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The Ship of Theseus: The Lanham Act, Chanel and the Secondhand Luxury Goods Market

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Cover Page Footnote

* J.D. Graduate, Class of 2020, Villanova University Charles Widger School of Law; B.A. in History, Political Science, and Global Studies, Class of 2015, Hofstra University. Formerly ran her own secondhand luxury resale company. Special thanks to Kevin A. Tamerler, for his loving support but mostly for buying me a (counterfeit? See supra notes 69–91!) Rolex. Additional thanks to President Judge Michael J. Koury, Jr., for improving my writing and understanding the value and importance of Louboutins. 1 See Plutarch, Theseus, MIT, <http://classics.mit.edu/Plutarch/theseus.html> [<https://perma.cc/2GPW-37D7>] (discussing shipping of Theseus).

The Ship of Theseus: The Lanham Act, Chanel, and the Secondhand Luxury Goods Market

Julie Tamerler*

The ship wherein Theseus and the youth of Athens returned had thirty oars, and was preserved by the Athenians down even to the time of Demetrius Phalereus, for they took away the old planks as they decayed, putting in new and stronger timber in their place, insomuch that this ship became a standing example among the philosophers, for the logical question of things that grow; one side holding that the ship remained the same, and the other contending that it was not the same. – Plutarch¹

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¹ *See* Plutarch, *Theseus*, MIT, <http://classics.mit.edu/Plutarch/theseus.html> [<https://perma.cc/2GPW-37D7>] (discussing shipping of Theseus).

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INTRODUCTION

I am writing this sentence while wearing Manolo Blahnik “Listony” black suede pumps (purchased from Poshmark for \$127.11, retailing for \$665), a Hugo Boss “Duenasina” black dress (purchased from eBay for \$20.79, retailing for \$575), and a Loro Piana cashmere scarf (purchased from Poshmark for \$71.49, retailing for \$1,185).² My love of designer labels and deals is shared by many, leading to the birth of secondhand luxury resale platforms like Poshmark, Vestaire Collective, and The RealReal, among others similarly vying for market share.³ Generally, this love of secondhand

² See *Manolo Blahnik Listony Block-Heel Suede Pumps*, SAKS FIFTH AVE., <https://www.saksfifthavenue.com/product/manolo-blahnik-listony-block-heel-suede-pumps-0400090106443.html> (list visited Feb. 3, 2022, 5:59 PM) (selling Manolo Blahnik suede pumps); see also *Boss Duenasina Stretch Wool Sheath Dress*, SHOPPING TREND, <http://www.theshoppingtrend.com/product/boss-duenasina-stretch-wool-sheath-dress.html> [<https://perma.cc/9UHT-4S96>] (listing description and previous price of Hugo Boss dress); *Loro Piana Fringe Cashmere Scarf*, SAKS FIFTH AVE., https://www.saksfifthavenue.com/product/loro-piana-fringe-cashmere-scarf-0474396197673.html?site_refer=CSE_GGLPLA:Womens_Clothing:Loro+Piana&country=US¤cy=USD&CSE_CID=G_Saks_PLA_US_Women%27s+Accessories:Scarves&gclid=EAIaIQobChMIkvfirxMaY9QIVCINaBR3UnwBHEAYYA SABEgJUGPD_BwE&gclsrc=aw.ds [<https://perma.cc/EF3U-CQEW>] (selling Loro Piana cashmere scarf).

³ See *Kering Leads \$216 Million Funding Round for French Resale Platform Vestiaire Collective*, FASHION L. (Mar. 1, 2021), <https://www.thefashionlaw.com/gucci-owner-kering-leads-216-million-funding-for-french-resale-platform-vestiaire-collective/> [<https://perma.cc/9JC3-CVGJ>] (discussing how Kering, which owns Gucci, Saint Laurent, Balenciaga, among other luxury brands, has invested in a five percent stake in Vestiaire Collective, a secondhand luxury goods seller that does not take possession of said goods);

luxury is not shared by luxury brands themselves; brands like Chanel are crying foul, claiming that The RealReal is infringing on their trademarks.⁴ Complicating the matter are existing issues regarding platform liability, consumer confusion, and what constitutes a “counterfeit” or “materially altered” goods.⁵ As a result, existing law not only threatens companies like The RealReal, but our very ability to effectively shop for authentic, secondhand luxury goods.⁶

This Article examines the issue of secondhand luxury goods, their authenticity, and subsequent re-sale through the lens of the “Ship of Theseus.”⁷ Part I provides an overview of trademark law, focusing upon the Lanham Act and liability surrounding the sale of counterfeit goods.⁸ Part II examines ongoing litigation between Chanel and The RealReal.⁹ Part III discusses modifications of

see also Seller Terms and Conditions, VESTIAIRE COLLECTIVE (Feb. 3, 2021), <https://us.vestiairecollective.com/documents/cgu-sell-us.pdf> [<https://perma.cc/9FTK-WKTV>] (“Therefore, except in specific case mentioned above, Vestiaire Collective shall not act as a reseller of the Products and shall not become the owner of the Products at any point in time. Each User shall act, at all times, for and on its own behalf, and shall never act as an agent or representative of Vestiaire Collective. Vestiaire Collective shall not be a party to any contract of sale between a Buyer and Seller, and Vestiaire Collective hereby disclaims liability for any such contract and for its consequences. Any examination of Products that may be performed by Vestiaire Collective shall merely relate to whether a Product sold by a Seller is in keeping with the description provided by such Seller in the applicable Product Page. Moreover, any deliveries that are arranged by Vestiaire Collective and fulfilled by its subcontractors shall not imply that Vestiaire Collective is a party to the contract between the Seller and the Buyer.”).

⁴ See *infra* notes 38–61 (discussing Chanel’s lawsuit against The RealReal).

⁵ See *infra* Parts III–IV (discussing platform liability, consumer confusion, and materially altered goods).

⁶ See *infra* notes 155–81 (discussing platform liability in the sale of secondhand luxury goods); see also Dhani Mau, *Counterfeit Handbags Are Getting Harder and Harder to Spot*, FASHIONISTA (Mar. 6, 2018), <https://fashionista.com/2018/03/counterfeit-knockoff-handbags-authenticity> [<https://perma.cc/AWB2-S4ZT>] (“While distinguishing a fake from a real handbag used to be a fairly straightforward and easily Google-able process, there’s been an explosion of what some are calling ‘super fakes,’ ‘Triple-A fakes’ or ‘line-for-lines’ over the past five or so years. To the untrained eye, they look like the real thing. You might even have one yourself and not know it. Our own Alyssa was once told by The RealReal that her Balenciaga bag—which she purchased at a prominent luxury retail chain and had no reason to doubt the authenticity of—was fake.”).

⁷ See Plutarch, *supra* note 1 (discussing the Ship of Theseus problem).

⁸ See *infra* Part I (discussing trademark law and the Lanham Act).

⁹ See *infra* Part II (discussing litigation between Chanel and The RealReal).

luxury goods and impacts on resale potential under trademark law.¹⁰ Subsection A examines the Rolex standard regarding alterations and counterfeit designations.¹¹ Subsection B examines the *Nitro Leisure Prods., LLC v. Acushnet Co.* standard regarding trademark law as applied to modification and refurbishment.¹² Subsection C applies the *Rolex Watch USA, Inc. v. Meece* and *Nitro Leisure Prods., LLC v. Acushnet Co.* standards regarding modification and refurbishment to the present secondhand luxury goods market.¹³ Subsection D examines the secondhand automobile market, providing a comparison of alteration and resale ability.¹⁴ Part IV discusses *Tiffany (NJ) Inc. v. eBay, Inc.* and the potential liability for platforms selling secondhand luxury goods.¹⁵ It then examines how *Tiffany (NJ) Inc. v. eBay, Inc.* threatens companies that take possession of goods.¹⁶ Finally, Part V proposes an intersection of antitrust law and trademark law to fix the broken secondhand luxury goods market.¹⁷

I. TRADEMARK LAW

Section 32(1)(a) of the Lanham Act imposes civil liability on any person who, without the consent of the registrant:

use[s] 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

¹⁰ See Part III (discussing modification of luxury goods and its impacts on resale under trademark law).

¹¹ See *infra* Part III.A (discussing Rolex's standard regarding alterations and counterfeit designations).

¹² See *infra* Part III.B (discussing trademark law as applied to modified or refurbished goods).

¹³ See *infra* Part III.C (discussing modification and refurbishment in the secondhand luxury goods market).

¹⁴ See *infra* Part III.D (discussing the secondhand automobile market).

¹⁵ See *infra* Part IV (discussing platform liability regarding sale of secondhand luxury goods).

¹⁶ See *infra* Part IV.A (discussing secondhand luxury goods retailers that take possession of goods).

¹⁷ See *infra* Part V (discussing the intersection of antitrust law and copyright law).

connection with which such use is likely to cause confusion, or to cause mistake, or to deceive¹⁸

In general, a person who places a counterfeit item within the stream of commerce may be liable for violating trademark law.¹⁹ Trademark law aims to prevent consumer confusion so that consumers can reasonably depend upon the item they are purchasing to retain the brand's characteristics.²⁰ Otherwise, infringing trademarks or counterfeit items may induce a consumer to purchase an item when they otherwise would not have.²¹ However, "as a general rule, the Lanham Act does not impose liability for 'the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner' because such a sale does not inherently cause confusion or dilution."²² Additionally, the Lanham Act does not prevent a person "who trades a branded product from accurately describing

¹⁸ 15 U.S.C. § 1114(1)(a) (establishing liability for trademark infringement); *see also* 15 U.S.C. § 1114(1)(b) (imposing civil liability on any person who, without authorization: "reproduce[s], counterfeit[s], cop[ies], or colorably imitate[s] a registered mark and appl[ies] such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.").

¹⁹ *See* 15 U.S.C. § 1114(1)(a)–(b) (establishing strict liability for trademark infringement); *see also* *Christian Faith Fellowship Church v. Adidas AG*, 841 F.3d 986, 986 (Fed. Cir. 2016) (holding that single sale in interstate commerce constituted sufficient use "in commerce").

²⁰ *See* 92 CONG. REC. 7524 (1946) (noting that Lanham Act's purpose was "to protect legitimate business and the consumers of the country"); *see also* S. Rep. No. 79-1333, at 3 (1946) (Conf. Rep.) (stating that Lanham Act "protect[s] the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get.").

²¹ *See infra* notes **Error! Bookmark not defined.–Error! Bookmark not defined.** (discussing the concept of consumer confusion).

²² *See* *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238, 243 (2d Cir. 2009) (citing *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 61–63 (2d Cir. 1992)) (finding that the removal of a bar code on a perfume bottle violated Lanham Act due to interference with mark holder's quality control and because such action created materially altered packages); *see also* Yvette Joy Liesbesman & Benjamin Wilson, *The Mark of a Resold Good*, 20 GEO. MASON L. REV. 157, 160–61 (2012) (explaining how Waterford vase can be sold as such because consumers recognize the mark as the source of the good).

it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product.”²³

Counterfeiting is a subset of trademark infringement in which consumers are confused as to the source of the good.²⁴ A common example of counterfeiting is when an individual creates fake merchandise that is impossible to differentiate from its genuine counterpart, such as a “Gucci” bag that was not manufactured by Gucci.²⁵

Counterfeiting can be found to have occurred when an individual either uses a genuine trademark on the same class of good without permission from the trademark holder or when “the copy of the genuine mark is so close that an ordinary purchaser would not be able to tell the difference between fake and real, and all the other statutory criteria are met.”²⁶ Courts apply an eight-factor test (“The Polaroid Factors”) when evaluating trademark infringement cases

²³ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010) (quoting *Dow Jones & Co. v. Int’l Sec. Exch., Inc.*, 451 F.3d 295, 308 (2d Cir. 2006)) (finding that eBay’s use of Tiffany’s mark on its website was lawful because “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.”).

²⁴ See 18 U.S.C. § 2320(a)(2) (establishing liability for trafficking in counterfeit goods or services for whoever intentionally “traffics in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive”); see also *Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 908 F.3d 313, 340 (8th Cir. 2018) (“A counterfeit is . . . far more similar to the registered mark than a mark that barely infringes it, and so an infringing mark is not necessarily also a counterfeit.”).

²⁵ See Lisa Santandrea, *How to Spot a Real (or Fake) Gucci Bag*, 1ST DIBS, <https://www.1stdibs.com/blogs/the-study/how-to-spot-a-fake-gucci-bag/> [<https://perma.cc/ELZ4-8Q53>] (providing “expert advice” regarding how to authenticate your own Gucci bag, including examination of the serial number, authenticity card, Gucci tag, and hardware); see also Sindhu Sundar, *Gucci Goes After Alleged Counterfeiters in New Suit*, WOMEN’S WEAR DAILY (Dec. 6, 2019, 5:39 PM), <https://wwd.com/fashion-news/fashion-scoops/gucci-counterfeits-lawsuit-florida-1203391860/> [<https://perma.cc/96TL-L4MG>] (discussing how various websites have appropriated the Gucci brand to sell fake Gucci items, eroding Gucci’s brand, and violating the Lanham Act); GUCCI HUNTER, <https://www.guccihunter.ru> [<https://perma.cc/45B5-Q6WH>] (selling fake Gucci bags that are “[t]he highest quality replica you can buy in market”).

²⁶ 2 GILSON ON TRADEMARKS § 5.19 (2020) (stating that “[c]reating a label that simulates the genuine label for SIMILAC baby formula, for example, affixing it on a container with white powder inside, and offering it for sale is counterfeiting and not merely infringement”).

for a likelihood of confusion; they evaluate (1) strength of mark; (2) proximity of goods; (3) similarity of marks; (4) any evidence of actual confusion; (5) marketing channels used; (6) type of goods and degree of care likely to be exercised by purchaser; (7) defendants' intent in selecting mark; and (8) likelihood of expansion of product lines.²⁷ Simply, where there is not a likelihood of confusion, there is not counterfeiting.²⁸ The determination of whether an item is counterfeit is essential because an individual who commits trademark infringement is strictly liable.²⁹

Although someone cannot sell a "Gucci" bag as Gucci, individuals are still able to sell, display, or offer said good under its original trademark pursuant to the first sale doctrine; for example, you can sell your Chanel blouse *as* a Chanel blouse even though you yourself are not Chanel or affiliated with the company.³⁰ However, the first sale doctrine does not protect a defendant who makes or sells a reproduction of a copyrighted work.³¹ Similarly, the first sale doctrine

²⁷ See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (establishing multifactor test to evaluate likelihood of consumer confusion); see generally *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 561 F. Supp. 2d 368 (S.D.N.Y. 2008) (applying Polaroid Factors to Defendant's "DB" monogram that was alleged to infringe upon Plaintiff's "LV" monogram, holding that Defendant's monogram was not likely to cause confusion among customers).

²⁸ See generally *Louis Vuitton Malletier*, 561 F. Supp. 2d 368 (discussing application of the Polaroid Factors).

²⁹ See *Abbott Labs. v. Adelpia Supply USA*, No. 15-CV-5826, 2019 WL 5696148, at *7 (E.D.N.Y. Sept. 30, 2019) ("Strict liability under the Lanham Act does not turn on whether a defendant physically possessed the goods . . . [and] liability may be premised on the 'the sale, offering for sale, distribution, or advertising of any goods or services.'"); see also *Sunward Elecs., Inc. v. McDonald*, 362 F.3d 17, 25 (2d Cir. 2004) ("[W]rongful intent is not a prerequisite to an action for trademark infringement [under the Lanham Act] . . . and [] good faith is no defense.") (internal quotation marks omitted).

³⁰ See 17 U.S.C. § 109(a) ("[T]he owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."); see also *Tumblebus Inc. v. Cranmer*, 399 F.3d 754, 766 (6th Cir. 2006) ("[W]hen a retailer merely resells a genuine, unaltered food under the trademark of the producer, the use of the producer's trademark by the reseller will not deceive or confuse the public as to the nature, qualities, and origin of the good.").

³¹ See *United States v. Harrison*, No. 06-CR-311, 2007 U.S. Dist. LEXIS 113411, at *20 (N.D. Ga. Feb. 27, 2007) ("Application of the first sale doctrine cannot be reconciled with the purpose of § 2318 . . . prohibiting counterfeit labeling]. Congress wanted to prevent genuine labels from being sold with counterfeit or copyright infringing items. As the government points out, the first sale doctrine would frustrate this purpose."); see also

does not apply to an item that is materially different than the one sold by the trademark holder.³² While the definition of “counterfeit” and “materially different” appear to be simple on their faces, the emerging secondhand luxury goods market presents novel trademark challenges.³³ Luxury brands like Chanel are likely to push for expansive definitions of “counterfeit” and “materially different” in an attempt to maintain their market share in the wake of emerging secondhand luxury retailers like The RealReal.³⁴ While certain philosophical issues have always surrounded the issue of “real” versus “fake,” and “original” versus “unauthorized reconstruction,” the stakes are now higher than ever: according to Vogue, “[i]n 2019, resale grew [twenty-five] times faster than retail—and what is now a \$28 billion secondhand-apparel market will more than double to an astonishing \$64 billion by 2024.”³⁵ The existing legal framework regarding these issues is at a crossroads; its journey is dependent upon how courts choose to understand fashion and its intersection with trademark law.³⁶ Luxury retailers may become stronger than ever—behemoths that control their market long after the point of original sale with no incentive for innovation in light of secondhand competition—or, luxury brands can lose big, meaning that secondhand consumers can continue buying secondhand luxury,

Walmart Cries “First Sale” in Fight Over Unauthorized Haircare Products, FASHION L. (Sept. 12, 2019), <https://www.thefashionlaw.com/walmart-cries-first-sale-in-fight-over-unauthorized-haircare-products/#:~:text=In%20asserting%20the%20First%20Sale,buyer%20that%20was%20not%20Walmart> [<https://perma.cc/FXW9-PA4V>] (discussing how Walmart is asserting the first sale doctrine defense against Olaplex, but that the doctrine does not protect sale of counterfeit goods).

³² See *Chanel, Inc. v. What Comes Around Goes Around, LLC*, et al., 2018 U.S. Dist. LEXIS 158077, at *8 (S.D.N.Y. Sept. 14, 2018) (finding that the first sale doctrine does not provide What Goes Around Comes Around, a secondhand luxury retailer, with legal protection, and asserting that the first sale doctrine “applies only where a ‘purchaser resells a trademarked article under the producer’s trademark, and nothing more.’”) (citations omitted). For a further discussion regarding what constitutes “materially different” under trademark law, see *infra* Part III.A–B.

³³ For a discussion on how “materially different” interacts with trademark law, see *infra* Part III.A–B.

³⁴ For a discussion of Chanel’s lawsuit against The RealReal, see *infra* Part II.

³⁵ Lynn Yaeger, *From The Real Real to Rebag, Unpacking the Rise of Resale*, VOGUE (Feb. 10, 2021), <https://www.vogue.com/article/the-rise-of-resale> [<https://perma.cc/VR2B-ZFSB>].

³⁶ See *infra* Parts III–IV (discussing platform liability, consumer confusion, and materially altered goods).

cutting into a “new” market share in a way that was seemingly impossible before the advent of the internet.³⁷

II. THE REALREAL AND CHANEL: THE SHIP IS IN DANGER OF SINKING

All the issues regarding what constitutes genuine versus counterfeit and whether a platform is able to take possession of a good comes to a head in *Chanel, Inc. v. RealReal Inc.*³⁸ The RealReal, founded by Julie Wainwright, is a California based company specializing in secondhand luxury consignment.³⁹ Individuals are able to consign their secondhand luxury goods with The RealReal by mail or in person. The RealReal takes possession of the items, authenticates them, lists them for sale on its website, and pays the original owner a commission based on the realized sale price.⁴⁰ What sets The RealReal apart from platforms like eBay and Poshmark is the fact that it takes possession of goods and guarantees that what it sells is 100% authentic.⁴¹ As a result, buyers are assured that they are not just getting a discount on an Hermès scarf, but that they can be sure that it is the “real thing.”⁴² The RealReal maintains that they

³⁷ See *infra* Parts III–IV.

³⁸ See generally *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422 (S.D.N.Y. 2020); see also *What Comes Around Goes Around, LLC*, 2018 U.S. Dist. LEXIS 158077 (asserting that What Comes Around Goes Around, retailer of in-house authenticated luxury goods, has sold counterfeit Chanel items).

³⁹ See *About The RealReal*, REALREAL, <https://www.therealreal.com/about> [<https://perma.cc/L22E-LHQG>] (discussing the background of the business).

⁴⁰ See generally *What Is The RealReal’s Commission Structure*, REALREAL (Nov. 1, 2021, 10:09 AM), <https://therealreal.zendesk.com/hc/en-us/articles/115007639628-What-is-The-RealReal-s-commission-structure-> [<https://perma.cc/A3QL-Q4YW>] (describing the commission structure).

⁴¹ See *The RealReal’s Revenues Are Growing but It Can’t Seem to Shake Questions Over Authenticity*, FASHION L. (Nov. 5, 2019), <https://www.thefashionlaw.com/the-realreals-sales-are-growing-but-it-cant-seem-to-shake-questions-over-authenticity/> [<https://perma.cc/B6YZ-SUZQ>] (discussing The RealReal’s “100 percent real promise,” subsequent issues regarding lack of authentication, and the selling of counterfeit goods); see also *What Is Poshmark?*, POSHMARK, https://poshmark.com/what_is_poshmark [<https://perma.cc/P3NP-7V32>] (explaining that Poshmark is a platform where individuals list and share items for sale).

⁴² See *The RealReal’s Revenues Are Growing But it Can’t Seem to Shake Questions Over Authenticity*, *supra* note 41 (discussing The RealReal’s assurances regarding authenticity). But see Dhani Mau, *The RealReal’s Authentication Practices Are Not What*

are the only resale company that authenticates every item sold, and they “have developed the most rigorous authentication process in the marketplace,” employing “hundreds of experts and brand authenticators, including gemologists and horologists, who inspect thousands of items each day.”⁴³ The RealReal states that it has a “rigorous, brand-specific authentication process” in which they identify items received as “high risk” or “lower risk.”⁴⁴ This risk designation considers brand, market value, brand category, consignor data, and probability of counterfeiting.⁴⁵ Items that are “high risk” are sent to experienced in-house authenticators, some of whom worked for brands like Tiffany or auction houses like Christie’s.⁴⁶ “Lower risk” items with “clear authenticity markers” are provided to in-house authenticators that are “qualified to assess that brand and/or category.”⁴⁷ “Lower risk” authenticators are able to discuss items with “high risk” authenticators and the Quality Control Team also pulls “certain at-risk items for further review.”⁴⁸ Additionally, watches are authenticated and appraised by horologists, who issue a valuation certificate for the item.⁴⁹ In its terms of service, The RealReal states:

Our product authentication process is independently conducted in-house by [o]ur team. Brands identified on or through the Service: (i) are not involved in the

They Seem, According to New Investigation, FASHIONISTA (Sept. 14, 2019), <https://fashionista.com/2019/09/the-realreal-authentication-process-exposed> [<https://perma.cc/6DV4-6WXN>] (“They give you a quick [five]-minute presentation on what things should look like and then have you go. . . . I should not have been authenticating an Herm[è]s scarf, for example, but all they care about is the product getting on the site,” said one former employee.”).

⁴³ *Questions About The RealReal’s Authentication Process*, REALREAL, <https://promotion.therealreal.com/therealreal-experts/#> [<https://perma.cc/GRG3-LH9S>] (available by selecting hyperlinked “authenticity questions”) (discussing the authentication process).

⁴⁴ *Id.* (discussing the authentication sorting method).

⁴⁵ *See id.* (differentiating “high risk” from “lower risk” items).

⁴⁶ *See id.* (discussing authentication of “high risk” brands, such as Hermès and Birkins).

⁴⁷ *Id.* (discussing authentication of “low risk” items, stating, “[o]ur lower-risk authenticators are deeply trained in authentication. They currently receive a minimum of [forty] hours of training, including during onboarding, job shadowing, daily training sessions and quizzes.”).

⁴⁸ *Id.* (discussing authentication of “high risk” items).

⁴⁹ *See id.* (discussing watch authentication).

authentication of the products being sold through the Service, and (ii) do not assume responsibility for any products purchased from or through the Service. Brands sold on or through the Service are not partners or affiliates of [u]s in any manner. However, [w]e fully cooperate with brands seeking to track down the source of counterfeit items, which may include, when required by court order or directive of law enforcement, revealing the contact information of consignors submitting counterfeit goods.⁵⁰

The RealReal's Consignment Terms state that the company takes possession of all goods sold, and "[u]pon receipt . . . evaluate[s] each item . . . to determine, in its sole discretion, its authenticity, quality, and value."⁵¹ The RealReal's Consignment Terms also state:

If [w]e cannot confirm the authenticity of any item of [p]roperty [y]ou have provided, [w]e may, in [o]ur sole discretion, refuse to accept the item and return it to [y]ou. If [w]e determine at any time that an item is counterfeit, unapproved, allegedly stolen, or offered for sale in an unauthorized geographic market . . . [w]e will notify [y]ou that [w]e have made such a determination and [y]ou will have an opportunity to provide proof of purchase or other proof of authenticity . . . acceptable to [u]s. Any item that [w]e finally determine, in [o]ur sole discretion, to be counterfeit will not be returned to [y]ou and will be destroyed by a certified third-party vendor or . . . turned over to the appropriate law enforcement agency.⁵²

Although consignors retain title to their goods until sale, The RealReal takes possession of the items, pricing and marketing them

⁵⁰ *Terms of Service*, REALREAL, <https://www.therealreal.com/terms> [<https://perma.cc/8RJW-J4PQ>] (Oct. 1, 2021) (establishing independence of The RealReal).

⁵¹ *Consignment Terms*, REALREAL, https://www.therealreal.com/consignor_terms [<https://perma.cc/RB9J-SU3F>] (discussing the consignment process).

⁵² *Id.* (stating the terms of consignment).

primarily through its website.⁵³ Taking possession of these goods is what has set The RealReal apart from other competitors; customers prefer shopping with one “seller” who is able to provide an ironclad guarantee of authenticity.⁵⁴ In its initial public offering, The RealReal stated, that “[t]rust is the cornerstone of our online marketplace. . . . Buyers trust us because we have a rigorous authentication process.”⁵⁵ Unfortunately, this authentication process has not prevented counterfeit items from being sold through The RealReal.⁵⁶ As a result, the court in this case denied The RealReal’s motion to dismiss Chanel’s claims of trademark counterfeiting and infringement under 15 U.S.C. § 1114(1)(a) and false advertising under 15 U.S.C. § 1125(a)(1)(B).⁵⁷

The RealReal argued that it was not liable for trademark infringement on the basis of counterfeit sales because of the Second

⁵³ See *id.* (establishing control over consigned items). But see *Kering Leads \$216 Million Funding Round for French Resale Platform Vestiaire Collective*, *supra* note 3.

⁵⁴ See Chavie Lieber, *Inside The RealReal’s Plan to Dominate the Secondhand Luxury Market*, BUS. OF FASHION (June 4, 2019), <https://www.businessoffashion.com/articles/finance/inside-the-realreals-costly-risky-plan-to-dominate-the-secondhand-luxury-market> [<https://perma.cc/75RU-3U7A>] (“[T]he RealReal processed 1.6 million orders in 2018, up [forty-two] percent from 2017. And though market leader eBay adopted authentication for handbags starting in 2017, The RealReal is betting the extra steps it takes are forging a connection with customers that will be hard for rivals to replicate.”).

⁵⁵ The RealReal, Inc., Registration Statement (Form S-1), at 5 (May 31, 2019).

⁵⁶ See Alyssa Lapid et al., *Hey, Quick Question: Why Is The RealReal Selling Unmarked Target Designer Collaborations?*, FASHIONISTA (June 27, 2019), <https://fashionista.com/2019/06/the-realreal-target-designer-collaborations-misleading-listings> [<https://perma.cc/KKK4-VLEW>] (discussing how The RealReal listed items produced via designer collaborations with Target as designer goods); see also Mau, *supra* note 42 (discussing the lack of training of authenticators, pressure to maintain processed item quotas, and the listing of inauthentic pieces); Scott Zamost et al., *The RealReal’s ‘Faux and Tell’ Reports Disclose Fake Items Published on the Site and Returned*, CNBC (Nov. 21, 2019, 6:31 AM), <https://www.cnn.com/2019/11/20/the-realreals-fox-and-tell-discloses-fakes-published-on-the-site.html#:~:text=The%20RealReal%2C%20the%20world%27s%20largest,limited%20training%2C%20leading%20to%20mistakes> [<https://perma.cc/AR5M-7JWB>] (discussing internal “Faux and Tell” report, displaying counterfeit items that “fell through the cracks” of The RealReal’s authentication process and were ultimately listed for sale).

⁵⁷ See *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422, 429 (S.D.N.Y. 2020) (additionally denying The RealReal’s motion to dismiss claim of unfair competition under New York common law).

Circuit's holding in *Tiffany (NJ) Inc. v. eBay Inc.*⁵⁸ However, the court found that *Tiffany* actually supported the theory that The RealReal would be liable for direct infringement based upon the sale of counterfeit Chanel goods; unlike eBay, The RealReal's sales are not made by vendors, but by The RealReal itself.⁵⁹ In differentiating The RealReal from eBay, the court stated that "under the Consignment Terms, it is The RealReal's responsibility—in its 'sole discretion'—to approve for sale, price, display, market, and make available for sale the goods sold through its website and retail locations. In other words, The RealReal retains the power to reject for sale, set prices, and create marketing for goods, and unlike eBay is more than a platform for the sale of goods by vendors."⁶⁰ By exerting such control over a secondary market for trademarked luxury goods, The RealReal "reaps substantial benefit" and must "bear the corresponding burden of the potential liability stemming from its 'sale, offering for sale, distribution [and] advertising of' the goods in the market it has created."⁶¹

The issue with The RealReal is two-fold: first, The RealReal takes possession of the goods it sells, opening itself up to liability; and second, The RealReal claims that the items they sell are "100% authentic."⁶² According to Chanel, "[t]he only way for consumers to absolutely ensure that they are in fact receiving genuine CHANEL products is to purchase such goods from Chanel or from an authorized retailer of Chanel."⁶³ However, Chanel does not sell

⁵⁸ See *id.* at 440 (discussing The RealReal's argument that it should not be held liable for selling counterfeit Chanel goods).

⁵⁹ See *id.* at 440–41 (discussing differences between eBay and The RealReal); see also *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 114 (2d Cir. 2010) ("It is true that eBay did not itself sell counterfeit Tiffany goods; only the fraudulent vendors did.").

⁶⁰ *Chanel*, 449 F. Supp. 3d at 441 ("Also, pursuant to its Consignment Terms, although The RealReal does not 'take title to the merchandise,' it 'maintain[s] [the] inventory of merchandise,' and upon receipt of products from consignors 'bears the risk of loss' for the products. Thus, '[e]ven though [The RealReal] [is] involved neither in the manufacture nor the affixing of [Chanel's] trademark to [any counterfeits], its sale of the [counterfeits] [is] sufficient 'use' for it to be liable for the results of such infringement.'") (internal citations omitted).

⁶¹ See *id.* at 441 (citing 15 U.S.C. § 1114(1)(a)).

⁶² For a discussion of trademark liability regarding platforms, see *infra* Part IV.

⁶³ First Amended Complaint at para. 30, *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422 (S.D.N.Y. 2020) (No. 18 Civ. 10626) (setting forth the complaint); see *infra* Part III.C

secondhand goods and has no involvement in authenticating any secondhand Chanel inventory.⁶⁴ Chanel conducted its own investigation of The RealReal, finding that “at least seven . . . Chanel handbags” were actually counterfeit.⁶⁵ Notably, in its own authenticity assessment, Chanel states that “[w]ith regard to other counterfeit Chanel Bags sold by The RealReal, certain aspects of the handbags indicated that the serial numbers were not genuine and that the hardware or other aspects of certain of the handbags were counterfeit,” meaning that an authentic bag could have had inauthentic hardware.⁶⁶ Chanel asserts that “[i]f The RealReal’s trained experts were in fact able to distinguish between genuine and counterfeit [Chanel] handbags, The RealReal would have seized the [c]ounterfeit Chanel [b]ags and not sold them to the public.”⁶⁷ As a result, The RealReal is allegedly selling counterfeit goods to an unsuspecting public, while reaping the benefits of Chanel’s trademarks.⁶⁸

III. MODIFICATION AND REFURBISHMENT

A. Rolex Watch USA, Inc. v. Meece: *Do Not Touch These Planks*

Rolex Watch USA, Inc. v. Meece is the most instructive case regarding the secondhand luxury goods market and the issue of what level of “materially different” constitutes infringement.⁶⁹ Rolexes

(discussing issues regarding authentication, leading to brand protection at expense of consumer).

⁶⁴ See First Amended Complaint, *supra* note 63.

⁶⁵ See *id.* at para. 45.

⁶⁶ *Id.* at para. 46; see generally Attachment 4, Chanel, Inc. v. RealReal, Inc. 499 F. Supp. 3d 422 (S.D.N.Y. 2020) (No. 18 Civ. 10626), available at https://www.courtlistener.com/recap/gov.uscourts.nysd.504750/gov.uscourts.nysd.504750.89.4_1.pdf [<https://perma.cc/LW6B-Y95M>] (providing screenshots of sold Chanel handbags that Chanel alleges are counterfeit).

⁶⁷ First Amended Complaint, *supra* note 63, at para. 47 (asserting that The RealReal cannot distinguish between genuine and counterfeit Chanel bags); see also Attachment 4, *supra* note 66.

⁶⁸ See generally First Amended Complaint, *supra* note 63, at paras. 49–52 (discussing claims against The RealReal).

⁶⁹ See generally *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998) (holding that replacing a part from an authentic Rolex watch with a non-Rolex approved part, including any non-Rolex customizations, renders the entire watch counterfeit); *Hamilton Int’l Ltd. v. Vortic LLC*, 414 F. Supp. 3d 612 (S.D.N.Y. 2019) (discussing Hamilton’s

are seen as one of the ultimate status items, symbolizing not only wealth but also good taste.⁷⁰ In fact, Rolexes are often seen less as an accessory but rather as an investment that gains and loses value with market changes.⁷¹ Adding to Rolex's magic are its various designs that create further collectability, with nicknames like "The Hulk," "Pepsi," and "Batman," among many more.⁷² But Rolex has another trick up its sleeve: if you alter a Rolex by replacing a component with a non-Rolux part, the entire watch automatically becomes a counterfeit right before your eyes.⁷³ According to Benjamin Clymer of Hodinkee, a popular website for wristwatch news and discussion:

allegation that Vortic LLC is engaging in trademark infringement by restoring, modifying, and selling watches retaining Hamilton name, denying Hamilton's motion for summary judgment); *see also* *What Does a Case Over an Antique Watch Mean for Chanel and Rolex Resellers?*, FASHION L. (May 19, 2020), <https://www.thefashionlaw.com/why-does-a-case-over-antique-watches-mean-for-chanel-and-rolux/> [https://perma.cc/WX6T-P8SM] (contextualizing Hamilton's lawsuit against Vortic LLC with Chanel and Rolex reselling).

⁷⁰ *See* Stephen Pulvirent, *Reference Points: Understanding The Rolex Submariner*, HODINKEE (July 18, 2019), <https://www.hodinkee.com/articles/rolex-submariner-reference-points> [https://perma.cc/H6D9-BR89] (discussing history and importance of Rolex Submariner watch); *see also* *Celebrities & Their Watches*, CROWN & CALIBER (May 8, 2017), <https://blog.crownandcaliber.com/what-watches-do-hollywoods-top-actors-wear/> [https://perma.cc/G795-RCSA] (listing watches worn by various celebrities, many of which include Rolex models).

⁷¹ *See* Ariel Adams, *Using the 'Rolex Submariner Test' When Buying Watches Around \$10,000*, FORBES (Jan. 17, 2013, 9:04 AM), <https://www.forbes.com/sites/arieladams/2013/01/17/using-the-rolex-submariner-test-when-buying-watches-around-10000/?sh=6637db6559e0> [https://perma.cc/E5E4-42AH] ("[L]ook at baseline example watches which from a resale perspective hold value very well. The steel Rolex Submariner family is just such a watch. Therefore, because Submariner watches hold value so well, it is a good idea to compare other comparably priced watches to the Submariner to see if you are at least getting a good deal."); *see also* Alex Williams, *Watches Are Yet Another Easy Way Rich People Make Their Money Into More Money*, N.Y. TIMES (Mar. 20, 2019), <https://www.nytimes.com/2019/03/20/style/collectible-watches.html> [https://perma.cc/S3DX-5N7D] ("The market for Daytona just got a little silly for a while," Mr. Clymer said. "We saw references worth \$20,000, \$25,000 in 2011 to 2015 all of a sudden worth \$50,000, then all of a sudden worth \$80,000. And now those same references are worth \$65,000. That's still significantly higher than they were, but they've come down from the stratosphere.").

⁷² *See* Paul Altieri, *Rolex Watch Nicknames—The Ultimate Reference Guide for Collectors*, BOB'S WATCHES (Aug. 10, 2021), <https://www.bobswatches.com/rolex-blog/watch-101/rolex-nicknames-what-are-they.html> [https://perma.cc/F6KS-3XXU] (discussing various Rolex models with adopted nicknames).

⁷³ *See infra* notes 83–90 (discussing Rolex's standard regarding modification).

The world of vintage Rolex collecting is the murkiest, seediest, and ugliest realm of watch collecting there is. There are more fake Rolex watches on this planet than all other fakes combined—and you can multiply that number by 100 if we include those Rolexes that have been modified in some way after they left the factory.⁷⁴

This expansive interpretation of trademark infringement and counterfeiting was established by the U.S. Court of Appeals for the Fifth Circuit in *Rolex Watch USA, Inc. v. Meece*.⁷⁵ Meece, doing business as American Wholesale Jewelry, would sell parts for Rolex watches and customize new Rolex watches with non-Rolex parts.⁷⁶ Meece was unaffiliated with Rolex and he sold and advertised exclusively to jewelers rather than the general public.⁷⁷ Additionally, Meece

⁷⁴ Benjamin Clymer, *Christie's to Sell Controversial Black Dial Oyster Paul Newman that, if Real, Changes the History Books (Though We Will Never Know)*, HODINKEE (Oct. 15, 2014), <https://www.hodinkee.com/articles/rolex-daytona-black-ghost-rox-paulnewman> [<https://perma.cc/6LY6-6LUU>] (discussing how experts have difficulty authenticating Paul Newman Rolex Daytonas, particularly those made with a black dial).

⁷⁵ See generally *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998) (holding that replacing a part from an authentic Rolex watch with a non-Rolex approved part, including any non-Rolex customizations, renders the entire watch counterfeit); see also Alexis Brunswick, *Magic Hour: A New L.A. Brand Rehabs Vintage Watches with SoCal Colors*, VOGUE (Apr. 6, 2017), <https://www.vogue.com/article/lacalifornienne-rolex-cartier> [<https://perma.cc/FME4-84AU>] (discussing La Californienne's modification process).

⁷⁶ See *Meece*, 158 F.3d at 819 (noting that Meece would add diamond bezels, which were not genuine Rolex parts); see also *Rolex, La Californienne Get Court's Approval on Settlement Over "Counterfeit" Modified Watches*, FASHION L. (June 1, 2020), <https://www.thefashionlaw.com/rolex-la-californienne-get-courts-approval-on-settlement-over-counterfeit-modified-watches/> [<https://perma.cc/5FJG-7E5Q>] (“In short: the parties’ settlement enables La Californienne to continue to customize and sell Rolex watches, but not with Rolex’s name or its various trademarks, such as its crown symbol, attached to the watches, themselves, or on any advertising of the watches.”); see also Rob Corder, *Rolex Wins Counterfeiting Case Californian Customizer*, WATCHPRO (June 5, 2020), <https://usa.watchpro.com/rolex-wins-counterfeiting-case-against-californian-customizer/> [<https://perma.cc/87RR-EKHJ>] (explaining that La Californienne is no longer able to use Rolex marks, represent products as Rolex watches, or provide any warranty or service on Rolex watches).

⁷⁷ See *Meece*, 158 F.3d at 819 (“Meece’s advertising brochures indicate that his replacement parts are not genuine Rolex parts; that he is not affiliated with Rolex; and that the addition of non-Rolex parts will void the Rolex warranty. However, he stipulated that the parts he sells do not bear any markings indicating that he is the source; and that he has

admitted that he did not control how his non-Rolux parts or watches containing said non-Rolux parts were sold to consumers, or whether there was an actual consumer at the end of the transaction.⁷⁸ Meece directed all of his activities toward the retail jewelry store trade and jewelers; this is to whom its advertising was directed, and “[i]n a typical transaction, an ultimate consumer requests products or services from a retail jeweler, who in turn places an order with Meece. The jeweler receives the product from Meece and delivers it to the ultimate consumer.”⁷⁹ Although the watches were factory authentic, at some point, Meece altered them with non-Rolux parts, ranging from diamond bezels, diamonds placed within the dial, or alternate bracelets.⁸⁰ Ultimately, the issue was that Meece’s “franken-watches” retained original Rolux trademarks, thus creating the potential for consumer confusion.⁸¹ The Fifth Circuit acknowledged that Meece’s watches were technically not counterfeit, stating that, “[b]ecause Meece’s items in question bore original Rolux trademarks, rather than imitations or copies of those trademarks, they would not seem to be ‘counterfeit’ in the literal sense.”⁸²

The Fifth Circuit turned to previous case law to uphold its decision that any Rolux watch containing non-Rolux parts constitutes a counterfeit.⁸³ In *Champion Spark Plug Co. v. Sanders*, the Supreme

not disclosed on invoices or tags either that his non-Rolux parts are not authorized by Rolux or that their addition voids the Rolux warranty.”).

⁷⁸ See *id.* (discussing the lack of control over Meece’s product).

⁷⁹ See *id.* (outlining the chain of custody of Meece’s watches).

⁸⁰ See *id.* at 820 (discussing various customizations performed by Meece).

⁸¹ See *id.* at 826 (stating that “[i]n selling those items, Meece did not copy or imitate Rolux’s trademarks; quite to the contrary—those items bear original Rolux trademarks.”).

⁸² See *id.* (explaining that Meece’s Roluxes were not counterfeit because they retained original Rolux trademarks, rather than imitations or copies of said trademarks). *But see id.* (“For the seizure remedy for counterfeit goods, a ‘counterfeit mark’ is defined as (i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or (ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36. . . . 15 U.S.C. § 1116(d). Similarly, § 1127 defines a ‘counterfeit’ as ‘a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.’”).

⁸³ See generally *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) (holding that selling refurbished or used goods under an original trademark is not infringement as

Court established that selling used or refurbished goods under their original trademark did not constitute infringement, even if those secondhand goods were comparatively inferior to their new foil, as long as the seller does not misrepresent the goods as new and has not made “material alterations” to the goods.⁸⁴ Relying on such logic, the court in *Rolex* stated that because “the bezel on a Rolex watch is a necessary and integral part of the watch and serves a water-proofing function,” and because “bracelets and dials are also [obviously] necessary, integral parts: a watch cannot be worn without a bracelet; and, the watch cannot serve its purpose of timekeeping without a dial,” the aftermarket alterations to the Rolex were significant enough to create a completely “different” product, deserving the designation of counterfeit.⁸⁵

The Fifth Circuit created a new type of “super counterfeit” definition for Rolex, following the groundwork laid by the Seventh Circuit and further supported by the Ninth Circuit.⁸⁶ Rolex stands for the proposition that the Ship of Theseus can no longer be called or considered the Ship of Theseus once a *single* board is replaced, because like all parts of a Rolex, all boards of a ship are integral to the ship.⁸⁷ While some may agree that replacing the entire ship deck, or a Rolex bezel, may render the ship something else entirely, most would assume that a single board or gear does not render the entire object as something else entirely. Moreover, this highlights that

long as the goods are not misrepresented as new and there have not been material alterations, even if the secondhand goods are inferior when compared to newly manufactured versions); *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20 (7th Cir. 1964) (holding that unauthorized re-casing of Bulova watches constituted creation of a different product, making them counterfeit, despite retaining Bulova’s original trademark).

⁸⁴ See *Sanders*, 331 U.S. at 129 (“Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be misnomer to call the article by its original name, even though the words ‘used’ or ‘repaired’ were added.”); see also *infra* notes 114–20 (discussing “modification” of Christian Louboutin shoes).

⁸⁵ See *Meece*, 158 F.3d at 825 (explaining that the alteration of an “integral part” of an item may be significant enough to render the item itself counterfeit based upon said alteration(s) alone).

⁸⁶ See generally *Bulova*, 328 F.2d 20 (finding that re-casing of Bulova watches rendered them counterfeit); *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704 (9th Cir. 1999) (finding that defendant’s alterations of Rolex watches were so substantial that they created new product entirely, causing consumer confusion).

⁸⁷ See *Meece*, 158 F.3d at 825 (discussing the Rolex holding).

unnoticed, minor modifications may render the Rolex a counterfeit.⁸⁸ For example, an individual can take their Rolex to a “trusted” watch servicer, and unbeknownst to them, a single gear within the watch may be replaced by a just-as-good, non-Rolex part.⁸⁹ Similarly, a fraction of a plank on the Ship may be replaced with identical wood, the alteration invisible to most, yet still rendering the Ship a “fake.”⁹⁰ Additionally, the *Rolex* decision does not address the Hobbesian version of the Ship of Theseus: what if the discarded yet original parts of the Ship, or a Rolex, were gathered together to create a second identical ship, or identical Rolex? While the question of actual modification remains relatively open-ended, the court in *Nitro Leisure Prods., LLC v. Acushnet Co.* specifically addresses the issue of refurbishment and subsequent secondhand resale.⁹¹

B. Nitro Leisure Prods., LLC v. Acushnet Co.: Note the New Planks

Acushnet, a manufacturer and marketer of golf balls under the Titleist name and trademark, sued Nitro Leisure Products, LLC

⁸⁸ See E-mail from Claire, Customer Serv. Representative, The RealReal, to Julie Tamerler (Oct. 9, 2020) (on file with author) (when asked “if and how your horologists check to see if all parts within each Rolex are authentic Rolex parts,” The RealReal avoided the question by stating, “[a]uthenticity is the cornerstone of The RealReal. We staff in-house professionals including gemologists, horologists, art appraisers and apparel experts that authenticate every item. All items are put through a rigorous authentication process by a team of experts guided by our Director of Authentication & Brand Compliance. During this inspection process, we validate appropriate brand markings, date codes, serial tags and hologram stickers as applicable. Each item passes through our strict authenticity test before it is accepted for consignment.”); see also *Valuation Report Rolex Yacht-Master Watch*, REALREAL, <https://www.therealreal.com/products/watches/bracelet/rolex-yacht-master-watch-9dbq4?position=39> [<https://perma.cc/2M68-YYYA>] (“The knowledge of The RealReal in relation to each such item is partially dependent on information provided to us by the Consignor, and The RealReal is not able to and does not carry out exhaustive due diligence on each item. . . . Prospective buyers should note that those descriptions of property are not warranties and that each item is sold ‘as is.’”).

⁸⁹ See Isaac Wingold, *Thoughts on Vintage Rolex Parts, and the All-Original Watch*, HODINKEE (Aug. 28, 2019), <https://www.hodinkee.com/articles/thoughts-on-vintage-rolex-parts-and-the-all-original-watch> [<https://perma.cc/6D69-XZHT>] (embracing Rolex alterations, stating that it is acceptable with proper disclosure to the purchaser, comparing the practice to selling “altered” luxury cars).

⁹⁰ See *Meece*, 158 F.3d at 825 (establishing the Rolex Watch USA, Inc. rule).

⁹¹ See generally *Nitro Leisure Prods., LLC v. Acushnet Co.*, 341 F.3d 1356 (Fed. Cir. 2003); see also *infra* notes 92–102 (discussing the *Acushnet Co.* refurbishment standard).

(“Nitro”), a company that sold used golf balls at a discounted rate, alleging patent infringement and trademark infringement.⁹² Nitro sold two categories of used golf balls; “recycled” golf balls, requiring “little more than washing” before being repackaged for resale, and balls that required refurbishing because of stains, scuffs, or blemishes.⁹³ According to the court, “Nitro’s refurbishing process includes cosmetically treating the balls by removing the base coat of paint, the clear coat layer, and the trademark and model markings without damaging the covers of the balls, and then repainting the balls, adding a clear coat, and reaffixing the original manufacturer’s trademark.”⁹⁴ Additionally, Nitro would add a statement of refurbishment to each ball and on its container.⁹⁵ Instead of applying the “material differences” test to assess likelihood of confusion when sold by unrelated parties of new, genuine trademarked goods, the court applied the “likelihood of confusion” test.⁹⁶ Ultimately, the Federal Circuit upheld the district court’s ruling to not preliminarily

⁹² See generally *Acushnet Co.*, 341 F.3d 1356 (holding that sale of refurbished golf balls was not an act of infringement); see also Andy Roberts, *Titleist Named ‘World’s Best Golf Club Brand’ at World Golf Awards*, GOLFMAGIC (Oct. 2019), <https://www.golfmagic.com/equipment-news/titleist-named-worlds-best-golf-club-brand-world-golf-awards> [<https://perma.cc/7XKR-LAZ7>] (discussing how Titleist was named “World’s Best Golf Club Brand,” supporting the idea that Acushnet must protect its brand reputation).

⁹³ See *Acushnet Co.*, 341 F.3d at 1358; see also *Used Golf Ball Sales Tee Off Makers*, TAMPA BAY TIMES (Sept. 3, 2005), <https://www.tampabay.com/archive/2002/10/24/used-golf-ball-sales-tee-off-makers/> [<https://perma.cc/P3T2-WQDS>] (“[As of 2005,] American golfers now spend \$550-million a year buying 600-million new balls. . . . Those golfers lose about [two]-billion balls each year on the courses. That huge gap between new purchases and balls lost means golfers are either recycling lots of balls that they have found or have bought used. The used-ball market, now estimated at about \$200-million, is expanding rapidly.”).

⁹⁴ See *Acushnet Co.*, 341 F.3d at 1358 (discussing the refurbishment process).

⁹⁵ See *id.* (noting the refurbishment disclaimer on packaging).

⁹⁶ See *id.* at 1362–63 (explaining why the “likelihood of confusion” test was used instead of the “material differences” test) (“For used or refurbished goods, customers have a different expectation. They do not expect the product to be in the same condition as a new product. There is an understanding on the part of consumers of used or refurbished products that such products will be degraded or will show signs of wear and tear and will not measure up to or perform at the same level as if new. For used or refurbished products, consumers are not likely to be confused by—and indeed expect—differences in the goods compared to new, unused goods. Thus, the tests applied to assess likelihood of confusion by courts will not necessarily be the same when determining trademark infringement in the resale of altered new goods and when considering trademark infringement in the resale of used and refurbished goods.” (internal citations omitted)).

enjoin the defendant because “[t]here is an understanding on the part of consumers of used or refurbished products that such products will be degraded or show signs of wear and tear and will not measure up to or perform at the same level as if new.”⁹⁷ Additionally, there was not a likelihood of confusion because “the differences in the goods were nothing more than what would be expected for used golf balls,” so it was therefore not a “misnomer” to affix the original manufacturer’s mark to the refurbished golf balls.⁹⁸ The district court relied on a number of factors to determine if the alternations resulted in a new product, including: “the nature and extent of the alterations, the nature of the device and how it is designed, . . . whether a market has developed for service or spare parts . . . and, most importantly, whether end users of the product are likely to be misled as to the party responsible for the composition of the product.”⁹⁹ In essence, the court determined that consumers were savvy enough to understand that secondhand golf balls would not be identical to their brand new counterparts, thusly not infringing upon Acushnet’s trademark.¹⁰⁰ However, writing for the dissent, Judge Pauline Newman vehemently disagreed, stating:

I can think of nothing more destructive of the value of a famous trademark than for the law to permit unauthorized persons to re-affix the mark to a product that is so badly cut, scarred, dented, discolored, and

⁹⁷ *Id.* at 1363 (discussing standards of quality regarding secondhand refurbished goods).

⁹⁸ *Id.* at 1364 (holding that refurbished golf balls were essentially the same as their original counterparts).

⁹⁹ *Id.* at 136 (citing *Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc.*, 285 F.3d 848, 856–57 (9th Cir. 2002) (internal quotations omitted)) (suggesting factors to consider when determining creation of a different product); *see also Karl Storz Endoscopy-Am., Inc.*, 285 F.3d at 856 (“A mere repair for an owner’s personal use must be contrasted with a complete rebuild where the rebuilt product will be used by a third party. If the reconstructed product still bearing the original manufacturer’s trademark is so altered as to be a different product from that of the original manufacturer, the repair transaction involves a ‘use in commerce.’ The repair company in that situation is trading on the goodwill of, or association with, the trademark holder.”) Notably, this is not bright-line test. *See id.*

¹⁰⁰ *See generally* Andrew Martineau, *Imagined Consumers: How Judicial Assumptions About the American Consumer Impact Trademark Rights, for Better and for Worse*, 22 DEPAUL J. ART TECH. & INTELL. PROP. L. 337 (2012) (advocating that courts should presume that consumers are reasonably intelligent and sophisticated, better reflecting the modern consumer who is less reliant on information conveyed via trademarks themselves).

bruised that its defects have to be concealed before it can be resold as “used”—and then, with the scars hidden and the surface repainted to look new, the product is resold with the benefit of the re-affixed trademark and its reputation for quality and performance. The court today holds that the trademark owner cannot object to this unauthorized, uncontrolled affixation of its famous Titleist⁷ mark, provided that the package is labeled “used/refurbished” and a disclaimer is presented.¹⁰¹

Judge Newman did not take issue with the used and refurbished golf balls being sold generally; instead, she stated that Nitro’s modifications amounted to a material change and that affixing the original trademark constituted “a trap for the consumer” because that trademark may no longer serve “as an assurance of quality, consistency, and reliability.”¹⁰²

C. Application to Present Market

Purchasers of secondhand luxury goods understand the potential risks associated with buying secondhand items that may have been refurbished or altered; just as one may not know if a secondhand golf ball’s balance is distorted, a purchaser may not know if a Chanel

¹⁰¹ *Acushnet Co.*, 341 F.3d at 1366 (Newman, J., dissenting); see also T.J. Auclair, *What Are Your Golf Superstitions?*, PGA (Sept. 7, 2017), <https://www.pga.com/archive/news/golf-buzz/what-your-golf-superstitions> [<https://perma.cc/WQ63-EXK2>] (discussing various professional golfers’ superstitions, including Richard Geist, who discards his Titleist golf ball after a water hole). But see *Are Used Golf Balls as Good as New?—Golf Myths Unplugged*, PLUGGED IN GOLF (Oct. 26, 2016), <https://pluggedingolf.com/used-golf-balls-good-new-golf-myths-unplugged/> [<https://perma.cc/2LNU-4UXZ>] (discussing a study in which participants were unable to differentiate new golf balls from refurbished ones).

¹⁰² See *Acushnet Co.*, 341 F.3d at 1367–68 (Newman, J., dissenting) (upholding the logic that trademark law must aid consumers); see also *id.* at 1368 (“the severity of the concealed defects is not known to the consumer, who will not know whether the refurbished ball has been stripped and painted, whether the balance is distorted, whether the all-important dimples are encumbered with fresh paint. The consumer will not know that the Titleist⁷ mark was re-applied to a ball that was so badly damaged that the original marking was lost.”). But see Martineau, *supra* note 100 (generally advocating that utilizing trademark law to “protect” consumers leads to trademark expansion and monopolization).

flap's stitching has been re-done.¹⁰³ This “in the know” logic leads to the overbroad conclusion that the very *risk* of “overly” refurbished products potentially hitting the market means that *no* refurbished products should do so.¹⁰⁴ Additionally, this logic assumes that all refurbishment or alteration negatively impacts the product.¹⁰⁵

Acushnet Co. stands for permissive refurbishment: the Ship can still be called the Ship of Theseus if you specify that it is secondhand and painted because a buyer is expected to be savvy enough to understand the potential pitfalls of purchase.¹⁰⁶ Meanwhile, *Rolex Watch USA, Inc.*, stands for the possibility that almost all alterations may end up making an item counterfeit: do not touch that original plank, or maybe anything else, if you want to be able to sell the ship as the Ship of Theseus.¹⁰⁷ These two rulings stand in opposition to each other, making it unclear where secondhand luxury retail stands.¹⁰⁸ As a result, the principle that altering a necessary and

¹⁰³ See *Terms of Service*, *supra* note 50 (stating within The RealReal's “Disclaimer of Warranty” that items are provided “as is” without warranty); see also *Terms & Conditions, WHAT GOES AROUND COMES AROUND*, https://www.whatgoesaroundnyc.com/terms.html?lang=en_US [<https://perma.cc/ENV2-ETKD>] (stating that everything sold on the site is provided “as is” without any warranties).

¹⁰⁴ For a discussion of how brands only utilize this for their own benefit, resulting in inconsistent enforcement, see *infra* note 105.

¹⁰⁵ See *A Mr. Brainwash Painted Rouge Garance Clémence Leather Birkin 30 with Palladium Hardware & a “Life Is Beautiful” Statue*, CHRISTIE'S, <https://onlineonly.christies.com/s/handbags-online-summer-city/mr-brainwash-painted-rouge-garance-clemence-leather-birkin-30-43/92708> [<https://perma.cc/EP7G-S6FL>] (selling after-market, altered Birkin featuring graffiti by street artist Mr. Brainwash); see also *infra* note 129 and accompanying text (discussing alterations and luxury brand enforcement, or lack thereof).

¹⁰⁶ *Acushnet Co.*, 341 F.3d at 1363 (discussing the standard regarding refurbishment of secondhand goods).

¹⁰⁷ See *supra* notes 83–90 and accompanying text (discussing the Rolex standard regarding modification).

¹⁰⁸ See *Chanel, What Goes Around Comes Around Are Still Fighting Over the Sale of Chanel Bags, Including Potentially Authentic Ones*, FASHION L. (May 7, 2020), <https://www.thefashionlaw.com/chanel-what-goes-around-comes-around-are-still-fighting-over-the-resellers-alleged-sale-of-counterfeit-bags/> [<https://perma.cc/4VSP-JTZX>] (discussing the lawsuit between Chanel and What Goes Around Comes Around, noting that Judge Stanton stated “that WGACA must also provide the relevant information in connection with ‘each instance of an offer or sale . . . of an item which Chanel plausibly claims is or was: [a] so repaired, reconditioned or altered as to have lost its identity as a genuine Chanel item, or [b] acquired by WGACA under circumstances which do not

integral part of an item is significant enough to create an entirely different product, runs the risk of bleeding into the luxury resale economy.¹⁰⁹ This radical interpretation of trademark law opens up endless opportunities for other luxury brands to have courts deem altered, yet authentic, goods to be counterfeit items, creating further restraints on alienation.¹¹⁰ An individual should have the right to purchase what is accepted to be the Ship of Theseus, with a new coat of paint, understanding that it has returned from Crete. By silently chipping away at ways an individual can sell their luxury goods, luxury brands are not only protecting the market for their new goods,

qualify as a first sale under that doctrine, or [c] mislabeled or falsely advertised by WGACA,” mirroring the Rolex standard).

¹⁰⁹ See *id.* (noting that parameters regarding the discovery order follow the Rolex standard, “arguably open[ing] the door for a wide range of products, including ones that are potentially authentic, or at least, ones that originated with Chanel, to be put under the microscope in the trademark-centric suit.”).

¹¹⁰ See Elena Gorgan, *The Strict Rules of Ferrari Ownership: You Don’t Choose, Ferrari Chooses You*, AUTOEVOLUTION (Feb. 18, 2020), <https://www.autoevolution.com/news/the-strict-rules-of-ferrari-ownership-you-dont-choose-ferrari-chooses-you-141173.html> [<https://perma.cc/6LQM-N8BM>] (discussing how purchasers of Ferraris must pass a background check, and they cannot: 1) sell the car within first year, 2) sell without notice to the company, 3) own Lamborghinis, 4) make drastic alterations to the car, or 5) “badmouth” the brand); see also Stef Schrader, *John Cena Is Being Sued by Ford for Reselling His New Ford GT*, JALOPNIK (Dec. 1, 2017), <https://jalopnik.com/john-cena-is-being-sued-by-ford-for-reselling-his-new-f-1820913011> [<https://perma.cc/BK99-M43H>] (discussing how Ford “hand-picked” buyers for its \$450,000 Ford GT “supercar,” which included wrestler John Cena. John Cena immediately sold his Ford GT, violating the purchase contract specifying that the purchaser must keep the car for two years before selling it, ultimately leading Ford to file suit against Cena); Cherise Threewit, *Can an Automaker Forbid You From Reselling Your Car?*, HOW STUFF WORKS (Aug. 15, 2018), <https://auto.howstuffworks.com/buying-selling/can-automaker-forbid-from-reselling-car.htm> [<https://perma.cc/X9SN-PXRA>] (discussing how various producers of “supercars” forbid resale; Aston Martin’s CEO Andy Palmer stated that those who “flipped” their allocation for Valkyrie model would be banned from purchasing future limited-edition Aston Martin models. “It’s worth mentioning that in the 1990s, Ferrari avoided the resale issue by offering its limited-edition F50 as a lease only. Customers secured the lease with a down payment of nearly \$250,000 and committed to two years’ worth of monthly lease payments at \$5,600. The cars technically belonged to Ferrari until a final payment of \$150,000 at the end of the two years.”); see also *Deadmau5 Gets in Trademark Catfight with Ferrari*, STITES & HARBISON PLLC (Oct. 9, 2014), <https://www.stites.com/resources/trademarkology/deadmau5-gets-in-trademark-catfight-with-ferrari> [<https://perma.cc/EC8E-JEMN>] (discussing how DJ Deadmau5 modified his Ferrari 458 with themed wrap and custom badges, dubbing it “Purrari” and putting it up for sale on Craigslist, causing Ferrari to send a cease and desist accusing him of trademark infringement).

but also making it difficult for former customers to tap into the equity of their luxury investments.¹¹¹ Additionally, consumers may be unknowingly altering their goods in ways that may make them unsellable.¹¹²

While the Fifth Circuit found it relatively simple to determine what parts of a Rolex are necessary and integral (essentially all of them), such a test is much more difficult to apply to other luxury goods.¹¹³ Take, for example, a pair of Christian Louboutin pumps, a coveted and highly counterfeited status shoe.¹¹⁴ Heel taps are an

¹¹¹ See Tim Cushing, *Ferrari ‘DRM:’ Don’t Screw with Our Logos and We’ll Let You Know if It’s OK to Sell Your Car*, TECHDIRT (Sept. 3, 2014), <https://www.techdirt.com/articles/20140902/11491828395/ferrari-drm-dont-screw-with-our-logos-well-let-you-know-if-its-ok-to-sell-your-car.shtml> [<https://perma.cc/6SGD-BYHZ>] (discussing Ferrari’s right of first refusal contract for the 430 model, specifically stating that the right of first refusal is to prevent price speculation); see also Ashley Lutz, *Lululemon Is Banning Customers Who Try to Resell Their Clothing Online*, INSIDER (Feb. 7, 2014), <https://www.businessinsider.com/lululemons-resell-policy-bans-customers-2014-2> [<https://perma.cc/H3VK-PR3U>] (discussing how Lululemon banned certain purchasers from buying items online because they were being re-sold at elevated price points); see also Paul Sullivan, *Can’t Afford a Birkin Bag or a Racehorse? You Can Invest in One*, N.Y. TIMES (July 31, 2020), <https://www.nytimes.com/2020/07/31/your-money/birkin-bag-racehorse-invest.html> [<https://perma.cc/US42-BTWB>] (discussing how individuals are beginning to buy shares of Birkins and Rolexes, much like traditional stocks).

¹¹² See Anna Rahmanan, *How Are High-End Bags Professionally Restored?*, PURSEBLOG (Aug. 25, 2020), <https://www.purseblog.com/care-and-maintenance/how-are-high-end-bags-professionally-restored/> [<https://perma.cc/F369-D4M2>] (noting that the Handbag Spa “prefers not to take bags apart (‘we feel that’s interfering with [its] authenticity,’)” and also does not authenticate bags, while another restorer does not try to emulate original bags in the refurbishment process. Additionally, “brands do not provide repair companies with a slew of ‘official’ materials to use at work. Instead, restorers seek out special products that could be applied across the board, from fillers to dyes. ‘[You build] up a starter kit boasting the right tools [to be used again and again],’ explains Molnar. As for whether high-end companies ever direct consumers to repair shops, Bass mentions that authorized sellers are more likely to do so over official company personnel.”).

¹¹³ See *infra* notes 114–125 (proposing hypothetical questions regarding modifications of different luxury goods).

¹¹⁴ See Dominic Lutyens, *Christian Louboutin—King of the Killer Stiletto*, BBC (Mar. 2, 2020), <https://www.bbc.com/culture/article/20200228-christian-louboutin-king-of-the-killer-stiletto> [<https://perma.cc/G5YY-LYTL>] (explaining Christian Louboutin’s personal and brand history); see also *Stopfake*, CHRISTIAN LOUBOUTIN, https://us.christianlouboutin.com/us_en/stopfake [<https://perma.cc/575P-YFU8>] (discussing Christian Louboutin’s “zero tolerance” policy regarding fake Christian Louboutin products, detailing recent enforcement actions); see also *A Basic Christian Louboutin Authentication Guide*, LOLLIPOFF, <https://www.lollipopuff.com/a-basic-christian-louboutin-authentication-guide> [<https://perma.cc/GUK4-DNEN>] (comparing authentic Louboutin

integral part of any heel; if they are worn down, the heel stem itself may become damaged, affecting the functionality of the shoe.¹¹⁵ Meanwhile, Christian Louboutin does not offer its own repair services.¹¹⁶ Is replacing a heel tap at your local cobbler a replacement of a necessary and integral part?¹¹⁷ And what about the potential quality of the “alterations” made?¹¹⁸ For example, Rago Brothers, a

shoes to counterfeit Louboutin shoes; notably, Lollipop provides “luxury authentication” yet does not discuss guarantees, assurances, or details regarding the authentication process).

¹¹⁵ See *To Vibram, or Not to Vibram*, PURSEFORUM (Nov. 15, 2008), <https://forum.purseblog.com/threads/to-vibram-or-not-to-vibram.385625/> [<https://perma.cc/PFF4-WA8Z>] (for a discussion, by the user “panrixx,” on attaching after-market red Vibram soles to Louboutin soles, noting that cobblers may need to remove fractions of original leather sole, potentially weakening the shoes as a whole because Vibram soles have little structural strength, affecting the overall integrity of the shoes in some sense).

¹¹⁶ See *Product Care*, CHRISTIAN LOUBOUTIN, http://us.christianlouboutin.com/us_en/product-care [<https://perma.cc/5YGE-82KD>] (recommending various shoe and leather specialists for Louboutin repair).

¹¹⁷ See Tanya Foster, *How to Restore Your Christian Louboutin Shoes in 3 Easy Steps*, TANYA FOSTER (Aug. 9, 2017), <https://tanyafoster.com/restore-your-christian-louboutin-shoes-in-3-easy-steps/> [<https://perma.cc/Z58N-VTFY>] (detailing popular processes of “restoring” Christian Louboutin painted red soles, which flake with wear; this type of alteration would violate “Rolex” rule in sense that it is not original paint); see also *Product Care, supra* note 116 (“Please note, the red lacquer on our soles will wear off with the use of the shoes. This is not a manufacturing defect of the shoes; it is usual wear and tear.”); see also *Christian Louboutin: Red Soles, High Heels, and a Global Quest for Trademark Rights*, FASHION L. (Feb. 24, 2020), <https://www.thefashionlaw.com/christian-louboutin-red-soles-high-heels-and-a-global-quest-for-trademark-rights/> [<https://perma.cc/2BND-2Q9S>] (discussing how Christian Louboutin sued Yves Saint Laurent (now Saint Laurent) for selling shoes bearing a red sole, infringing upon Louboutin’s federal trademark registration of its Pantone 18-1663 TPX red soles, ultimately finding that Louboutin’s red soles acquired necessary, secondary meaning. However, it is unclear if an owner of Louboutin shoes who re-applies non-original sole paint is infringing upon trademark or creating counterfeit product, especially considering that sole not bearing original Pantone 18-1663 TPX paint is technically not “authentic.” Such a distinction would be likely to matter in this context, specifically because many buy Louboutins *because* of its red soles).

¹¹⁸ See Annette Vartanian, *How to Restore Vintage Chanel Bag*, VINTAGE SPLENDOR, <https://www.avintagesplendor.com/how-to-restore-vintage-chanel-bag/> [<https://perma.cc/LPQ7-2GRL>] (discussing utilizing Leather Surgeons’ refurbishment service to repair a vintage Chanel handbag, noting that “if you drop off your handbag at a Chanel boutique for the ‘Chanel handbag spa service’ they send your bag to [Leather Surgeons] for repairs.” Luxury brands may insist that only their alterations are “genuine,” despite utilizing outside service providers or even encouraging the use of outside service providers, even though said outside providers may create “counterfeits.”); see also Teri Agins, *Getting a Handbag Refurbished*, WALL ST. J. (Aug. 7, 2008), <https://www.wsj.com/>

shoe and leather repair company, is consistently recommended for repairs within fashion circles;¹¹⁹ so can it be assumed that their repairs are superior to a “regular” individual’s DIY fixes?¹²⁰



Figure 1: Rago Brothers’ alterations to a pair of Christian Louboutin heels, consisting of a leather repair, color change, and addition of protective soles.¹²¹

articles/SB121807665984219519 [https://perma.cc/2D2U-MPAH] (stating that Gucci only does “most” repairs for free within a year of purchase, only as long as said items were purchased at Gucci boutiques. Additionally, Louis Vuitton’s repair policy applies to officially-purchased goods.).

¹¹⁹ RAGO BROTHERS, <https://www.ragobrothers.com/> [https://perma.cc/4VKA-YZ7U].

¹²⁰ *Compare The Louboutinista’s Do-It-Yourself Thread Ask! Share! DIY!*, PURSEFORUM, <https://forum.purseblog.com/threads/the-louboutinistas-do-it-yourself-thread-ask-share-diy.445803/> [https://perma.cc/M7SL-3ZLL] (discussing how to create one’s own “Strass” Louboutins) with *Christian Louboutin Kate Leather Strass Degrade Pumps 100*, HARRODS, <https://www.harrods.com/en-us/shopping/christian-louboutin-kate-leather-strass-degrade-pumps-100-16585498> [https://perma.cc/G8MP-B6HF] (selling “Kate” pump with hand-placed “Strass” crystals, retailing for \$3,595.00). The “Strass” style Louboutin is encrusted in tiny jewels and significantly more expensive than “plain” Louboutin styles. As a result, many individuals create their own “Strass” models using authentic, “un-Strassed” Christian Louboutin shoes, often with surprisingly elegant results. See *Reader Project: DIY Louboutin Strass TDF*, REMODELICIOUS, <https://www.remodelicious.com/reader-project-diy-louboutin-strass-tdf/> [https://perma.cc/7YUS-WGMK].

¹²¹ *Check Us Out*, RAGO BROTHERS, <https://www.ragobrothers.com/photo-gallery/> [https://perma.cc/GK5S-A5RU] (showcasing various alterations and repairs made to

Following this logic even further, what is one to do if the interior zipper of their Chanel flap is damaged?¹²² If a person wants to have their cobbler repair it, potentially using a “non-Chanel” zipper, then should we think of this entire bag as a literal counterfeit?¹²³ Common logic would lead most to believe this would still be an authentic Chanel bag, but following the logic of *Meece*, it would technically affect the very function of the bag itself, necessitating a counterfeit designation.¹²⁴ The idea of a court evaluating the quality of, or setting a standard for alterations or repairs, is ironic; many of these judges would have to work to familiarize themselves not just with the luxury goods market, but the luxury goods themselves, standing in stark contrast with the average secondhand luxury goods consumer.¹²⁵

While it may make sense to continue to be this exacting and critical when it comes to individuals like *Meece*, who make an entire living arguably “piggybacking” off of the Rolex brand, such criticism ignores realities of ownership.¹²⁶ Things break and

various luxury shoes and handbags); *see also Product Care, supra* note 116 (providing the official Christian Louboutin product care guide, specifically recommending Rago Brothers for Christian Louboutin repairs).

¹²² *See generally Classic Handbag*, CHANEL, <https://www.chanel.com/us/fashion/p/A01112Y0129594305/classic-handbag-lambskin-gold-tone-metal/> [<https://perma.cc/ZZF2-S9PQ>] (selling “Classic” Chanel flap handbag in black lambskin, gold-tone metal).

¹²³ *See Valuation Report Rolex Yacht-Master Watch, supra* note 88 (discussing Rolex’s rule regarding modification).

¹²⁴ *But see infra* note **Error! Bookmark not defined.** and accompanying text (discussing various alterations to luxury goods and subsequent enforcement or lack of enforcement).

¹²⁵ *See Tiffany & Co. v. Costco Wholesale Corp.*, 971 F.3d 74, 91–92 (2d Cir. 2020) (finding that “purchasers of diamond engagement rings educate themselves so as to becoming discerning consumers,” “[b]ut even the potential for confusion inherent in such circumstances cannot dictate a judgment for Tiffany in light of Costco’s evidence that engagement-ring purchasers exercise care and become savvy, and that the context Costco provided at the point of sale was sufficient for those careful customers to recognize that its signs used ‘Tiffany’ only as a generic descriptor.”) Notably, this was decided within the Second Circuit, just as *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010) was decided. *Id.* *See also infra* notes 215–28 (discussing the potential interaction of trademark law and antitrust law).

¹²⁶ *See supra* notes 76–82 (discussing *Meece*’s business). *But see MSCHF Drops the “Most Exclusive Sandals Ever Made,” They’re Called Birkinstocks*, FASHION L. (Feb. 8, 2021), <https://www.the-fashion-law.com/mschf-drops-the-most-exclusive-sandals-ever-made-theyre-called-birkinstocks/> [<https://perma.cc/F5VN-G624>] (“The latest product

components will need to be fixed or replaced; does this mean that said alterations, which may be more necessary than discretionary, must occur through the very brand itself?¹²⁷ Is a brand able to exert such control over its own goods after it leaves its hands that the brand dictates how a consumer can continue to use the item?¹²⁸ Historically, “[t]he power of alienation is so commonly one of the constituent elements of property that it is now regarded as a characteristic attribute of ownership[,]” causing individuals to frown upon its restraints.¹²⁹ Some may argue that individuals who own luxury goods need not be concerned with such an expansive interpretation of trademark law, because brands like Rolex and Chanel will only “go after” high volume sellers like Mottale or The RealReal; regardless, there still remains a looming threat that someone’s luxury good may be deemed a counterfeit that is illegal to sell, experience a

from MSCHF? Footwear that the company calls ‘the most exclusive sandals ever made.’ A mashup between a Birkin bag and a Birkenstock, MSCHF’s ‘Birkinstocks’ look a whole lot like those from the German footwear company, albeit with one significant point of differentiation: all of the leather is sourced from more than \$122,500 worth of genuine Hermès Birkin bags.”)

¹²⁷ See Kareem Rashed, *The World’s Most Esteemed Fashion Houses Now Have Workshops That Will Repair Your Stuff*, ROBB REP. (Sept. 12, 2010), <https://robbreport.com/style/fashion/top-luxury-brands-offer-expert-repairs-2944367/> [<https://perma.cc/L44V-CZSC>] (discussing how brands like Brunello Cucinelli now offer repairs to goods in an effort to promote sustainability).

¹²⁸ See Liz Besanson, *Bullied by a Luxury Brand*, LIZ BEANSON, <https://www.lizbesanson.com/bullied-by-a-luxury-brand/> [<https://perma.cc/VBU4-9VUN>] (discussing how an individual was selling jewelry created from Chanel buttons, resulting in a cease-and-desist letter from Chanel, stating: “[My attorney] assured me he would write them a letter on my behalf but I wasn’t in any position to fight Chanel. I mean, who am I? I’m a dining room crafter after all and have zero power over this Goliath. Of course they would win. I told my attorney I would not pursue anything and that I would comply and surrender what they wanted fully.”); see also *Chanel Is Suing an Accessories Company Over Jewelry Made from Authentic Logo-Bearing Buttons*, FASHION L. (Feb. 15, 2021), <https://www.thefashionlaw.com/chanel-is-suing-shriver-duke-over-jewelry-made-from-authentic-logo-bearing-buttons/> [<https://perma.cc/5RYJ-PXF7>] (discussing recent lawsuit filed by Chanel against accessories company Shriver + Duke, which is selling “reimagined” and “reworked” jewelry using authentic Chanel buttons).

¹²⁹ Merrill I. Schnebly, *Restraints Upon the Alienation of Legal Interests*, 44 YALE L.J. 961, 961 (1935); see generally Lorie M. Graham & Stephen M. McJohn, *Intellectual Property’s First Sale Doctrine and the Policy Against Restraints on Alienation*, 7 TEX. A&M L. REV. 497 (discussing recent developments regarding intellectual property law and restraints on alienation).

significant decrease in value, and hold social stigma.¹³⁰ Additionally, targeting large sellers like The RealReal makes it more difficult to resell a Rolex and lowers its value by removing willing buyers and sellers from the market who are more inclined to use The RealReal than a smaller forum.¹³¹ One must ask: if it is unclear

¹³⁰ See Schnebly, *supra* note 129. It is also worth noting that Rolex did not seek an injunction to prevent individual Rolex watch owners from altering parts of their own watches because achieving this would be an impossible and ridiculous overreach. See generally *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998). This point is significant because it specifically shows exactly where problems begin to crop up regarding alterations, and how this is more pertinent than ever in today's connected re-sale market. Compare Pameyla Cambe, *From Graffiti to Embroidery: How the Birkin Bag Has Been Customized by Celebrities*, LIFESTYLE ASIA (Aug. 25, 2020), <https://www.lifestyleasia.com/sg/style/fashion/celebrities-customised-painted-hermes-birkin-bags-kim-kardashian-kylie-jenner/> [<https://perma.cc/DHN6-MRRX>] (discussing how various celebrities have altered Hermès Birkin bags without Hermès's permission, including alterations to a Birkin bag by Jane Birkin, which was ultimately sold despite alterations, supporting the idea that enforcement regarding certain types of "counterfeit" bags is inconsistent), with Tariq Nabsheed (@tariqnabsheed), TWITTER (Feb. 7, 2019, 2:01 AM), <https://twitter.com/tariqnabsheed/status/1093404254511849472> [<https://perma.cc/WXR3-NSRP>] (displaying Gucci's "racist" balaclava sweater and subsequent apology, showing that luxury brand hypocrisy is not limited to trademark enforcement), and Kelefa Sanneh, *Harlem Chic*, NEW YORKER (Mar. 18, 2013), <https://www.newyorker.com/magazine/2013/03/25/harlem-chic> [<https://perma.cc/GDC7-NV7H>] (discussing Dapper Dan, infamous Harlem designer that outfitted various Black hip-hop artists and athletes in the 1980s by putting his own twist on existing luxury trademarks and designs. ("The Louis Vuitton logo pattern, which looked sensible on a valise, seemed surreal on a knee-length coat. For Day, that was part of the excitement—he wanted to improve venerable brands by hijacking them. 'I Africanized it,' he says. 'Took it away from that, like, Madison Avenue look.'"). Dapper Dan's business ultimately met its end after being raided by Fendi. *Id.* See also Neha Tandon Sharma, *Gucci Mocks Counterfeit Culture with Its Playful Fake/Not Collection*, LUXURY LAUNCHES (Sept. 16, 2020), <https://luxurylaunches.com/fashion/gucci-mocks-counterfeit-culture-with-its-playful-fake-not-collection.php> [<https://perma.cc/S7W4-Q7AL>] (discussing Gucci Fake/Not collection, featuring logo-emblazoned items with "FAKE" and "NOT" printed upon them, poking fun at counterfeit culture); see also *Gucci-Dapper Dan: The Collection*, GUCCI, <https://www.gucci.com/us/en/stories/advertising-campaign/article/pre-fall-2018-dapper-dan-collection-shoppable> [<https://perma.cc/4CTH-DMSJ>] (announcing official Gucci collaboration with Dapper Dan, who previously "counterfeited" Gucci products).

¹³¹ See *Watchexchange*, REDDIT, <https://www.reddit.com/r/Watchexchange/> [<https://perma.cc/2J7P-JTFG>] (displaying posts selling various luxury watches, containing over 100,000 members); see also Greyson Korhonen, *A Look Inside New York City's Secret Vintage Rolex Meet-Up*, HODINKEE (Oct. 22, 2019), <https://www.hodinkee.com/articles/rolliefest-2019-photo-report> [<https://perma.cc/5J2Z-NGMR>] (discussing secret, invite-only Rolex collector gatherings); Chris Wright, *Don't Like the Watch You're Wearing? Why Not Trade It for a Different One*, GEAR PATROL (Apr. 3, 2020),

whether you are even able to sell the Ship of Theseus under its name, which arguably provides much of its value, then is it even worth purchasing in the first place?¹³²

D. Driving Alterations Home

Luxury automobile collecting bears many similarities to collecting luxury handbags and accessories; they are both functional works of art, investments, and hobbies. Unfortunately, luxury cars—specifically vintage ones—are plagued with many of the same Ship of Theseus issues as the secondhand luxury goods market.¹³³ All vintage car collectors dream of the “barn find,” a hobbyist term describing a vintage car left untouched in a barn or other outbuilding for a number of years, its condition preserved while its value skyrocketed.¹³⁴ However, cars and handbags tend to be used, accruing both literal and metaphorical mileage. As a result, the vintage car market is also wrestling with what type of alterations constitute a different car and potentially different market value.¹³⁵ Unlike luxury goods companies, car companies do not meddle within the secondhand sphere in an effort to prevent “counterfeits.”¹³⁶ In general, car companies tend to only assert Lanham Act claims against manufacturers

<https://www.gearpatrol.com/watches/a706903/how-to-be-a-watch-guy-trade-a-watch/> [<https://perma.cc/NSU5-7ZVG>] (discussing r/Watchexchange, likening it to an “in-person watch meetup”).

¹³² See Camille Freestone, *Resale Experts on the Fashion Pieces Worth the Investment*, COVETEUR, <https://coveteur.com/2020/07/06/fashion-investment-pieces/> [<https://perma.cc/U3CK-6WYZ>] (discussing what designer pieces hold best re-sale value, specifically noting Hermès, Chanel, Louis Vuitton, Gucci, Van Cleef & Arpels, Cartier, Tiffany & Co., and Rolex hold the highest re-sale values).

¹³³ See Plutarch, *supra* note 1 (stating the Ship of Theseus problem).

¹³⁴ See Rob Sass, *The Rise of the Barn-Find Collector Car*, AUTOWEEK (May 5, 2014), <https://www.autoweek.com/car-life/a1895256/rise-barn-find-collector-car/> [<https://perma.cc/UER2-N2UF>] (discussing the “barn find” automobile market).

¹³⁵ See David Tracy, *Theseus’ Paradox: Does Modifying a Car Turn It Into Something Different?*, JALOPNIK (Dec. 15, 2016), <https://jalopnik.com/theseus-paradox-does-modifying-a-car-turn-it-into-some-1790122254> [<https://perma.cc/F9LG-S5FU>] (debating at what point a car maintains its identity despite alterations); see also *Theseus’s Corvette*, RICOCHET (Oct. 24, 2014), <https://ricochet.com/226232/archives/theseuss-corvette/> [<https://perma.cc/2CZZ-238Y>] (“If I replaced the frame, would the car still be vintage? The engine is new, the wheels are new, the brakes are new, the wiring will all eventually be new, and I plan to replace most of the dash gauges, including the clock. In the end, what will be left of the original?”).

¹³⁶ See *supra* notes 38–61 (discussing Chanel’s lawsuit against The RealReal).

of “kit cars,” which are a set of parts sold to hobbyists who then use them to re-create another existing model of car.¹³⁷ Unlike sales of Rolexes, car sales do not exist within the binary of “authentic” or “counterfeit” under the Lanham Act.¹³⁸ Instead, car sales focus upon an honest description of what is being sold within the context of fraud.¹³⁹ For example, someone can lawfully sell a modified Porsche, calling it a Porsche, as long as all modifications are revealed to the purchaser.¹⁴⁰ In contrast, Rolex Watch USA, Inc. states that you cannot sell a Rolex watch that has been modified in any way, even if you accurately reveal what modifications have been made to the watch.¹⁴¹ Instead of brands utilizing law to pursue after-market consumers, after-market consumers themselves have banded together to determine their own definition of “authenticity” through bodies like the Porsche Club of America (“PCA”), a national judging class for original cars.¹⁴² While the goal is to have a Porsche as original as possible, the PCA “is somewhat flexible as to what constitutes originality,” even accepting reproduction parts that are as close to its original part as possible.¹⁴³ Such organizations understand the market and its players, yet still value the brand itself because it is much of what upholds the value of their investments.¹⁴⁴

¹³⁷ See generally *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235 (6th Cir. 1991) (finding that the manufacturer of a Ferrari-style “kit car” violated the Lanham Act); *Bentley Motors Ltd. Corp. v. McEntegart*, 976 F. Supp. 2d 1297 (M.D. Fla. 2013) (holding that a “kit car” manufacturer and installer violated the Lanham Act).

¹³⁸ See *infra* notes 155–59 (discussing the Lanham Act).

¹³⁹ See Bryan W. Shook, Esq., *Theseus’ Paradox—Rebodies, Replicas & Tampered Numbers; An Automotive Identity Crisis*, VINTAGE CAR L. (Nov. 16, 2016), <http://www.vintageautomotive.net/?tag=vin-tampering> [<https://perma.cc/B5VG-E9LJ>] (discussing how substantial car modifications must be disclosed prior to sale of the vehicle to a new owner).

¹⁴⁰ See *id.* (discussing the general application of law to used automotive sales).

¹⁴¹ See *supra* notes 69–91 (discussing the Rolex standard regarding modification).

¹⁴² See Patrick Yanahan, *A Brief Introduction to Concours at Porsche Parade*, PORSCHE CLUB OF AM. (April 5, 2018), <https://www.pca.org/news/a-brief-introduction-to-concours-at-porsche-parade> [<https://perma.cc/P43G-PZQF>] (discussing Porsche judging through the Porsche Club of America).

¹⁴³ See Richard Newton, *Original Doesn’t Mean Original*, ROAD SCHOLARS (Oct. 6, 2015), <https://roadscholars.com/original-doesnt-mean-original/> [<https://perma.cc/FS73-HQBG>] (discussing interpretation of “original” within context of classic Porsches).

¹⁴⁴ See *Porsche, Gucci, Louis Vuitton Rank Highest on “Most Valuable” Luxury Brands List*, FASHION L. (Oct. 14, 2020), <https://www.thefashionlaw.com/porsche-gucci-louis-vuitton-top-most-valuable-luxury-brands-list/> [<https://perma.cc/9A2D-FXVH>] (stating

This self-policing allows individuals to increase the value of their assets with certification and provides a societal emphasis on authenticity, all while allowing other types of hobbyists room to “breathe” by leaving them free to modify their cars as they wish. A similar body, the Ferrari Club of America (“FCA”), issues a National Classic Preservation Award for Ferraris that are more than thirty years old.¹⁴⁵ The FCA asks judges to consider how close the car is to being a reference standard, acknowledging that there is community value to preserving a car without modification or restoration.¹⁴⁶ However, “[t]he club recognizes ‘Cars are original only once and they begin to deteriorate the moment they leave the factory.’ Whenever possible cars should ‘only receive such maintenance and preservation as is necessary.’ A complete restoration should only be done as a last resort.”¹⁴⁷

One can argue that Porsches and Rolexes are too different from each other to merit comparison.¹⁴⁸ Rolexes are generally much cheaper than Porsches. However, this only proves how inconsistent laws are regarding the sale of secondhand luxury goods.¹⁴⁹ Porsches, which have the same issues regarding the Ship of Theseus, are able to be sold with modifications even though the values and risks are significantly higher.¹⁵⁰ Moreover, the modification allowances regarding Porsches are applicable to *all* car sales, allowing users to sell modified Hondas as long as said modifications are disclosed to its

that Porsche is the “most valuable brand” based upon the value of trademarks, and the associated marketing of intellectual property within branded businesses).

¹⁴⁵ See Newton, *supra* note 143 (discussing the National Classic Preservation Award).

¹⁴⁶ See *id.* (discussing the non-monetary value of preserved cars).

¹⁴⁷ *Id.* (disapproving of complete restorations).

¹⁴⁸ But see *Ferrari Owner Exor Takes 24% Stake in Louboutin, Valuing the Footwear Company at \$2.73 Billion*, FASHION L. (Mar. 8, 2021), <https://www.thefashionlaw.com/ferrari-owner-exor-takes-24-stake-in-louboutin-valuing-the-footwear-company-at-2-73-billion/> [<https://perma.cc/EY8F-2KGE>] (“On Monday, the \$30 billion Netherlands-based investment group run by the Italian Agnelli family and the largest shareholder in Italian automaker Ferrari announced that it will take a [twenty-four] percent stake in the independently-owned Louboutin in exchange for 541 million euros (\$640 million”).

¹⁴⁹ See *infra* notes 149–53 (differentiating luxury automobiles from luxury goods discussed in this Article).

¹⁵⁰ See generally Jeff Peek, *1994–98 Porsche 911 (993) Values Are Stalling Out, and Here’s Why*, HAGERTY (Dec. 5, 2019), <https://www.hagerty.com/media/buying-and-selling/1994-98-porsche-993-values-stalling-out-heres-why/> [<https://perma.cc/SB9H-7MFW>] (generally discussing the value of specific secondhand Porsche models).

purchaser.¹⁵¹ The secondhand market for cars is more common and legitimized than the secondhand market for luxury goods, but the luxury goods market can catch up with time.¹⁵² This secondary market encourages car companies to continue innovating instead of resorting to the courts, like Chanel and Rolex, to artificially prop up sales.¹⁵³ Maintaining sales through innovation is the responsibility of companies themselves and should not be substituted through restraining the secondhand market.¹⁵⁴

IV. *TIFFANY (NJ) INC. V. EBAY, INC.*: SO, YOU WANT TO SELL THE SHIP

Section 43(a)(1)(A) of the Lanham Act allows the owner of a common law mark to bring an infringement action against:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or

¹⁵¹ See Shook, *supra* note 139 (discussing fraud within the context of vehicles that have been modified).

¹⁵² See *infra* notes 199–206 (discussing current issues in the secondhand luxury goods market).

¹⁵³ See Chris Tsui, *Lexus Fields Complaints From Longtime Owners Over Spindle Grille*, DRIVE (Jan. 23, 2018), <https://www.thedrive.com/article/17889/lexus-fields-complaints-from-longtime-owners-over-spindle-grille> [<https://perma.cc/LK2B-RG3N>] (discussing Lexus adopting controversial spindle grille design, which was not popular with consumers); see also *Scientists Declare the Taycan the Most Innovative Car in the World*, PORSCHE (July 14, 2020), <https://www.porsche.com/international/aboutporsche/e-performance/magazine/taycan-most-innovative-car/> [<https://perma.cc/9ZPV-SLW2>] (discussing innovations in Porsche Taycan).

¹⁵⁴ See Victoria Gomelsky, *Watch Brands Confront a Risky Business: The Secondhand Market*, N.Y. TIMES (Jan. 15, 2018), <https://www.nytimes.com/2018/01/15/fashion/watches-resale-maximilian-busser.html> [<https://perma.cc/4JUN-HCTR>] (discussing competition from online watch retailers causing Swiss houses to regulate their distribution, stating, “[m]ore important, industry experts say that every time a consumer sells or trades a fine watch—a phenomenon that happens with increasing regularity as a result of the information and price transparency now available online—the wearer’s next watch purchase is more likely to benefit the dealer that facilitated the transaction rather than the brand that manufactured the timepiece.”); see also Victoria Gomelsky, *A Collection of Female Watch Collectors*, N.Y. TIMES (Mar. 8, 2020), <https://www.nytimes.com/2020/03/08/fashion/watches-women-collectors.html> [<https://perma.cc/F5X6-28HZ>] (interviewing various female watch collectors, highlighting how both collectors and the industry ignore the greater market).

any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.¹⁵⁵

To claim trademark infringement, the plaintiff must establish that the mark is valid and enforceable, that the defendant used said mark in a way that is likely to cause consumer confusion, and that the mark was used by the defendant in commerce.¹⁵⁶ There may be likelihood of confusion when an allegedly infringing trademark is likely to cause “an appreciable number” of “ordinarily prudent consumers” to be misled into believing the secondary product is affiliated or created by the rightful trademark holder.¹⁵⁷ When considering likelihood of confusion, courts look to the sophistication of the typical consumer of the product at issue.¹⁵⁸ Post-sale confusion may occur after the original point of purchase, establishing a valid claim for trademark infringement under the Lanham Act.¹⁵⁹ Post-sale confusion may negatively impact a brand, even though the brand is no longer technically involved in the sale taking place, because:

¹⁵⁵ See 15 U.S.C. § 1125(a)(1)(A).

¹⁵⁶ See *Custom Mfg. & Eng'g Inc. v. Midway Servs.*, 508 F.3d 641, 648, n.8 (11th Cir. 2007) (discussing the “likelihood of confusion” factors); see also *Lamparello v. Falwell*, 420 F.3d 309, 313 (4th Cir. 2005) (discussing the same).

¹⁵⁷ See, e.g., *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978), *cert. denied* 439 U.S. 1116 (1979) (discussing factors to consider in assessing the likelihood of consumer confusion. Notably, there is no discernable standard regarding what constitutes an appreciable number of misled consumers).

¹⁵⁸ See *Deere & Co. v. MTD Holdings, Inc.*, No. 00-CV-5936, 2004 U.S. Dist. LEXIS 2550, at *47–48 (S.D.N.Y. Feb. 19, 2004) (“Finally, all of the products at issue in this action are expensive items—a fact which tends to heighten the degree of care used by consumers when making purchasing decisions. This heightened degree of care works to dispel any possible initial confusion, were such confusion to exist.”) (internal citations omitted).

¹⁵⁹ See *infra* note 160 (discussing post-sale confusion associated with increased professionalization).

Trademark laws exist to protect the public from confusion. The creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original. Furthermore, the public may be deceived in the resale market if it requires expertise to distinguish between an original and a knockoff. Finally, the purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.¹⁶⁰

The concept of contributory trademark infringement compounds the issue of whether secondhand luxury goods are counterfeit when companies take possession of and sell these goods.¹⁶¹ Assuming that a sold item is a counterfeit in some sense, the seller itself may be liable.¹⁶² Gone are the days of a single person selling a fake Fendi Baguette from the trunk of a car; today, a seller of a counterfeit good may be eBay, Poshmark, or The RealReal, selling counterfeits knowingly or unknowingly.¹⁶³ The court in *Tiffany (NJ) Inc. v. eBay, Inc.* was the first to apply the concept of contributory trademark infringement to an online marketplace.¹⁶⁴ In this case, Tiffany & Co. (“Tiffany”), a seller of branded jewelry, among other items, sued

¹⁶⁰ *Herm[ès] Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 107–08 (2d Cir. 2000) (discussing implications of “knock-offs” entering the market).

¹⁶¹ See generally *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010).

¹⁶² 15 U.S.C. § 1114(1)(a) (establishing liability for trademark infringement); see also 15 U.S.C. § 1114(1)(b) (imposing civil liability on any person who, without authorization: “reproduce[s], counterfeit[s], cop[ies], or colorably imitate[s] a registered mark and appl[ies] such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .”).

¹⁶³ See Claire Downs, *Is Everyone Buying Fake Bags But Me?*, ELLE (Jan. 22, 2020), <https://www.elle.com/fashion/a30627106/repladies-reddit-fake-bags/> [<https://perma.cc/7FC7-W7SS>] (discussing purchasers of replica luxury handbags).

¹⁶⁴ See generally *Tiffany (NJ)*, 600 F.3d 93 (applying the concept of contributory liability to eBay, ultimately finding it not liable).

eBay, an online marketplace that connected various buyers and sellers, for trademark infringement and other claims in relation to eBay's advertising and listing practices.¹⁶⁵ eBay facilitates sales between independent buyers and sellers on its platform, collecting various fees from its userbase along the way.¹⁶⁶ Because eBay exists to facilitate the sales that occur on its website, it does not take physical possession of the items that are sold, nor does it know when items are delivered to buyers.¹⁶⁷ Complicating the issue, the court found that while a “significant portion of the ‘Tiffany’ sterling silver jewelry listed on the eBay website . . . was counterfeit,” and that eBay knew “that some portion of the Tiffany goods sold on its website might be counterfeit[]” . . . that “a substantial number of authentic Tiffany goods are [also] sold on eBay.”¹⁶⁸ Despite their relatively hands-off approach toward the sales themselves, eBay was acutely aware that sellers on eBay were selling counterfeit Tiffany jewelry under the guise of being authentic Tiffany pieces.¹⁶⁹ Obviously, eBay could not inspect merchandise being sold because it was never in possession of the goods; additionally, the court noted that “[e]ven had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit.”¹⁷⁰

¹⁶⁵ See *id.* at 96–97 (discussing Tiffany and eBay's respective businesses).

¹⁶⁶ See *id.* at 97 (“eBay generates revenue by charging sellers to use its listing services. For any listing, it charges an ‘insertion fee’ based on the auction’s starting price for the goods being sold and ranges from \$0.20 to \$4.80. For any completed sale, it charges a ‘final value fee’ that ranges from 5.25% to 10% of the final sale price of the item. Sellers have the option of purchasing, at additional cost, features ‘to differentiate their listings, such as a border or bold-faced type.’”) (internal citations omitted).

¹⁶⁷ See *id.* (discussing eBay's business practices).

¹⁶⁸ See *id.* at 98 (citation omitted).

¹⁶⁹ See *id.* (discussing surveys conducted by Tiffany).

¹⁷⁰ *Id.* (despite these shortcomings, eBay still took substantial steps to try to prevent the sale of counterfeit Tiffany goods; this included spending as much as \$20 million a year to promote trust and safety on eBay, setting up buyer protection programs with PayPal, hiring 4,000 employees for various trust and safety issues, implementing a “fraud engine” to comb for suspicious listings, and maintaining and administering their own notice and takedown system for owners of intellectual property rights, among other actions).

Relying upon *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*,¹⁷¹ the court in *Tiffany (NJ) Inc.* found that Tiffany was not liable for trademark infringement.¹⁷² According to the court:

If a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.¹⁷³

This test applies not only to manufacturers and distributors of goods, but to providers of services as well if they “exercise[] sufficient control over the infringing conduct.”¹⁷⁴ Tiffany argued that eBay fulfilled the second prong of the *Inwood* test by “continu[ing] to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing on Tiffany’s mark.”¹⁷⁵ The court agreed with the district court’s reasoning, ultimately deciding 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.”¹⁷⁶ Thus, “Tiffany would have to show that eBay ‘knew or had reason to know of specific instances of actual infringement’ beyond those that it addressed upon learning of them[,]” which it failed to do; Tiffany never identified specific sellers that were offering or would offer counterfeit goods, and while eBay’s “[Notice of Claimed Infringement forms] and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those

¹⁷¹ 456 U.S. 844 (1982) (finding contributory liability for trademark infringement where defendant drug manufacturer/supplier provided generic drugs to pharmacist that labeled said drugs with another manufacturer’s trademark).

¹⁷² *Tiffany (NJ)*, 600 F.3d at 107.

¹⁷³ *Id.* at 104 (quoting *Inwood*, 456 U.S. at 854).

¹⁷⁴ *Id.* at 105 (“Speaking more generally, the Ninth Circuit concluded that *Inwood*’s test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct.”) (internal citations omitted).

¹⁷⁵ *Id.* at 106 (applying the *Inwood* test).

¹⁷⁶ *Id.* at 107 (discussing the *Inwood* test).

sellers' listings were removed and repeat offenders were suspended from the eBay site."¹⁷⁷

The court acknowledged that this ruling created a “willful blindness” problem, referring to the fact a service provider like eBay could theoretically turn a blind eye toward the existence of trademark infringement on its platform in an effort to avoid liability.¹⁷⁸ Tiffany argued that by not holding eBay liable for counterfeit listings, except when brought to their attention, eBay will have no incentive to root out such listings from its website; instead, the responsibility to regulate eBay’s platform, and others like it, falls to designers and retailers themselves.¹⁷⁹ The court dealt with this concern by applying existing law to the facts of the case, stating that the market will take care of itself.¹⁸⁰ The court relied on the premise that allowing counterfeit goods on websites like eBay will ultimately alienate those who are “duped” into buying products, encouraging companies like eBay to aggressively police their listings.¹⁸¹ In this logic, the court necessarily assumes that a company’s desire to stomp out fakes is all encompassing and that it will do whatever it takes to prevent any and all fakes from exchanging hands; in reality, however, this creates a loophole in which a company can spend just enough to achieve a sweet spot, enabling them to adequately assure customers that the goods being sold are authentic while maximizing the company’s own profits.¹⁸² Or, if a company profits from selling counterfeits in a way that it deems significant, it could choose to spend just enough to prevent a court from finding them willfully

¹⁷⁷ *Id.* at 107, 109 (discussing eBay’s business practices).

¹⁷⁸ *See id.* at 109 (refuting the “willful blindness” problem, stating, “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. 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.”) (internal citations omitted).

¹⁷⁹ *See id.* at 109–10 (discussing the “willful blindness” problem).

¹⁸⁰ *See id.* at 109 (“First, and most obviously, we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law to better serve one party’s interests at the expense of the others.”).

¹⁸¹ *See id.* (discussing how market forces will fix the “willful blindness” problem).

¹⁸² *See id.* at n.14 (“At the same time, we appreciate the argument that insofar as eBay receives revenue from undetected counterfeit listings and sales through the fees it charges, it has an incentive to permit such listings and sales to continue.”).

blind to counterfeits, but not spend enough to seriously impede their profits.¹⁸³

A. *The Broken Secondhand Market and Platform Liability: Don't Touch That Ship*

Tiffany (NJ) Inc. became pivotal to understanding counterfeit liability in our increasingly online digital age.¹⁸⁴ If Tiffany won its case, its gains would have been two-fold: first, they would cut off a large source of counterfeit Tiffany products exchanging hands, tarnishing the brand;¹⁸⁵ second, Tiffany would have been able to shut

¹⁸³ See *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422, at n.22 (S.D.N.Y. 2020) (“To be clear, *Tiffany* does not define what constitutes a ‘sizeable proportion [of counterfeit goods],’ and Chanel’s allegations are only that The RealReal has ‘sold at least seven counterfeit Chanel handbags.’”); see also *What Are the Fees for Selling on Poshmark?*, POSHMARK, [https://support.poshmark.com/s/article/297755057?language=en_US#:~:text=Our%20fees%20are%20very%20simple,and%20Poshmark's%20commission%20is%2020%25.\[https://perma.cc/G7K8-DCJ3\]](https://support.poshmark.com/s/article/297755057?language=en_US#:~:text=Our%20fees%20are%20very%20simple,and%20Poshmark's%20commission%20is%2020%25.[https://perma.cc/G7K8-DCJ3]) (stating that Poshmark takes a twenty percent commission on items sold for \$15 or greater.); see also *Selling Fees*, EBAY, <https://www.ebay.com/help/selling/fees-credits-invoices/selling-fees?id=4364> [https://perma.cc/5TAA-ZVKT] (discussing eBay’s commission structure); see *How Much Will I Pay in Commission?*, VESTAIRE COLLECTIVE, <https://faq.vestiairecollective.com/hc/en-us/articles/360001326277-How-much-will-I-pay-in-commission> [https://perma.cc/5H5M-M74S] (stating Vestaire Collective’s commission structure); see Arthur Zaczekiewicz, *Survey Reveals Number of Shoppers Buying Counterfeit Goods*, WWD (Dec. 6, 2019), <https://wwd.com/business-news/retail/incopro-consumer-survey-1203388913/> [https://perma.cc/G7Y2-VJ62] (noting the percentage of consumers who knowingly purchased a counterfeit item).

¹⁸⁴ See SHOP SAFE Act of 2020, H.R. 6058, 116th Cong. (2020) (aiming to establish trademark liability under certain circumstances for online platforms when third-parties sell counterfeit products); see also *10 Years After Tiffany v. eBay, a New Bill Aiming to Hold Online Platforms Liable for Counterfeits Is Introduced*, FASHION L. (Mar. 3, 2020), <https://www.thefashionlaw.com/10-years-after-tiffany-v-ebay-a-new-bill-aiming-to-hold-online-platforms-liable-for-counterfeits-is-introduced/> [https://perma.cc/26WR-W6UN] (discussing the SHOP SAFE Act of 2020 in light of *Tiffany (NJ) Inc.*).

¹⁸⁵ See generally *Tiffany & Co. v. Costco Wholesale Corp.*, 971 F.3d 74 (2d Cir. 2020) (finding no likelihood of confusion where Costco sold diamond engagement rings that were referred to as “Tiffany” because it was a descriptive term to describe the diamond setting, allowing Costco to continue such use under the Lanham Act to describe the style of its rings; see also *Tiffany and Co.*, Annual Report (Form 10-K), at K-19 (Apr. 20, 2020) (stating that the value of Tiffany and Co. and Tiffany trademarks could decline due to third-party use infringement, affecting the value of the brand); see also Angelo J. Bufalino, *Internet Merchants Owe a Greater Duty of Care to Their European Clients—Louis Vuitton v. eBay [France] in Contrast See Tiffany v. eBay [NY, US]*, NAT’L L. REV. (Sept. 5, 2010), <https://www.natlawreview.com/article/internet-merchants-owe-greater-duty-care-to-their->

down a relatively large secondhand market of *genuine* Tiffany items, forcing people to purchase new items directly from Tiffany.¹⁸⁶

Tiffany (NJ) Inc. represents the best possible outcome for companies in the luxury goods market.¹⁸⁷ This may seem counterintuitive because large third-party selling platforms are allowed to turn a blind eye toward fakes, allowing rapid proliferation and sale, hurting

european-clients-louis-vuitton-v-ebay-fran [https://perma.cc/2LWN-6AZV] (“The tribunal put the onus on eBay to enforce adequate measures to prevent illicit goods from entering the market. For example, sellers could be asked to provide receipts of purchase or even certificates of authenticity. eBay could also be made to notify customers when the origin of a good appears doubtful.”); *see also* Pascale Denis & Astrid Wendlandt, *Paris Court Says eBay Misused Louis Vuitton Words*, REUTERS (Feb. 11, 2020), <https://www.reuters.com/article/us-lvmh-ebay-idUSTRE61A4S520100211> [https://perma.cc/L6W4-CHX6] (discussing French lawsuit between Louis Vuitton Moët Hennessy (“LVMH”) and eBay, focusing upon eBay harming the reputation of Louis Vuitton’s trademark and domain name); *Court Fines eBay Over Fake Goods*, BBC (June 30, 2008), <http://news.bbc.co.uk/2/hi/business/7481241.stm> [https://perma.cc/TY6C-PR2F] (stating that French court ordered eBay to pay \$63 million in fines to LVMH for permitting sales of counterfeit LVMH goods).

¹⁸⁶ *See* Camille Freestone, *Fashion’s ROI: The Expected Resale Value of Everything in Your Closet*, COVETEUR, <https://coveteur.com/2020/11/18/fashion-resale-value/> [https://perma.cc/7J3X-TFAV] (stating that jewelry has a high return on investment because it experiences less wear, and stating that Tiffany jewelry is one of The RealReal’s best sales performers); *see also* *The RealReal Resale, 2020 Luxury Resale Report*, REALREAL, https://static1.squarespace.com/static/5f0cd74c8a80680382fe909b/t/5f443c41700502692df7203c/1598307425206/2020+Resale+Report_WEB+%281%29.pdf

[https://perma.cc/ES3W-3KN5] (stating that Tiffany is The RealReal’s top home brand and that “Atlas Crystal Serving Bowl” is its bestselling item, showing that you can buy the exact item at a discount from the comfort of your own home); Anthony DeMarco, *Tiffany & Co. Unveils First Drawings of Flagship Store Redesign*, FORBES (Aug. 24, 2020), <https://www.forbes.com/sites/anthonydemarco/2020/08/24/tiffany-co-unveils-first-drawings-of-flagship-store-redesign/?sh=7f8c82075c03> (last visited Feb. 3, 2022, 7:09 PM) (discussing the remodeling of the Tiffany flagship store into an exhibition, event, and entertainment space, emphasizing how luxury brands are shifting into focusing upon “customer experiences”).

¹⁸⁷ *See infra* notes 188–97 (discussing the benefit to luxury goods brands); *see also* Attachment 4, *Chanel, Inc. v. RealReal, Inc.*, 49 F. Supp. 3d 422 (S.D.N.Y. 2020) (No. 18-CV-10626)

https://www.courtlistener.com/recap/gov.uscourts.nysd.504750/gov.uscourts.nysd.504750.89.4_1.pdf [https://perma.cc/HR74-CKJZ] (providing screenshots of sold Chanel handbags that Chanel alleges are counterfeit, establishing estimated retail value, and in some cases reflecting only \$200 of savings.) Depending upon the bag, it would make more sense to pay extra money to ensure a purchase is authentic because it could be the difference between a bag being worth practically nothing versus being worth the value of Chanel bag.

end consumers.¹⁸⁸ However, this decision rewards platforms for not exercising sufficient control over the infringing conduct, creating massive grey areas in regards to authenticity.¹⁸⁹ These grey areas are maximized when a third-party selling platform does enough to maintain that they prevent fakes from appearing on the platform, but does not take enough action to be regarded as exercising sufficient control over the general stream of commerce taking place under its watch.¹⁹⁰ This allows both the platforms and the luxury brands to reach a type of détente, benefitting both sides at the expense of the consumer.¹⁹¹ The platforms benefit because they continue to operate under *Tiffany (NJ) Inc.*, as long as their actions regarding fakes are not particularly egregious.¹⁹² The benefits for the luxury brands are not as obvious, but the fact that platforms do not take possession or guarantee authentication means that some segment of the population does not feel comfortable using the platforms to purchase secondhand luxury goods.¹⁹³ The lack of assured authenticity sows doubts in every secondhand customer's mind, depressing the prices of secondhand luxury, scaring off potential purchasers, and making others believe that their items are not worth the hassle of engaging in resale.¹⁹⁴ The inability to prove authenticity through in-house authentication, imposed by the court in *Tiffany (NJ) Inc.*, artificially

¹⁸⁸ See *infra* notes 188–95 (discussing the grey area).

¹⁸⁹ See *id.*

¹⁹⁰ See *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 109–10 (2d Cir. 2010) (noting that eBay took sufficient steps to discourage and prevent sales of counterfeit goods, but not setting the actual standard for such principle and not assessing such success in terms of percentages).

¹⁹¹ See *infra* notes 192–97 (discussing the negative impact upon consumers).

¹⁹² See *supra* note 182 (listing fee structures for various secondhand goods selling platforms).

¹⁹³ See Hilary Reid, *The RealReal's Radical Vision of Secondhand Luxury*, NEW YORKER (May 14, 2018), <https://www.newyorker.com/culture/on-and-off-the-avenue/the-realreals-radical-vision-of-secondhand-luxury> [<https://perma.cc/VLB7-JRYV>] (discussing Julie Wainwright's founding of The RealReal, stating, “[t]hat night, Wainwright went home and began researching the secondhand-luxury market. She cleaned out her closet and tried selling her designer items on eBay (‘a nightmare’), at a local consignment store (‘fun, but I had to chase my check’), and at a pawnbroker (‘disgusting’), and realized that she had landed on something huge.”).

¹⁹⁴ See *id.*; see also Lauren Sherman, *The Fashion Industry's Worst-Kept Secret*, ELLE (Apr. 9, 2014), <https://www.elle.com/fashion/a14187/real-real-fashion-insider-closets/> [<https://perma.cc/JTC3-WZ6P>] (discussing the ease of buying and selling luxury goods with The RealReal).

devalues all secondhand goods at the expense of the consumers reselling their items. *Tiffany (NJ) Inc.* rewards a “hands off” platform while simultaneously disincentivizing a platform from taking an active role in determining an item’s authenticity for the benefit of consumers.¹⁹⁵ This means that a platform can allow the sale of the Ship of Theseus as such, as long as nebulous efforts are made to ensure fake items are not sold under their watch in a general sense.¹⁹⁶ As a result, a fake Ship of Theseus may be sold to a consumer, with the platform getting a portion of the sale price that is itself based upon the item’s false provenance, and not be held liable for selling the fraudulent good; this is true even if the Ship was obviously made of toothpicks rather than planks of wood.¹⁹⁷ If the platform made an effort to examine the Ship of Theseus, providing a good faith estimation that the item is genuine, yet ends up incorrect, that platform would be liable for trademark infringement.¹⁹⁸

The same theories regarding the market’s self-regulation in *Tiffany (NJ) Inc.*, allowing eBay to exist, can and should be applied to secondhand luxury goods platforms that take possession of goods.¹⁹⁹ A platform that takes possession and makes a good faith effort to

¹⁹⁵ See generally *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010).

¹⁹⁶ See *id.* at 109–10 (discussing the “willful blindness” problem).

¹⁹⁷ See Richard Kestenbaum, *The RealReal Is Still Battling Fakes. It Won’t Be Easy to Get It Right.*, FORBES (Feb. 22, 2021), <https://www.forbes.com/sites/richardkestenbaum/2021/02/22/the-realreal-is-still-battling-fakes-it-wont-be-easy-to-get-it-right/?sh=54a6eee1effd> (last visited Feb. 3, 2022, 5:36 PM) (discussing how The RealReal is still selling counterfeit items despite “rigorous authentication process,” and how The RealReal still is not profitable); see also Richard Kestenbaum, *The RealReal Sold Me a \$3,600 Fake; Here’s Why Counterfeits Slip Through Its Authentication Process*, FORBES (Oct. 23, 2019), <https://www.forbes.com/sites/richardkestenbaum/2019/10/23/if-fake-bags-are-being-sold-on-the-realreal-how-can-the-resale-business-ever-succeed/?sh=1de2645c6acb> (last visited February 3, 2022, 5:37 PM) (discussing how a reporter purchased a counterfeit Toile de Jouy Dior Book Tote from The RealReal).

¹⁹⁸ See *Tiffany (NJ)*, 600 F.3d at 114 (“eBay did not itself sell counterfeit Tiffany goods; only the fraudulent vendors did.”).

¹⁹⁹ See Florine Epe Beauloye, *Luxury Resale: A Secondhand Strategy for Brands*, LUXE DIGITAL, <https://luxe.digital/business/digital-luxury-reports/luxury-resale-transformation/#:~:text=Estimated%20to%20be%20worth%20around,over%20the%20next%20five%20years> [https://perma.cc/A697-K2W6] (“Estimated to be worth around \$24 billion in 2018, the secondhand luxury market accounts for around [seven] percent of the \$365 billion personal luxury goods market. But, more interestingly, the secondhand market is growing four times faster than the primary market and is projected to double in value over the next five years.”).

authenticate secondhand luxury goods shrinks the segment of the population that feels uncomfortable buying such items.²⁰⁰ Like in *Acushnet, Co.*, a customer is savvy enough to understand risks regarding authenticity, knowing there is always a chance a secondhand golf ball's balance is off, or that a handbag may have some wear and tear.²⁰¹ Customers should be able to continue buying from secondhand luxury retailers that take possession, because *Tiffany (NJ) Inc.* already allows these risks regarding authenticity to flourish in what is arguably a much worse state.²⁰² It is better to give someone the freedom to purchase the Ship of Theseus that has been evaluated by a platform and sold as is than allow a platform to sell the Ship with almost no actual involvement.²⁰³ Because this market is engineered to stay broken, customers are pushed toward buying directly from the luxury retailers themselves not necessarily because they desire a new product, but because they want the only possible guarantee of authenticity.²⁰⁴ Brands like Chanel are not forced to innovate; a customer is willing to spend the extra \$1,000 for what may be an almost identical Chanel flap handbag without any perceived increase in quality, but for officially sanctioned peace of mind.²⁰⁵ As a result, *Tiffany (NJ) Inc.* stands for brand protection at

²⁰⁰ See *The Luxury Resale Market Is Growing Faster than the Primary Luxury Goods Segment*, Per BCG, FASHION L. (Nov. 12, 2019), <https://www.thefashionlaw.com/the-luxury-resale-market-is-growing-faster-than-the-primary-luxury-goods-segment-per-bcg/> [<https://perma.cc/R8DH-266M>] (noting an increase in customers in the secondhand luxury space).

²⁰¹ See *supra* notes 92–102 (discussing *Nitro Leisure Prods., LLC v. Acushnet Co.*, 341 F.3d 1356 (Fed. Cir. 2003), allowing the sale of refurbished, appropriately labeled golf balls).

²⁰² See Zaczekiewicz, *supra* note 183 (“[twenty-six] percent of respondents ‘have been fooled into buying fake goods over the past [twelve] months’” and “[thirty-two] percent of U.S. consumers said they ‘definitely’ and/or ‘maybe’ made online purchases of fake apparel, jewelry or leather goods while [twenty-two] percent of respondents ‘knowingly purchased a counterfeit item.’ Still, the report found that many consumers want online marketplaces to quell the sale of fakes . . .”).

²⁰³ See *supra* notes 177–82 (discussing the “willful blindness” problem).

²⁰⁴ See *infra* notes 215–28 (discussing the intersection of antitrust law and copyright law).

²⁰⁵ See Roberto Fontana et al., *How Luxury Brands Can Beat Counterfeiters*, HARV. BUS. REV. (May 24, 2019), <https://hbr.org/2019/05/how-luxury-brands-can-beat-counterfeiters> [<https://perma.cc/Q222-V6F8>] (“What we hear suggests that luxury firms’ failure to contain the growth in counterfeiting is rooted in a hollowing out of their brands. Many luxury brands have become symbols of status and privilege but not much else. The emphasis across the industry has been on signaling rather than delivering luxury; intangible

the expense of the consumer, wrapped in a false sense of security and consumer freedom.²⁰⁶

V. SOLUTIONS

Previous precedent—specifically regarding control over product—completely halts innovation in the secondhand luxury goods market.²⁰⁷ As a result, this market has not experienced the same growing pains associated with increased professionalization as eBay.²⁰⁸ Instead, the luxury secondhand market is frozen in amber; luxury secondhand goods are stuck being sold in a manner that rewards lack of oversight because it is the only way to escape inevitable liability, while at the same time, selling platforms controlling products are not given the opportunity to improve the secondhand industry.²⁰⁹ Chanel and other luxury brands wrap this illogical line of thinking in a bow, using trademark law to keep things this way.²¹⁰ As a result, luxury brands have carte blanche control over virtually every single distribution channel. This monopolistic power means that brands like Chanel are not forced to innovate to ensure that customers still purchase from them directly—they are the only source for purchasing a genuine Chanel bag.²¹¹ If a customer has the option to purchase what is essentially the exact Chanel flap from The RealReal at a significant discount, what would Chanel have left to

over tangible product attributes; and the logo over all other markers of quality.”); *see also supra* note 186 and accompanying text (reflecting a potential lack of savings).

²⁰⁶ *See infra* notes 215–28 (discussing the intersection of antitrust law and copyright law).

²⁰⁷ *See supra* notes 183–205 (discussing the impact of *Tiffany (NJ) Inc.*).

²⁰⁸ *See supra* notes 167–69 (discussing difficulties eBay faced in terms of counterfeit products being listed on its platform, detailing steps taken to protect the integrity of the platform).

²⁰⁹ *See* Suzanna Kapner, *RealReal’s Biggest Hurdle Will Be Keeping It Real After IPO*, WALL ST. J. (June 25, 2019), <https://www.wsj.com/articles/realreals-biggest-hurdle-will-be-keeping-it-real-after-coming-ipo-11561465345> [<https://perma.cc/U3S2-GXN6>] (“The brands are best-positioned to ferret out copycats. But so far they are unwilling to work with sellers of preowned goods. They worry that a booming secondary market will depress prices of first-run goods, industry executives said.”).

²¹⁰ *See generally supra* notes 38–61 (discussing the current litigation between Chanel and The RealReal).

²¹¹ *See* Fontana et al., *supra* note 205.

offer?²¹² It is shortsighted to limit necessary innovation to the literal design of product.²¹³ The RealReal's emergence as a competitor to luxury brands would force luxury brands to innovate further, benefiting consumers.²¹⁴

Antitrust and trademark law can intersect in ways that benefit consumers. Antitrust law neglects to examine the realities and restrictions of trademark law; for example, although The RealReal is asserting a potentially viable antitrust counterclaim against Chanel, this does not address the fact that The RealReal is still infringing upon Chanel's mark.²¹⁵ As a result, The RealReal could prevail on its antitrust claims and still be prevented from selling Chanel items, harming the overall market and consumers.²¹⁶ Similarly, trademark law does not engage with the anticompetitive consequences of mark protection. The court in Chanel will likely apply the Lanham Act and conclude that The RealReal infringed upon Chanel's mark without having to consider the corresponding market consequences.²¹⁷ As a result, Chanel's "rightful" trademark monopoly closely mirrors an illegal antitrust monopoly in that competition is harmed at the expense of the consumer.²¹⁸ Just like the court's decision in *Tiffany (NJ) Inc.*, this is a grey area that can be exploited by a large company, allowing it to gain even more power at the expense of both consumers and socially beneficial competition.²¹⁹ This may come

²¹² See generally *id.* (discussing how luxury brands can improve their own product and business to beat counterfeiting, rather than relying upon law).

²¹³ See *id.* ("What we hear suggests that luxury firms' failure to contain the growth in counterfeiting is rooted in a hollowing out of their brands. Many luxury brands have become symbols of status and privilege but not much else. The emphasis across the industry has been on signaling rather than delivering luxury; intangible over tangible product attributes; and the logo over all other markers of quality.").

²¹⁴ See Harold R. Weinberg, *Is the Monopoly Theory of Trademarks Robust or a Bust?*, 13 J. INTELL. PROP. L. 137, 145 ("Trademarks are bad monopolies when they are asserted in a manner contrary to trademark law or policy . . . Courts emphasize that bad trademark monopolies are potentially unlimited duration and apply a 'choking hand' to competitors.").

²¹⁵ See *supra* notes 38–61 (discussing the current Chanel lawsuit against The RealReal).

²¹⁶ See generally *id.*

²¹⁷ See *supra* notes 18–37 (discussing liability under the Lanham Act).

²¹⁸ See generally Weinberg, *supra* note 214 (exploring the intersection of antitrust law and trademark law).

²¹⁹ See *supra* notes 183–205 (discussing negative effects of the holding in *Tiffany (NJ) Inc.*).

into play in determining whether something is materially altered and constitutes a counterfeit good.²²⁰ While a court should still rely on likelihood of consumer confusion when evaluating material alteration, it should also consider the consequences of its definition through the lens of antitrust law and whether the consumer will be harmed by whatever definition is proposed.

Antitrust market analysis would fit well within the determination of likelihood of consumer confusion.²²¹ Courts should not make educated guesses regarding a potential likelihood of confusion regarding the secondhand luxury market.²²² An expert can actually determine what this market looks like, its consumers, and their level of sophistication.²²³ An expert will be able to determine whether these consumers understand that they are buying a used good and what that may entail, as highlighted by *Acushnet Co.*²²⁴ If the sale of a refurbished good hinges entirely on likelihood of confusion among consumers, then why does it remain an educated guess on the part of courts?²²⁵ It does not make sense to burden judges with attempting to become experts about consumers of potentially niche and highly specialized markets.²²⁶ Opponents to using market experts

²²⁰ See *supra* notes 103–32 (discussing the modification of luxury goods).

²²¹ Compare *Banfi Prods. Corp. v. Kendall-Jackson Winery Ltd.*, 74 F. Supp. 2d 188 (E.D.N.Y. 1999) (holding that a red wine seller's mark did not infringe upon a competitor's mark, assessing consumer sophistication regarding the wine market through a single study published in U.S. WINE MKT. IMPACT DATABANK REV. & FORECAST, finding that consumers were "older" and "wealthier"), with *E. & J. Gallo Winery v. Consorzio del Gallo Nero*, 782 F. Supp. 457 (N.D. Cal. 1991) (holding that wines were substantially similar, finding that confusion was likely for "impulse" products purchased by "unsophisticated" consumers, basing such logic on testimony from defendant's employee who testified that "the average American consumer is unlearned in the selection of wine.").

²²² See Anna F. Kingsbury, *Market Definition in Intellectual Property Law: Should Intellectual Property Courts Use an Antitrust Approach to Market Definition?*, 8 MARQUETTE INTELL. PROP. L. REV. 63, 70–75 (2004) (suggesting that trademark law take an antitrust law approach to defining markets for purposes of consumer confusion).

²²³ See Weinberg, *supra* note 214, at 146–47 (discussing how to assess relevant market shares).

²²⁴ See *Nitro Leisure Prods., LLC v. Acushnet Co.*, 341 F.3d 1356, 1365 (Fed. Cir. 2003) (finding insufficient evidence of confusion regarding refurbished golf balls).

²²⁵ For a comparison between wine cases displaying how courts could benefit from expert analysis regarding consumers and potential confusion, compare generally *Banfi Prods. Corp.*, 74 F. Supp. 2d 188, with *E. & J. Gallo Winery*, 782 F. Supp. 457.

²²⁶ See *id.* and accompanying text (discussing consumer confusion in niche wine markets).

may cite to increased costs, especially considering that such experts could determine the future of a company.²²⁷ However, this would save money because litigants would know what to expect before going to trial and would also lead to more efficient, fair markets for consumers. The antitrust market definition can take advantage of existing empirical data about consumer preferences, preventing courts from making educated guesses regarding the consumer confusion.²²⁸

²²⁷ See generally Michael J. Kaufman & John M. Wunderlich, *Regressing: The Troubling Dispositive Role of Event Studies in Securities Fraud Litigation*, STAN. J. OF L., BUS. & FIN. (2009) (noting the importance of experts for securities fraud class actions).

²²⁸ See Kingsbury, *supra* note at 222 (“Courts do not use empirical evidence in defining the market and do not use an antitrust approach. As with the doctrine of functionality, this is so despite trademark law and antitrust law having common objectives of protecting consumer interests and despite the relative unimportance in trademark law of concerns for innovation as compared to other areas of intellectual property law.”).