

VW Notches \$4M TM Win Against Counterfeit EBay Sellers

By **Sean Forbes**

Law360 (May 11, 2018, 4:19 PM EDT) -- Volkswagen won a \$4 million default judgment Wednesday against a group of counterfeiters who ran an eBay store selling low-priced imitation VW and Audi-branded products, with Virginia federal court agreeing with a magistrate judge's recommendation to award full statutory damages.

Adopting the report and recommendation of U.S. Magistrate Judge Ivan D. Davis, U.S. District Court Judge Leonie M. Brinkema said the magistrate correctly found the six defendants had willfully sold counterfeit products using trademarks owned by Volkswagen AG, Audi AG and Volkswagen Group of America Inc., awarding damages of \$2 million each for the VW and Audi trademarks.

"Plaintiffs have adequately pleaded that they own valid, registered trademarks, that defendants knowingly used colorable imitations of those marks that were likely to cause confusion among consumers, and that defendants have sold counterfeit items ... through eBay internet stores," the judge concluded, noting that the defendants never responded to the suit and ordering that their PayPal accounts stay frozen until the judgment is satisfied.

Wednesday's decision brings a close to just one instance of a problem proliferating across the internet — counterfeiters leveraging giant online retail platforms like eBay and Amazon to hock imitation name-brand products. Amazon and eBay are facing a California suit brought by Advance Turner Warehouse Inc. alleging they illegally sold counterfeit auto parts. In October, a California man was sentenced to a year in prison for selling counterfeit air bags through eBay and other sites.

VW and Audi originally filed their complaint in August 2017, alleging that the defendants — one of whom lived in California and the rest in Canada — set up a network to make, distribute and sell cheap counterfeit Volkswagen and Audi goods online through eBay stores. The complaint raised claims of trademark infringement and counterfeiting, false designation of origin and trademark dilution, all violations of the federal Lanham Act.

The California defendant was served at his residence, while the Canadian defendants were notified by public notice and via notices sent to their email addresses that they had supplied to PayPal when they set up their accounts, according to a report and recommendation produced by Judge Davis on April 19.

But none of the defendants responded to the notices, and when Volkswagen and Audi filed a motion for default judgment, none of the defendants showed up to a March hearing.

In his report, Magistrate Judge Davis wrote that the defendants confused customers into thinking they were authorized retailers in part by stamping their goods with what appeared to be genuine VW and Audi product numbers, advertising them as if they would fit the automaker's original products and stating that they were made in Germany, when they were actually made in China.

The magistrate judge recommended a finding in favor of VW and Audi on all causes of action and recommended that the companies receive the full amount of statutory damages allowed — \$2 million for each of the marks infringed.

"Defendants' counterfeit use has been broad, extensive, blatant and in furtherance of a coordinated effort to imitate plaintiffs' products," the magistrate judge noted.

In addition to statutory damages, Judge Davis recommended pre- and post-judgment interest and injunctive relief.

The magistrate judge also recommended the defendants' PayPal accounts be frozen, but said he would decline to recommend VW and Audi's request to transfer all the assets in those accounts, saying the companies didn't provide a legal basis for the transfer.

Judge Brinkema's order on Wednesday adopted the magistrate judge's report and recommendation in full, noting that all parties had been given two weeks to file an objection, and that no party had done so.

VW's counsel told Law360 that the company was happy with the court's ruling.

"Volkswagen takes counterfeiting very seriously, and is pleased with this decision," Monica R. Talley of Sterne Kessler Goldstein & Fox PLLC said.

Volkswagen AG, Audi AG and Volkswagen Group of America Inc. are represented by Monica Riva Talley and Daniel Yonan of Sterne Kessler Goldstein & Fox PLLC.

Contact and counsel information for the defendants were not immediately available.

The case is Volkswagen AG et al. v. Iqbal et al., case number 1:17-cv-00970, in the U.S. District Court for the Eastern District of Virginia.

--Additional reporting by Melissa Daniels and John Kennedy. Editing by Alanna Weissman.