Insights: Publications

Alibaba Says "Close Sesame": C.D. Cal. Finds No Liability When "Online" Mall Provides a Search Engine Allowing Consumers to Search for Plaintiff's Products Within its Online Marketplace

MARCH 20, 2017 Written by

Altinex, Inc. v. Alibaba.com Hong Kong Ltd., SACV 13-01545 JVS (RNBx), 2016 WL 6822235 (C.D. Cal. 2016)

By: Jennifer Findley and Stephen Feingold

TAKEAWAY

Courts continue to show reluctance to permit trademark claims to hamper the sale of products via the Internet absent concrete evidence of actual confusion, especially if the website offers trademark owners an avenue for addressing trademark infringement. Trademark owners desiring to bring claims against parties based on indirect claims of infringement must recognize the necessity of developing a factual record that shows real and not theoretical confusion in the marketplace. They should also exhaust any trademark policies offered by the website before commencing litigation.

Companies operating online marketplaces are well advised to continue to develop simple methods to permit trademark owners to identify and stop infringements within their marketplace.

CASE SUMMARY

Since the advent of the Internet, trademark owners have taken exception to many of the new technologies used to generate online revenue streams: pop-up advertising, keyword advertising, and auction sites. With rare exceptions, trademark owners have failed prevail against these emerging technologies on either claims of direct or secondary liability. For instance, in *Tiffany (NJ) Inc. v. eBay, Inc*., 600 F.3d 93 (2d Cir. 2010), the Second Circuit held that eBay was not vicariously liable for sales of counterfeit Tiffany products that might occur on the eBay platform.

Despite this lack of success, some trademark owners persist in pursuing claims against new emerging online selling formats. The latest target for such complaints has been online marketplaces which may include counterfeits.

In *Altinex, Inc. v. Alibaba.com Hong Kong Ltd* the plaintiff alleged that Alibaba was vicariously liable for the sale of counterfeit products by independent vendors operating on its website. The primary theory put forward by the plaintiff was based on a search engine which allowed visitors to the Alibaba website to search for particular products within the Alibaba marketplace.

The Court granted Alibaba's motion for summary judgment finding that the plaintiff could not establish that Alibaba had used the plaintiff's mark in commerce. The fact that the mark was used in the marketplace by independent

vendors was simply inadequate to establish that the mark was used by Alibaba.

With respect to likelihood of confusion, plaintiff relied almost exclusively on the fact that consumers who searched for their product via the Alibaba search engine were taken to a vendor apparently selling counterfeit products. Plaintiff argued that the ordinary consumer would believe, based on these search results, that Alibaba was affiliated with or somehow connected to the plaintiff and assume the products were genuine. The Court correctly rejected this argument. After all, under plaintiff's logic, consumers must believe that Google is affiliated or somehow connected to every product found through its search engine.

In reaching these results, the Court noted several times that while Alibaba offered an online procedure for trademark owners to flag infringements within the marketplace, the plaintiff never utilized this system. The Court also made several references to the lack of any evidence linking the use of the Alibaba search engine to the sale of counterfeit products.

Download