

Seton Hall University

**eRepository @ Seton Hall**

---

Student Works

Seton Hall Law

---

2024

## **Lend a [Second]Hand to Luxury Fashion: The Need to Clarify the First Sale Doctrine and Establish a Threshold for the Materially Different Exception**

Claire M. Midili

Follow this and additional works at: [https://scholarship.shu.edu/student\\_scholarship](https://scholarship.shu.edu/student_scholarship)



Part of the [Law Commons](#)

---

# Lend a [Second]Hand to Luxury Fashion: The Need to Clarify the First Sale Doctrine and Establish a Threshold for the Materially Different Exception

Claire M. Midili\*

## I. INTRODUCTION

Imagine this: a wonderfully generous mother gifts her daughter, Ren, her black leather Chanel Classic Double Flap bag<sup>1</sup> that she has had for over a decade. The bag quickly becomes Ren's new prized possession; however, she notices that the back of the bag is slightly worn and faded, likely from the many years her mother has worn it against her body. Ren decides to get the entire bag redyed for consistency so she sends it to Rago Brothers, a renowned shoe and leather repair shop that has been in business since 1911.<sup>2</sup> At Rago Brothers, a specialist mixes colors to match her bag then applies this customized dye carefully and by hand to restore her bag, as closely as possible, to its original form.<sup>3</sup> Ren receives her redyed item and exclaims, "wow, it's as good as new!" But of course the bag is not actually new, it is the same old bag that Ren's mother had gifted her, just freshly dyed. This seems to be a simple repair; however, Chanel did not authorize the dye used, nor did Chanel authorize the removal of the leather from the chain strap to be dyed and re-assembled. So then, should the bag still be legally considered a genuine Chanel product now that it has been restored? This may seem to be an easy answer (i.e., "of course it is still genuine!"), but trademark law and judicial opinions have left the possibility on the table that this repair has actually resulted in a non-genuine Chanel bag.

---

\* J.D. Candidate, 2024, Seton Hall University School of Law; B.A., Montclair State University.

<sup>1</sup> For reference to this style, see *Classic Handbag*, CHANEL, <https://www.chanel.com/us/fashion/p/A01112Y0129594305/classic-handbag-lambskin-gold-tone-metal> (last visited Sept. 20, 2022).

<sup>2</sup> *Rago Brothers Through the Decades*, RAGO BROTHERS, <https://www.ragobrothers.com/handbag-repair-restoration> (last visited Sept. 20, 2022).

<sup>3</sup> *Handbag Repair*, RAGO BROTHERS, <https://www.ragobrothers.com/handbag-repair-restoration> (last visited Sept. 20, 2022).

Trademark law’s Lanham Act provides that the “use in commerce [of] 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 . . . with which such use is likely to cause confusion, or to cause mistake, or to deceive” constitutes trademark infringement.<sup>4</sup> But through trademark law’s first sale doctrine, a person who merely stocks, displays, and resells a genuine, trademarked good does not infringe on the trademark owner’s rights because there is no likelihood of confusion as to the product’s origins.<sup>5</sup> Thus, a subsequent seller is not required to obtain the trademark owner’s consent to resell the product.<sup>6</sup> This judicially-applied doctrine is relevant after a trademark owner files a trademark infringement claim against a subsequent seller. The defendant then either explicitly asserts the first sale doctrine as a defense, or argues generally that the product is genuine and that they have not infringed.<sup>7</sup>

Like all trademark infringement claims under the Lanham Act, courts ask whether the allegedly infringing goods are “likely to cause confusion in the marketplace and undermine the goodwill the trademark owner has developed in its trademarked goods.”<sup>8</sup> When determining the likelihood of confusion, courts apply the “likelihood of confusion” test, which varies by circuit.<sup>9</sup> No one factor is dispositive of the likelihood of confusion and, notably, the proof of actual confusion is not required but is persuasive in the analysis.<sup>10</sup>

In response to the first sale doctrine, plaintiffs frequently argue that confusion is likely to arise due to a material difference between the plaintiff’s genuine good and the defendant’s

---

<sup>4</sup> 15 U.S.C. § 1114(1)(a).

<sup>5</sup> *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1073 (10th Cir. 2009).

<sup>6</sup> *Davidoff & Cie, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297, 1301–02 (11th Cir. 2001).

<sup>7</sup> *Compare Taylor Made Golf Co. v. MJT Consulting Group*, 265 F. Supp. 2d 732, 739 (N.D. Tex. 2003), *with Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238, 243 (2d Cir. 2009).

<sup>8</sup> *Beltronics*, 562 F.3d at 1074; *Am. Circuit Breaker Corp. v. Or. Breakers, Inc.*, 406 F.3d 577, 584 (9th Cir. 2005).

<sup>9</sup> *Taylor Made*, 265 F. Supp. 2d at 742.

<sup>10</sup> *Sunbeam Prods. v. West Bend Co.*, 123 F.3d 246, 257 (5th Cir. 1997).

product.<sup>11</sup> This argument is known as the first sale doctrine’s materially different exception and it focuses the likelihood of confusion test on the similarities, or lack thereof, between the plaintiff’s product and the defendant’s. Where a defendant’s product is materially different from the plaintiff’s trademarked item, the defendant’s product is deemed non-genuine and resale constitutes trademark infringement.<sup>12</sup> The key principle in the evaluation is whether the difference “confuses consumers and impinges on the . . . trademark holder’s goodwill.”<sup>13</sup> Courts consider many factors in this case-by-case analysis and keep the materially different threshold low so that even subtle differences are captured.<sup>14</sup> But still, where the difference is so minimal that a consumer gets the exact product they expected to receive, the difference is not material.<sup>15</sup>

Courts vary in their applications of the likelihood of confusion test and the materially different exception. Some courts only analyze the facts within the context of the first sale doctrine and the materially different exception, excluding its circuit’s likelihood of confusion factors altogether.<sup>16</sup> Others focus on the likelihood of confusion factors with reference to the first sale doctrine and the materially different exception.<sup>17</sup> Both the likelihood of confusion test and the materially different exception are concerned with the same inquiry—whether the allegedly infringing goods are “likely to cause confusion in the marketplace and undermine the goodwill the trademark owner has developed in its trademarked goods.”<sup>18</sup> A plaintiff’s trademark infringement claim may give rise to a first sale doctrine issue in various circumstances, including where the

---

<sup>11</sup> Nitro Leisure Prods., L.L.C. v. Acushnet Co., 341 F.3d 1356, 1361 (Fed. Cir. 2003).

<sup>12</sup> *Beltronics*, 562 F.3d at 1072.

<sup>13</sup> *Id.* at 1072–73.

<sup>14</sup> *Davidoff & Cie, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297, 1302 (11th Cir. 2001); *Beltronics*, 562 F.3d at 1072–73.

<sup>15</sup> *Beltronics*, 562 F.3d at 1072.

<sup>16</sup> *See, e.g., id.* at 1071–76; *Iberia Foods Corp. v. Romeo*, 150 F.3d 298, 302–03 (3d Cir. 1998); *Sebastian Int’l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1076–77 (9th Cir. 1995).

<sup>17</sup> *See, e.g., Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1360–63 (Fed. Cir. 2003); *Dan-Foam A/S & Tempur-Pedic, Inc. v. Brand Named Beds, LLC*, 500 F. Supp. 2d 296, 312 (S.D.N.Y. 2007); *Hamilton Int’l Ltd. v. Vortic LLC*, 414 F. Supp. 3d 612, 618 (S.D.N.Y. 2019).

<sup>18</sup> *Beltronics*, 562 F.3d at 1074.

defendant has repackaged the plaintiff's trademarked product,<sup>19</sup> or is selling used, repaired, or refurbished goods,<sup>20</sup> or has voided the product's warranty or service commitments.<sup>21</sup>

While the doctrine covers many industries,<sup>22</sup> the luxury fashion resale market may be uniquely susceptible to trademark infringement claims under the first sale doctrine's materially different exception. The fashion resale industry has been growing significantly in recent years and, what was a \$28 billion market in 2021, is now estimated to reach \$64 billion by 2024.<sup>23</sup> Trademark infringement and first sale doctrine claims will likely become more prevalent in the fashion industry as the luxury fashion resale market continues to grow, especially in light of the limited intellectual property protections available to the industry.<sup>24</sup> Additionally, courts hearing luxury watch trademark infringement cases have relied on a variation of the likelihood of confusion test and the materially different exception.<sup>25</sup> Courts' decisions have been based on whether a part to the product is "necessary and integral," and if that part has been changed, then there is trademark infringement.<sup>26</sup> Due to the various court analyses, the judicial application of the first sale doctrine is ambiguous, creating a risk of plaintiffs bringing frivolous claims in expectation of one analysis being utilized over another. This could lead to judicial inefficiency, forum shopping, and horizontal inequity because similarly situated parties may be treated differently depending on jurisdiction.

---

<sup>19</sup> See *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 366–67 (1924).

<sup>20</sup> See *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 127 (1947); *Nitro Leisure*, 341 F.3d at 1358.

<sup>21</sup> See *Beltronics*, 562 F.3d at 1069.

<sup>22</sup> See, e.g., *id.* (electronics); *Nitro Leisure*, 341 F.3d at 1358 (golf equipment); *Dan-Foam A/S & Tempur-Pedic*, 500 F. Supp. 2d at 297 (mattresses).

<sup>23</sup> Julie Tamerler, *Everything Isn't Gucci: Trademark Law and the Secondhand Luxury Goods Market*, REUTERS (June 18, 2021, 4:52 PM), <https://www.reuters.com/legal/legalindustry/everything-isnt-gucci-trademark-law-secondhand-luxury-goods-market-2021-06-18>.

<sup>24</sup> See M.C. Miller, Note, *Copyrighting the "Useful Art" of Couture: Expanding Intellectual Property Protection for Fashion Designs*, 55 WM. & MARY L. REV. 1617, 1621 (2014).

<sup>25</sup> See *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 23 (7th Cir. 1964); *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 825 (5th Cir. 1998); *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 710 (9th Cir. 1999).

<sup>26</sup> *Bulova*, 328 F.2d at 23; *Meece*, 158 F.3d at 825; *Michel*, 179 F.3d at 710.

This Comment will examine the first sale doctrine and the methods courts use to evaluate trademark infringement claims in the context of resale. Specifically, this Comment will examine how the doctrine applies to the luxury fashion resale market. Part II of this Comment will give an overview of the Lanham Act. Part III will discuss the first sale doctrine and will examine the analyses, including the likelihood of confusion test and the materially different exception, that courts use to determine whether there has been trademark infringement. Part IV will explore luxury fashion and its resale market and will analyze first sale doctrine cases that have arisen for luxury fashion products. Part V will address how current case law leaves luxury fashion resale of repaired goods vulnerable to a strict interpretation of the “necessary and integral” formula under the application of the likelihood of confusion test and materially different exception. This Part will also argue that such a strict interpretation in cases involving repaired luxury goods should be rejected and will examine both public and private regulatory options to address the treatment of luxury fashion resale of repaired goods. And Part VI will conclude that trademark law as it currently stands leaves judicial treatment of the first sale doctrine ambiguous.

## II. THE LANHAM ACT

In applying the first sale doctrine to trademark infringement claims, courts further the Lanham Act’s purposes by focusing on consumer confusion in the resale market. This Part provides a brief overview of the Lanham Act before exploring the first sale doctrine in the subsequent sections.

Congress enacted the Lanham Act in 1946 to provide a national trademark registration system that “protects the owner of a federally registered mark against the use of similar marks if such use is likely to result in consumer confusion, or if the dilution of a famous mark is likely to

occur.”<sup>27</sup> Trademark law’s purpose is twofold: (1) it is intended to protect the public so that consumers may be confident that, in purchasing trademarked goods, they are in fact purchasing the products in which they seek; and (2) it is meant to protect the trademark owner from the misappropriation of the energy, time, and money they have invested into presenting the product to the public.<sup>28</sup> In furtherance of these goals, the Lanham Act establishes that trademark infringement is unlawful.<sup>29</sup> Such infringement occurs when confusion, mistake, or deception are likely to result from the “use in commerce [of] 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.”<sup>30</sup> While the basis of trademark infringement claims vary, the central inquiry in these cases is the “likelihood of consumer confusion.”<sup>31</sup> Notably, the Lanham Act does not address whether genuine, trademarked goods are subject to the same protections after the trademark owner makes the initial sale, placing the product into the stream of commerce and subjecting it to resale. Rather, the judiciary has been left to its own devices to answer that question.

### III. THE FIRST SALE DOCTRINE AND MATERIALLY DIFFERENT GOODS

As noted in the previous Part, the Lanham Act does not explicitly provide for the resale of trademarked goods. But, while trademark law is distinct from copyright law, the latter has been

---

<sup>27</sup> *Lanham Act*, LEGAL INFO. INST., [https://www.law.cornell.edu/wex/lanham\\_act](https://www.law.cornell.edu/wex/lanham_act) (last visited Sept. 22, 2022).

<sup>28</sup> S. REP. NO. 79-1333, at 3 (1946).

<sup>29</sup> 15 U.S.C. § 1114. The Lanham Act, as expanded by the Federal Trademark Dilution Act (FTDA), also establishes that trademark dilution is unlawful. *Id.* § 1125(c); *Trademark Dilution*, BITLAW, <https://www.bitlaw.com/trademark/dilution.html> (last visited Feb. 18, 2023). A dilution claim does not require analysis under the likelihood of confusion test but, instead, asks whether a third-party’s use of a “famous” trademark dilutes the mark’s “distinctive quality.” *Id.* Notably, a finding of liability under a federal claim of trademark dilution provides no greater remedies than those available under a claim of infringement. *Michel*, 179 F.3d at 708, n.6. Although trademark owners frequently assert infringement and dilution claims together, trademark infringement is the primary focus of this Comment and a full analysis of dilution and other trademark causes of action are beyond the scope of this Comment. *See, e.g., id.* at 707 (deciding federal claims of trademark counterfeiting and infringement, as well as dilution); *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1359 (Fed. Cir. 2003) (reviewing claims of trademark infringement and dilution).

<sup>30</sup> § 1114(1)(a).

<sup>31</sup> *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1071 (10th Cir. 2009).

informative for courts faced with trademark infringement claims where an unauthorized seller has resold an otherwise genuine, trademarked good after the trademark owner has already made a first sale. In such cases, courts reference copyright law's codified first sale doctrine, which expressly provides that "the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."<sup>32</sup> Importantly, this doctrine only applies to the subsequent owner's distribution rights, not their reproduction rights.<sup>33</sup> Thus, if someone purchases a book, they may legally resell that physical book but they cannot sell photocopies that they have made of the book.

This Part explores the ways in which courts have borrowed copyright law's codified first sale doctrine to apply in the trademark context. Section A starts by exploring how the first sale doctrine operates under trademark law. Then Section B details the doctrine's materially different exception, as well as the likelihood of consumer confusion analysis. Finally, Section C discusses various circumstances in which a material difference may arise in the resale of trademarked goods.

#### *A. Trademark Law and the First Sale Doctrine*

Under trademark law, the first sale doctrine is similar to the one found codified under copyright law, however, trademark law's version of the doctrine has thus far only been judicially applied. While the general goal of trademark law is to ensure that items sold under a trademark are genuine, the judicially-applied first sale doctrine provides that the trademark owner's right to control the distribution of a product is extinguished following the first authorized sale of that item.<sup>34</sup> Thus, where a person merely stocks, displays, and resells a genuine, trademarked good, the reseller does not infringe on the trademark owner's rights as protected by the Lanham Act.<sup>35</sup>

---

<sup>32</sup> 17 U.S.C. § 109(a).

<sup>33</sup> *See generally id.*

<sup>34</sup> *Beltronics*, 562 F.3d at 1071–72.

<sup>35</sup> *Id.* at 1073.



Defendants facing trademark infringement claims frequently rely on the first sale doctrine as a defense to avoid liability—with some defendants expressly asserting the doctrine as a defense, whereas others impliedly rely on it by arguing that the goods are genuine.<sup>36</sup> Regardless of a defendant’s approach, the relevant inquiry, as with all trademark infringement cases, rests on whether consumers are likely to be confused.<sup>37</sup> To determine this inquiry, courts apply the “likelihood of confusion” test, which involves weighing a non-exhaustive list of factors.<sup>38</sup> Although the factors analyzed vary by circuit, courts generally consider: (1) the similarity of the two products; (2) the identity of the retail outlets and purchasers; (3) the identity of advertising media; (4) the strength of the trademark or trade dress; (5) the intent of the defendant; (6) the similarity of design; (7) the actual confusion; and (8) the degree of care employed by consumers.<sup>39</sup> Additional factors that courts have cited look to the extent and nature of the product’s changes and whether there is clarifying labeling on the changed product.<sup>40</sup> No individual factor is dispositive in this analysis and, notably, proof of actual confusion is not required but is merely persuasive in determining the likelihood of confusion.<sup>41</sup> Additionally, courts do not require that the alleged infringement involve the *copying* of a mark; rather, retention of an *original* mark may constitute infringement where such mark’s presence itself causes confusion.<sup>42</sup>

#### B. *Materially Different Goods and the Likelihood of Confusion*

---

<sup>36</sup> Compare *Taylor Made Golf Co. v. MJT Consulting Group*, 265 F. Supp. 2d 732, 739 (N.D. Tex. 2003), with *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238, 243 (2d Cir. 2009).

<sup>37</sup> *Am. Circuit Breaker Corp. v. Or. Breakers Inc.*, 406 F.3d 577, 584 (9th Cir.).

<sup>38</sup> *Taylor Made*, 265 F. Supp. 2d at 742 (referring to the analysis as the “digits of confusion” test).

<sup>39</sup> *Sunbeam Prods. v. West Bend Co.*, 123 F.3d 246, 257 (5th Cir. 1997).

<sup>40</sup> *Taylor Made*, 265 F. Supp. 2d at 742.

<sup>41</sup> *Sunbeam Prods.*, 123 F.3d at 257.

<sup>42</sup> *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 707 (9th Cir. 1999) (“[A] copy of a mark is no more likely to confuse the public than is the original; in fact, the public is more likely to be deceived by an original mark because it serves as a perfect imitation. In short, the distinction between using a duplication versus using an original has no relevance to the purposes of trademark law. When an original mark is attached to a product in such a way as to deceive the public, the product itself becomes a ‘counterfeit’ just as it would if an imitation of the mark were attached.”) (citing *Westinghouse Elec. Corp. v. Gen. Cir. Breaker & Elec. Supply, Inc.*, 106 F.3d 894, 900 (9th Cir. 1997)).

While this likelihood of confusion analysis is the default approach, courts may revise the test based on the plaintiff's assertions regarding the nature of the confusion at risk. Frequently, plaintiffs argue that confusion is likely to arise due to a material difference between the plaintiff's genuine good and the defendant's product.<sup>43</sup> This argument is known as the first sale doctrine's "materially different" exception and it focuses the likelihood of confusion test on the similarities, or lack thereof, between the plaintiff's product and the defendant's. Where a defendant's product is materially different from the plaintiff's trademarked item, the defendant's product is deemed non-genuine (i.e., counterfeit) and resale constitutes trademark infringement.<sup>44</sup> While not all variations will rise to a material difference, the key principle in the evaluation is whether the difference "confuses consumers and impinges on the . . . trademark holder's goodwill."<sup>45</sup> This is necessarily a case-by-case evaluation but it is generally understood that "[a] material difference is one that consumers [would] consider relevant to a decision about whether to purchase a product."<sup>46</sup> Courts consider many factors in this analysis and keep the materially different threshold low so that even subtle differences may be captured.<sup>47</sup> But still, where the difference is so minimal that a consumer gets precisely the product they expected to receive, the difference is not material.<sup>48</sup>

As previously noted, courts vary in their applications of the likelihood of confusion test and the materially different exception. Some courts only analyze the facts within the context of the first sale doctrine and the materially different exception, excluding its circuit's likelihood of confusion factors altogether.<sup>49</sup> Others focus on the likelihood of confusion factors with reference

---

<sup>43</sup> Nitro Leisure Prods., L.L.C. v. Acushnet Co., 341 F.3d 1356, 1361 (Fed. Cir. 2003).

<sup>44</sup> Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC, 562 F.3d 1067, 1072 (10th Cir. 2009).

<sup>45</sup> *Id.* at 1072–73.

<sup>46</sup> Davidoff & Cie, S.A. v. PLD Int'l Corp., 263 F.3d 1297, 1302 (11th Cir. 2001); *Beltronics*, 562 F.3d at 1073.

<sup>47</sup> *Beltronics*, 562 F.3d at 1073.

<sup>48</sup> *Id.* at 1072.

<sup>49</sup> *See, e.g., id.* at 1071–76; *Iberia Foods Corp. v. Romeo*, 150 F.3d 298, 302–03 (3d Cir. 1998); *Sebastian Int'l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1076–77 (9th Cir. 1995).

to the first sale doctrine and the materially different exception.<sup>50</sup> Although differently labeled, both the likelihood of confusion test and the materially different exception essentially boil down to the same inquiry of whether the allegedly infringing goods are “likely to cause confusion in the marketplace and undermine the goodwill the trademark owner has developed in its trademarked goods.”<sup>51</sup> It may be simpler to view the materially different exception as being one factor of the likelihood of confusion test. And that, in some circumstances, applying additional factors is necessary, while in other circumstances, whether there is a material difference sufficiently controls. While “material difference” is frequently referenced as an exception to the first sale doctrine, it could also be the basis on which a trademark holder asserts a Lanham Act trademark infringement claim in the first place.

### *C. Circumstances Resulting in Material Differences*

A plaintiff’s trademark infringement claim may give rise to a first sale doctrine materially different issue under various circumstances. Such circumstances include where the defendant has repackaged the plaintiff’s trademarked product,<sup>52</sup> or is selling used, repaired, or refurbished goods,<sup>53</sup> or has voided the product’s warranty or service commitments.<sup>54</sup> Courts may approach these various issues differently, as the product changes under each may give rise to different concerns regarding the nature of confusion at risk. The following Subsections explore these various circumstances and the ways in which courts approach each.

#### **1. Repackaged Goods**

---

<sup>50</sup> See, e.g., *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1360–63 (Fed. Cir. 2003); *Dan-Foam A/S & Tempur-Pedic, Inc. v. Brand Named Beds, LLC*, 500 F. Supp. 2d 296, 312 (S.D.N.Y. 2007); *Hamilton Int’l Ltd. v. Vortic LLC*, 414 F. Supp. 3d 612, 618 (S.D.N.Y. 2019).

<sup>51</sup> *Beltronics*, 562 F.3d at 1074.

<sup>52</sup> See *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 366–67 (1924).

<sup>53</sup> See *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 127 (1947); *Nitro Leisure*, 341 F.3d at 1358.

<sup>54</sup> See *Beltronics*, 562 F.3d at 1069.

First, material difference concerns arise where trademarked goods have been repackaged. Generally, however, a material difference does not arise where a repackaged good retains the original item's name in order to notify the purchaser of the contents and origins of the product.<sup>55</sup> In *Prestonettes, Inc. v. Coty*, the defendant bought a beauty powder from the plaintiff, packaged it with other ingredients, and sold it to consumers.<sup>56</sup> The packaging for the defendant's product used the plaintiff's trademarked name to indicate that the plaintiff's product was included.<sup>57</sup> The Court held that "the defendant . . . by virtue of its ownership had a right to compound or change what it bought . . . and to sell it so divided."<sup>58</sup> The Court determined that the defendant could use the plaintiff's trademark to indicate that the trademarked product was part of the product that the defendant was offering as new and changed.<sup>59</sup> Notably, the Court stated that "when the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth."<sup>60</sup> Because the defendant used the trademark only to indicate that the trademark owner's product was included in the new final product, the trademark was not being used in a deceptive way.<sup>61</sup>

## **2. Used, Repaired, or Refurbished Goods**

Second, trademark owners assert material difference claims where their goods are sold in used, repaired, or refurbished conditions. Where a trademarked product has been repaired, the secondhand seller may retain the trademark so long as the repairs are disclosed to the consumer.<sup>62</sup> In *Champion Spark Plug Co. v. Sanders*, the defendant collected used Champion trademarked

---

<sup>55</sup> *Prestonettes*, 264 U.S. at 368–69.

<sup>56</sup> *Id.* at 367.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.* at 368.

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> *Prestonettes*, 264 U.S. at 368.

<sup>62</sup> *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130 (1947).

spark plugs, repaired and reconditioned them, then resold them.<sup>63</sup> Although the secondhand plugs maintained the Champion trademark, the defendant labelled them as “renewed.”<sup>64</sup> These repaired spark plugs remained functional; however, some of their qualities, including their heat range, were diminished as compared to the originals.<sup>65</sup> The Court determined that, where goods are used, the question is whether the “reconditioning or repair [is] so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words ‘used’ or ‘repaired’ were added.”<sup>66</sup> Here, the level of inferiority was to be expected and, because the defendant had labelled the spark plugs as used and repaired, the trademark owner would not be identified with the inferior qualities.<sup>67</sup> The Court held that the reconditioning and repairs did not rise to the level needed to constitute trademark infringement because “[f]ull disclosure gives the manufacturer all the protection to which he is entitled.”<sup>68</sup>

Similarly, in *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, the plaintiff sold used golf balls that were produced by the defendant, who is the owner of several golf-related trademarks, including TITLEIST and PRO V1.<sup>69</sup> The plaintiff sold the used golf balls under two categories: (1) “recycled” balls and (2) “refurbished” balls.<sup>70</sup> The recycled balls were merely washed and resold, whereas the refurbished balls underwent a cosmetic process that involved removing the paint and trademarks from the outer layer of the ball then repainting and reapplying the trademarks to it.<sup>71</sup> Additionally, the plaintiff disclaimed the nature of the refurbished balls by adding to the

---

<sup>63</sup> *Id.* at 126.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.* at 129.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 129–30.

<sup>68</sup> *Champion*, 331 U.S. at 130.

<sup>69</sup> *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1358 (Fed. Cir. 2003).

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

face of each “USED AND REFURBISHED.”<sup>72</sup> The defendant asserted that this refurbishing process altered the composition of the balls to the extent that they were no longer the same product.<sup>73</sup> The court adopted the “statutory” likelihood of confusion test for the context of used or refurbished goods, stating that consumers buying used and refurbished items do not expect the items to be in the same condition as new products.<sup>74</sup> In applying this test, the court held that the differences between the defendant’s new goods and the plaintiff’s used and refurbished goods were not so great to cause a likelihood of confusion to constitute trademark infringement.<sup>75</sup>

### 3. Voided Warranties or Service Commitments

Third, a material difference may be found even where the secondhand product is not physically different from the original.<sup>76</sup> In *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, the plaintiff asserted a trademark infringement claim against the defendant for selling its genuine goods with the original serial number labels removed.<sup>77</sup> The defendant asserted that it was discharged from trademark infringement through the first sale doctrine.<sup>78</sup> Although the court recognized the first sale doctrine, it prefaced its analysis by establishing that the unauthorized resale of a genuine but materially different trademarked product can result in trademark infringement.<sup>79</sup> Then, in evaluating the defendant’s assertion of the first sale doctrine to the case at issue, the court noted that the defendant’s removal of the labels went beyond the act of merely stocking, displaying, and reselling the plaintiff’s products.<sup>80</sup> Here, the defendant’s act of removing

---

<sup>72</sup> *Id.*

<sup>73</sup> *Id.*

<sup>74</sup> *Id.* at 1363–64.

<sup>75</sup> *Nitro Leisure*, 341 F.3d at 1363.

<sup>76</sup> *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1073 (10th Cir. 2009).

<sup>77</sup> *Id.* at 1069.

<sup>78</sup> *Id.* at 1073.

<sup>79</sup> *Id.* at 1069.

<sup>80</sup> *Id.* at 1073.

the serial number labels voided the plaintiff's warranties and services linked to those labels.<sup>81</sup> The court held that the defendant had infringed on the plaintiff's trademark because, although the removal of the labels did not create a physically different product and only changed the services and warranty associated with it, the product was no longer genuine and could lead to consumer confusion regarding the source and quality of the item.<sup>82</sup>

#### IV. LUXURY FASHION AND THE RESALE MARKET

As indicated in the previous Part, first sale doctrine issues can arise under various circumstances and across many industries.<sup>83</sup> The luxury fashion resale market may be uniquely susceptible to trademark infringement claims under the first sale doctrine and materially different exception. In furtherance of luxury brands' goals, luxury products are primarily characterized by elevated quality, exclusivity, and high prices.<sup>84</sup> Quality signals better performance and connects more personally the brand to the consumer;<sup>85</sup> exclusivity and scarcity build an aspirational allure;<sup>86</sup> and high pricing, a "major defining attribute" of luxury goods, signals status and contributes to the exclusivity factor.<sup>87</sup> Because of the central importance of exclusivity of their products, many luxury fashion brands fear dilution of their intellectual property through the resale market, which is often more accessible than buying directly from the brand itself.<sup>88</sup>

---

<sup>81</sup> *Id.* at 1069.

<sup>82</sup> *Beltronics*, 562 F.3d at 1073.

<sup>83</sup> See discussion *supra* Part III.

<sup>84</sup> *Luxury Brand: Definition, Characteristics, & Examples*, RETAIL DOGMA, <https://www.retaildogma.com/luxury-brand> (last visited Sept. 14, 2022).

<sup>85</sup> Pamela N. Danziger, *What Makes a Brand Luxury and Why Shinola Earns the Title*, FORBES (May 7, 2017, 8:03 AM), <https://www.forbes.com/sites/pamdanziger/2017/05/07/what-makes-a-brand-luxury-why-shinola-earns-the-title>.

<sup>86</sup> *Luxury Brand*, *supra* note 84.

<sup>87</sup> Pamela N. Danziger, *Forget Quality and Sustainability: High Price Drives Consumer Demand for Luxury Brands*, FORBES (May 12, 2022, 121:53 PM), <https://www.forbes.com/sites/pamdanziger/2022/03/12/forget-quality-and-sustainability-high-price-drives-consumer-demand-for-luxury-brands>.

<sup>88</sup> See Trove: The Resale Edit, *If It Wasn't for Brands, Resale Wouldn't be a Thing*, LINKEDIN (Nov. 1, 2022), <https://www.linkedin.com/pulse/wasnt-brands-resale-wouldnt-thing-troveco>.

This Part outlines the nature of the luxury fashion market and why there may be a rise in first sale doctrine disputes in the coming years. Section A begins by detailing the fashion industry’s limited intellectual property protection, as well as the shroud of secrecy brands maintain over their processes and goods. Next, Section B notes the fashion resale market’s rapid and significant growth, especially in the luxury goods sector. Finally, Section C explores the unique circumstances of luxury fashion first sale doctrine cases.

*A. Fashion’s Opacity and Lack of Intellectual Property Protections*

The fashion industry as a whole, but especially the luxury fashion market, is notoriously opaque, with businesses particularly protective of their materials, products, and processes.<sup>89</sup> One possible explanation or justification for the extreme opacity of the fashion industry is that there are very limited intellectual property protections available to fashion brands and their products. While copyright, patent, and trademark laws may touch on different aspects of the fashion industry, these protections may not be readily available due to the conflicting utilitarian and artistic components of fashion products, as well as fashion’s ephemeral nature. For example, even though fashion is frequently considered an artistic expression, copyright protection is improbable for fashion goods due to their “unavoidably utilitarian” nature.<sup>90</sup> And because a brand’s intellectual property is the proverbial “key to the castle,” luxury brands have a genuine interest in retaining a certain level of secrecy and control in regard to their production and distribution practices.<sup>91</sup>

Similarly, under patent law, fashion designs are rarely protectable.<sup>92</sup> Occasionally, however, designs may be protected by a utility patent, which “protects any new invention or

---

<sup>89</sup> BUS. OF FASHION, THE SUSTAINABILITY GAP: HOW FASHION MEASURES UP 15 (Imran Amed, Robb Young & Hannah Crump eds., 2021).

<sup>90</sup> Miller, *supra* note 24, at 1630, 1633.

<sup>91</sup> See Trove: The Resale Edit, *supra* note 88.

<sup>92</sup> Miller, *supra* note 24, at 1627.



functional improvements on existing inventions,” or a design patent, which “protects an invention’s ‘ornamental design, configuration, improved decorative appearance, or shape.’”<sup>93</sup> The design patent is generally preferred by fashion designers, even though such patents only protect non-functional elements of a functional design.<sup>94</sup> Under such patents, the whole design is not protected, only an ornamental element of it is, and this level of protection does not prevent others from copying the total design.<sup>95</sup> An additional barrier to patent protection is the time constraint.<sup>96</sup> Patents take on average two years to be officially granted.<sup>97</sup> Under this timeline, a product may become obsolete by the time the patent is granted due to the seasonality of fashion goods.<sup>98</sup> For similar timing concerns, trade dress protections, which protect a product’s visual appearance, are restrictive due to their time in the marketplace requirement.<sup>99</sup>

Instead, trademark protections of a brand’s logo or name are the primary sources of protection.<sup>100</sup> But such protections are limited to the branding and do not extend to the fashion designs themselves.<sup>101</sup> With trademarks being the key form of intellectual property protection in the fashion industry, brands seek to retain a high level of control over their marks by limiting their distribution outlets.<sup>102</sup>

Due to this limited intellectual property protection, as well as the complex and opaque tiers of the industry’s supply chain, tracing origins of fashion products and their components, as well

---

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> *Id.* at 1627–28.

<sup>96</sup> *Id.* at 1628.

<sup>97</sup> *Id.*

<sup>98</sup> Miller, *supra* note 24.

<sup>99</sup> Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & TECH. 251, 277 (2011).

<sup>100</sup> *Id.*

<sup>101</sup> *Id.*

<sup>102</sup> See generally Trove: The Resale Edit, *supra* note 88.

as replacement parts, is challenging.<sup>103</sup> For example, Chanel maintains significant control over its production process, with a limited number of factories in Europe authorized to manufacture its products.<sup>104</sup> And, in working with these factories, Chanel only provides enough supplies to produce a specific quantity of the ordered product.<sup>105</sup> These provided supplies include “leather, rivets, buckles, zippers, and clasps, as well as a CHANEL-branded label, sticker, and Authenticity Card that each bear a unique Chanel Serial Number.”<sup>106</sup> Chanel does not allow these factories to purchase additional components to produce more goods and does not authorize factory overruns.<sup>107</sup> Chanel maintains a detailed list of all serial numbers and the product attributes linked to each number—meaning Chanel can identify counterfeits, as well as genuine goods that have been altered or modified in any way.<sup>108</sup> While this example is specific to Chanel’s manufacturing practices aimed at retaining the control and exclusivity of its products, it is by no means unique within the industry, nor is it the only method brands adopt to accomplish such control and exclusivity.<sup>109</sup>

### B. *Luxury Fashion Resale on the Rise*

Luxury brands seek to retain control and exclusivity, which, paradoxically, creates a greater demand for resale.<sup>110</sup> Industry watchers predict that the already sizable luxury resale market will

---

<sup>103</sup> BUS. OF FASHION, *supra* note 89.

<sup>104</sup> Chanel, Inc. v. WGACA, LLC, 18 Civ. 2253 (LLS), 2022 U.S. Dist. LEXIS 55880, at \*3–4 (S.D. N.Y. Mar. 28, 2022).

<sup>105</sup> *Id.*

<sup>106</sup> *Id.*

<sup>107</sup> *Id.*

<sup>108</sup> *Id.* at \*4–6.

<sup>109</sup> See, e.g., Chavie Lieber, *Why Fashion Brands Destroy Billions’ Worth of Their Own Merchandise Every Year*, VOX (Sept. 17, 2018), <https://www.vox.com/the-goods/2018/9/17/17852294/fashion-brands-burning-merchandise-burberry-nike-h-and-m> (discussing various brands, including Burberry and Nike, that engage in burning excess merchandise); Zoe Wood, *Cartier Owner Destroys More Than £400m of Watches in Two Years*, GUARDIAN (May 18, 2018), <https://www.theguardian.com/business/2018/may/18/richemont-destroys-nearly-500m-of-watches-in-two-years-amid-buyback-policy>.

<sup>110</sup> See generally Achim Berg, Bassel Berjaoui, Naoyuki Iwatani & Stefano Zerbi, *Welcome to Luxury Fashion Resale: Discerning Customers Beckon to Brands*, MCKINSEY & CO. (Nov. 29, 2021),

grow 10 to 15 percent annually over the next decade.<sup>111</sup> “[I]n 2019, resale grew 25 times faster than retail—and what [was] a \$28 billion secondhand-apparel market will more than double to an astonishing \$64 billion by 2024.”<sup>112</sup> This growth is at least partially attributable to the evolving shopping habits and interests of consumers, who report that they are attracted to the luxury resale market because it offers accessibility to rare and exclusive products and provides a sustainable shopping option.<sup>113</sup>

Notably, some luxury goods appreciate over time, whereas others do not appreciate but still retain a significant value even with use.<sup>114</sup> Because of this, luxury fashion goods are not only viewed as status symbols, but are also frequently considered investments. For example, New Balance sneaker collaborations rank as one of the top appreciating fashion items relative to its original retail price.<sup>115</sup> These collaborations, including ones with Aimé Leon Dore and Miu Miu, can sell on resale for up to 387 percent of the retail price.<sup>116</sup> Similarly, a collaboration between Dior and Nike resulted in highly sought after Dior Jordan sneakers, which originally sold for \$2,000,<sup>117</sup> and now resell for up to 318 percent of this retail price.<sup>118</sup> In luxury watches, the Rolex Submariner Date (retail starting at \$10,100<sup>119</sup>) and Patek Philippe Nautilus (retail starting at over

---

<https://www.mckinsey.com/industries/retail/our-insights/welcome-to-luxury-fashion-resale-discerning-customers-beckon-to-brands>.

<sup>111</sup> *Id.*

<sup>112</sup> Tamerler, *supra* note 23.

<sup>113</sup> Berg et al., *supra* note 110 (reporting that, when asked why they occasionally buy pre-owned products instead of new products, 41 percent of consumers responded that pre-owned provided access to hard-to-find or no-longer-available products, whereas 40 percent responded that buying pre-owned is “more sustainable”).

<sup>114</sup> Alisa Wolfson, *The Fashion Items You Can Actually Make Money On*, HARPER’S BAZAAR (Feb. 12, 2018), <https://www.harpersbazaar.com/fashion/a16763664/best-fashion-investment-pieces>.

<sup>115</sup> 2022 *Luxury Consignment Report*, THE REALREAL, <https://www.therealreal.com/trr/luxury-consignment-report-2022> (last visited Sept. 23, 2022).

<sup>116</sup> *Id.*

<sup>117</sup> Felson Sajonas, *The Highly Anticipated Dior x Air Jordan Collaboration has Finally Launched*, HYPEBEAST (June 25, 2020, 3:12 PM), <https://www.businessinsider.com/air-jordan-1-og-dior-sneakers-have-officially-launched-2020-6> (distinguishing that the low-top version retailed for \$2,000 and the high-top version for \$2,200).

<sup>118</sup> 2022 *Luxury Consignment Report*, *supra* note 115.

<sup>119</sup> *Submariner*, ROLEX, <https://www.rolex.com/en-us/watches/submariner/all-models.html> (last visited Sept. 23, 2022).

\$30,000<sup>120</sup>) resell for up to 262 percent and 258 percent, respectively.<sup>121</sup> Considering the high initial investment in purchasing these items new, a reseller could earn a substantial profit on these. Louis Vuitton's Coussin bag has also shown to resell for up to 175 percent of retail, whereas the Prada Men's Nylon Bags depreciate slightly after first sale but can still resell for up to 98 percent of retail.<sup>122</sup> Consumers frequently choose to buy these products at higher resale prices because they are either part of very limited collections or the brand is so exclusive that you typically cannot walk into their stores and purchase the desired item off the shelf.

Consumers are not the only players choosing resale; investors have also set their sights on the market, as indicated by investments into the secondhand luxury industry in recent years.<sup>123</sup> In December 2021, Rebag raised thirty-five million dollars in its Series E funding.<sup>124</sup> This latest round brings the luxury reseller's funding to \$103 million in total.<sup>125</sup> Likewise, Marque Luxury, a California-based reseller, secured twenty million dollars in funding in 2021.<sup>126</sup> And the United States is not the only market where resale is growing, as resellers abroad are also securing funding. Vestiaire, a prominent French-based reseller, raised \$209 million in a September 2021 venture round, bringing its total raised to \$663.3 million and its valuation to \$1.7 billion.<sup>127</sup> Whereas Korea-based sneaker reseller SoldOut raised thirty-three million dollars while Reflaunt, based out of London and Singapore, closed its Series A round with eleven million dollars in funding.<sup>128</sup> As

---

<sup>120</sup> *Nautilus*, PATEK PHILIPPE, <https://www.patek.com/en/collection/nautilus> (last visited Sept. 23, 2022).

<sup>121</sup> *2022 Luxury Consignment Report*, *supra* note 115.

<sup>122</sup> *Id.*

<sup>123</sup> *The Secondary Market Watch: A Running Timeline of Resale Investments and M&A*, THE FASHION L. (Aug. 25, 2022), <https://www.thefashionlaw.com/the-resale-market-watch-a-running-list-of-funding-and-ma>.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

<sup>126</sup> *Id.*

<sup>127</sup> *Id.*

<sup>128</sup> *Id.*

the resale market continues to grow, luxury fashion brands will only become more interested in retaining control over the distribution of their trademarks.

### *C. Luxury Resale and the First Sale Doctrine's Materially Different Exception*

Trademark infringement and first sale doctrine claims will likely become more prevalent in the fashion industry as the luxury fashion resale market continues to grow, especially in light of the limited intellectual property protections available to the industry. First sale doctrine cases involving fashion goods have generally fallen under the used, refurbished, or repaired goods category. It is important to note, however, that the fashion industry has distinct views and treatments of refurbished and repaired goods versus those that are merely used. The following Subsections define these distinctions and explore the industry's treatments of each.

#### **1. General Acceptance of the Resale of Used Fashion Products**

The fashion industry has traditionally accepted the sale of used products because consumers of such used goods tend to understand that used products are not expected to be in the same condition or of the same quality as the original good.<sup>129</sup> Thus, first sale doctrine disputes likely will not arise where a subsequent seller simply takes their used, genuine product and lists it for sale, since any inferior quality will not be associated with the original producer.<sup>130</sup> Importantly, however, in the luxury fashion resale context, especially in regard to designer handbags, there are concerns of resellers' accuracy in confirming the authenticity of such products.<sup>131</sup> While this is a

---

<sup>129</sup> See *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1363–64 (Fed. Cir. 2003).

<sup>130</sup> See *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129–30 (1947).

<sup>131</sup> See generally Julie Tamerler, *The Ship of Theseus: The Lanham Act, Chanel, and the Secondhand Luxury Goods Market*, 32 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 425, 436 (2022); BUS. OF FASHION, THE RISE OF RESALE: LUXURY AS CURRENCY 12–14 (2022) (noting 25 percent of surveyed luxury shoppers reported that they “have or are uncertain if they have previously purchased a fake luxury accessory”); Bella Webb, *Inside the Secretive World of Luxury Authentication*, VOGUE BUSINESS (Jan. 31, 2022), <https://www.voguebusiness.com/sustainability/inside-the-secretive-world-of-luxury-authentication-vestiaire-collective-the-realreal-ebay-stockx-goat>.

valid and ongoing concern, an analysis of this particular counterfeiting issue is beyond the scope of this Comment.

## **2. Issues Arising with Refurbished or Repaired Fashion Goods**

On the other hand, the resale of refurbished or repaired luxury fashion is more likely to give rise to trademark infringement claims under the materially different exception and likelihood of confusion test. The line between “repaired” and “refurbished” is blurred but the two may be distinguishable by purpose. “Repair” can generally be used to describe a process undertaken to fix or mend something that has deteriorated from its original form.<sup>132</sup> While “refurbishment” may also refer to a process undertaken to fix an item, it is frequently used to describe a process undertaken to modify the original product in order to suit different needs or tastes.<sup>133</sup>

These distinctions in purpose give rise to two identifiable subsequent seller behaviors in which luxury fashion goods could fall under the refurbished or repaired category. The first is where a subsequent seller seeks to restore a product to its original form—this behavior should be considered a “repair.” And the second is where a subsequent seller sets out to modify the product to essentially create a new good that is different from the original—this behavior should be considered a “refurbishment.”

While most luxury resale fashion cases have arisen under the refurbishment category, Chanel recently filed suit against What Goes Around Comes Around (WGACA) under the repairs category. In ongoing litigation, Chanel has claimed that WGACA created a likelihood of confusion by failing to disclose to customers that the resale company contracted Rago Brothers to repair Chanel bags.<sup>134</sup> WGACA alleges that the treatments were limited to “sprucing up” and that

---

<sup>132</sup> *Repair*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/dictionary/repair> (last visited Sept. 23, 2022).

<sup>133</sup> *Refurbish*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/dictionary/repair> (last visited Sept. 23, 2022).

<sup>134</sup> *Brands Are Pushing for Circularity, Raising Legal Questions in the Process*, THE FASHION L. (Aug. 11, 2022), <https://www.thefashionlaw.com/brands-are-pushing-for-circularity-and-raising-legal-questions-in-the-process>.

the bags have retained their Chanel identity.<sup>135</sup> Because there are various judicial analyses that may be utilized under these circumstances, it is difficult to determine whether Chanel’s argument has merit.

Under the refurbishment category, a line of luxury watch cases has emerged, introducing a variation to the likelihood of confusion test and the materially different exception analyses. In these cases, courts have based their decisions on whether a feature of the product is “necessary and integral.”<sup>136</sup> This is sometimes cited in reference to *Champion’s* determination that, if reconditioning is “so basic” to the product, then “it would be a misnomer” to retain the original product’s name.<sup>137</sup> What is unclear, however, is what qualifies a feature as “so basic” or “necessary and integral” to the product.<sup>138</sup>

In *Bulova Watch Co. v. Allerton Co.*, the defendant transferred Bulova watch movements from their original cases into others that were diamond-embellished.<sup>139</sup> The defendant sold these re-cased watches, which retained the Bulova trademark on their dials.<sup>140</sup> The court held that the re-casing of the Bulova movements created a “new construction,” even though the case replacement did not adversely affect the movement when properly done.<sup>141</sup> In so holding, the court reasoned that the “case of a wrist watch is a necessary and integral part of the complete product” and that a substitution of such a part deems the whole product no longer a Bulova.<sup>142</sup>

---

<sup>135</sup> *Id.*

<sup>136</sup> *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 23 (7th Cir. 1964); *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 825 (5th Cir. 1998); *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 710 (9th Cir. 1999).

<sup>137</sup> *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947).

<sup>138</sup> Before introducing these cases, it is helpful to clarify some terms associated with a watch’s composition. See generally *Parts of a Watch 101—Ultimate Intro Guide to Everything Watches Inside & Out*, BESPOKE UNIT, <https://bespokeunit.com/watches/watch-parts-guide> (last visited Sept. 23, 2022). First, a watch’s contents are housed in its “case” and the engine of the watch is called the “movement.” *Id.* Around the outer rim of the case is the “bezel,” which can serve functional purposes including waterproofing. *Id.* And the face of the watch is referred to as the “dial” and the “bracelet” is a metal band. *Id.*

<sup>139</sup> 328 F.2d at 21.

<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at 22–23.

<sup>142</sup> *Id.* at 23.

Similarly, in *Rolex Watch U.S.A., Inc. v. Meece*, the plaintiff filed suit seeking damages from the defendant for trademark infringement, where the defendant had been reconstructing genuine Rolex watches with non-genuine parts.<sup>143</sup> For example, the defendant sold “enhanced new watches,” including ones in which he replaced the bezel with non-Rolex diamond bezels and ones in which he “removed the dials, drilled holes in them, added diamonds, refinished the dials, and then re-installed [the dials] on the watches.”<sup>144</sup> On appeal, the Fifth Circuit noted that the bezel, bracelet, and dial of a watch are “necessary, integral parts” and held that the substitution of such parts on the defendant’s enhanced new watches created a different product.<sup>145</sup> On remand, the district court held that the use of the plaintiff’s trademarks on these reconstructed genuine Rolex watches amounted to counterfeit products.<sup>146</sup> The court reasoned that, *inter alia*, the defendant’s use of Rolex’s trademark on the enhanced watches suggested that the luxury brand was behind the product when in reality Rolex was not associated with the “enhancements.”<sup>147</sup>

Likewise, in *Rolex Watch, U.S.A., Inc. v. Michel Co.*, the defendant sold genuine Rolex watches that had been reconditioned with non-genuine parts.<sup>148</sup> Specifically, the defendant customized used Rolex watches by adding diamonds into the dials and replacing the bezels, dials, and bracelets.<sup>149</sup> The court held that the defendant’s changes to the Rolex watches resulted in a new product, even though the watch still contained a Rolex movement and casing.<sup>150</sup> In citing *Bulova* and *Champion*, the court reasoned that, because the alterations were necessary and integral

---

<sup>143</sup> *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 818, 820–21 (5th Cir. 1998).

<sup>144</sup> *Id.* at 820.

<sup>145</sup> *See id.* at 825; *Rolex Watch USA, Inc. v. Meece*, No. 3:95-CV-1058-T, 2000 U.S. Dist. LEXIS 20583, at \*4 (N.D. Tex. Jan. 25, 2000).

<sup>146</sup> *Meece*, 2000 U.S. Dist. LEXIS 20583, at \*11–12.

<sup>147</sup> *Id.*

<sup>148</sup> *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 706 (9th Cir. 1999).

<sup>149</sup> *Id.* at 707.

<sup>150</sup> *Id.* at 710.



parts of the watch, retaining the Rolex trademarks would be a misnomer constituting trademark infringement.<sup>151</sup>

V. THE “NECESSARY AND INTEGRAL” STANDARD SHOULD NOT BE APPLIED IN CASES INVOLVING A REPAIR MEANT TO RESTORE A PRODUCT TO ITS ORIGINAL FORM

Now, let us return to the hand-me-down Chanel bag Ren’s mother generously gifted her at the beginning of this Comment.<sup>152</sup> Should Ren at some point seek to sell the bag to, for example, The RealReal,<sup>153</sup> could a court deem the bag to be non-genuine and, thus, a counterfeit if Chanel filed a claim for trademark infringement? The answer to this question would likely differ depending on whether the court relies on the likelihood of confusion or materially different analyses versus the necessary and integral approach.

This Part argues for clarification of trademark law’s currently ambiguous first sale doctrine. First, Section A analyzes Ren’s redyed Chanel bag under the various standards of review identified earlier in this Comment. Next, Section B asserts that intent should be the determinative inquiry in choosing which test controls in first sale doctrine material differences cases. Then Section C urges for the codification of the first sale doctrine under trademark law in order to implement a uniform standard of review. Finally, Section D explores the policy considerations related to these arguments.

A. *The Various First Sale Doctrine Analyses as Applied to Ren’s Redyed Bag*

Under the *Champion* analysis, the question is whether the “repair [is] so extensive or so basic that it would be a misnomer to call the article by its original name.”<sup>154</sup> While the courts in

---

<sup>151</sup> *Id.*

<sup>152</sup> *See supra* Part I.

<sup>153</sup> The RealReal is one of the most prominent luxury resale businesses in the world. THE REALREAL, <https://www.therealreal.com/about> (last visited Nov. 5, 2022).

<sup>154</sup> *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947).

the luxury watch cases reference this line under their “necessary and integral” analyses,<sup>155</sup> the Court in *Champion* relied on the extensive “likelihood of confusion” analysis in reaching its determination.<sup>156</sup> In applying the *Champion* analysis, a federal court weighs its circuit’s “likelihood of confusion” factors, which generally include: (1) the similarity of the two products; (2) the identity of retail outlets and purchasers; (3) the identity of advertising media; (4) the strength of the trademark or trade dress; (5) the intent of the defendant; (6) the similarity of design; (7) any actual confusion; and (8) the degree of care employed by consumers.<sup>157</sup> No individual factor is dispositive in this analysis and, notably, proof of actual confusion is not required but is merely persuasive in determining the likelihood of confusion.<sup>158</sup>

In *Champion*, the Court held that the reconditioning and repairs of the sparkplugs did not rise to the level needed to constitute trademark infringement because the defendant had adequately disclosed the repairs.<sup>159</sup> Thus, the manner in which The RealReal lists Ren’s re-dyed Chanel bag will bear heavily on a court’s analysis. If The RealReal markets the bag as “repaired” and discloses what repairs have been made to the bag, a court would likely find no trademark infringement. Under the *Champion* analysis, “[f]ull disclosure gives the manufacturer all the protection to which he is entitled.”<sup>160</sup> And, compared to *Champion*, where the Court held that the diminished quality of the spark plugs’ heat range did not result in a non-genuine good, here, the bag was merely redyed the same black color of the original.<sup>161</sup> A court would likely find that this analysis favors that the bag is still a genuine Chanel bag, and that no trademark infringement resulted from the re-

---

<sup>155</sup> See *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 22–23 (7th Cir. 1964); *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 825 (5th Cir. 1998); *Michel*, 179 F.3d at 710.

<sup>156</sup> *Champion*, 331 U.S. at 129.

<sup>157</sup> *Sunbeam Prods. v. West Bend Co.*, 123 F.3d 246, 257 (5th Cir. 1997).

<sup>158</sup> *Id.*

<sup>159</sup> *Champion*, 331 U.S. at 130.

<sup>160</sup> *Id.*

<sup>161</sup> *Id.* at 129.

dye process. If The RealReal neglected to disclose that any repair had been done or provided inadequate disclosure, however, a court may be more inclined to hold that the resale constitutes trademark infringement.

On the other hand, under the *Beltronics* materially different standard, the inquiry is whether the difference between Chanel’s original product and Ren’s re-dyed bag “confuses consumers and impinges on the . . . trademark holder’s goodwill.”<sup>162</sup> The court explained that, if a consumer would find the difference relevant in their purchasing decision, then the difference is material.<sup>163</sup> In *Beltronics*, the defendant had removed serial numbers from the plaintiff’s products.<sup>164</sup> Because this effectively voided warranties and services associated with the numbers, the court held that a consumer would find this difference material and, thus, constituted trademark infringement.<sup>165</sup> Ren’s redyed Chanel bag is likely distinguishable from this. Although the leather-woven chain strap was unwoven then rewoven, this did not weaken the strap. Nor did the dying damage the leather. A consumer would likely not consider the re-dye determinative in their purchasing decision because the bag is substantially similar to the original and any inferiority would be attributable to the prior use, not to the trademark owner.

Under a strict reliance of the third approach, the “necessary and integral” analysis, the court looks to whether the changed part of the product is so “necessary and integral” that it creates a “new construction.”<sup>166</sup> Here, is where issues are likely to arise for the luxury fashion resale market. In *Bulova* and *Rolex*, the defendants were piggybacking off of the brands’ goodwill by altering their original products to create elevated versions but retaining the brands’ trademarks and

---

<sup>162</sup> *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1072–73 (10th Cir. 2009).

<sup>163</sup> *Id.* at 1073; *Davidoff & Cie, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297, 1302 (11th Cir. 2001).

<sup>164</sup> *Beltronics*, 562 F.3d at 1069.

<sup>165</sup> *Id.*

<sup>166</sup> *See Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 22–23 (7th Cir. 1964); *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 825 (5th Cir. 1998); *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 710 (9th Cir. 1999).

marketing them as genuine goods.<sup>167</sup> In each case, the court held that the changing of such parts created counterfeit watches.<sup>168</sup> While these outcomes appear equitable under those piggybacking circumstances, the necessary and integral analysis poses a potential risk to other luxury fashion items in the resale market.<sup>169</sup>

These *Bulova* and *Rolex* cases seemingly determined that all components of the watches at issue were “necessary, integral parts.”<sup>170</sup> The courts, however, did not specify whether they were necessary and integral to the *function* of the watches, only that they were necessary and integral to the watches themselves.<sup>171</sup> Further, the courts in the *Bulova* and *Rolex* cases did not specify the extent to which a difference to such “necessary and integral” parts would result in a new product.<sup>172</sup> Thus, in reading the *Bulova* and *Rolex* cases broadly, some may argue that this outcome should apply to any change made to any aspect of a product that is a “necessary, integral part” to the design, the function, or the wearability.

So then could a court deem Ren’s Chanel handbag’s original dye necessary and integral? What about the bag’s hardware, stitching, and strap? While the dye of the bag may not be necessary to its function, the color of any fashion item, including Ren’s Chanel bag, is integral to the design and can impact the desirability of the product. The famous double-C logo on the bag is a clasp, which functions to keep the bag closed and identifies the bag as being Chanel. This piece of hardware is certainly necessary to securely close the bag and it is also integral to the bag’s iconic design. Stitching is also used throughout the construction of the bag. Stitching is necessary to actually construct and hold the pieces of the bag together; but it is also integral to the bag’s

---

<sup>167</sup> See *Bulova*, 328 F.2d at 22–23; *Meece*, 158 F.3d at 825; *Michel*, 179 F.3d at 710.

<sup>168</sup> See *Bulova*, 328 F.2d at 22–23; *Meece*, 158 F.3d at 825; *Michel*, 179 F.3d at 710.

<sup>169</sup> See *Bulova*, 328 F.2d at 22–23; *Meece*, 158 F.3d at 825; *Michel*, 179 F.3d at 710.

<sup>170</sup> *Bulova*, 328 F.2d at 22–23; *Meece*, 158 F.3d at 825; *Rolex Watch USA, Inc. v. Meece*, No. 3:95-CV-1058-T, 2000 U.S. Dist. LEXIS 20583, at \*4 (N.D. Tex. Jan. 25, 2000); *Michel*, 179 F.3d at 710.

<sup>171</sup> See *Bulova*, 328 F.2d at 22–23; *Meece*, 158 F.3d at 825; *Michel*, 179 F.3d at 710.

<sup>172</sup> See *Bulova*, 328 F.2d at 22–23; *Meece*, 158 F.3d at 825; *Michel*, 179 F.3d at 710.

recognizable diamond stitching. So too is the leather-woven metal chain strap—it is necessary to wearing the bag and it is integral to the design. It is not hard to imagine that practically any component of a fashion item can be deemed necessary and integral in some way or another. Because of the ambiguity arising from the *Bulova* and *Rolex* cases, it is unclear whether a simple repair, such as redyeing the leather or reattaching the original hardware or mending a stitch, would result in a new product and, thus, be deemed trademark infringement.

*B. Intent Should be the Determinative Inquiry in Regard to Which First Sale Doctrine Analysis is Applicable*

To avoid overuse of the necessary and integral approach, courts should analyze repair and refurbishment cases by first identifying whether the changes to the product were done with an intent to preserve the item to its original form or to modify it so that it is a new product. This Section identifies two distinct and identifiable motivations—preservation and piggybacking—and argues that the two should not be held to the same standard. Under the preservation category falls repairs that strictly seek to restore a product as closely as possible to its original form. And the piggybacking category covers refurbishment that seeks to modify the original product in order to suit different needs or tastes.

Where a subsequent seller has repaired the original item out of a preservationist intent, courts should apply the likelihood of confusion and materially different exception analyses. Any differences in such preservation circumstances should be measured under the notion that the product is being sold as a used good and that purchasers of used goods do not typically expect the product to be in the same condition as the original item.<sup>173</sup> The preservationist should not be prevented from reselling the item merely because they sought to retain the product's quality and

---

<sup>173</sup> See *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1363–64 (Fed. Cir. 2003).

extend its lifecycle, behavior that helps to reduce waste and further sustainability efforts.<sup>174</sup> By applying the likelihood of confusion and materially different exception analyses, differences resulting from a repair would have to rise to a higher level in order to qualify as a new product constituting trademark infringement. And in circumstances in which the intent is unclear, courts should still apply the likelihood of confusion and materially different exception analyses as a default standard.

On the other hand, where a subsequent seller has modified the original item out of a piggybacking intent, courts should apply the “necessary and integral” analysis. Under such situations, the subsequent seller’s intent is generally to use the trademark owner’s product to create a new item. Because the subsequent seller is piggybacking off of the goodwill and investment of the trademark owner, there is a greater likelihood of trademark infringement as compared to the preservation situations. This stricter “necessary and integral” standard necessarily discourages the piggybacking behavior of a modification intent.

### *C. Implementation of a Uniform Standard of Review*

In order to implement a uniform standard of review for first sale doctrine cases, the doctrine should be codified under trademark law.<sup>175</sup> And, in conjunction with this statute, Congress should grant the Federal Trade Commission (FTC) or another Agency the authority to issue regulations to fill in the technical details of the doctrine. Ideally, such regulations would include a framework of the likelihood of confusion test with emphasis on a materially different factor. Additionally, by providing a definition of “materially different” or “material difference,” the regulations could help clarify when a difference rises to such a level as to be deemed material. Finally, the regulations should explicitly implement a disclosure requirement to be followed when a subsequent seller has

---

<sup>174</sup> See *infra* Section V.D.2.

<sup>175</sup> See, e.g., 17 U.S.C. § 109(a) (codifying the first sale doctrine under copyright law).

done any work, including both repairs and refurbishments, to the trademarked good. Such regulations will benefit the judicial process because: secondhand retailers will have the foresight to avoid infringement; trademark owners will be able to better police the usage of their mark and avoid frivolous litigation; courts will more uniformly analyze such cases; and consumers will have greater confidence in secondhand purchases through the disclosure requirements.

Additionally, introduction of private regulation may be beneficial to help alleviate the growing pains of the fashion resale market, especially in the absence of public regulation. The industry could benefit from implementation of a trade association that is specific to resale.<sup>176</sup> Such an association could proffer guidance regarding first sale doctrine compliance, including identifying the difference between preserving products and modifying them. And, similarly to the public regulations, the private should explicitly provide guidelines for disclosure of any repairs and refurbishments made to the trademarked product. Through such disclosure, subsequent sellers can better guard themselves against trademark infringement liability. Finally, in the absence of legislation, a trade association could provide guidance on the different court analyses used in determining whether a subsequent seller has infringed on the owner's trademark. Through such guidance, secondhand retailers will be more aware of and better able to avoid behaviors constituting trademark infringement under the first sale doctrine.

#### *D. Policy Considerations*

Finally, there are several policy considerations related to the first sale doctrine in the fashion industry. One concern is that greater accessibility to resale reduces what little intellectual property protection the fashion industry has. On the other hand, the fashion industry is a major global polluter and the continuation and encouragement of resale extends product lifecycles and

---

<sup>176</sup> For an example of a fashion industry trade association, see The Council of Fashion Designers of America, *About CFDA*, CFDA, <https://cfda.com/about-cfda> (last visited Nov. 5, 2022).

reduces, or at least reallocates, waste. The following Subsections explore these considerations in more depth.

### 1. Intellectual Property

As previously discussed in this Comment, the fashion industry has minimal intellectual property protections available to it.<sup>177</sup> Because trademark protections of a brand's logo or name are the primary sources of protection in the fashion industry,<sup>178</sup> it seems counterintuitive to argue for making resale more accessible. The regulations suggested in this Comment,<sup>179</sup> however, would primarily seek to clarify the first sale doctrine, not ease trademark protections. The suggested default analysis is the likelihood of confusion test, which is already the test that is generally applied in all trademark infringement cases. And the suggested regulations would seek to limit the use of the newer "necessary and integral" analysis that has arisen from luxury watch cases. While this "necessary and integral" analysis may be beneficial and equitable under certain circumstances, if applied broadly it would likely foreclose a considerable amount of fashion resale due to the inherent utilitarian nature of apparel and accessories. Importantly, under the proposed legislation, trademark owners would still be entitled to file claims of trademark infringement against subsequent sellers who repair items with a preservationist intent. The legislation would merely direct the court to base its determination on the traditional likelihood of confusion test instead of the necessary and integral analysis. Additionally, even where a subsequent seller has merely repaired an item out of a preservationist intent, the trademark owner may still have a separate claim under other federal trademark law causes of action, such as dilution.<sup>180</sup>

---

<sup>177</sup> See *supra* Section IV.A.

<sup>178</sup> Ferrill & Tanhehco, *supra* note 99.

<sup>179</sup> See *supra* Section V.C.

<sup>180</sup> See generally Daniel S. Kaplan, *Trademark Violations: Causes of Action and Remedies*, DANIEL S. KAPLAN L. 2 (Apr. 2007),



## 2. Sustainability

Globally, the fashion industry is a major source of pollution, however, the resale market is one avenue that the industry can employ to reduce its environmental impact. Today, fashion accounts for approximately 10 percent of global carbon dioxide output.<sup>181</sup> This is more than the combined carbon dioxide output of all international flights and shipping worldwide.<sup>182</sup> Additionally, fashion accounts for 20 percent of the world's 300 million tons of plastic produced each year.<sup>183</sup> Although resale is not the sole solution to fashion's pollution problem, which is largely attributable to harmful manufacturing processes and overproduction,<sup>184</sup> it is one way to re-focus consumption habits and encourage businesses to consider the longevity of their goods. Approximately "[70 percent] of emissions come from creating and consuming an item" and, on average, carbon emissions are 44 percent lower with secondhand purchases versus new purchases.<sup>185</sup> While calculating the resale market's impact on sustainability is nearly impossible, resale offers a "scalable solution to mitigate fashion's footprint" by cutting out the creation and production processes.<sup>186</sup> To further sustainability goals, the fashion industry should encourage extending products' lifecycles through resale. Industry trade associations could provide guidance and implement private regulation to educate and govern brands and secondhand retailers on resale practices to avoid trademark infringement. This may also encourage trademark owners to adopt

---

[http://www.dskaplanlaw.com/images/articles/Trademark\\_Violations\\_Causes\\_of\\_Action\\_April2007.pdf](http://www.dskaplanlaw.com/images/articles/Trademark_Violations_Causes_of_Action_April2007.pdf). The Federal Trademark Dilution Act (FTDA) provides a "cause of action to protect famous marks from unauthorized use; to prevent others from trading upon the goodwill and established renown of such marks; and to prevent dilution of the distinctive quality of such marks." Legal Info. Inst., *Dilution (Trademark)*, CORNELL L. SCH., [https://www.law.cornell.edu/wex/dilution\\_\(trademark\)](https://www.law.cornell.edu/wex/dilution_(trademark)) (last visited Feb. 18, 2023); see also 15 U.S.C. § 1125(c).

<sup>181</sup> Rachael Dottle & Jackie Gu, *The Global Glut of Clothing Is an Environmental Crisis*, BLOOMBERG (Feb. 23, 2022), <https://www.bloomberg.com/graphics/2022-fashion-industry-environmental-impact>.

<sup>182</sup> *Id.*

<sup>183</sup> *Id.*

<sup>184</sup> Rachel Cernansky, *Resale Sustainability: What's Real and What's False*, VOGUE BUSINESS (Sept. 22, 2022, 9:00 AM), <https://www.voguebusiness.com/sustainability/resale-sustainability-whats-real-and-whats-false>.

<sup>185</sup> *Id.*

<sup>186</sup> *Id.*

circular business models in which they offer incentives to customers who bring back their used fashion products that would have otherwise been discarded.<sup>187</sup> This provides the trademark owner the opportunity to retain control of its trademark and use the returned products to create something new.

## VI. CONCLUSION

Trademark law as it currently stands leaves judicial treatment of the first sale doctrine ambiguous. The purpose of this Comment is to examine the first sale doctrine and its application within the luxury fashion resale context. Through examination of case law, this Comment identifies three analyses employed by courts: (1) the likelihood of confusion test; (2) the materially different exception; and (3) the necessary and integral test. The luxury fashion resale business is vulnerable to a strict application of this necessary and integral test. First sale doctrine cases involving repairs and refurbishments should be distinguished based on the intent of the subsequent seller in order to encourage preservationist practices and discourage piggybacking. For repair and refurbishment cases involving a preservationist motivation, courts should apply the likelihood of confusion test and materially different exception; whereas, in situations involving refurbishments with a piggybacking motivation, courts should apply the stricter necessary and integral standard. Additionally, through implementation of a statutory first sale doctrine, as well as both public and private regulatory efforts, courts can achieve greater uniformity and clarity in applying the likelihood of confusion test and materially different exception. Through such clarity and uniformity, secondhand retailers will have the foresight to avoid trademark infringement; and trademark owners will be better able to police the usage of their mark and avoid frivolous litigation.

---

<sup>187</sup> For an example of a circular business model in fashion, see EILEEN FISHER RENEW, <https://www.eileenfisherrenew.com/learn-more> (last visited Nov. 6, 2022).