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Putting the Brakes on Monopolistic Trademark Expansion: Where the First Sale Defense Stands against Post-Sale Confusion in the Wake of *Au-Tomotive Gold v. Volkswagen*

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Cover Page Footnote

The author would like to thank his wife, Laura, for her support, and Professor Tracy Reilly for her insight in the development of this Comment.

PUTTING THE BRAKES ON MONOPOLISTIC TRADEMARK EXPANSION: WHERE THE FIRST SALE DEFENSE STANDS AGAINST POST-SALE CONFUSION IN THE WAKE OF *AU-TOMOTIVE GOLD V. VOLKSWAGEN*

*Chad Gilson*¹

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I. INTRODUCTION

Imagine you have a bright, shiny, new Volkswagen parked in your driveway. Against your better judgment, the salesman talked you into getting the eighteen-inch aluminum wheels. Now everyone will know just how much you appreciate good German design. You also happen to live in one of the nineteen states without a required front license plate.² The front of your shiny, new Volkswagen is looking a little bare, and being the fan of good German design that you are, you want a Volkswagen vanity plate. So, you go back to the dealership and ask them to sell you one of their finest vanity plates. Much to your dismay, the dealership tells you they do not have any to sell you.³ After regaining your composure, you calmly search online for a substitute Volkswagen vanity plate. Huzzah! In no time at all, you find exactly what you are looking for: a Volkswagen hood emblem mounted to a tasteful, silver-metallic license plate that will look great on your new car.

The company selling you the license plate tells you that Volkswagen does not make the license plate, but they do purchase authentic emblems from Volkswagen dealerships.⁴ Not seeing anything wrong with the deal, you place your order. But, what about all those people who will be recognizing your love of good German design by taking note of your fancy new vanity plate on your shiny, new Volkswagen? What if you ever decide to sell the car? Does it matter if anyone other than you might think Volkswagen made the vanity plate? It does, according to the Ninth Circuit.⁵

Prior to the 2010 case of *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.* ("*Au-Tomotive IP*"), no court had directly addressed what happens when trademark infringement caused by post-sale confusion is put up against the first sale defense.⁶ The Ninth Circuit discussed prior first sale decisions, but without conducting a likelihood of confusion analysis, the court applied irrelevant precedent and summarily held that post-sale confusion defeated the first sale defense.⁷ This decision has left transactions involving goods that would have relied on the first sale defense in a state of potential legal instability.

² Anton Busch, *List of States Requiring Front License Plates*, EHow, http://www.ehow.com/about_5377220_list-requiring-front-license-plates.html (last visited Apr. 18, 2012).

³ Being equally as passionate about researching trademark law as you are about German design, you later find out Volkswagen does license an independent marketing firm to manufacture and sell license plates. However, that does not change what you want and when you want it. See *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1065 (9th Cir. 2006) [hereinafter *Au-Tomotive I*].

⁴ *Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc.*, 603 F.3d 1133, 1134 (9th Cir. 2010) [hereinafter *Au-Tomotive II*].

⁵ See *id.* at 1139.

⁶ *Id.* at 1138.

⁷ *Id.* at 1136, 1138–39.

Part II of this comment looks briefly at the purpose of trademark law. Then, it gives a detailed background of the type of consumer confusion required for trademark infringement and the evolution of post-sale confusion.⁸ Next, this part turns to the first sale defense.⁹ Particular focus is given to the first sale defense in instances where the goods being resold have been modified.

Part III of this comment discusses circumstances that warrant giving trademark owners a complete monopoly over the use of their trademarked goods. It first looks at the concept of promotional merchandise and how courts have handled trademarks in that context. Next, this part examines the exceptions to the first sale defense and discusses reasons the exceptions cannot be applied to promotional goods. Then, it analyzes the *Au-Tomotive II* decision and gives the reasons why the precedent is overbroad.

Finally, Part IV offers and analyzes a proposed test for weighing post-sale confusion against the first sale defense. This multi-factor test is applied to the facts in *Au-Tomotive II* and another example. The proposed multi-factor test reveals that the Ninth Circuit reached the correct conclusion in the case under judgment, but could have done so in a way that left the first sale defense viable in some instances where less harmful post-sale confusion may exist.

II. BACKGROUND

Before understanding post-sale confusion and the first sale defense, a few basics of trademark law must be given. Then, this part examines one particular type of confusion—post-sale. The evolution, application, and limits of post-sale confusion are discussed. Next, this part explores the first sale defense to trademark infringement. It then gives the three classifications of use that can trigger the first sale defense, with special attention paid to the reselling of modified goods.

A. Trademark Basics

Trademark is distinct from other forms of intellectual property in that it stems not from the law of property, but from the tort of unfair competition.¹⁰ The tort is based on fraud, which is perpetrated on the consuming public, not the established producer.¹¹ It was not until the nineteenth and twentieth centuries that trademarks began to be seen as

⁸ Post-sale confusion is created when observers of a good or purchasers of used goods are confused as to source of origin or sponsorship. See *infra* Part II.B.

⁹ The first sale defense allows purchasers of trademarked goods to resell the goods without committing trademark infringement. See *infra* Part II.C.

¹⁰ Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U.L. REV. 547, 561 (2006).

¹¹ *Id.*

property of their owners.¹² In the twenty-first century, trademark law serves two important purposes: “to protect both consumers from deception and confusion over trade symbols and to protect the plaintiff’s infringed trademark as property.”¹³

“A trademark is a word, phrase, symbol or design, or a combination [of words, phrases, symbols or designs], that identifies and distinguishes the source of the goods of one party from those of others.”¹⁴ In the United States, trademarks can be protected by either successfully achieving federal registration or through common law protection.¹⁵ Generally, a trademark is established when the mark is used in commerce¹⁶ and is distinctive in such a way as to distinguish the trademarked goods from their competition.¹⁷ A mark has to be used in commerce before protection can apply because Congress’ authority to regulate trademarks comes from the Commerce Clause of the Constitution.¹⁸ The purpose of requiring a trademark to be distinctive is to allow factually informative marks and generic terms to be used by the public as a whole¹⁹ and to reduce consumer search costs.²⁰

Once trademark protection is garnered by a mark, no other person may use a “reproduction, counterfeit, copy, or colorable imitation” of the registered mark.²¹ Trademark infringement occurs when a senior user’s

¹² 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 5:2 (4th ed. 2009).

¹³ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 2:2 (4th ed. 2010).

¹⁴ U.S. PATENT AND TRADEMARK OFFICE, BASIC FACTS ABOUT TRADEMARK LAW 1 (2010), available at http://www.uspto.gov/trademarks/basics/BasicFacts_with_correct_links.pdf; see also 15 U.S.C. § 1127 (2006).

¹⁵ 15 U.S.C. §§ 1114–15.

¹⁶ See *Zazu Designs v. L’Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). A small salon did not use the trademark by selling shampoo to two friends and a small quantity of hand filled bottles over the counter at the salon. *Id.* “Public sales let others know that they should not invest resources to develop a mark similar to one already used in the trade.” *Id.* Under the federal registration system, an application can be filed prior to use so long as a bona fide intent to use exists. See 15 U.S.C. § 1051(b).

¹⁷ See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11–12 (2d Cir. 1976). Abercrombie & Fitch’s trademark SAFARI, as applied to hats, had become a generic term, which no longer distinguished an Abercrombie & Fitch hat from a similar hat of another maker. *Id.*

¹⁸ See U.S. CONST. art. 1, § 8, cl. 3; see also *Trademark*, CORNELL UNIV. LAW SCH. LEGAL INFO. INST. (Aug. 19, 2010, 5:26 PM), <http://topics.law.cornell.edu/wex/Trademark>. This is distinct from Congress’ power to regulate copyright and patents, which stems from art. 1, § 8, cl. 8. See Edward C. Walterscheid, *To Promote the Progress of Science and Useful Arts: The Background and Origin of the Intellectual Property Clause of The United States Constitution*, 2 J. INTEL. PROP. L. 1, 1–2 (1994).

¹⁹ *Abercrombie*, 537 F.2d at 9. Senior users “cannot deprive competing manufacturers of the product of the right to call an article by its name.” *Id.*

²⁰ See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 270–72 (1987). A trademark holder is able to use the trademark as a shorthand to tell consumers what they are buying. For example, “[t]o allow another maker of decaffeinated coffee to sell its coffee under the name ‘Sanka’ would destroy the benefit of the name in identifying a brand of decaffeinated coffee made by General Foods.” *Id.* at 269. This would cause consumers to expend time to determine which Sanka they were about to purchase. *Id.*

²¹ 15 U.S.C. § 1114(1) (2006).

(1) Any person who shall, without the consent of the registrant— (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or (b) reproduce,

valid trademark is used by a junior user in a way that creates a likelihood of confusion.²² The terms “junior user” and “senior user” refer to the point in time each party began using the trademark. The junior user is the party who began using the trademark after the senior user.²³

The basic test for trademark infringement is whether a likelihood of confusion exists.²⁴ Not every consumer has to be confused by the allegedly infringing use.²⁵ If an ordinary prudent consumer would reasonably mistake one product, service, or source of origin for another, there is a likelihood of confusion.²⁶ Each of the thirteen circuits has a different, but substantially similar, test for determining if a likelihood of confusion exists.²⁷ Perhaps the most influential test is from the Second Circuit.²⁸ In *Polaroid Corp. v. Polaroid Electronics Corp.*, the Second Circuit established a multi-factor test to determine whether likelihood of confusion exists by looking to: (1) the strength of the plaintiff’s mark; (2) the degree of similarity between the plaintiff’s and the defendant’s marks; (3) the proximity of the products or services; (4) the likelihood that the plaintiff will bridge the gap between the plaintiff’s product and the defendant’s product; (5) evidence of actual confusion; (6) the defendant’s good faith in adopting the mark; (7) the quality of the defendant’s product or service; and (8) the sophistication of the buyers of the plaintiff’s and the defendant’s goods and services.²⁹ Not every factor will be at issue in every case, and no single factor is dispositive.³⁰ Each factor “must be considered in the context of all of the other factors, and from a balance of these determinations” a conclusion can

counterfeit, copy, or colorably imitate a registered mark and apply 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, shall be liable in a civil action.

Id. (This language only applies to registered marks. Prohibitions on using unregistered marks are similar, and may be found in 15 U.S.C. § 1125.).

²² 15 U.S.C. § 1114(1).

²³ See *Tana v. Dantanna’s*, 611 F.3d 767, 781 n.10 (11th Cir. 2010).

²⁴ 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 23:1 (4th ed. 2011).

²⁵ *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979).

²⁶ *Best Cellars, Inc. v. Wine Made Simple, Inc.*, 320 F. Supp. 2d 60, 74 (S.D.N.Y. 2003). To evaluate if a wine store infringed the trade dress of another wine store, the test was whether an average consumer who was standing in Defendant’s store would believe he was standing in a store owned by the Plaintiff. *Id.*

²⁷ Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1581–82 (2006); see also *Likelihood of Confusion—Internet*, NOT JUST PATENTS, <http://likelihoodofconfusiontrademark.com/likelihoodofconfusioninternet.html> (last visited Apr. 18, 2012) (listing each circuit’s test for likelihood of confusion).

²⁸ *Polaroid Corp. v. Polaroid Elec. Corp.*, 287 F.2d 492 (2d Cir. 1961). The *Polaroid* factors are highly influential due to the high volume of trademark cases argued before the Second Circuit and the prominence of Judge Friendly. See Molly S. Cusson, *Reverse Confusion: Modifying the Polaroid Factors to Achieve Consistent Results*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 179, 195 n.93 (1995).

²⁹ 287 F.2d at 495.

³⁰ See *Plus Products v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004 (2d Cir. 1983).

be made as to whether a likelihood of confusion exists.³¹

B. Post-Sale Confusion

If you happen to have been so lucky as to buy the new Volkswagen with the eighteen-inch aluminum wheels, and you did decide to attach the vanity license plate to show your love of good German design, post-sale confusion would occur if anyone other than you thinks Volkswagen made the license plate.³² Post-sale confusion occurs when the purchaser of a good was not confused as to the source or sponsorship at the time of purchase, but others who later see the infringing mark are confused.³³ There are two main policy concerns for not allowing post-sale confusion, each of which protects the mark holder's goodwill.³⁴ The first protects holders by making actionable confusion among prospective customers who see the mark holder's product in use, like it, and mistakenly purchase an infringer's good, believing it to be produced by the mark holder.³⁵ The second protects the mark holder's goodwill in instances where the infringing product is defective or of poor quality and observers of the infringing product attribute the flaws to the mark holder.³⁶

i. Evolution of Post-Sale Confusion

No comment discussing post-sale confusion would be complete without a discussion of *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*³⁷ There, Mastercrafters began producing and distributing a clock that Vacheron claimed was a counterfeit of its successful Atmos model clock.³⁸ Mastercrafters' clock was designed to appeal to the "price conscious purchaser who desires to own a copy of a luxury design clock regardless of mechanism or source."³⁹ Mastercrafters achieved this goal and offered a substantially aesthetically similar product for about 25% of the Atmos clock's price.⁴⁰ While the two clock models varied in quality and craftsmanship, the court found that many people were buying Mastercrafters' less expensive model "for the purpose of acquiring the prestige gained by displaying what many visitors at the customers'

³¹ *Id.*

³² See *supra* Part I.

³³ 4 MCCARTHY, *supra* note 24, § 23:5.

³⁴ See 4 LOUIS ALTMAN, CALLMANN ON UNFAIR COMPETITION, TRADEMARK AND MONOPOLIES § 22:16 (4th ed. 2010).

³⁵ *Id.*

³⁶ *Id.* For example, if a flea market customer purchases a pair of counterfeit RAYBAN sunglasses for \$5 instead of the \$150 charged for an authentic pair, the goodwill in the RAYBAN trademark will be harmed when observers of the sunglasses in use notice peeling finish or easily scratched lenses, and decide against purchasing RAYBAN sunglasses in the future.

³⁷ 221 F.2d 464 (2d Cir. 1955).

³⁸ *Id.* at 465.

³⁹ *Id.*

⁴⁰ *Id.*

homes would regard as a prestigious article.”⁴¹ The court concluded that Mastercrafters was trading on the established goodwill⁴² of the more expensive clocks and was, therefore, “guilty of unfair competition.”⁴³

The court in *Mastercrafters* had to rely on the tort of unfair competition because the Lanham Act,⁴⁴ while in existence since 1946, did not expressly prohibit post-sale confusion in 1955.⁴⁵ In 1962, an amendment to the Lanham Act removed language that required mistake or deception to be of “purchasers as to the source or origin of such goods and services.”⁴⁶ Since the 1962 Lanham Act Housekeeping Amendments (“1962 Amendments”), the likelihood of confusion needed to establish a trademark infringement cause of action did not need to be found with respect to the original purchaser of the product.⁴⁷

The 1962 Amendments expanded the scope of trademark infringement by allowing new types of confusion to be actionable, broadening whose confusion matters, and determining when the confusion needs to occur.⁴⁸ Many courts interpreted the adoption of the 1962 Amendments as an approval of the underlying rule articulated in *Mastercrafters*.⁴⁹ Since the 1962 Amendments, almost all courts recognize that a likelihood of post-sale confusion of casual observers is sufficient to trigger an infringement cause of action.⁵⁰

⁴¹ *Id.* at 466.

⁴² When used in a trademark context, “goodwill” is the reputation of the trademark holder created by using the trademark in commerce. “Good will is that which makes tomorrow’s business more than an accident. It is the reasonable expectation of future patronage based on past satisfactory dealings.” EDWARD S. ROGERS, GOOD WILL TRADEMARKS AND UNFAIR TRADING 13 (1914).

⁴³ *Mastercrafters*, 221 F.2d at 467.

⁴⁴ The Lanham Act, codified in Chapter 22 of Title 15 U.S.C., governs trademark law in the United States. It is named for Congressman Fritz Garland Lanham, who was instrumental in bringing consistency to federal trademark law by placing all trademark statutes in a single act, thereby reducing judicial inconsistency and making trademark registration a more straightforward task. 1 MCCARTHY, *supra* note 12, § 5:4; see also Edward S. Rogers, *The Lanham Act & the Social Function of Trademarks*, 14 LAW & CONTEMP. PROBS. 173, 179–84 (1949) (containing a firsthand account of the Lanham Act’s creation by the original drafter).

⁴⁵ See Anne M. McCarthy, Note, *The Post-Sale Confusion Doctrine: Why the General Public Should Be Included in the Likelihood of Confusion Inquiry*, 67 FORDHAM L. REV. 3337, 3351 (1999).

⁴⁶ 4 MCCARTHY, *supra* note 24, § 23:7 (quoting 15 U.S.C. § 1114(1) amended 1962, 76 Stat. 769); see also 52 TRADEMARK REP. 1245 (1962) (containing a contemporary account of the 1962 Lanham Act Housekeeping Amendments).

⁴⁷ 4 MCCARTHY, *supra* note 24, § 23:7 (quoting 15 U.S.C. § 1114(1) amended 1962, 76 Stat. 769).

⁴⁸ McCarthy, *supra* note 45 at 3348–51 (providing a detailed analysis of the 1962 Lanham Act Housekeeping Amendments).

⁴⁹ *Id.* at 3338.

⁵⁰ See 4 MCCARTHY, *supra* note 24, § 23:7; but see Michael J. Allen, *The Scope of Confusion Actionable Under Federal Trademark Law: Who Must be Confused and When?*, 26 WAKE FOREST L. REV. 321, 331–39 (discussing three scenarios where, despite the 1962 Lanham Act Housekeeping Amendments, courts continue to focus only on actual purchaser confusion).

ii. Application of Post-Sale Confusion

A great example of how observers of a product can be confused while the original purchaser had no doubts about what they were buying can be found in *Ferrari S.P.A. v. Roberts*.⁵¹ There, Roberts had a small business where he produced fiberglass replica kits of Ferrari's Daytona Spyder and Testarossa models.⁵² A purchaser of one of Roberts' kits could make a Chevrolet Corvette or Pontiac Fiero look like one of Ferrari's much more expensive models.⁵³ One of Roberts' do-it-yourself kits sold for about \$8,500, and fully finished vehicles sold for about \$50,000.⁵⁴ This was in contrast to Ferrari's price of \$230,000 for a new Testarossa.⁵⁵ Purchasers of a Roberts' "Daytona Spyder" kits had the additional advantage of driving a very rare vehicle. Ferrari's entire production run of only one-hundred Daytona Spyders was sold out before Roberts began producing his kits.⁵⁶

The court required that there be confusion as to the source, but correctly ignored Roberts' claim that only purchasers needed to be confused.⁵⁷ Citing the 1962 Amendments, the court held that observers who inspected the replica vehicles believing them to be genuine Ferraris could have a negative view of Ferrari's quality.⁵⁸ Therefore, to "protect against the cheapening and dilution of the genuine product, and to protect the manufacturer's reputation[.]" the court held that Roberts did infringe Ferrari's mark.⁵⁹

iii. Limits on Post-Sale Confusion

Not every circuit allows mere observers of the product to be considered in determining if there is a likelihood of confusion.⁶⁰ In *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, the Seventh Circuit limited the relevant population to "consumers in the market for the particular products at issue."⁶¹ The product at issue in the case was a specialized piece of corn milling equipment.⁶² It was so specialized that there were only twelve buyers in the United States who had any reason to own the equipment.⁶³

While the number of available purchasers for the product was not articulated in evaluating the existence of a likelihood of confusion, the high

⁵¹ 944 F.2d 1235 (6th Cir. 1991).

⁵² *Id.* at 1238.

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.* at 1243-44.

⁵⁸ *Id.* at 1244-45.

⁵⁹ *Id.* at 1244.

⁶⁰ 4 MCCARTHY, *supra* note 24, § 23:7.

⁶¹ *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996).

⁶² *Id.* at 378.

⁶³ *Id.*

level of sophistication of a consumer of industrial machinery would “not assume that the two manufacturers are associated in some way.”⁶⁴ Because of this, people who observed the defendant’s similar-looking product on a factory tour were not deemed consumers as required by the Lanham Act, and no likelihood of confusion existed.⁶⁵ In this way, the Seventh Circuit sets itself apart from decisions like *Ferrari* where observers who were not in the market for a high-end sports car were considered under the post-sale confusion analysis.⁶⁶

Even in circuits that consider non-potential customers in their analysis, there is a limit to how far courts are willing to go in interpreting post-sale confusion.⁶⁷ A recent Sixth Circuit decision denied Gibson Guitar’s claim of trademark infringement against Paul Reed Smith Guitars (“PRS”).⁶⁸ Gibson began producing the iconic Les Paul guitar, known for its single cutaway body style, in 1952.⁶⁹ In 2000, PRS began selling a

⁶⁴ *Id.* at 383.

⁶⁵ *Id.* at 379, 382.

⁶⁶ *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1244 (6th Cir. 1991).

⁶⁷ Post-sale confusion is not recognized in all trademark systems. The Hamburg Court of Appeals in Germany refused to consider post sale confusion because German trademark law only applies to conduct in the market. Aldo Nicotra, *Hitting the Bricks: Protecting the LEGO R Brick Around the World*, in LANDMARK INTELLECTUAL PROPERTY CASES AND THEIR LEGACY 135, 162 (Christopher Heath & Anselm Kamperman Sanders eds., 2010). English courts have only recently acknowledged post-sale confusion as a basis to support a claim of infringement. See *Datacard Corp. v. Eagle Technologies Ltd.*, [2011] EWHC 244 (Pat), 275–89.

⁶⁸ *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539, 553 (6th Cir. 2005). This case was well publicized in the music community, and created intense debate over whether the shape of a guitar should be protectable. One internet poster wrote:

This is a huge pile of bs. Many guitar companies copy the Les Paul design but still hold their own unique properties. It is not as if the other companies write Gibon [sic] on the headstock! This is terrible, Paul Reed Smith has been creating guitars for most of his life and there are no two guitars alike in his collection. If you were to take a part [sic] a Gibson Les Paul and a PRS Singlecut, you could very easily point out very significant differences that sets [sic] them both apart and makes each a totally different guitar. I don't think I will buy another Gibson product after hearing about this. I think Gibson is just desperate because companies like PRS are starting to get more revenue becuae [sic] their guitars do not just come off of an assembly line and the workmanship that goes into PRS guitars is top of the line. This is brutal.

Posting of Revolutionist, ULTIMATE-GUITAR.COM (Mar. 18, 2004, 11:36 AM), http://www.ultimate-guitar.com/news/industry_news/gibson_vs_prs.html.

Gibson, however, was not without its fans. On the same site, another commenter posted:

What the hell is with all the complaining...if there is a trademark for the single cut shape gibson made, PRS can't use that shape without permission. ENd [sic] of ***ing story. Gibson aren't [sic] selling out, how would you like it if you created something and then someone started selling an almost exact copy of it without your permission. Axeslinger (addressing a previous comment), the PRS's body shape is almost exactly the same as the Gibson, and it's the shape of the body that has a copyright on it. Gibson has all rights to sue PRS. I can't believe some people here don't understand such simple things such as copyrights.

Posting of Metal_Rules, ULTIMATE-GUITAR.COM (Mar. 18, 2004, 2:07 PM), http://www.ultimate-guitar.com/news/industry_news/gibson_vs_prs.html.

These comments illustrate how trademark law directly impacts not only the purchasing rights of consumers, but is also capable of bringing out strong emotional reactions when products consumers identify with are put at issue.

⁶⁹ *Gibson*, 423 F.3d at 543.

similarly shaped single cutaway guitar.⁷⁰ After exhausting all established theories of purchaser confusion, Gibson proposed what the court termed the “smoky-bar theory of confusion.”⁷¹ The theory was that potential customers would see a musician playing a PRS guitar on a stage and mistake it for a Gibson guitar.⁷² However, because Gibson conceded that PRS made quality instruments, Gibson was actually helped when “wannabe musicians [saw] their heroes playing” PRS guitars and purchased the Gibson guitars they believed they saw their heroes play.⁷³ In so holding, the Sixth Circuit refused to expand post-sale confusion to situations where no damages were incurred and any potential customer could distinguish the two products from a reasonable, and presumably not smoke-filled, distance.

C. First Sale

Although the 1962 Amendments to the Lanham Act made post-sale confusion actionable,⁷⁴ and courts are increasingly treating a trademark as a property right,⁷⁵ United States trademark law has not yet deteriorated to an “abandon all hope ye who wants to use someone else’s trademark here” landscape. In addition to prevailing on an infringement suit by claiming that the plaintiff’s mark is invalid,⁷⁶ a defendant can offer one of several established defenses.⁷⁷ These include the First Amendment defenses of parody⁷⁸ and nominative fair use,⁷⁹ as well as descriptive fair use,⁸⁰ and what has been called the first sale defense.⁸¹

⁷⁰ *Id.* at 544.

⁷¹ *Id.* at 552.

⁷² *Id.* at 552–53.

⁷³ *Id.* at 553.

⁷⁴ 4 MCCARTHY, *supra* note 24, § 23:7.

⁷⁵ 1 MCCARTHY, *supra* note 13, § 2:1.

⁷⁶ 15 U.S.C. §§ 1114, 1125 (2006) (requiring validity for registered and unregistered trademarks respectively).

⁷⁷ See generally Graeme B. Dinwoodie, *Lewis & Clark Law School Ninth Distinguished IP Lecture: Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99, 100–02 (2009) (citing reasons to acknowledge true defenses to trademark infringement as opposed to simply recognizing limitations to trademark protection).

⁷⁸ See *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 267 (4th Cir. 2007) (“Chewy Vuitton” used on dog toys was a successful parody of the LOUIS VUITTON trademark used on high-end handbags); see also 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 31:153 (4th ed. 2011) (stating parody is not really an affirmative defense to an infringement accusation in the sense that laches or the statute of limitations is an affirmative defense; rather, parody is a way of arguing that there is no trademark infringement because no likelihood of confusion exists).

⁷⁹ See *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (explaining use that does not imply sponsorship or endorsement of the trademark holder does not deceive the public should be permitted to allow a particular thing to be described).

⁸⁰ 15 U.S.C. § 1115(b) (2006); see, e.g., *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002) (if the alleged infringement is primarily used to describe, and not as a source indicator, the use is permissible).

⁸¹ 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 25:41 (4th ed. 2010).

The term “first sale,”⁸² as it relates to intellectual property law, was first used not in the law of trademark, but copyright.⁸³ While the rights afforded to copyright owners and trademark holders vary greatly, first sale works similarly in both.⁸⁴ The basic concept is that the producer cannot control distribution of a product beyond its first sale.⁸⁵ “Resale by the first purchaser of the original article” is not an infringement of the intellectual property holder’s rights.⁸⁶

In current intellectual property parlance, first sale is often associated with grey market goods.⁸⁷ A grey market good is a legitimately produced item bearing a proper trademark or copyright designed for sale in one geographic market, but sold in another.⁸⁸ A recent set of copyright cases from the Ninth Circuit and the Supreme Court have brought attention to the application of the Copyright Act’s first sale doctrine⁸⁹ to imported goods.⁹⁰ While “first sale” does come into consideration while dealing with imported grey market goods, the doctrine also applies to domestic products.⁹¹

In trademark law, the first sale defense is not statutory, but judicially created and interpreted.⁹² Because of the lack of statutory guidance, application of the first sale defense is highly fact sensitive.⁹³ The

⁸² Some commenters refer to this as the doctrine of “exhaustion.” See 1 LOUIS ALTMAN, CALLMANN ON UNFAIR COMPETITION, TRADEMARK AND MONOPOLIES § 1:12 (4th ed. 2003).

⁸³ See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 347 (1908). The *Bobbs-Merrill* decision was codified in the 1909 Copyright Act in section 27. 1 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 1:45 (2010). It remains in effect in section 109 of the 1976 Copyright Act. 17 U.S.C. § 109 (2006).

⁸⁴ See generally *Bobbs-Merrill*, 210 U.S. at 349–50 (copyright first sale); *Prestonettes v. Coty*, 44 U.S. 359, 368 (1924) (trademark first sale).

⁸⁵ *Sebastian Int’l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1074 (9th Cir. 1995).

⁸⁶ *Id.*

⁸⁷ See generally *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 984 n.1 (9th Cir. 2008), *aff’d* 131 S. Ct. 565 (2010).

⁸⁸ See *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 281 (1988) (giving the three scenarios by which a good enters the grey market); see also Samuel Brooks, Note, *Battling Gray Markets Through Copyright Law: Omega, S.A. v. Costco Wholesale Corporation*, 2010 BYU L. REV. 19, 19–29 (2010) (chronicling the evolution of first sale as applied to grey market goods, culminating with a discussion of the Supreme Court’s *Omega* decision).

⁸⁹ 17 U.S.C. § 109 (2006).

⁹⁰ See *Omega*, 541 F.3d at 983. The Supreme Court, in reaching a 4–4 split decision, let the Ninth Circuit’s ruling stand as precedent in that circuit that section 109 of the Copyright Act does not apply to unauthorized imports by reasoning that they are not “lawfully made” under Title 17 as required by section 109. See *id.* at 985.

⁹¹ See *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947); see also Steven M. Auvil, *Gray Market Goods Produced by Foreign Affiliates of the Trademark Owner: Should the Lanham Act Provide a Remedy?*, 28 AKRON L. REV. 437, 452 (1995) (stating a trademark holder cannot control the resale of their goods once lawfully sold within a sovereign).

⁹² See generally 15 U.S.C. § 1 *et seq.* (2006) (no codification or mention of first sale or exhaustion). However, the first sale defense has been statutorily codified for other protected intellectual property. 17 U.S.C. § 109 (2006) (codification of first sale in the Copyright Act of 1976); see also *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175, 1178–83 (holding a record label could not prohibit resale of promotional CDs despite claims that disclaiming language created a license rather than a sale). The doctrine of patent exhaustion, similar to first sale in trademark, is also judicially created. A patentee may not “control the resale price of patented articles which he has sold.” *U.S. v. Univis Lens Co.*, 316 U.S. 241, 250 (1942). The doctrine is based on Congress’ ability to grant patent monopolies to promote the progress of the useful arts, but those monopolies must comply with the Sherman Act. *Id.*

⁹³ See *infra* Part II.B.i–iii.

first sale defense has been applied to three types of secondary uses: repackaged goods, reconditioned goods, and modified goods.⁹⁴ The rationale behind the first sale defense in all three applications is to allow purchasers of trademarked goods to resell those goods without committing trademark infringement.⁹⁵

i. Repackaged Goods

The seminal first sale case is *Prestonettes, Inc. v. Coty*.⁹⁶ There, the Supreme Court determined a trademark did not prevent purchasers of trademarked products from changing the product and truthfully describing the product when it was resold.⁹⁷ *Prestonettes* was a company that purchased Coty's perfume and toilet powder.⁹⁸ *Prestonettes* would then turn the loose powder into compacts by adding a binder agent and rebottle the perfume in smaller bottles.⁹⁹ The rebottled perfume and the compacts were then sold.¹⁰⁰ *Prestonettes*' packaging did not cause deception, but truthfully stated the contents were originally Coty brand toilet powder and perfume.¹⁰¹

The Court held that, because of its ownership rights in the goods, *Prestonettes* "had a right to compound or change what it bought, to divide either the original or the modified product, and to sell it so divided."¹⁰² *Prestonettes* made high-quality products,¹⁰³ but even if the products were of poor quality, Coty would not have been able to stop the truthful disclosure of the contents.¹⁰⁴ The trademark Coty had on its products did not "confer a right to prohibit the use of the word or words."¹⁰⁵ A trademark gives its holder only the "right to prohibit the use of [the trademark] so far as to protect the owner's goodwill against the sale of another's product as his."¹⁰⁶

ii. Reconditioned Goods

What the *Prestonettes* decision did for repackaged goods, *Champion Spark Plug Co. v. Sanders* did for reconditioned goods.¹⁰⁷ *Sanders* was in the business of collecting used Champion brand spark plugs, reconditioning

⁹⁴ See Nannette Diacovo, *Going Once, Going Twice, Sold: The First Sale Doctrine Defense in Right of Publicity Actions*, 12 U. MIAMI ENT. & SPORT L. REV. 57, 70-72 (1994).

⁹⁵ *Id.* at 72.

⁹⁶ 264 U.S. 359 (1924).

⁹⁷ *Id.* at 368.

⁹⁸ *Id.* at 366-67.

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ *Id.* at 367. The label read: "Prestonettes, Inc., not connected with Coty, states that the compact of face powder herein was independently compounded by it from Coty's [giving the name] loose powder and its own binder. Loose powder-per cent., Binder-per cent." *Id.*

¹⁰² *Id.* at 368.

¹⁰³ See *id.* at 367.

¹⁰⁴ *Id.* at 368.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ 331 U.S. 125 (1947).

them, and selling them.¹⁰⁸ Sanders sold the spark plugs in cartons bearing Champion's trademark and a disclaimer telling the consumer the spark plugs had been reconditioned.¹⁰⁹ Prior to the lawsuit, Sanders distinguished his reconditioned spark plugs from new Champion spark plugs by stamping "renewed" on the back, "which was at times almost illegible."¹¹⁰

The district and appellate court each fashioned their own decree stating how Sanders should label his reconditioned goods to avoid infringing Champion's trademark.¹¹¹ One of the issues before the Court was whether Sanders could retain the original CHAMPION mark on his reconditioned goods.¹¹² Citing Justice Holmes' *Prestonettes* decision, the Court stated:

A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.¹¹³

The Court affirmed the appellate court's decree that allowed Sanders to retain the CHAMPION trademark on his reconditioned spark plugs.¹¹⁴ Before doing so, the Court cautioned that cases could exist "where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repair' were added."¹¹⁵ But, as the case was here, the reconditioned goods were "so far as possible, of their original condition,"¹¹⁶ and the appellate court's decree satisfied the "requirements of full disclosure."¹¹⁷ Much like the re-packager in *Prestonettes*, Sanders had the right to tell his consumers what his product was.

¹⁰⁸ *Id.* at 126.

¹⁰⁹ *Id.* The disclaimer read: "'Used spark plug(s) originally made by Champion Spark Plug Company repaired and made fit for use up to 10,000 miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N.Y.'" *Id.* at 126 n.2. The disclaimer also included: "the name and address of the defendants to be larger and more prominent than the legend itself, and the name of plaintiff may be in slightly larger type than the rest of the body of the legend." *Id.*

¹¹⁰ *Id.* at 126.

¹¹¹ *Id.* at 127–28.

¹¹² *Id.* at 128.

¹¹³ *Id.* at 129 (citing *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924)).

¹¹⁴ *Id.* at 132.

¹¹⁵ *Id.* at 129.

¹¹⁶ *Id.* at 130.

¹¹⁷ *Id.*

iii. Modified Goods¹¹⁸

In addition to repackaged and reconditioned goods, the first sale defense has also proven successful for defendants who have modified trademarked goods.¹¹⁹ The Northern District of Illinois held in favor of the defendant in *Alexander Binzel Corp. v. Nu-Tecsys Corp.*¹²⁰ There, the plaintiff was a German manufacturer of welding equipment.¹²¹ The defendant also sold welding equipment, but some of its products incorporated modified Binzel components that bore the BINZEL trademark.¹²² Even though the defendant did not include any disclaimer on products that bore the plaintiff's trademark, the court found no authority

requiring [Defendants] to eradicate [Plaintiff's] mark from [Plaintiff's] parts or otherwise label the welding guns with [Defendant's] name or logo. Although [Defendants] procured the components from [Plaintiff], [Defendants] paid the price [Plaintiff] asked and [Plaintiff] profited from the sale. [Plaintiff] cannot now be heard to complain that defendants' use of the trademarked parts constitutes infringement.¹²³

Factually similar to *Alexander Binzel* was *Major League Baseball Players Association v. Dad's Kid Corp.*¹²⁴ There, the Southern District of New York decided that an innovative defendant did not infringe any trademarks by creating 3-D baseball cards by "taking three authentic licensed baseball cards," leaving one card intact, and cutting the baseball figure out of the remaining two.¹²⁵ The cut-out figures were staggered over the original card and mounted "on a plastic frame and packaged in a container bearing [a] disclaimer."¹²⁶ The defendant's identifying mark was

¹¹⁸ A modified trademarked good is different than a derivative work in copyright. A modified trademarked good is a modification of a single tangible good, while a derivative of a copyrighted work is a new work based on a previously copyrighted embodiment of an idea. See 17 U.S.C. § 101 (2006) (definition of derivative work); *Roho, Inc. v. Marquis*, 902 F.2d 356, 359 (5th Cir. 1990) (explaining modified goods). Because of this difference, the exclusive right to create derivative works of copyrighted material, as codified in 17 U.S.C. § 106(2), should not be expanded to modified trademarked goods.

¹¹⁹ See *Major League Baseball Players Ass'n v. Dad's Kid Corp.*, 806 F. Supp. 458, 458-60 (S.D.N.Y. 1992); *Alexander Binzel Corp. v. Nu-Tecsys Corp.*, 785 F. Supp. 719, 720, 722-24 (N.D. Ill. 1992).

¹²⁰ 785 F. Supp. at 719.

¹²¹ *Id.* at 720.

¹²² *Id.*

¹²³ *Id.* at 724.

¹²⁴ Compare *id.* with *Major League Baseball*, 806 F. Supp. 458 (S.D.N.Y. 1992).

¹²⁵ *Major League Baseball*, 806 F. Supp. at 459.

¹²⁶ *Id.* The disclaimer read:

TRI CARDS™ are manufactured by Dad's Kid Corp. utilizing its 3-D laser die-cutting process on cards previously manufactured and sold by various companies including SCORE®, UPPER DECK®, FLEER®, AND DONRUSS®. Dad's Kid Corp. disclaims any copyright or trademark rights with respect to the previously manufactured cards used by it to create TRI CARDS™. Dad's Kid Corp.

only on the package of the 3-D card and not anywhere on the card or mounting itself.¹²⁷ Once the packaging was discarded there was no indication to anyone viewing the 3-D card as to who made the goods.¹²⁸ Citing *Alexander Binzel*, the court in *Dad's Kid* held that there was no authority for the plaintiff to claim infringement or loss because the defendant lawfully purchased the trademarked goods.¹²⁹

In both *Alexander Binzel* and *Dad's Kid*, the alleged infringer was producing a product that substantially competed with the plaintiff's product. A potential consumer in either case could have chosen to purchase goods from either the plaintiff or the defendant. A consumer who needed welding equipment could purchase it from Alexander Binzel or Nu-Tecsys, and a consumer wanting baseball memorabilia could purchase traditional baseball cards or the modified 3-D cards produced by Dad's Kid. In *Scarves by Vera, Inc. v. American Handbags Inc.*, however, the alleged infringer was turning the Plaintiff's product into something completely new.¹³⁰ Vera was in the business of producing various linens, including towels.¹³¹ In the course of manufacturing the towels, Vera acquired federal trademark registration of VERA, as well as a logo depicting a scarab.¹³² In addition to the trademarks, Vera also acquired copyright protection in the design of the towels.¹³³ The defendant purchased numerous Vera towels at retail and used them to manufacture handbags.¹³⁴

Although the handbags left the trademarks and copyrighted designs visible, the court refused to ban American Handbags from manufacturing products from VERA-branded towels.¹³⁵ Even though the defendant's handbags were sold with a label that correctly identified the components of the handbag as being designed by Vera but manufactured by American Handbags; there was still consumer confusion as to the source of the goods.¹³⁶ Citing *Prestonettes*¹³⁷ and *Champion*¹³⁸ the court recognized

disclaims any proprietary rights to the name and logo MLB and MAJOR LEAGUE BASEBALL[®], which are the registered trademarks and/or copyrights of Major League Baseball Players Association and Major League Baseball, respectively.

Id.

¹²⁷ *Id.* at 459.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ 188 F. Supp. 255, 256 (S.D.N.Y. 1960).

¹³¹ *Id.*

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ *Id.* at 256, 258.

¹³⁶ *Id.* The original disclaimer stated: "The design on the cover of this handbag is the copyrighted design of Scarves by Vera, Inc. This handbag was manufactured by American Handbags, Inc., of the finest materials and workmanship." *Id.* at 256. The consumer confusion was "actual confusion" as opposed to likelihood of confusion because evidence existed multiple retailers of the defendant's handbags called the plaintiff to inquire about the handbags. *Id.* at 258.

¹³⁷ *Prestonettes v. Coty*, 264 U.S. 359 (1924).

American Handbags had the right to “inform consumers by use of plaintiff’s name and trademark that the towel of which the handbag is made is the product of Scarves by Vera.”¹³⁹ Weighing the protection of consumers over the trademark holder’s property interests,¹⁴⁰ the court recognized that a result of this ruling was, “of course, that defendant will get some advantage from the trademark.”¹⁴¹ To balance this, American Handbags was required to put a more overt disclaimer in all bags “inside of the handbag near the clasp, and plainly visible to anyone opening the handbag.”¹⁴² The new disclaimer, while providing attribution, could only be viewed when looking inside the bag and could not be viewed by casual observation of a bag being used by someone else.¹⁴³

III. DISCUSSION

Trademark protection may have started as a means to protect the user of a mark from unfair competition,¹⁴⁴ but the focus has become consumer protection.¹⁴⁵ Just as the focus of protection has shifted, so too have the means of protection expanded to include far more than traditional false endorsement.¹⁴⁶ Many commenters (but noticeably few in the business community) view this expansion of rights as harmful to breeding new and innovative ideas.¹⁴⁷

While there are bound to be some negative effects of increased protection for intellectual property holders, in the area of trademark law there are many benefits not only to the trademark holder, but also the consuming population. The modern view of trademark protection reduces consumer search costs and encourages industry to invest in the goodwill of

¹³⁸ *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947).

¹³⁹ *Vera*, 188 F. Supp. at 258.

¹⁴⁰ *See supra* Part I.

¹⁴¹ *Vera*, 188 F. Supp. at 258. The advantaged received relates to the goodwill created by the mark holder. *See* RODGERS, *supra* note 42.

¹⁴² *Vera*, 188 F. Supp. at 258.

¹⁴³ *See id.*

¹⁴⁴ *See generally* Tuttle v. Buck, 119 N.W. 946, 948 (Minn. 1909).

¹⁴⁵ PETER B. MAGGS AND ROGER E. SCHECTER, *TRADEMARK & UNFAIR COMPETITION LAW CASES AND COMMENTS* 2–3 (6th ed. 2002) (“By the 1960’s . . . courts, legislators, and administrative agencies began to pay much greater attention to how unfair competition doctrine might affect consumers . . .”).

¹⁴⁶ *See* J. Thomas McCarthy, *Melville B. Nimmer and the Right of Publicity: A Tribute*, 34 UCLA L. REV. 1703, 1709 (1987).

¹⁴⁷ *See* STEVEN JOHNSON, *WHERE GOOD IDEAS COME FROM* 167–68 (2010) (asserting good ideas come from open environments); *see* LAWRENCE LESSIG, *FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY* 280 (2004). Professor Lessig concludes that a choice must be made between a free or feudal system of information, and suggests open information can live in a capitalist system—citing LexisNexis and Westlaw as successful paid services to predominantly public domain materials. *Id.* at 280–81. However, application of an open content system would require an enormous leap of faith from the United States’ content producers, as intellectual property accounts for over half of U.S. exports and 40% of the U.S. economy. Press Release, Bush Administration Officials Update Congress On Intellectual Property Enforcement Efforts (July 26, 2006), available at <http://www.uspto.gov/news/pr/2007/07-26-06ip.jsp>.

their products and services,¹⁴⁸ but at what point does protection of trademarks cease to provide benefits to consumers and serve only to protect the interests of mark holders?

The expansion of trademark protection has significantly impacted promotional goods.¹⁴⁹ While promotional goods are capable of creating a likelihood of confusion, not every promotional good does so. Because promotional goods do not compete with the trademark holder's primary good, the two established exceptions to the first sale defense are not applicable to promotional goods that incorporate a lawfully purchased trademark.¹⁵⁰ However, the *Au-Tomotive II* decision seems to indicate that promotional goods incorporating lawfully purchased trademarks that could create post-sale confusion should automatically be found infringing.¹⁵¹ This leaves an entire product category on unstable ground.

A. Promotional Goods

Promotional goods are ancillary goods; they do not compete in the product category with the products whose trademark they bear.¹⁵² A promotional good serves two joint functions: advertising the trademark holder's primary goods or services, and showing the owner's allegiance to the trademark holder.¹⁵³

The original language of the Lanham Act required confusion be "as to the source of origin" of the goods.¹⁵⁴ The same 1962 Amendments that allowed for post-sale confusion also eliminated this language and allowed for sponsorship confusion.¹⁵⁵ "This type of confusion arises out of an erroneous belief that, as a result of the similarity of the parties' marks, the junior user's goods or services are somehow affiliated or endorsed by the senior user."¹⁵⁶

¹⁴⁸ See *supra* Part III.A.i.

¹⁴⁹ Veronica J. Cherniak, *Ornamental Use of Trademarks: The Judicial Development and Economic Implications of an Exclusive Merchandising Right*, 69 TUL. L. REV. 1311, 1354 (1995) (concluding courts are beginning to recognize the economic impact of granting exclusive merchandising rights to trademark holders).

¹⁵⁰ See *infra* Part.III.B.

¹⁵¹ *Au-Tomotive II*, 603 F.3d 1133, 1135 (9th Cir. 2010).

¹⁵² See *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 28–29 (1st Cir. 1989). An example of this would be t-shirts. A t-shirt bearing the trademark of a clothing designer would not be a promotional good, while a t-shirt bearing the trademark of a sports team or beverage manufacturer would be a promotional good.

¹⁵³ See Peter E. Mims, Note, *Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks*, 63 TEX. L. REV. 639, 663 (1984).

¹⁵⁴ Lanham Act, Pub. L. No. 79-489, 60 Stat. 427, 437 (1946).

¹⁵⁵ Anne M. McCarthy, *supra* note 45 at 3348.

¹⁵⁶ *Id.* at 3348–49.

i. Promotional Goods and Sponsorship Confusion

Sponsorship confusion is best illustrated by cases involving promotional goods. The most famous case involving promotional merchandise is *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Manufacturing, Inc.*¹⁵⁷ Dallas Cap had been manufacturing patches depicting the emblems of National Hockey League ("NHL") teams.¹⁵⁸ While much of the decision grappled with the then-novel problem that the patches being sold were reproductions of the trademark itself and "unattached to any other goods or services[.]"¹⁵⁹ the heart of the decision lies where the court declares:

The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.¹⁶⁰

Even though consumers would not be misled into thinking the patches were manufactured by hockey players in the off-season, if it were not for the NHL's member team's goodwill, a market for Dallas Cap's patches would not exist.¹⁶¹

In what can easily be classified as an understatement, the court acknowledged its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs."¹⁶² *Dallas Cap* has been recognized as effectively "preclud[ing] the unauthorized merchandising of famous trade symbols without the inconvenience of an explicit analysis."¹⁶³ Other circuits, notably the Ninth, did not adopt this broad copyright style monopoly the Fifth Circuit granted in *Dallas Cap*.¹⁶⁴ While maintaining the rule as it relates to sports teams,

¹⁵⁷ 510 F.2d 1004 (5th Cir. 1975).

¹⁵⁸ *Id.* at 1008.

¹⁵⁹ *Id.* at 1010.

¹⁶⁰ *Id.* at 1012.

¹⁶¹ *Id.* at 1011.

¹⁶² *Id.*

¹⁶³ Cherniak, *supra* note 149, at 1324 (citing Robert C. Denicola, *Institutional Publicity Rights: An analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603, 607 (1984)).

¹⁶⁴ *Int'l Order of Job's Daughters v. Lindeburg and Co.*, 633 F.2d 912, 919 (9th Cir. 1980). Referring to *Dallas Cap*'s tilting the scales comment, the Ninth Circuit said: "We think that this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners. It is an extension we cannot endorse." *Id.*

even the Fifth Circuit retreated from the broad *Dallas Cap* grant of protection relatively quickly.¹⁶⁵ While circuit court inconsistencies and frequent lower court reversals highlight the “judicial indecision as to the proper scope of trademark rights, . . . it seems quite likely that monopolistic prohibition” of unlicensed promotional goods will continue.¹⁶⁶

The Ninth Circuit reached essentially the opposite conclusion from the Fifth Circuit in *International Order of Job’s Daughters v. Lindeburg & Co.*¹⁶⁷ There, the defendant was a jeweler who made and sold fraternal jewelry.¹⁶⁸ The plaintiff was a women’s fraternal organization that licensed the rights to produce official jewelry to at least one manufacturer since its inception in 1921.¹⁶⁹ Job’s Daughters brought the action for false designation of origin against Lindeburg for his continued use of its insignia.¹⁷⁰

In finding that Lindeburg did not infringe Job’s Daughter’s rights, the court examined how Lindeburg was using the insignia.¹⁷¹ Lindeburg was not using the insignia as a trademark, but rather as

a prominent feature of each item so as to be visible to others when worn, allowing the wearer to publicly express her allegiance to the organization. Lindeburg never designated the merchandise as “official” Job’s Daughters’ merchandise or otherwise affirmatively indicated sponsorship. Job’s Daughters did not show a single instance in which a customer was misled about the origin, sponsorship, or endorsement of Lindeburg’s jewelry, nor that it received any complaints about Lindeburg’s wares.¹⁷²

Lindeburg’s use of the insignia was functional, and therefore could not be found to infringe.¹⁷³

¹⁶⁵ Cherniak, *supra* note 149, at 1327.

¹⁶⁶ *Id.* at 1337; see *Kentucky Fried Chicken Corp. v. Diversified Packaging*, 549 F.2d 368, 388–90 (5th Cir. 1977) (declining to expand on the *Dallas Cap* decision).

¹⁶⁷ 633 F.2d 912, 920 (9th Cir. 1980).

¹⁶⁸ *Id.* at 914.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.* at 914, 916.

¹⁷¹ *Id.* at 917.

¹⁷² *Id.* at 920.

¹⁷³ *Id.* at 917, 920. “Trademark law does not prevent a person from copying so-called ‘functional’ features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product.” *Id.* at 917; see also 3 LOUIS ALTMAN, CALLMANN ON UNFAIR COMPETITION, TRADEMARK AND MONOPOLIES § 19:9 (4th ed. 2003) (providing a detailed analysis of functionality in trademark law).

ii. Promotional Goods Confusion

Because current trademark law requires a license to produce promotional goods, most of the consuming population assume sponsorship when they see a good bearing a trademark.¹⁷⁴ A feedback loop is created between the law and public perception of sponsorship.¹⁷⁵ If the law requires permission, the public will assume permission was granted when viewing promotional goods.¹⁷⁶ However, if the law does not require third parties to obtain permission prior to producing promotional goods, the public would not likely assume sponsorship.¹⁷⁷

Regardless of the consuming public's knowledge of the legal requirements to produce promotional goods, certain types of promotional goods are more likely to cause confusion than others. To keep with the example in *Dallas Cap*, pick your favorite sports team. If you are at a sporting goods store and see a shirt with the team's logo on it, it is probably a safe assumption that the shirt is licensed. This assumption can be made based on two key facts: a shirt is the type of product that normally receives a license, and it is for sale in a store surrounded by identical items. Conversely, if you saw the same logo hand-carved into a wood plaque or on a macramé wall hanging, it would be harder to assume sponsorship from the sports team. This assumption is based on the same two criteria. The handmade good is not a traditional promotional good like the shirt, and it is most likely sold somewhere other than traditional retailers—places like festivals and craft shows. It is unreasonable to assume an independent craftsman negotiated a license with a sports team.¹⁷⁸

The same level of sponsorship confusion is also likely to be found post-sale. Even a casual observer of a sports-team's shirt or a purchaser of the shirt at a second-hand store would likely assume sponsorship based solely on the type of product. The same is also true of observers and second-hand purchasers of the handmade goods. Even without the original sales context, a carved, wood plaque is not the type of product that is usually sold as a licensed good, and sponsorship would most likely not be inferred.¹⁷⁹

¹⁷⁴ MAGGS, *supra* note 145, at 308.

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* at 309.

¹⁷⁸ See Joseph A. DiMiceli & Matthew Shalloway, *Licensing: Key Considerations In Obtaining and Negotiating a Trademark License*, METROPOLITAN CORP. COUNS., Oct. 2008, at 44 (providing analysis of what a licensee must consider prior to entering into an agreement). Negotiating a trademark license "presents many challenging and complex issues for any business" and would be especially arduous for an independent craftsman. *Id.*

¹⁷⁹ It is not being asserted that simply because the likelihood of sponsorship confusion and post-sale confusion are low for handmade goods that producing handmade goods bearing a reproduction of a trademark is not infringement. As subsequent sections will make clear, this low probability of confusion

The tougher call regarding sponsorship confusion is with promotional goods that incorporate or are made from authentic and lawfully purchased trademarked goods. For the purposes of this Comment, this subset of promotional goods will be called “repurposed promotional goods.”¹⁸⁰

B. The Established Exceptions to the First Sale Defense Are Not Applicable to Repurposed Promotional Goods

Other than finding a likelihood of confusion, two exceptions to the first sale doctrine have been used by the courts.¹⁸¹ Both exceptions, materially changing the goods and inadequate repackaging notice, are based on preventing consumer confusion.¹⁸² While both exceptions serve their purpose well for most categories of goods, the exceptions do not work for repurposed promotional goods.

i. Materially Changed

The first sale defense has not been applicable where a product was materially changed.¹⁸³ This seems to be because the change creates a likelihood of confusion.¹⁸⁴ The Eleventh Circuit, in *Davidoff v. PLD International Corp.*, found an exception to the first sale defense where the defendant sold discounted bottles of fragrance that were intended for duty-free sales, but etched off the batch code that identified them for duty-free sales.¹⁸⁵ Because purchasers of the defendant’s bottles would likely believe the bottles had been tampered with, the goodwill of the plaintiff could be harmed and consumers could be confused.¹⁸⁶

The key to the material change exception is that the difference must be “one that consumers consider relevant to a decision about whether to purchase a product.”¹⁸⁷ While the threshold for materiality must be kept low,¹⁸⁸ “not all differences are material.”¹⁸⁹ The level of difference required

(specifically post-sale confusion) should allow authentic trademarked merchandise to be modified into new promotional style goods without infringing the rights of the trademark holder.

¹⁸⁰ A repurposed promotional good could consist of an entire good, which has been modified, or a trademark-bearing portion of a good, which has been modified or incorporated into a good serving a new purpose.

¹⁸¹ See 4 MCCARTHY, *supra* note 24, § 25:35 (explaining the *Prestonettes* rule); see also MCCARTHY, *supra* note 81, § 25:41 (explaining the first sale doctrine as it applies to unmodified goods).

¹⁸² *Id.*

¹⁸³ *Davidoff & CIE, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297, 1302 (11th Cir. 2001).

¹⁸⁴ 4 MCCARTHY, *supra* note 81, § 25:41.

¹⁸⁵ *Davidoff*, 263 F.3d at 1299, 1304.

¹⁸⁶ *Id.* at 1303.

¹⁸⁷ *Id.* at 1302.

¹⁸⁸ *Id.*

¹⁸⁹ *Brilliance Audio, Inc. v. Haight Cross Commc’ns, Inc.*, 474 F.3d 365, 370 (6th Cir. 2007). Plaintiff did not fail to state a claim for trademark infringement where Defendant repackaged retail versions of audio books as “library editions.” *Id.* at 371. Whether the repackaging was a material change,

to be material is fact sensitive and takes into account the type of products and the markets at issue.¹⁹⁰ Changes in repurposed promotional goods cannot be materially different as required by the precedent. As discussed above, promotional goods created from components of primary goods do not compete in the same market as the primary goods.¹⁹¹ Also, repurposed promotional goods are not the type that would create a likelihood of confusion, and because there is no likelihood of confusion, the primary maker's goodwill is not likely to be damaged. Therefore, although a promotional good crafted from an authentic trademarked item is altered, the material change exception to the first sale defense cannot apply.¹⁹²

ii. Inadequate Repackaging Notice

The second exception to the first sale defense harkens back to *Prestonettes, Inc. v. Coty*.¹⁹³ Evaluating a reseller's inadequate repackaging, the Ninth Circuit found discount retailer Costco liable for repackaging Enesco's Precious Moments figurines without disclaiming who had done the repackaging.¹⁹⁴ The consuming public might have attributed any damage that occurred to the figurines to the plaintiff, which would have damaged its goodwill.¹⁹⁵

For the same reasons the material change exception does not apply to the first sale defense of repurposed promotional goods, neither does the inadequate repackaging notice exception. The inadequate repackaging notice exception is to prevent consumer confusion about who did what to the product.¹⁹⁶ Because a repurposed promotional good is not sold as the original good, there is no confusion.

and therefore not protected by the first sale defense, is a "question of materiality [and] is a fact-based inquiry requiring an examination of the products and markets at issue." *Id.* at 370.

¹⁹⁰ *Id.* at 370.

¹⁹¹ See *supra* notes 179–80 and accompanying text.

¹⁹² This is contrary to prominent commenter J. Thomas McCarthy, who states, "it is only where the goods are resold without change that the 'first sale' or 'exhaustion' rule applies to cut off the trademark owner's rights." 4 MCCARTHY, *supra* note 24, § 25:41. This position is based on the argument that the resold goods are not genuine because they are not subject to the trademark holder's quality control. *Id.* This logic is sound in situations where the goods are being resold in competition with the trademark holder's version of the good, and any deterioration in the goodwill damage the trademark holder's goodwill. See *Davidoff*, 263 F.3d at 1302 (holding the resale of materially different product can be infringing); *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1084–85, 1087 (9th Cir. 1998) (holding the repackaging of the plaintiff's goods without proper notice infringed the trademark); *Monsanto Co. v. Haskel Trading, Inc.*, 13 F. Supp. 2d 349, 353, 358 (E.D.N.Y. 1998) (holding defendant was not permitted to purchase institutionally packaged EQUAL brand sweetener and resell in smaller quantities as the practice interfered with the plaintiff's right of quality control). The precedent, and consequently the McCarthy treatise, both evaluate first sale in situations where the goods being resold compete directly with the trademark holder's goods, which is not the case with repurposed promotional goods. It is therefore urged that repurposed goods be held outside the maxim stated by McCarthy.

¹⁹³ 44 U.S. 359, 369 (1924); see *supra* Part II.C.i.

¹⁹⁴ *Enesco*, 146 F.3d at 1084–85, 1087.

¹⁹⁵ *Id.* at 1087.

¹⁹⁶ *Id.* at 1086. "If the defendant's rebottling the Plaintiff's perfume deteriorates it and the public is adequately informed who does the rebottling, the public, with or without the plaintiff's assistance, is likely to find it out." *Id.* (quoting *Prestonettes v. Coty*, 264 U.S. 359, 368–69 (1924)).

C. Au-Tomotive Gold v. Volkswagen: Post-Sale Confusion Meets The First Sale Defense

In May of 2010, the Ninth Circuit heard a novel issue: the first sale defense was offered against alleged infringement created by post-sale confusion.¹⁹⁷ Au-Tomotive Gold (“Auto Gold”) is a firm that “produces and sells automobile accessories for specific makes of cars.”¹⁹⁸ This was the second time Auto Gold and Volkswagen appeared before the Ninth Circuit.¹⁹⁹ This time, the only issue before the court was whether or not Auto Gold infringed Volkswagen’s trademark by producing marquee license plates.²⁰⁰ The marquee plates were repurposed promotional goods.²⁰¹ Auto Gold produced the marquee plates by purchasing authentic Volkswagen badges that are ordinarily “used as replacements for the badges found on the hoods or trunks of Volkswagen vehicles” and mounted the badges on “plain silver or black plates.”²⁰²

Auto Gold asserted that the first sale doctrine was a defense to any potential confusion because the badges were authentic goods.²⁰³ The court disagreed with Auto Gold, finding that Auto Gold was a free-rider.²⁰⁴ To determine Auto Gold was, in fact, a free-rider, the court had to determine that there was post-sale confusion.²⁰⁵ The court arrived at this conclusion without performing a likelihood of confusion analysis as it did in the first *Au-Tomotive Gold v. Volkswagen* case, and simply stated that “[i]t is likely that a person on the street who sees an Auto Gold marquee license plate with a VW badge will associate the plate with Volkswagen.”²⁰⁶ Auto Gold did ship the marquee plates in packages that disclaimed sponsorship, but “[s]horn of their disclaimer-covered packaging, Auto Gold’s products display no indication visible to the general public that the items are not associated with” Volkswagen.²⁰⁷ Because of this, the court found there would be post-sale confusion.²⁰⁸

¹⁹⁷ See *Au-Tomotive II*, 603 F.3d 1133, 1136 (9th Cir. 2010). Recognizing the novelty of the issue, the court stated, “[i]n each case in which a court has applied the ‘first sale’ doctrine, the court either had good reason not to be concerned with post-purchase confusion or took steps to avoid addressing the issue.” *Id.* at 1138.

¹⁹⁸ *Id.* at 1134.

¹⁹⁹ *Au-Tomotive I*, 457 F.3d 1062, 1065 (9th Cir. 2006). Auto Gold is not a sympathetic defendant. Without a license, Auto Gold used Volkswagen’s trademark to produce key chains, license plates, and license plate covers. With the exception of the marquee license plates, Auto Gold created duplications of Volkswagen’s trademark. *Id.*

²⁰⁰ *Au-Tomotive II*, 603 F.3d at 1135.

²⁰¹ See *supra* Part III.A.ii.

²⁰² *Au-Tomotive II*, 603 F.3d at 1135.

²⁰³ *Id.*

²⁰⁴ *Id.* at 1138 (“If a producer profits from a trademark because of post-purchase confusion about the product’s origin, the producer is . . . a free-rider.”).

²⁰⁵ *Id.*

²⁰⁶ *Id.*

²⁰⁷ *Id.* (citing *Au-Tomotive I*, 457 F.3d 1602, 1077–78 (2006)).

²⁰⁸ *Id.*

The court acknowledged the long history of first sale cases²⁰⁹ but dismissed its application to situations involving post-sale confusion.²¹⁰ By pointing to two prior Ninth Circuit decisions²¹¹ that found a likelihood of post-sale confusion of modified goods, the court held that post-sale confusion would prevail over the first sale defense.²¹² In both of the cited cases, the defendant's modified goods competed directly with the plaintiff's primary good.²¹³ To demonstrate just how harmful the court believes the problem of free-riding is, the court provided an example based on *Rolex Watch, U.S.A. v. Michel Co.*²¹⁴ This example is not persuasive when applied to Auto Gold's marquee plates. A situation where post-sale confusion is created when modified Rolex watches are sold still bearing the ROLEX trademark is not analogous to Auto Gold's selling marquee plates that do not compete with Volkswagen's primary good: vehicles. The danger in this reasoning is that courts following the Ninth Circuit's precedent may now determine that any post-sale confusion could allow trademark holders to stop others from selling goods they lawfully obtained and modified, but do not compete with the trademark holder's good.²¹⁵

IV. SOLUTION AND ANALYSIS

The first sale defense should allow authentic goods to be modified into repurposed promotional goods that do not compete in the trademark owner's primary product category.²¹⁶ This is different than *Dallas Cap* and

²⁰⁹ *Id.* at 1136–37, (citing *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924); *Sebastian Int'l Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1077 (9th Cir. 1995); *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1084–85 (9th Cir. 1998); *Alexander Binzel Corp. v. Nu-Tecsys Corp.*, 785 F. Supp. 719 (N.D. Ill. 1992); *Major League Baseball Players Ass'n v. Dad's Kid Corp.*, 806 F. Supp. 458 (S.D.N.Y. 1992); *Scarves by Vera, Inc. v. Am. Handbags Inc.*, 188 F. Supp. 255 (S.D.N.Y. 1960)).

²¹⁰ *Id.* at 1138. "In *Prestonettes*, there was no suggestion that a third-party could be confused about, or even be aware of, the origin of the facial cream or perfume used by a purchaser." *Id.*

²¹¹ *Au-Tomotive II*, 603 F.3d 1133, 1137 (9th Cir. 2010) (citing *Karl Storz Endoscopy-Am., Inc. v. Surgical Tech., Inc.*, 285 F.3d 848, 852 (9th Cir. 2002) (Defendant repaired Plaintiff's endoscopes, sometimes replacing every part except a block emblem bearing the plaintiff's trademark. Actual confusion as to who was responsible for malfunctions was evidenced by customer complaints directed at Plaintiff for rebuilt endoscopes of the defendant); *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 706–07 (9th Cir. 1999) (stating that used Rolex watches were reconditioned and customized by Defendant while retaining the original ROLEX trademark)).

²¹² *Id.* at 1138.

²¹³ *See id.* (citing *Karl Storz Endoscopy*, 285 F.3d at 852; *Rolex Watch*, 179 F.3d at 706–07).

²¹⁴ *Id.* at 1337; *Rolex*, 179 F.3d at 709. In *Rolex*, the defendant used unauthorized parts when restoring and modifying ROLEX watches. The restored and modified watches were sold as ROLEX watches in competition with the plaintiff's watches. *Id.* at 709.

²¹⁵ *See Mary Beth Walker, Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc.*, 2010 WL 1794018 (9th Cir. May 6, 2010), INCONTESTABLE, http://www.finnegan.com/files/upload/Incontestable_May10_1.html (last visited Apr. 18, 2012) (concluding "likelihood of post-sale confusion may render the defense inapplicable" when disclaiming labels cannot be seen by a post purchase public).

²¹⁶ However, there are obviously individuals and entities that would most likely prefer the *Au-Tomotive Gold* decision expanded as broadly as possible. Organizations, such as sports leagues, earn considerable revenue through promotional merchandise. *See Brent Jones, Clamping Down on Counterfeits: NFL Officials Seek Out Vendors in City Selling Unlicensed Ravens Merchandise*, BALTIMORE SUN, Jan. 16, 2009, available at http://articles.baltimoresun.com/2009-01-16/news/0901150158_1_ravens-ruzicka-licensed-apparel. Based on the large amount of money at stake, and the for profit motive of the National Football League, it seems likely a position would be taken to not allow

Job's Daughters because those cases involved unlicensed trademark duplication, rather than repurposing authentic goods.²¹⁷ A new test should be used by courts to determine if a repurposed promotional good infringes any trademarks.

*A. A New Test for Balancing Post-Sale Confusion and the First Sale Defense*²¹⁸

An appropriate test for evaluating whether the first sale defense should defeat a claim based on post-sale confusion should look back to the primary purpose of trademark law—to protect consumers from confusion.²¹⁹ This can best be accomplished by combining elements of circuit court tests for infringement.²²⁰ Not all factors used in determining infringement are applicable to weighing post-sale confusion against the first sale defense in situations involving repurposed promotional goods. Many factors the circuits use in evaluating infringement look to whether two marks are similar.²²¹ For repurposed promotional goods, the marks will necessarily be similar because the junior user's good includes an exact, or at least modified, authorized embodiment of the senior user's mark.

Also, factors evaluating the intent of the junior user should not be considered when evaluating the first sale defense against post-sale confusion.²²² While these factors are helpful in evaluating the likelihood of

repurposed promotional goods, even in situations passing the below proposed repurposed goods confusion test. *See id.* (attorney for NFL estimates “U.S. businesses lose about \$250 billion a year in revenue because of the counterfeit market”); *but see* Ron Coleman, *Counterfeit Arguments*, LIKELIHOOD OF CONFUSION (Jan. 18, 2009), <http://www.likelihoodofconfusion.com/?p=1886> (doubting the \$250 billion figure).

²¹⁷ Whether duplication of trademarks on promotional goods should be allowed is beyond the scope of this Comment. However, it appears to be settled law that trademark law does not permit such actions. *See* Cherniak, *supra* note 149, at 1337.

²¹⁸ Aside from independent analysis of the first sale defense and post-sale confusion, it should also be noted the Supreme Court recently held that the codified defense of fair use prevails over actual consumer confusion. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 119–20 (2004). Prior cases “do not stand for the proposition that an assessment of confusion alone may be dispositive.” *Id.*; *see also* Michael Fuller, *Fair Use Trumps Likelihood of Confusion in Trademark Law the Supreme Court Rules* in KP Permanent v. Lasting Impression, 2006 B.C. INTEL. PROP. & TECH. F. 11001, Part IV.D.

²¹⁹ *See supra* Part II.

²²⁰ *Id.*

²²¹ *See* Application of E. I. du Pont de Nemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973); Pignons S.A. de Mecanique de Precision v. Polaroid Corp., 657 F.2d 482, 487 (1st Cir. 1981); Polaroid Corp. v. Polarad Elec. Corp., 287 F.2d 492, 495 (2d Cir. 1961); Interpace Corp. v. Lapp, Inc., 721 F.2d 460, 463 (3d Cir.1983); Petro Stopping Centers, L.P. v. James River Petroleum, Inc., 130 F.3d 88 (4th Cir. 1997); The Southern Co. v. Dauben Inc., No. 08-10248 (5th Cir. 2009); Wynn Oil Co. v. Thomas, 839 F.2d 1183 (6th Cir. 1988); Barbecue Max, Inc. v. 551 Ogden, Inc., 235 F.3d 1041 (7th Cir. 2000); SquirtCo v. Seven-Up Co., 628 F.2d 1086 (8th Cir. 1980); AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir.1979); Sally Beauty Co., Inc. v. Beautyco, Inc., 304 F.3d 964, 972 (10th Cir. 2002); Safeway Stores, Inc. v. Safeway Discount Drugs, Inc., 675 F.2d 1160, 1163 (11th Cir. 1982); *see also* 3A LOUIS ALTMAN, CALLMANN ON UNFAIR COMPETITION, TRADEMARK AND MONOPOLIES § 21:10 (4th ed. 2009) (providing list of each circuit's test for likelihood of confusion).

²²² *See* ALTMAN, *supra* note 221, § 21:10. Except for the Federal Circuit, each circuit's test for likelihood of confusion includes an element evaluating the intent of the defendant. *Id.*

confusion,²²³ considering them in a post-sale context does not afford the first sale defense enough leverage to overcome the brand loyalty reasons why trademarked goods are repurposed instead of non-trademarked goods.²²⁴ However, if the intent of the junior user is to “palm off its goods as those of the [senior user],”²²⁵ the junior user’s bad faith should not be tolerated under any defense. This level of bad faith is unlikely to appear with repurposed promotional goods because repurposed promotional goods do not compete against the trademark holder’s primary goods.²²⁶

The test should be a multi-factor evaluation of: the trademark holder’s mark; the trademark holder’s use of the mark; and the repurposed promotional good’s product category.²²⁷ The factors should be weighted differently, giving more emphasis to certain elements, and no single factor should be dispositive. The primary purpose in evaluating the factors should be to stop legitimate post-sale confusion, rather than granting trademark holders monopolistic rights. This repurposed goods confusion test should consist of: (1) the likelihood that the plaintiff will “bridge the gap” and offer a product like the defendant’s; (2) the relatedness of the goods; (3) evidence of actual confusion at time of initial sale of the repurposed promotional good; and (4) the ease at which the repurposed promotional good can be determined to be handcrafted.

i. Bridging the Gap

The single most important factor in the test should be the likelihood that the trademark holder will “bridge the gap” between their primary trademark bearing product and the allegedly infringing product.²²⁸ This factor serves two purposes: it allows trademark holders enough leeway to

²²³ See *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1515 n.9 (11th Cir. 1984). Evidence of the defendant’s intent to “ride on the coattails” of the plaintiff was properly considered where Defendant’s new shrimp boat business used a very similar mark to an established shrimp packaging company. *Id.*

²²⁴ E-mail from Etsy.com Seller #2 (Jan. 20, 2011, 6:14 PM) (on file with author) (“I think most artists risk offering trademarked designs because there are a reasonable number of brand loyal customers willing to purchase them, and it helps pay the bills.”). The names of participating Etsy.com sellers have been withheld to preserve their anonymity. The seller numbers are used to distinguish between multiple sellers who contributed to this Comment, and do not correspond to any Etsy.com identification system.

²²⁵ *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002). The Seventh Circuit’s likelihood of confusion factor for evaluating the intent of the defendant is different than many other circuits in that it looks at the intent to palm off goods as those of the plaintiff, as opposed to the intent to merely trade on the goodwill of the plaintiff. *Id.* This standard should be applied when evaluating post-sale confusion and the first sale defense in repurposed goods cases.

²²⁶ See *infra* Part IV.A.ii.

²²⁷ This is distinct from traditional trademark infringement analysis, which looks at both parties’ trademarks. In cases of repurposed promotional goods, only one trademark is involved. It therefore becomes necessary to look at the use of the alleged infringer, and not the mark itself. See *supra* notes 21–26 and accompanying text.

²²⁸ See *Lever Bros. Co. v. Am. Bakeries Co.*, 693 F.2d 251, 253 (2d Cir. 1982). The court held that the defendant’s use of AUTUMN for bread did not infringe the plaintiff’s use of AUTUMN for margarine due to the plaintiff being unlikely to bridge the gap between the two products despite both products being sold in the same stores to consumers who exercised relatively little care in selecting products. *Id.* at 258.

expand their businesses; and it allows them to enter new product markets using accumulated strength in their mark to have immediate brand recognition in the new category. Careful application of this factor will also avoid consumer confusion.

In a time where mergers are common and global conglomerates continue to expand into new product categories,²²⁹ this factor appears to give *carte blanche* to the largest and most powerful companies to stop smaller manufacturers of repurposed promotional goods in their tracks. This may be true in cases of companies like the fictional Acme from the Warner Brothers cartoon series, which produces everything from anvils to exploding tennis balls, or the very real mega-brand Virgin, which uses the same family mark for dozens of products and services including record stores, mobile phones, wine, financial services, air travel, and even space tourism.²³⁰

Many large corporations, however, are not like Acme or Virgin. Several are in the business of producing consumer goods and use separate trademarks on each product rather than using a unifying family of trademarks.²³¹ Corporations like Procter & Gamble²³² and S. C. Johnson & Son²³³ produce numerous types of goods, but, without paying close attention, a consumer is not likely to know that the BOUNTY and VIDAL SASSOON trademarks are held by the same company.²³⁴

The test for weighing post-sale confusion against the first sale defense should not be concerned simply with whether a company is likely to expand into a new product category, but whether the company will use the trademark at issue on the new product.²³⁵ Therefore, looking only at this

²²⁹ See 2 SIMON PECK & PAUL TEMPLE, *MERGERS AND ACQUISITIONS: MOTIVATION* 48, (2002). "Conglomerates diversify into new businesses when opportunities in them surpass current internal opportunities." *Id.*

²³⁰ See *Virgin Companies*, VIRGIN, <http://www.virgin.com/company> (last visited Apr. 18, 2012); VIRGIN, Registration No. 1039574 (sound recordings); VIRGIN GALACTIC, Registration No. 3535624 (space travel agency services); VIRGIN, Registration No. 33245593 (alcoholic beverages); VIRGIN, Registration No. 3398248 (banking services); VIRGIN MOBILE, Registration No. 2770775 (mobile telephones); VIRGIN AMERICA, Registration No. 3541731 (air transportation).

²³¹ A family mark is a "surname" used on a collection of trademarks used by a single holder, but distinguishes different products. 4 MCCARTHY, *supra* note 24, § 23:61. The advantage is that customers will quickly realize the source of a product, while allowing the mark holder to use different names for different products. *Id.* A famous example is "Mc" or "MAC" used by McDonald's Corp. The MCRIB, BIG MAC, and MCNUGGET trademarks identify different products, but also inform customers of their singular source. See *id.*

²³² See *All Brands*, PROCTER & GAMBLE, http://www.pg.com/en_US/brands/all_brands.shtml (last visited Apr. 18, 2012).

²³³ See *Our Brands*, S. C. JOHNSON & SON, <http://www.scjohnson.com/en/products/brands.aspx> (last visited Apr. 18, 2012).

²³⁴ BOUNTY, Registration No. 3810752; VIDAL SASSOON, Registration No. 1861830; see also *All Brands*, PROCTER & GAMBLE, http://www.pg.com/en_US/brands/all_brands.shtml (last visited Apr. 18, 2012).

²³⁵ See *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 613 F. Supp. 735, 743 (S.D.N.Y. 1985). There are currently two levels of analysis used by the courts to determine if a mark holder will bridge the gap: one looks only to the probability that a mark holder will enter the new market; the other requires the plaintiff to show it plans to enter the defendant's market soon. See 4 MCCARTHY, *supra* note 24, § 24:17.

first factor, it may be acceptable to allow a Vidal Sassoon shampoo bottle to be repurposed as a promotional good due to Procter & Gamble's history of using new trademarks when expanding into new markets, but a promotional good repurposed from a VIRGIN branded product might not pass this factor.²³⁶ In the event that the product category occupied by the repurposed good becomes economically appealing to the trademark holder, the holder can "bridge the gap" and the first factor of the repurposed goods confusion test would foreclose any future repurposing in that category.²³⁷

ii. Relatedness of the Goods

In situations where the alleged infringing product does not compete directly with the trademark holder's primary good, courts should not apply doctrines and precedent that address competing goods. The proximity of the trademark holder's primary product²³⁸ and the alleged infringer's repurposed promotional good should be weighed almost as heavily as the first factor. This factor is aimed at preventing post-sale confusion. If the trademark holder's primary product category and the repurposed promotional good's category are natural partners, there is a substantial risk that consumers and post-sale observers would assume the repurposed good was manufactured by the trademark holder.²³⁹

The relatedness factor is separate from the first factor, but some overlap may exist. If an electronics company has manufactured laptop computers for twenty years, and has expressly stated it will not expand their trademark to laptop carrying cases, it is unlikely that the company will "bridge the gap."²⁴⁰ However, the relatedness of the goods might not permit repurposed trademarks to be attached to laptop carrying cases. Because the two products are natural partners, the admitted small possibility of the trademark holder "bridging the gap" still does not prevent consumer confusion.

To afford greater leeway to the first sale defense, the repurposed promotional goods test should incorporate the requirement that plaintiff show it intends to bridge the gap soon. However, some courts already presume the mark holder will bridge the gap. *Tuxedo Monopoly, Inc. v. General Mills Fun Group, Inc.*, 648 F.2d 1335, 1336 (C.C.P.A. 1981) (finding "it is a matter of common knowledge that famous marks are frequently used on [promotional goods]," and that it can be presumed the mark holder will bridge the gap).

²³⁶ Even though Virgin has a propensity to use the same family mark and expand into new product markets, under the analysis in *Lois Sportswear*, Virgin would have to be able to prove it had the intent to enter the product market of the repurposed good soon.

²³⁷ See *Lois Sportswear*, 631 F. Supp. at 743. To demonstrate a likelihood of bridging the gap, a trademark holder must demonstrate it actually intends to use its mark in the product class occupied by the junior user. *Id.*

²³⁸ The identity of the primary product should be apparent through the application of the first factor. See *supra* Part IV.A.i.

²³⁹ See *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 220 (D. Md. 1988) (finding "lodging and fast foods are natural partners").

²⁴⁰ However, this express statement could be overcome by the electronics company's decision to enter the laptop carrying case market and bridging the gap. See *supra* Part IV.A.i.

iii. Evidence of Actual Confusion at Time of Initial Sale

In the context of repurposed promotional goods, actual confusion should be measured when the repurposed promotional good is first sold. This is distinct from any confusion that existed at any point prior to the repurposed good being sold for the first time, or any post-sale confusion that may arise. “Most courts agree that actual confusion is one of the most important factors, if not the most important factor,” in an infringement analysis.²⁴¹ Since the purpose of trademark law is to prevent consumer confusion, if any evidence of actual confusion existed at the time the repurposed good was first sold, the repurposed good most likely infringes the holder’s trademark.²⁴²

Evidence of actual post-sale confusion may be considered, but extremely high deference should be given to the first sale defense. Any post-sale confusion would have to be so overwhelming to overcome this presumption that it is likely that confusion would have existed at the time of the initial sale. The reason to allow only evidence of actual confusion at the time of the initial sale is to give the first sale defense some teeth against any potential post-sale confusion that would not indicate confusion at the time of the initial sale.

iv. Hand Crafted Appearance

It should not be necessary for a repurposed promotional good to appear like a craft project in order to be found non-infringing, but if a product appears to be handmade there is a lower chance that post-sale confusion will exist.²⁴³ Several circuits have elements evaluating the similarity of trade channels in their likelihood of confusion test.²⁴⁴ These factors would help many repurposed goods be found non-infringing, but only work for point-of-sale confusion. Evaluating the similarity of trade channels is not relevant in a post-sale context where the good is removed from traditional trade channels and placed into a secondary market or simply observed in use.

Even without knowing exactly what trade channels a good came from, a buyer in the secondary market or an observer could form an

²⁴¹ Michael J. Allen, *The Role of Actual Confusion Evidence in Trademark Infringement Litigation*, 83 TRADEMARK REP. 267, 267 (May–June, 1993).

²⁴² See *supra* Part II.

²⁴³ E-mail from Etsy.com Seller #1 (Jan. 16, 2011, 3:01 PM) (on file with author) (asserting even in a post-sale context, it is unlikely that consumers will believe Microsoft or Toshiba made writing journals from trademarked floppy disks).

²⁴⁴ See Application of E. I. du Pont de Nemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973) (“[S]imilarity or dissimilarity of established, likely-to continue trade channels” is a factor to be considered in evaluating likelihood of confusion); see also ALTMAN, *supra* note 221, § 21:10 (stating that, in addition to the Federal Circuit, the First, Third, Fourth, Sixth, Ninth, Tenth, and Eleventh Circuits evaluate the similarity of marketing or trade channels when determining likelihood of confusion).

educated guess based on the appearance of the good.²⁴⁵ If an item appears to be handmade, it is more likely to have come from an independent seller through non-traditional retail channels. This factor, like all others in the repurposed goods confusion test, is not dispositive when evaluating post-sale confusion against the first sale defense. Therefore, a producer of repurposed promotional goods should not automatically be penalized for producing high quality products, but if a good appears to be handmade, a lower chance of post-sale confusion exists.

B. Application of the Proposed Repurposed Goods Confusion Test

As with all multi-factor analysis tests, practical application of the factors is helpful for future use. First, the repurposed goods confusion test is applied to Auto Gold's marquee license plates. Second, a trademark-bearing hubcap that has been repurposed into a wall clock is put through the test.

i. Auto Gold's Marquee License Plate

So, where does the product that sparked the first head-to-head match of post-sale confusion and the first sale defense fall when applied to the repurposed goods confusion test? It turns out the Ninth Circuit reached the correct conclusion, but could have done so in a way that left less confusing repurposed promotional goods on solid legal footing by applying a better balancing test.

Auto Gold's marquee license plates did incorporate an authentic Volkswagen emblem, and a non-identification license plate is a promotional good.²⁴⁶ Therefore, the Auto Gold plates were repurposed promotional goods. Three of the four factors in the proposed repurposed goods confusion test, however, militate against Auto Gold. Volkswagen went beyond the possibility of "bridging the gap" and actually closed it.²⁴⁷ Volkswagen's licensing of its trademark to have license plates produced puts the most important factor in Volkswagen's favor.²⁴⁸ The second factor also goes to Volkswagen because license plates and automobiles are certainly natural partners.²⁴⁹

The third factor is the only one that favors Auto Gold. There was no actual confusion at the time of initial sale.²⁵⁰ This is most likely due to

²⁴⁵ E-mail from Etsy.com Seller #2 (Jan. 20, 2011, 6:14 PM) (on file with author) (stating seller believes post-sale customers will not be confused "because of the handmade quality" of the items).

²⁴⁶ See *Au-Tomotive II*, 603 F.3d 1133, 1134 (9th Cir. 2010).

²⁴⁷ *Au-Tomotive I*, 457 F.3d 1062, 1065 (9th Cir. 2006).

²⁴⁸ *Id.*

²⁴⁹ These are even more closely related than lodging and fast food. See *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 220 (D.Md. 1998).

²⁵⁰ See *Au-Tomotive II*, 603 F.3d at 1134-39 (9th Cir. 2010) (discussing only post-sale confusion).

Auto Gold's use of a package disclaimer.²⁵¹ The fourth and final factor lets Volkswagen put the final nail in the marquee license plates' coffin. While not dispositive alone, the professional appearance of Auto Gold's marquee plates in conjunction with the other factors leads to a very high possibility of post-sale confusion, and should be deemed infringing.²⁵²

ii. Etsy.com

While Auto Gold's marquee license plate may have failed the repurposed goods confusion test, there are many goods that would be able to pass this test and be found non-infringing. Many of these products may be found for sale on Etsy.com.²⁵³ What eBay did for the garage sale, Etsy.com has done for the craft fair.²⁵⁴ Etsy.com is a website where individuals and small companies can sell handmade goods.²⁵⁵ While not all trademark-bearing products on Etsy.com pass the repurposed goods confusion test, many do.²⁵⁶

An example of a product that would pass the repurposed goods confusion test is a wall clock made from a Volkswagen hubcap.²⁵⁷ The hubcap was authentically produced and sold as part of a car and bears the same trademark disputed in the *Au-Tomotive II* case. To turn the hubcap into a wall clock, numbers have been added along the perimeter of the hubcap, and a clock mechanism has been inserted in the rear of the hubcap. This product passes all four factors of the repurposed goods confusion test.

There is currently no indication that Volkswagen intends to enter the business of creating wall clocks. In nearly seventy-five years of

²⁵¹ See *Au-Tomotive I*, 457 F.3d at 1077–78.

²⁵² AU-TOMOTIVE GOLD, INC., <http://www.autogold.com> (last visited Apr. 18, 2012) (depicting high quality marquee plates).

²⁵³ ETSY, <http://www.etsy.com> (last visited Apr. 18, 2012).

²⁵⁴ See Rob Walker, *Handmade 2.0*, N.Y. TIMES MAG., Dec. 16, 2007, at 76, available at http://www.nytimes.com/2007/12/16/magazine/16Crafts-t.html?_r=3&oref=slogin&ref=magazine&page_wanted=all. More than 70,000 crafters, mostly women, use Etsy.com to sell their wares. *Id.* Many sellers (and their buyers) embrace the handmade nature of Etsy.com's products as better for the environment because "mass production is a 'major cause' of global warming." *Id.*

²⁵⁵ *Id.*

²⁵⁶ Several products on Etsy.com incorporate reproductions of trademarks, and demonstrate classic trademark infringement in its most basic form. See *Stephanie's Embroidery*, ETSY, <http://www.etsy.com/people/stephaniesembroidery> (last visited Apr. 18, 2012) (selling linens embroidered with famous trademarks); *Vinyl Culture*, ETSY, <http://www.etsy.com/people/VinylCulture> (last visited Apr. 18, 2012) (selling vinyl decals depicting famous trademarks).

²⁵⁷ E-mail from Etsy.com Seller #3 (Jan. 28, 2011, 12:03 AM) (on file with author). Seller acknowledges customers purchase particular hubcap wall clocks because of a loyalty to a particular brand. Seller believes this activity "falls under fair use aspects of the law" and draws comparisons to Andy Warhol's Campbell's soup paintings. *Id.* This type of self-analysis seems in line with how many outside the legal community view intellectual property. See *Repurposed Art: Legal Uses of Others' Copyrighted Artwork*, THE ARTFUL CRAFTER, <http://www.theartfulcrafter.com/art-one.html> (last visited Apr. 30, 2012) (providing a non-lawyer's analysis of the legality of selling repurposed goods. While many of the legal conclusions drawn are incorrect, the article provides insight into how individuals without legal training, but are who are actively involved in the industries at issue in this Comment, perceive their legal rights.).

existence, Volkswagen has not lent its trademark to any primary good other than automobiles.²⁵⁸ It is, therefore, very unlikely that Volkswagen will “bridge the gap” between automobiles and wall clocks. It is also hard to imagine a logical nexus between automobiles and wall clocks, and it seems unlikely that a court would conclude the two are natural partners.

Even in situations where a logical nexus could be found, many trademark holders not only acquiesce to the use of their trademark on repurposed promotional goods, but also actively engage the seller and purchase the goods.²⁵⁹ One Etsy.com seller repurposes glass bottles into drinking glasses, and a logical nexus could be drawn between bottled beverages and drinking glasses.²⁶⁰ The seller of repurposed bottles has sold drinking glasses to several large beverage companies.²⁶¹ Another Etsy.com seller creates model airplanes from Coca-Cola cans.²⁶² Recognizing the level of creativity required to produce the model airplanes, Coca-Cola purchased and used a photograph of the model on a t-shirt and distributed the shirts at a festival.²⁶³

Also important in evaluating the hubcap wall clock would be Volkswagen’s inability to cite any actual confusion at the time of the original sale.²⁶⁴ A large part of this may be because the goods are sold on Etsy.com, where independent and handmade are the standards.²⁶⁵ Although the original retail location for the repurposed good is not considered in evaluating post-sale confusion, the lack of any actual confusion shows there is less likely to be any post-sale confusion. While not apparent in a post-sale context, the original retail location of Etsy.com is a strong indicator that the hubcap wall clocks will be subjectively viewed as handmade. Even once a hubcap wall clock is shorn of its disclaiming point-of-sale, the hubcap wall clocks have an intrinsic handmade quality.²⁶⁶

²⁵⁸ See *History*, VOLKSWAGEN, http://www.volkswagen.com/vwcms/master_public/virtualmaster/en2/unternehmen/geschichte.html (last visited Apr. 18, 2012) (discussing Volkswagen’s long history of producing automobiles, and not mentioning any other primary products); see also VOLKSWAGEN, Registration No. 790621 (automobiles); VOLKSWAGEN SERVICE, Registration No. 2647965; VOLKSWAGEN, Registration No. 1378042 (clothing) (While outside of Volkswagen’s principal good of automobiles, this registration is in line with traditional promotional goods. Promotional goods are by definition not primary goods, and should not preclude all repurposing of trademark bearing goods.); VOLKSWAGEN, Serial No. 78953785 (While this category does cover wall clocks, the fact that Volkswagen’s use of their trademark in this category would be for promotional purposes, and the fact that the category was cancelled from the registration should not impede the legal repurposing of a Volkswagen hubcap as a wall clock).

²⁵⁹ See, e.g., E-mail from Etsy.com Seller #4 (Jan. 29, 2011, 12:51 AM) (on file with author).

²⁶⁰ *Id.*

²⁶¹ *Id.*

²⁶² See E-mail from Etsy.com Seller #5 (Jan. 28, 2011, 7:50 PM) (on file with author).

²⁶³ *Id.* Seller #5 was paid a fee for the right to use the photo. *Id.*

²⁶⁴ E-mail from Etsy.com Seller #3 (Jan. 28, 2011, 12:03 AM) (on file with author). No customers have ever asked if there was any endorsement from Volkswagen. *Id.*

²⁶⁵ See *About Etsy*, ETSY, http://www.etsy.com/about?ref=ft_about (last visited Apr. 18, 2012).

²⁶⁶ See *Au-Tomotive II*, 603 F.3d 1133, 1138 (9th Cir 2010).

Many other products sold on Etsy.com and through other channels should be able to pass the repurposed goods confusion test and should continue to be sold without fear of legal action from trademark holders. The Etsy.com seller who repurposes glass bottles was sent a cease and desist letter from a wine maker for repurposing trademark bearing wine bottles into drinking glasses.²⁶⁷ While not believing the glassware violated any rights of the wine maker, the seller stopped selling the drinking glasses to avoid any further action.²⁶⁸ This is exactly the kind of situation where an established repurposed goods confusion test would have allowed a seller of repurposed goods to continue selling with confidence in their legal position.

V. CONCLUSION

After coming to the conclusion that the vanity plate on your bright, shiny, new Volkswagen infringes Volkswagen's trademark, damaging the goodwill your favorite purveyor of good German design, you decide to remove it.²⁶⁹ Again, the front of your new Volkswagen is looking a little bare. While you are still just as passionate about good German design, you do have other interests. What about a repurposed good attached to your license plate that shows your love of Swedish furniture or Guatemalan coffee?

The first sale defense should not be a license to create rampant consumer confusion on any level. But for the defense to mean anything in a system where trademark rights have expanded far beyond their originally enacted purpose, some roadblocks need to be constructed to allow individuals and companies who lawfully purchase trademark-bearing goods to repurpose those goods—even for profit. The proposed repurposed goods confusion test allows an appropriate level of repurposing while still permitting the trademark holder to protect its goodwill and strikes the right balance between both purposes of modern trademark law. Application of this test in the future will establish a healthy doctrine allowing fair, and denying unfair, competition. This is only fair in a hyper-commercialized world where consumers often feel like partners in the brand.²⁷⁰

²⁶⁷ E-mail from Etsy.com Seller #4 (Jan. 29, 2011, 12:51 AM) (on file with author).

²⁶⁸ *Id.* This resolution was easily reached because the drinking glasses made from this particular wine manufacturer were not very popular. *Id.*

²⁶⁹ See *supra* Part I.

²⁷⁰ See Ross D. Petty, *Recognizing the Rights of Consumers as Brand Co-owners*, 17 J. OF PRODUCT & BRAND MGMT. 414, 414 (2008) ("Consumers determine whether brands succeed or fail in the marketplace").