, the Court explained that “if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales...”⁴ This, the Court coined, is “willful blindness.”⁵

More than ten years after the *Tiffany v. eBay* decision, the Second Circuit reminded both manufacturers and defendants of the “willful blindness” standard last week when it found 375 Canal, LLC (“375 Canal”) to be liable for contributory trademark infringement and counterfeiting of Omega brand watches, based on the conduct of its vendors operating at its property on Canal Street.⁶

In *Omega SA v. 375 Canal, LLC*, Omega sued 375 Canal, the property owner at 375 Canal Street in Manhattan, claiming that 375 Canal “continued to lease space at 375 Canal despite knowing that vendors at the property were selling counterfeit Omega goods.”⁷ Based upon the standard for contributory infringement previously established by the Second Circuit’s discussion in *Tiffany v. eBay*, 375 Canal argued that it could not be held liable because Omega had not identified a specific vendor selling counterfeit goods.⁸ The Court, however, squarely rejected this argument in light of the *Tiffany* willful blindness standard. The Court, ultimately relying on the holding in *Tiffany v. eBay* discussed above, concluded:

In *Tiffany*, we held that a defendant may be liable

for contributory trademark infringement if it was willfully blind as to the identity of potential infringers—that is, under circumstances in which the defendant did not know the identity of specific infringers. That holding precludes Canal’s argument that Omega needed to identify a specific infringer to whom Canal continued to lease property.⁹

Based on this, the Court found 375 Canal to have been willfully blind to the trademark infringement and counterfeiting of Omega’s watches occurring at its property, as Canal had a “history of turning a blind eye toward counterfeiting at 375 Canal Street.”¹⁰

Takeaways

The *Omega v. 375 Canal* case stands as a reminder to manufacturers of the extent of their tools to root out trademark infringement and counterfeiting of their products. As *Omega* makes clear, even in instances

where a defendant claims to not know the identity of the direct infringer or counterfeiter of a manufacturer’s products, the manufacturer may still hold the defendant liable for contributory infringement where the defendant is “willfully blind” as to the infringer’s identity. Accordingly, when a manufacturer is stonewalled by service providers, property owners, or others providing a platform used by infringers and counterfeiters, manufacturers should continue to create a record that makes it clear that the provider is on notice of the counterfeiting activities taking place. With this record in hand, manufacturers can demonstrate that the provider has “turned a blind eye” to the specific acts of infringement or the identity of the infringer and gain the leverage they need to prevent further infringement. If the provider still does not assist in the removal of the counterfeiter, a manufacturer can hold that provider liable for the counterfeiting that is taking place.

Morgan Nickerson is a partner in the Boston office of K&L Gates LLP and a member of the firm’s antitrust and intellectual property teams. His practice focuses on the protection of global distribution programs through suppression of gray market and counterfeit activities. His litigation experience includes high-stakes competition cases concentrating on intellectual property, comparative advertising, monopolization, and importation/exportation disputes.

Jack Brodsky is an associate in K&L Gates LLP’s Boston office focusing on antitrust, distribution, and complex business litigation matters, including high-stakes antitrust and competition cases involving monopolization and restraint of trade issues under the Sherman and Clayton Acts, pricing issues under the Robinson–Patman Act, intellectual property claims, and false advertising disputes. He has experience in all phases of complex civil litigation.

1. *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 107 (2d Cir. 2010).

2. *Id.*

3. *Id.*

4. *Id.* at 109.

5. *Id.*

6. *Omega SA v. 375 Canal, LLC*, C.A. No. 19-969-cv, 2021 WL 42112, at *1 (2d Cir. Jan. 6, 2021).

7. *Id.* at *2.

8. *Id.* at *6 (quoting the portion of the *Tiffany v. eBay* decision that describes contributory trademark infringement as occurring when

the defendant “continues to supply its products to one whom it knows or has reason to know is engaging in trademark infringement” (*Tiffany*, 600 F.3d at 108) (emphasis added)).

9. *Id.* at *1.

10. *Id.* at *7.

Copyright © 2021 CCH Incorporated. All Rights Reserved.

Reprinted from *The Licensing Journal*, March 2021,

Volume 41, Number 3, pages 25–26, with permission from Wolters Kluwer,
New York, NY, 1-800-638-8437, www.WoltersKluwerLR.com



Wolters Kluwer