

LEGAL AND PRIVACY

Amazon/Valentino counterfeiting suit: What is Amazon really up to?

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Valentino Garavani Rockstud shoes. Image courtesy of Valentino

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Luxury Daily reported last week on an interesting and novel suit, in which Amazon and fashion company Valentino S.P.A. paired up to sue a New York-based vendor which they accuse of selling counterfeits and items which infringe Valentino's design patent and trade dress rights.

While Valentino's enforcement of its rights against infringers seems pretty standard fare, the involvement of Amazon, bringing suit against its own vendor, is rather novel.

A deeper look at the claims in the case raises questions about what Amazon is really trying to accomplish.

It appears that Amazon's real goal is not obtaining relief from the court, but a public relations attempt to mitigate its image as a platform full of counterfeits and other infringements.

The claims

The Amazon/Valentino complaint, brought in federal court in Seattle, asserts 10 separate causes of action, only one of which is asserted by Amazon.

Valentino asserts nine claims: one for trademark infringement, two for "unfair competition" under federal and state law, and six for infringement of six different design patents held by Valentino for various shoe designs. The defendant is accused of selling shoes that infringe these rights.

The single claim asserted by Amazon is breach of contract.

Amazon requires its vendors to agree to a lengthy, 50-page "Amazon Services Business Solutions Agreement." Among its many terms is that vendors agree not to sell counterfeits or infringements of third-party intellectual property, such as patents, trademarks and copyrights.

Amazon asserts that the sale of counterfeits and infringements by its named vendor as a defendant not only violated Valentino's rights, but also breached its contract with Amazon.

By breaching its contract, Amazon further asserts, the defendant "willfully deceived Amazon and its customers,

compromised the integrity of Amazon's stores, threatened to undermine the trust that customers place in Amazon and Valentino, tarnished Amazon and Valentino's brands and reputations, and harmed Amazon and Valentino and their customers."

Relief requested

An important part of any lawsuit, often not fully appreciated, is what relief the party is seeking.

It is not enough to just come into court and assert that the other side has done some wrong. One must also make a legally valid claim about the *relief* the party is seeking.

In breach-of-contract claims, the remedy awarded is virtually always monetary damages. It is rare that a court will award any other kind of relief in such cases.

Curiously, however, nowhere does Amazon seek monetary damages for its breach of contract claim. So, what is it that Amazon wants the court to do if it finds that the vendor breached its contract?

Amazon seeks injunctive relief an order from the court directing the party to do or not do something.

Specifically, Amazon seeks to enjoin the vendor defendant from "selling products on any of Amazon's websites or in any of Amazon's stores;" "opening or attempting to open any Amazon Selling Accounts;" or "assisting, aiding or abetting any other person or business entity in engaging or performing any of the[se] activities."

This request for relief is unusual and notable for two reasons.

First, there is a general, long-standing legal rule that a court will only grant injunctive relief if the party seeking it shows what is called "irreparable harm," meaning harm that cannot be remedied by a monetary award.

Most harms to a party can be remedied by simply awarding the damaged party some amount of money. Where that is the case, the law does not allow courts to award injunctive relief.

Trademark cases do often involve irreparable harm. Trademarks are closely related to a company's goodwill and reputation. Trademark infringement puts the business's reputation at risk. These harms are real, but they are very difficult to quantify and prove.

So, in most cases, a court will find that the reputational harm associated with trademark infringement is irreparable and supports injunctive relief.

This is why Amazon alleges that infringements on its site compromise and tarnish its reputation such allegations are needed to support its request for an injunction.

Second, Amazon's request for an injunction highlights what appears to be a recurring problem on Amazon and other platform sites.

As reported in the *Luxury Daily article*, Amazon already banned this seller from its site in September 2019, some nine months prior to the suit. So, this seller is currently not and has not been on the site for a long time.

So how is Amazon being reputationally harmed by a vendor who supposedly has been off the site for nine months? And why does Amazon now need the court to order a vendor off its own site?

A problem that many trademark and other IP owners face is that when a platform knocks a vendor off the site, the vendor simply returns under another business title. Amazon's request for injunctive relief suggests that it lacks full control over its own Web site and vendors. Otherwise, why would it need the court to ban an already-banned vendor?

What is Amazon's real goal?

From a legal point of view, Amazon's involvement seems to make little sense. The only relief it requests is to keep an already-banned vendor off its site. Whether Amazon will be able to convince the court that it should be awarded this relief remains to be seen.

That leaves the question of whether Amazon's true motivation lies outside the courtroom.

Amazon already has a reputation for having tremendous amounts of counterfeits and other infringements on its site.

In a study of 321 brands offered for sale on Amazon by third-party merchants, research firm Gartner found that one-third of their products had received at least one review by a customer reporting it as fake goods.

And as *Luxury Daily* already noted, many luxury and other fashion companies are reluctant to sell on Amazon, fearful that their presence will end up authenticating, in the eyes of consumers, the many counterfeits that appear there.

So, Amazon's suit may be an attempt at public relations, aimed at showing that it is acting to stem the problem.

Amazon may also be worried about recent legal developments.

As we have noted before, in 2010, a very influential federal court of appeals ruled in *Tiffany v. eBay* that a selling platform was not responsible for infringements sold on its site by third-party vendors unless it had *specific* knowledge that an offering was infringing. This made it almost impossible to hold platforms liable.

But, [as we previously reported here](#), in March a bipartisan bill was introduced in Congress, the SHOP-SAFE Act, which would, in some circumstances, hold selling platforms liable for infringements sold on their sites.

Although that bill has been stalled, largely due to the COVID-19 coronavirus crisis, its introduction reflects a trend that selling platforms should take more responsibility in keeping their sites free of counterfeits.

So, Amazon's pairing up with Valentino may be a strategic move to convince Congress and the public that it is serious about fighting infringements on its own site.

AMAZON'S REAL GOAL in joining Valentino's infringement suit is likely not the relief it hopes to be awarded by the court, but a boost in public relations for a company often criticized for being the flea market for counterfeiters and infringers.



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