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IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT

DIVISION SEVEN

TRE MILANO, LLC,

Plaintiff and Appellant,

v.

AMAZON.COM, INC. et al.,

Defendants and Respondents.

B234753

(Los Angeles County
Super. Ct. No. BC460511)

APPEAL from an order of the Superior Court of Los Angeles County, Richard E. Rico, Judge. Affirmed.

Tantalo & Adler, Thomas J. Peistrup and Michael S. Adler for Plaintiff and Appellant.

Ropers, Majeski, Kohn & Bentley, Allan E. Anderson, Timothy L. Skelton and Kollin J. Zimmerman for Defendants and Respondents.

INTRODUCTION

Plaintiff Tre Milano, LLC (Tre Milano) appeals from an order denying a preliminary injunction against defendants Amazon.com, Inc., Amazon.com, LLC, and Amazon Services, LLC (collectively Amazon). We affirm.

FACTS

A. Introduction

Tre Milano owns and markets the InStyler® Rotating Hot Iron Hair Straightener (InStyler). Amazon offers InStylers for sale on its website. Some of these are sold by third parties through Amazon and are counterfeits.

Tre Milano brought this action against Amazon and the third party sellers for damages and an injunction. Tre Milano seeks both compensatory and punitive damages for trademark infringement. It also seeks a permanent injunction barring Amazon and the third party sellers “from selling, offering for sale, or advertising any purported ‘InStyler’ products in California, or in the alternative, an injunction precluding [Amazon and the third party sellers] from selling, offering for sale, or advertising any counterfeit ‘InStyler’ products in California.”

B. Tre Milano and the InStyler

The InStyler is a rotating hot iron which can straighten, curl and style hair in ways unlike prior or competing products. It has a unique design, using a rotating heated polishing cylinder and four rows of bristles to polish, straighten and style hair. Because the iron can reach temperatures of 400 degrees Fahrenheit, Tre Milano keeps careful control over the manufacture of the product and regularly reviews the design to improve operation and safety.

Tre Milano has obtained ETL® product certification for the InStyler. The product conforms to Underwriters Laboratories and Canadian Standards Associations standards.

Tre Milano also has extensive trademark protection for the InStyler, including both federal and state trademark protection.

The InStyler is a popular item to counterfeit. Because of the prevalence of counterfeits, Tre Milano uses both in-house and outside personnel to identify sellers of counterfeit InStylers and to take action against them. It has a manual entitled “How to Tell It’s Counterfeit” to aid in the detection of counterfeit InStylers. However, a typical consumer, without benefit of the manual or a side-by-side comparison, would be unable to tell a counterfeit product.

C. Amazon

1. Amazon’s Three Sales Channels

Items purchased from the Amazon.com website come through three different sales channels. First, there are items sold directly by Amazon. They are in Amazon’s inventory and shipped from Amazon’s warehouses. Second, there are sales “fulfilled by Amazon.” These are items sold by third party sellers but shipped from Amazon’s warehouses.¹ Finally, there are items sold through the Amazon Marketplace. These are sold and shipped by third party sellers.

The website identifies the seller, whether Amazon or a third party. It identifies whether the sale is fulfilled by Amazon or shipped by the seller. No matter which sales channel an item is sold through, however, the sales process is the same. The item is sold on the Amazon.com website and is identified by the Amazon Standard Identification Number. Payment is made through Amazon.com.

¹ Amazon’s website explains: “Fulfillment by Amazon (FBA) is a service we offer sellers that lets them store their products in Amazon’s own warehouses, and we directly pack, ship, and provide customer service for these items. Something we hope you’ll especially enjoy: *FBA items qualify for FREE Super Saver Shipping and AmazonPrime.* [¶] If you’re a seller, you can increase your sales significantly by using Fulfillment by Amazon. We invite you to **learn more about Fulfillment by Amazon.**”

For sales of the InStyler, Amazon’s website identifies the product as “The Original InStyler Rotating Hot Iron Hair Straightener, by Instyler.” It contains product information from the manufacturer.

2. Amazon’s Anti-counterfeiting Measures

Dawn Nicholson (Nicholson) is an Investigation Specialist for Amazon. Her “primary responsibility is to perform quality audits on investigations conducted by [her] team. [Her] team’s primary responsibilities are to reduce bad debt risk to Amazon and protect the buying experience by ensuring third party sellers comply with [Amazon’s] policies and meet [its] performance standards.”

According to Nicholson, Amazon has an “extremely low tolerance for counterfeit sales on its website. The sale of counterfeit items generates a poor buyer experience, damages Amazon’s reputation and brand, and can result in bad debt due to claims and chargebacks.” Amazon’s content guidelines, which are posted on its website, provide: “Items sold on Amazon.com must follow our content policy and guidelines, detailed below. Producers or sellers of items are expected to conduct proper research to ensure that the items created to be sold on Amazon.com are in compliance with all local, state, national, and international laws. If Amazon.com determines that the content of an item is prohibited, we may summarily remove or alter it without returning any fees the listing has incurred. Amazon.com reserves the right to make judgments about whether or not content is appropriate.” Specifically prohibited are: “Replicas of trademarked items. The sale of unauthorized replicas, or pirated, counterfeit, and knockoff merchandise is not permitted.”

Amazon employs over 100 employees involved in risk investigation, including identifying counterfeit listings. Over the last two and a half years, Amazon has blocked about 5,900 sellers a year whom it suspected of infringing conduct. About 75 percent were identified by Amazon, while the remainder were identified after Amazon received a Notice of Claimed Infringement (NOCI), a Digital Millennium Copyright Act (DMCA)

notice or a customer complaint. In the last year, Amazon has canceled over 4 million seller listings.

Amazon's policy with respect to suspected infringing conduct is that when it identifies a problematic seller or listing, or when it receives a NOCI, its risk investigation team follows Amazon's investigation procedures. If the team determines that a listing is for an infringing item, Amazon's actions range from blocking the listing to blocking the seller. Blocked sellers are prohibited from opening a new account, and Amazon has ways of determining whether sellers violate that prohibition. However, if an infringing seller has a good relationship with Amazon and positive customer feedback, Amazon may just block the listing and issue a warning.

With respect to a NOCI, if it is supported by evidence confirming infringement, Amazon attempts to take action within 24 hours, and it generally does not take more than 48 hours for Amazon to respond. If there is no supporting evidence, Amazon will review the seller's profile to determine whether there is a probability the NOCI is accurate. If there is a probability of accuracy, Amazon will block the seller or remove the listing and warn the seller. If there is little probability of accuracy, Amazon will ask the sender of the NOCI for evidence to substantiate its claims.

When a third party seller applies for an Amazon account, Amazon screens the seller during the account set-up process. Amazon also monitors the seller's "sales velocity," monthly sales. When the seller reaches a certain velocity limit, Amazon reviews the seller to be sure the seller is shipping orders on time and complying with Amazon's selling policies.

Amazon also has a "Share Point" database used to track "high risk" items—those likely to be counterfeit—to aid investigators in locating sellers of potentially counterfeit products. Amazon also employs two software programs to prevent the sale of counterfeit items on its website. One, Fraudulent Offer Listing Detection (FOLD), monitors third party offers and flags for review sellers listing potentially counterfeit or high risk items. The second scans buyer feedback for keywords—such as "counterfeit," "fake," or "open box"—to flag sellers for review.

D. Tre Milano's Attempts to Prevent the Sale of Counterfeit InStylers in the Internet

Tre Milano's Compliance Coordinator, Pierce Maher (Maher), scans various internet auction and shopping sites, including Amazon, for counterfeit InStylers. To do so, he uses software that searches for common characteristics of infringing items. He then reviews the items to determine whether they appear to be counterfeit. If the item appears to be counterfeit, he sends an infringement notice to the website or seller offering the item for sale.

Amazon is one of the primary websites Tre Milano polices for counterfeits. When it finds a listing for what appears to be a counterfeit InStyler, Tre Milano sends a NOCI to Amazon. From May 1, 2010 to April 28, 2011, Tre Milano sent 311 NOCI's to Amazon. Of these, 226 were for "first time" listings on Amazon, while 85 were "follow-up" notices for listings not removed after a previous NOCI. Maher frequently submitted duplicate NOCIs when Amazon failed to respond to the original notices.

On November 11, 2009, Tre Milano's attorney, Elizabeth Swanson (Swanson), arranged for the purchase of an InStyler directly from Amazon. Upon receipt, Tre Milano determined that it was counterfeit. She notified Amazon's legal department that Tre Milano had documented the sale of counterfeit InStylers by Amazon and demanded that Amazon cease and desist such sales. Thereafter, she spoke to a representative from Amazon's legal department who acknowledged that Amazon was having trouble with its inventory being mixed with that of third parties in its facilities. The representative requested a reference guide to assist Amazon in identifying counterfeit InStylers, and Swanson sent one to Amazon's legal department.

In December 2009, Swanson arranged for the purchase of two InStylers through Amazon from DAB Nutrition. The order was fulfilled by Amazon. When Swanson received the products, she determined that they were counterfeit. On December 11, Swanson spoke to Kathryn Sheehan (Sheehan), Associate General Counsel for Amazon, and reiterated Tre Milano's complaint that counterfeit InStylers were being sold by and through Amazon. Sheehan stated that Amazon did not maintain its own inventory of InStylers but sold products from the inventories of third parties who maintained

inventories at Amazon facilities. Sheehan stated that Amazon did not control the supply chains of these third parties and had no definitive ways of determining whether their InStylers were authentic or counterfeit.

Swanson continued to monitor Amazon for listings of what appeared to be counterfeit InStylers. From November 2009 through February 2010, she sent Amazon numerous NOCIs.

On March 2, 2011, Tre Milano sent Amazon a NOCI identifying 11 listings for what Tre Milano believed to be counterfeit InStylers.² One of the listings was by Success Store. On March 13, 2011, Pete Day purchased an InStyler from Success Store through Amazon. His wife used the product several times with no problem. On April 10, 2011, while she was using the product, there was an explosion at the point where the electrical cord entered the product. The cord had blown off the product, and much of the rubber on the cord had vaporized. Day's wife's hand was injured in the explosion. Day contacted Tre Milano about the incident. Tre Milano informed him that the serial number of the product indicated that it was a counterfeit.

On March 14, 2011, Tre Milano sent Amazon a NOCI identifying OnyxBay as a seller of counterfeit InStylers. On June 2, 2011, Tre Milano purchased an InStyler from OnyxBay through Amazon. Upon receipt of the product, Tre Milano determined that it was counterfeit.

On May 9, 2011, Tre Milano sent Amazon a NOCI identifying Kafonika as a seller of counterfeit InStylers. On May 23, Tre Milano named Kafonika as a defendant in this lawsuit. Tre Milano purchased an InStyler from Kafonika through Amazon on May 26. Upon receipt of the product, Tre Milano determined that it was counterfeit.

² On the NOCIs, Tre Milano listed as the reason for the notice: "Item(s) is a counterfeit product which infringes the trademark owner's rights." In the following section for comments, Tre Milano stated: "I have a good faith belief that the portion of the listing(s) described above violate(s) the intellectual property rights owned by the property owner or its agent, nor is such use otherwise permissible under law."

Another seller about whom Tre Milano sent Amazon a NOCI was Tony,s Loop. Tre Milano named Tony,s Loop as a defendant in this lawsuit on May 23, 2011. On June 1, 2011, Tre Milano purchased a counterfeit InStyler from Beach Direct through Amazon. The package containing the product arrived bearing the same return name and address as that of Tony,s Loop.

Similarly, Tre Milano sent Amazon a NOCI regarding Marland on March 7, 2011. It purchased an InStyler from Marland on May 29, 2011. The product was a counterfeit. As of June 7, 2011, Amazon still carried a listing for the InStyler available from Marland.

In the course of this litigation, Tre Milano sought contact information for Amazon Marketplace sellers whom Tre Milano believed were selling counterfeit InStylers. Much of the information provided by Amazon was inaccurate.

E. Amazon's Response to Tre Milano

Adrian Garver (Garver), Amazon's Copyright Compliance Officer, reviews NOCIs received by Amazon. If a NOCI "appears sufficient and legitimate," he forwards it to Amazon's investigators to remove the listing and determine what action to take against the seller; these actions range from a warning to blocking the seller from selling through Amazon. If a NOCI does not provide sufficient information, Amazon responds to the sender requesting specific information, including "[p]roof of the violation," which includes an "Amazon.com Order ID of a test buy that confirms the violation."

Garver had received numerous NOCIs from Tre Milano. He noted that "[w]hile a handful of these notices have contained evidence or some explanation of why Tre Milano claimed that a listing was for a counterfeit item, the vast majority have contained nothing but a statement like 'the item is a counterfeit product that infringes the trademark owner's rights' . . . or 'the item is an unlawful replica of a product made by the trademark owner' As I have explained to Tre Milano, Amazon.com needs more evidence regarding the alleged infringement before it can assist Tre Milano in carrying out our common goal of preventing the sale of counterfeits."

Garver believed that “unless Tre Milano did an actual test buy and inspected the product, these unexplained notices can only be based on the offering price (i.e., the offering price is very low in relation to Tre Milano’s wholesale price). Unless there is something else suspicious about the offering or the seller, [Amazon is] reluctant to accuse a seller of selling counterfeit goods. So when a purported rights holder sends a notice without any explanation or evidence, Amazon.com must then investigate to see if there are any other objective indicators that the product is actually infringing.”

According to Garver, Tre Milano had sent erroneous NOCIs on numerous occasions, and it had recanted many of them. From June 1, 2010 to April 29, 2011, Amazon received 159 NOCIs from one of Tre Milano’s attorneys. “In 41% of the cases, Amazon.com had already proactively taken down the listing event before the NOCI was processed by its response team.”

Garver also stated that Amazon did not currently have any InStylers in its inventory, but it had nevertheless “issued specific instructions that any future inventory of InStylers belonging to Amazon.com is to be kept segregated from any inventory belonging to third-party sellers for Fulfillment By Amazon.”

F. Differences Between Amazon and eBay

Maher contrasted Amazon with eBay.³ Amazon is a retail site selling its own products and the products of third parties. Amazon may provide a single generic photograph of a product. All payments are handled through Amazon. Products are shipped either from Amazon or from the third party seller.

eBay, by contrast, is an auction site which allows buyers and third party sellers to connect with one another. Sellers provide their own photographs of the individual

³ Tre Milano emphasizes the differences between Amazon and eBay because the trial court, in denying a preliminary injunction, relied on *Tiffany (NJ) Inc. v. eBay, Inc.* (2d Cir. 2010) 600 F.3d 93, 107, which held that eBay was not liable for the sale of counterfeit goods on its website.

products they are selling. Payment is arranged between buyer and seller. Products are shipped directly from the seller.

eBay uses an application programming interface (API) to which Tre Milano has access as a “verified rights-holder.” After Maher sends an “infringement notice” to eBay, infringing listings are taken down almost immediately, and eBay provides seller information to Tre Milano upon request.

Amazon does not have an API by which rights-holders can notify it of infringing products. Amazon typically takes one to two weeks to respond to Tre Milano’s NOCIs, and sometimes it takes months for Amazon to respond.

G. Harm

David Richmond (Richmond), Manager of Tre Milano, stated that one of the problems Tre Milano has faced as a result of the sale of counterfeit InStylers through Amazon “is a large number of negative reviews from Amazon customers who purchase counterfeit InStylers® and then give ‘1-star’ reviews on the product page as if they were reviews of the genuine InStyler®.” Many of these “negative reviews reflect the high fault rate inherent to counterfeit appliances. That is because counterfeit InStylers® typically are of poor quality, with substandard components not designed to withstand the heat or mechanical functionality involved in the InStyler design. Moreover, counterfeit InStylers® often lack a ‘heat shield’ attachment included with the genuine product for consumer safety purposes. The result is that these counterfeit products not only have a high fault rate but also present an unacceptable risk of injury to consumers.”

One such injury of which Richmond was aware was that of Pete Day’s wife. Richmond also was aware of a disparaging video review of the InStyler posted on the AOL website. The reviewer called the product unsafe and claimed it had injured people due to its design flaws. Richmond determined that the reviewer was showing a counterfeit InStyler, and Tre Milano’s legal counsel contacted AOL. AOL removed the video, explaining that the product was a counterfeit. AOL added: “Unfortunately, we bought our product from a reseller on Amazon that we have now learned may be selling

counterfeit goods. While that reseller was rated highly on Amazon at the time that we purchased the InStyler, that reseller has since shut down. Apparently, there are a number of other sellers still engaging in this practice and we want to pass along this word of caution about fake InStylers.”

Richmond also pointed to one review of the InStyler on Amazon, typical of the negative reviews. The reviewer gave the InStyler a one-star rating, explaining that she purchased it from a third party through Amazon, and the seller “sent me a thing that looked like an InStyler, it was the exact thing but BOOTLEG!!!! [I]t was a fake. It was much fatter and a lot of plastic and it made a pop sound on the first try an[d] didn’t work. I thought it was a real instyler [sic] until I actually purchased one from ULTA. I noticed it wasn’t. It was a rip off.” In response to this review, however, another reviewer wrote: “There is another place for you to review the seller. This is not it. This is for reporting on the quality of the INSTYLER.” A third wrote: “I agree this makes the ratings of the real product go down. Why not rate it based on the one you bought at ULTA?”

DISCUSSION

A. *Standard of Review*

When considering whether or not to issue a preliminary injunction, the trial court considers two factors: (1) the likelihood plaintiff will prevail on the merits of its case at trial and (2) the interim harm plaintiff is likely to suffer if the injunction is denied weighed against the interim harm defendant is likely to suffer if the injunction is granted. (*ReadyLink Healthcare v. Cotton* (2005) 126 Cal.App.4th 1006, 1016; *14859 Moorpark Homeowner’s Assn. v. VRT Corp.* (1998) 63 Cal.App.4th 1396, 1402.) In reaching a decision, “[t]he trial court’s determination must be guided by a “mix” of the potential-merit and interim-harm factors; the greater the plaintiff’s showing on one, the less must be shown on the other to support an injunction.” (*O’Connell v. Superior Court* (2006) 141 Cal.App.4th 1452, 1463.)

Inasmuch as the trial court exercises broad discretion in determining whether or not to issue a preliminary injunction, we review its determination for abuse of discretion. (*ReadyLink Healthcare v. Cotton, supra*, 126 Cal.App.4th at p. 1016; *14859 Moorpark Homeowner’s Assn. v. VRT Corp., supra*, 63 Cal.App.4th at pp. 1402-1403.) The trial court abuses its discretion where its decision exceeds the bounds of reason or contravenes the uncontradicted evidence. (*ReadyLink Healthcare, supra*, at p. 1016; *14859 Moorpark Homeowner’s Assn., supra*, at p. 1402.) We will reverse an order denying a preliminary injunction only if the trial court has abused its discretion in ruling on both factors. (*14859 Moorpark Homeowner’s Assn., supra*, at p. 1403.)

In reviewing the trial court’s ruling, we view the evidence in the light most favorable to the prevailing party, drawing all reasonable inferences in support of the trial court’s order. (*ReadyLink Healthcare v. Cotton, supra*, 126 Cal.App.4th at p. 1016.) We review the record for substantial evidence to support the order. (*14859 Moorpark Homeowner’s Assn. v. VRT Corp., supra*, 63 Cal.App.4th at pp. 1402-1403.) However, “[t]o the extent that the trial court’s assessment of likelihood of success on the merits depends on legal rather than factual questions, our review is de novo.” (*O’Connell v. Superior Court, supra*, 141 Cal.App.4th at p. 1463; *14859 Moorpark Homeowner’s Assn., supra*, at p. 1403.)

B. Likelihood of Prevailing on the Merits

1. Liability as a Direct Infringer under the Lanham Act

a. The Trial Court’s Ruling and *Tiffany*

The trial court rejected Tre Milano’s contention “that it has demonstrated a likelihood of success on the merits of its Lanham Act claims, state trademark claims and unfair competition claims because Amazon.com facilitates the sale of counterfeit versions of [Tre Milano’s] Instyler [*sic*] product. Tre Milano has not demonstrated that the law imposes a duty on [Amazon] to affirmatively police the sale of counterfeits on its site. Although [Tre Milano] argues that [Amazon] is selling counterfeit goods, the facts alleged show that [Amazon] is only facilitating the sale of these goods.”

The trial court observed that “[o]ther courts addressing the liability of internet service provider’s generalized notice of counterfeit goods on their site have held that a service provider’s generalized notice of counterfeit goods being sold on its website was insufficient to impose an affirmative duty to remedy the problem. See [*Tiffany (NJ) Inc. v. eBay, Inc., supra,*] 600 F.3d 93, 107 (holding that eBay was not liable for the sale of counterfeit Tiffany goods on its site). Nor has [Tre Milano] shown that [Amazon] has been ‘willfully blind’ to the counterfeit sales on its site. [*Id.* at p.] 110 (‘eBay did not ignore the information it was given about counterfeit sales on its website[’]). Tre Milano’s] state law claims are based on the same evidence and fail for the same reasons.”

Tiffany (NJ) Inc. v. eBay, Inc., supra, 600 F.3d 93 (*Tiffany II*) was decided on appeal from a trial court ruling in *Tiffany (NJ) Inc. v. eBay, Inc.* (S.D.N.Y. 2008) 576 F.Supp.2d 463 (*Tiffany I*), in which the court found eBay was not liable to Tiffany for the sale of counterfeit Tiffany merchandise on eBay. The appellate court described eBay as “an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to one another. It ‘connect[s] buyers and sellers and [] enable[s] transactions, which are carried out directly between eBay members.’ [Citation.] In its auction and listing services, it ‘provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items’ listed for sale on the site, [citation], nor does it ever take physical possession of them, [citation].” (*Tiffany II, supra*, at pp. 96-97, fn. omitted, quoting from *Tiffany I, supra*, at p. 475.) The court noted that “eBay generates revenue by charging sellers to use its listing services.” (*Tiffany II, supra*, at p. 97.) It “also generates revenue through a company named PayPal, which it owns and which allows users to process their purchases.” (*Ibid.*)

Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay. It bought various items and learned that a “‘significant portion’” of the Tiffany merchandise offered on eBay was counterfeit. (*Tiffany II, supra*, 600 F.3d at pp. 97-98, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 486.)

eBay knew that a portion of the Tiffany merchandise offered on its website was counterfeit. (*Tiffany II, supra*, 600 F.3d at p. 98.) Because eBay received revenue from

each transaction, it profited from the sale of counterfeit Tiffany merchandise. (*Ibid.*) Nevertheless, eBay had “‘an interest in eliminating counterfeit Tiffany merchandise from eBay . . . to preserve the reputation of its website as a safe place to do business.’” (*Ibid.*, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 469.) Customers had already complained to eBay about purchasing Tiffany items on the website only to discover they were counterfeit. (*Tiffany II, supra*, at p. 98.)

eBay’s ability to identify counterfeit items was limited, in that it “‘never saw or inspected the merchandise in the listings.’” (*Tiffany II, supra*, 600 F.3d at p. 98, quoting from *Tiffany I, supra*, 576 F.Supp.2d at pp. 477-478.) Additionally, even if it was able to inspect the items, it may not have had the expertise necessary to determine whether they were counterfeit. (*Tiffany II, supra*, at p. 98.)

Nevertheless, eBay set up a buyer protection program to reimburse customers who purchased counterfeit items. (*Tiffany II, supra*, 600 F.3d at p. 98.) It “‘established a ‘Trust and Safety’ department, with some 4,000 employees ‘devoted to trust and safety’ issues, including over 200 who ‘focus exclusively on combating infringement’ and 70 who ‘work exclusively with law enforcement.’” (*Ibid.*, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 476.) It also “‘implemented a ‘fraud engine,’ ‘which is principally dedicated to ferreting out illegal listings, including counterfeit listings.’ . . . In addition to general filters, the fraud engine incorporates ‘Tiffany-specific filters,’ including ‘approximately 90 different keywords’ designed to help distinguish between genuine and counterfeit Tiffany goods.” (*Tiffany II, supra*, at pp. 98-99, quoting from *Tiffany I, supra*, at pp. 477, 491.)

It also set up a program for the owners of intellectual property rights to send a NOCI to eBay, after which eBay would remove the listing for the infringing item. Most listings were removed within 12 hours, with the rest removed within 24 hours. (*Tiffany II, supra*, 600 F.3d at p. 99.) During the time period relevant to the litigation, “eBay ‘never refused to remove a reported Tiffany listing, acted in good faith in responding to Tiffany’s NOCIs, and always provided Tiffany with the seller’s contact information.’” (*Ibid.*, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 488.)

In addition, eBay allowed rights holders, including Tiffany, to create “About Me” webpages on the website to inform eBay users about themselves. Tiffany’s “About Me” page warned users that most of the purported Tiffany silver jewelry listed on eBay was counterfeit, and told them the only way to make sure the items were genuine was to purchase the items through Tiffany. (*Tiffany II, supra*, 600 F.3d at pp. 99-100.) eBay also posted “special warning messages when a seller attempted to list a Tiffany item,” instructing the seller to make sure the item was genuine, and informing the seller of eBay’s policy on the listing of counterfeit products. (*Id.* at p. 100, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 491.)

Besides removing suspicious listings, eBay suspended sellers whom it suspected of infringing conduct. It “primarily employed a “three strikes rule” for the suspensions, but would suspend sellers after the first violation if it was clear that ‘the seller “listed a number of infringing items,” and “[selling counterfeit merchandise] appears to be the only thing they’ve come to eBay to do.”” (*Tiffany II, supra*, 600 F.3d at p. 100, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 489.) It was “understandable that eBay did not have a ‘hard-and-fast, one-strike rule’ of suspending sellers because a NOCI ‘did not constitute a definitive finding that the listed item was counterfeit’ and because ‘suspension was a very serious matter, particularly to those sellers who relied on eBay for their livelihoods.’” (*Tiffany II, supra*, at p. 100, fn. 5, quoting from *Tiffany I, supra*, at p. 489.)

While eBay took these and other steps to prevent the sale of counterfeit merchandise on its site, it also “actively sought to promote sales of premium and branded jewelry, including Tiffany merchandise, on its site.” (*Tiffany II, supra*, 600 F.3d at pp. 100-101.) It “advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to grow the Jewelry & Watches category” of its website. (*Id.* at p. 101, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 479.) It advertised the availability of Tiffany merchandise at low prices on its website and purchased sponsored links on search engines promoting the availability of Tiffany merchandise on eBay. (*Tiffany II, supra*, at p. 101.)

Tiffany sued eBay, alleging that eBay was liable for ““direct trademark infringement”” under section 32 of the Lanham Act. (*Tiffany II, supra*, 600 F.3d at pp. 101-102, quoting from *Tiffany I, supra*, 576 F.Supp.2d at p. 493.) This provides: “Any person who shall, without consent of the registrant— [¶] (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.” (15 U.S.C. § 1114(1)(a).)

Tiffany argued in the trial court “that eBay had directly infringed its mark by using it on eBay’s website and by purchasing sponsored links containing the mark on Google and Yahoo! [Citation.] Tiffany also argued that eBay and the sellers of the counterfeit goods using its site were jointly and severally liable. [Citation.] The district court rejected these arguments on the ground that eBay’s use of Tiffany’s mark was protected by the doctrine of nominative fair use. [Citation.]” (*Tiffany II, supra*, 600 F.3d at p. 102; *Tiffany I, supra*, 576 F.Supp.2d at pp. 494-495.) Under this doctrine, a defendant may use the plaintiff’s trademark to identify the plaintiff’s goods ““so long as there is no likelihood of confusion about the source of [the] defendant’s product or the mark-holder’s sponsorship or affiliation.” [Citation.]” (*Tiffany II, supra*, at p. 102.)

The circuit court itself had “recognized that a defendant may lawfully use a plaintiff’s trademark where doing so is necessary to describe the plaintiff’s product and does not imply a false affiliation or endorsement by the plaintiff of the defendant. ‘While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product.’ [Citations.]” (*Tiffany II, supra*, 600 F.3d at pp. 102-103.)

On that basis, the circuit court “agree[d] with the district court that eBay’s use of Tiffany’s mark on its website and in sponsored links was lawful. eBay used the mark to

describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website. (*Tiffany II, supra*, 600 F.3d at p. 103.) The court also noted that on Tiffany's "About Me" page, Tiffany made it clear that most of the silver Tiffany jewelry available on eBay was counterfeit, and that Tiffany sold its products only through its own outlets. (*Id.* at p. 103.)

The court also rejected Tiffany's argument that eBay was liable for infringement because it knew of the problem with counterfeit Tiffany merchandise being sold on its website. (*Tiffany II, supra*, 600 F.3d at p. 103.) It explained that eBay's knowledge of the problem was "relevant to the issue of whether eBay contributed to the direct infringement of Tiffany's mark by the counterfeiting vendors themselves, or whether eBay bears liability for false advertising. But it is not a basis for a claim of direct trademark infringement against eBay, especially inasmuch as it is undisputed that eBay promptly removed all listings that Tiffany challenged as counterfeit and took affirmative steps to identify and remove illegitimate Tiffany goods. To impose liability because eBay cannot guarantee the genuineness of all of the purported Tiffany products offered on its website would unduly inhibit the lawful resale of genuine Tiffany goods." (*Ibid.*)

The court then turned to the more difficult question of whether eBay could be held liable for contributory trademark infringement "for culpably facilitating the infringing conduct of the counterfeiting vendors." (*Tiffany II, supra*, 600 F.3d at p. 103.) The court "[a]cknowledg[ed] the paucity of case law" on the issue but concluded that the district court correctly ruled in eBay's favor on the issue. (*Ibid.*)

The court noted that "[c]ontributory trademark infringement is a judicially created doctrine that derives from the common law of torts. [Citations.]" (*Tiffany II, supra*, 600 F.3d at pp. 103-104.) It originally imposed liability on "a manufacturer or distributor [who] intentionally induces another to infringe a trademark, . . . or continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." (*Id.* at p. 104.) It was extended to service providers when the owner of a

swap meet was held liable for the sale of infringing products by vendors at the swap meet. (*Ibid.*)

The Ninth Circuit held that the doctrine “applies to a service provider if he or she exercises sufficient control over the infringing conduct.” (*Tiffany II, supra*, 600 F.3d at p. 104.) In *Lockheed Martin Corp. v. Network Solutions, Inc.* (9th Cir. 1999) 194 F.3d 980, 984, held contributory trademark infringement may be applied where a service provider exercises “[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.” (*Tiffany II, supra*, at p. 105.)

The district court adopted the reasoning of *Lockheed Martin* to conclude that contributory trademark infringement “applies to a service provider who exercises sufficient control over the means of the infringing conduct.” (*Tiffany II, supra*, 600 F.3d at p. 105.) It applied to eBay “in light of the ‘significant control’ eBay retained over the transactions and listings facilitated by and conducted through its website.” (*Ibid.*; *Tiffany I, supra*, 576 F.Supp.2d at pp. 505-507.)

The question then was whether eBay was liable based on the nature of the services it provided to the infringing vendors. (*Tiffany II, supra*, 600 F.3d at p. 106.) Tiffany claimed it was, in that it “continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany’s mark.” (*Ibid.*) The district court rejected the claim, first because once eBay received a NOCI giving eBay reason to know a listing was for counterfeit goods, it promptly removed the challenged listing. (*Ibid.*)

The district court’s second basis for rejecting Tiffany’s claim was that eBay lacked sufficient knowledge of trademark infringement by sellers whose listings were not removed to provide a basis for imposing liability. (*Tiffany II, supra*, 600 F.3d at p. 106.) Tiffany challenged this conclusion, arguing that eBay “knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website,” as evidenced by the thousands of NOCIs Tiffany filed with eBay and the many complaints of customers who purchased counterfeit Tiffany products on eBay. (*Ibid.*) Tiffany

argued that eBay should “be held contributorially liable on the basis that despite that knowledge, it continued to make its services available to infringing sellers.” (*Ibid.*)

The circuit court agreed with the district court’s rejection of Tiffany’s argument, holding that “[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” (*Tiffany II, supra*, 600 F.3d at p. 107.) The court noted that where “the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers’ listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.” (*Id.* at p. 109.)

Tiffany also expressed concern “that if eBay is not held liable except when specific counterfeit listings are brought to its attention, eBay will have no incentive to root out such listings from its website.” (*Tiffany II, supra*, 600 F.3d at p. 109.) This would “require Tiffany and similarly situated retailers to police eBay’s website—and many others like it—‘24 hours a day, and 365 days a year,’” “a burden that most mark holders cannot afford to bear.” (*Ibid.*)

While acknowledging Tiffany’s concern, the court pointed out that it was “interpreting the law and applying it to the facts of this case. [The court] could not, even if [it] thought it wise, revise the existing law in order to better serve one party’s interests at the expense of the other’s.” (*Tiffany II, supra*, 600 F.3d at p. 109.) In addition, the court was “disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. [Citation.] The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings. Indeed, it has spent millions of dollars in that effort.” (*Ibid.*, fn. omitted.)

The circuit court also “agree[d] with the district court that if eBay had reason to suspect that counterfeit 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 sufficient to satisfy” the “knows or has reason to know” test. (*Tiffany II, supra*, 600 F.3d at p. 109.) “A service provider is not . . . permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. [Citations.] In the words of the Seventh Circuit, ‘willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.’ [Citation.]” (*Id.* at pp. 109-110, fns. omitted.)

However, eBay’s general knowledge that its website was being used to sell counterfeit Tiffany products was, “[w]ithout more, . . . insufficient to trigger liability” for contributory trademark infringement. (*Tiffany II, supra*, 600 F.3d at p. 110.) Since it “did not ignore the information it was given about counterfeit sales on its website,” it was not willfully blind to the problem. (*Ibid.*)

b. Whether Amazon is Liable as a Direct Infringer

Tre Milano first argues that Amazon is liable under the Lanham Act as a direct infringer, because Amazon itself used the registered InStyler mark in connection with the sale of counterfeit products, and “[t]he language of the Lanham Act clearly applies on its face to the conduct of any party such as Amazon who uses a registered mark in connection with any counterfeit sale, whether that use is part of the sale, the advertising, or the distribution.”

This argument ignores the holding of *Tiffany II*, that a service provider’s use of a registered mark to describe a product is protected by the nominative fair use doctrine. (*Tiffany II, supra*, 600 F.3d at p. 102; *Tiffany I, supra*, 576 F.Supp.2d at pp. 494-495.) The doctrine would apply here, since there is no evidence of a “likelihood of confusion

about the source of [the] defendant’s product or the mark-holder’s sponsorship or affiliation.’” (*Tiffany II, supra*, at p. 102.)

Despite Tre Milano’s emphasis on the differences between Amazon and eBay, the evidence is clear that, at least with respect to the InStyler, Amazon is a service provider, not the seller. Amazon did not currently have any InStylers in its own inventory; those it sold belonged to third party sellers. That Amazon provided the product description and handled the payments did not make it a direct seller of the products. (Cf. *Hendrickson v. Amazon.com, Inc.* (C.D. Cal. 2003) 298 F.Supp.2d 914, 915.)⁴

Tre Milano next argues that Amazon is liable as a direct infringer because Amazon itself is using the registered InStyler mark on the product page that it maintains. Again, this argument has been rejected in *Tiffany II*.

While eBay did not maintain a product page, as Amazon does, eBay used Tiffany’s mark on its website and in sponsored links to advertise the availability of Tiffany products on eBay. (*Tiffany II, supra*, 600 F.3d at p. 102.) The court held that such use was permissible. (*Id.* at pp. 102-103.) We see no significant difference between eBay’s use of the Tiffany mark and Amazon’s use of the Tre Milano mark for purposes of advertising the availability of the products on their websites.

Tre Milano cites *Lorillard Tobacco Co. v. Amouri’s Grand Foods* (6th Cir. 2006) 453 F.3d 377 in support of its argument, but that case is inapposite. In *Lorillard*, the defendant itself was selling the counterfeit products. (*Id.* at pp. 378-379.) In the instant case, as in eBay, the defendant is a service provider facilitating the sale of counterfeit products belonging to a third party.

Tre Milano also cites *Lorillard* for the proposition that the Lanham Act is a strict liability statute which applies regardless of the mental state of the defendant. (See *Lorillard Tobacco Co. v. Amouri’s Grand Foods, supra*, 453 F.3d at p. 381.) Again,

⁴ Because Amazon’s lack of liability is based on the nominative fair use doctrine, we need not address Tre Milano’s claim that the “safe harbor” provision of the Lanham Act (15 U.S.C. § 1114(2)) does not apply to Amazon.

since Amazon itself was not selling counterfeit goods but was permissibly using Tre Milano's mark, strict liability under the Lanham Act does not apply.

As explained in *GMA Accessories, Inc. v. BOP, LLC* (S.D.N.Y. 2011) 765 F.Supp.2d 457, "it is well settled that a retailer's direct sale of an infringing product is sufficient to create liability" under the Lanham Act. (*Id.* at p. 463.) While "seller" is not clearly defined in the act, it is clear that "a transactional intermediary is not treated as a seller," that is, "'parties [who] act as intermediaries for a transaction and do not buy and resell the commodities'" are not direct sellers and are not directly liable for infringement under the act. (*Id.* at p. 464.)

2. Liability as a Contributory Infringer under the Lanham Act

"To prevail on its claim of contributory trademark infringement, [a plaintiff has] to establish that [defendant] continued to supply its services to one who it knew or had reason to know was engaging in trademark infringement. [Citation.] Because [defendant] provided services rather than a product, [plaintiff] also need[s] to establish that [defendant] had '[d]irect control and monitoring of the instrumentality used by a third party to infringe' [plaintiff's] marks. [Citation.]" (*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.* (9th Cir. 2011) 658 F.3d 936, 942; accord, *Tiffany II, supra*, 600 F.3d at pp. 104-105.) Additionally, in the context of the "knew or had reason to know" test, "'willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.'" (*Tiffany II, supra*, at pp. 109-110.)

Here, the trial court noted the holding in *Tiffany II* that a service provider's generalized notice of counterfeit goods being sold on its website is insufficient to impose an affirmative duty to remedy the problem. It added that Tre Milano failed to show that Amazon "has been 'willfully blind' to the counterfeit sales on its site."

Where, as here, the trial court fails to make express factual findings, we presume that it made the findings necessary to support its ruling. (*14859 Moorpark Homeowner's Assn. v. VRT Corp., supra*, 63 Cal.App.4th at p. 1402.) In light of the ruling here, we may presume that the trial court found that Amazon had direct control and monitoring of

the instrumentality used to infringe Tre Milano's mark, and that it did not know or have reason to know of the third parties' infringing conduct. Once these findings were made, it would have made the further finding that Amazon's lack of knowledge was not the result of willful blindness.

Tre Milano contends the trial court's findings are not supported by substantial evidence, in that "the undisputed evidence in the court below showed that Amazon continues sales of counterfeit items for weeks or months after receiving specific knowledge about specific sources of counterfeit [InStylers] on Amazon.com." This contention is factually flawed, however. What the undisputed evidence showed was that Amazon continued listings of *suspected* counterfeit InStylers after receiving NOCIs identifying specific sources of *suspected* counterfeit InStylers.

The evidence presented by the parties showed that the majority of the NOCIs Tre Milano sent to Amazon contained a statement that the product was counterfeit with no supporting evidence. Amazon required "[p]roof of the violation," which includes an "Amazon.com Order ID of a test buy that confirms the violation." Amazon had explained its requirements to Tre Milano. Without evidence, Amazon would not remove a listing until it had conducted an investigation.

Tre Milano itself recognizes that the NOCIs were not proof of infringement. It contends the evidence shows that "Amazon routinely continues to provide sales and fulfillment services to Amazon Marketplace sellers for weeks or even months after Tre Milano has identified those particular sellers as *likely traffickers* in counterfeits." (Italics added.)

In *Tiffany I*, the court observed that "a NOCI is not a determination of counterfeiting, but instead, is a good-faith assertion on the part of a rights holder that an item is counterfeit or otherwise infringing. This distinction is material because without knowledge of actual counterfeiting, Tiffany cannot demonstrate that eBay should have permanently suspended a seller. The evidence is clear that when eBay was informed that Tiffany had a good-faith belief that a seller was trafficking in counterfeit goods, eBay removed the listing. While Tiffany also requested that every such seller be permanently

suspended . . . , eBay, as a rule, declined to automatically or permanently suspend a seller on the filings of a first, or even a second, NOCI. The Court [found] that this policy was appropriate. . . . [G]iven the consequences of an eBay suspension, eBay reasonably proceeded with caution in suspending sellers based on NOCIs because NOCIs were a good faith determination of infringement, not an exact finding of infringement.” (*Tiffany I, supra*, 576 F.Supp.2d at p. 517.)

Tre Milano places great emphasis on the fact that eBay immediately removes a listing upon receipt of a NOCI based on a good-faith belief of infringement, while Amazon does not. Neither *Tiffany II*, *Tiffany I*, nor any of the other cases cited by Tre Milano support a conclusion that a listing must be removed—rather than investigated—upon notice that it likely is for a counterfeit product.

3. Likelihood of Prevailing on the Merits

Viewing the evidence in the light most favorable to Amazon (*ReadyLink Healthcare v. Cotton, supra*, 126 Cal.App.4th at p. 1016), substantial evidence supports the trial court’s determination that Tre Milano failed to demonstrate a likelihood of prevailing on the merits of its claims (*14859 Moorpark Homeowner’s Assn. v. VRT Corp., supra*, 63 Cal.App.4th at pp. 1402-1403). The evidence presented shows that Amazon itself was not guilty of direct trademark infringement. Additionally, it was not guilty of contributory infringement, in that, when it was presented with evidence of infringement, it took action to remove the infringing listings, and it was not willfully blind to third party infringement.

B. Interim Harm

As previously stated, “[t]he trial court’s determination must be guided by a “mix” of the potential-merit and interim-harm factors; the greater the plaintiff’s showing on one, the less must be shown on the other to support an injunction.” (*O’Connell v. Superior Court, supra*, 141 Cal.App.4th at p. 1463.) The question thus is whether Tre Milano’s

showing of interim harm that it would suffer was so great that it outweighed Tre Milano's failure to demonstrate a likelihood of prevailing on the merits of its case.

It is clear that Tre Milano will be harmed by the continued sale of counterfeit InStylers through Amazon. Tre Milano presented evidence that one person has been injured by a counterfeit InStyler, and there is a potential for others to be injured. Additionally, there have been poor reviews for the product, which can affect Tre Milano's sales and reputation. However, Tre Milano's own evidence shows that Amazon customers have been able to identify the InStylers they purchased as counterfeits and have passed this information along other customers through reviews of the product.

Tre Milano argues "that potential trademark violations create the presumption of irreparable harm because the reputational harm may be impossible to rectify." However, the cases on which it relies hold that "[i]n a trademark infringement claim, 'irreparable injury may be presumed from a showing of likelihood of success on the merits.'" (*GoTo.com, Inc. v. Walt Disney Co.* (9th Cir. 2000) 202 F.3d 1199, 1205, fn. 4; *Jay Bharat Developers, Inc. v. Minidis* (2008) 167 Cal.App.4th 437, 444.) Inasmuch as Tre Milano has failed to show a likelihood of success on the merits, the presumption does not apply.

We conclude that Tre Milano has not shown that the interim harm that it would suffer is so great that it outweighs Tre Milano's failure to demonstrate a likelihood of prevailing on the merits of its case. The trial court therefore did not abuse its discretion in denying a preliminary injunction. (*ReadyLink Healthcare v. Cotton, supra*, 126 Cal.App.4th at p. 1016; *14859 Moorpark Homeowner's Assn. v. VRT Corp., supra*, 63 Cal.App.4th at pp. 1402-1403.)

DISPOSITION

The order is affirmed. Defendants are to recover their costs on appeal.

JACKSON, J.

We concur:

PERLUSS, P. J.

ZELON, J.