



RE:FASHION

**Legal Issues
in the
Circular Economy**

Thursday, October 25, 2018



FASHION LAW
INSTITUTE®

CLE MATERIALS

RE:FASHION

Legal Issues in the Circular Economy

October 25, 2018

Reception: 5:30pm

Panel: 6:00 - 7:15pm

Fordham University School of Law

150 W. 62nd Street

2nd Floor, Bateman Room

New York, NY 10023

SPEAKERS:

- **Jana Checa Chong**, Senior Intellectual Property Counsel, Louis Vuitton North America
- **Julie Golden**, Head of Operations, ADAY
- **John Maltbie**, Director of Civil Enforcement, Intellectual Property, Louis Vuitton North America
- **Allyson Tenney**, Director, Division of Engineering (Textile Flammability and Electrical), U.S. Consumer Product Safety Commission
- **Sonia Valdez**, Legal Counsel, eBay
- **Gail Wheeler**, Vice President and Legal Counsel, Hermès

MODERATOR:

- **Jeffrey Trexler**, Attorney and Associate Director, Fashion Law Institute



FASHION LAW
INSTITUTE®

SPEAKERS' BIOGRAPHIES

JANA CHECA CHONG

Senior Intellectual Property Counsel, Louis Vuitton North America

Jana Checa Chong has served as Intellectual Property Counsel at Louis Vuitton Americas since February 2014. In her role at Louis Vuitton, Jana is involved in the civil enforcement of the intellectual property rights of Louis Vuitton as well as various LVMH fashion group brands including Christian Dior, Céline, Givenchy, Marc Jacobs, Emilio Pucci, Kenzo, Loewe and Berluti. Prior to joining Louis Vuitton, Jana was an associate attorney in the New York office of Gibson, Dunn & Crutcher LLP. Her practice focused on intellectual property litigation and white collar defense and investigations. As part of Jana's intellectual property practice, she had extensive experience representing brand owners in trademark infringement actions relating to internet-based counterfeiting. Jana received a B.A. in International Affairs from the George Washington University and a J.D. from Fordham University School of Law. While at Fordham Law, Jana served as Associate Editor on the Fordham Law Review and Managing Editor of the Fordham Moot Court Board. Her student note, *Sentencing Luxury: The Valuation Debate in Sentencing Traffickers of Counterfeit Luxury Goods*, was published in the December 2008 issue of the *Fordham Law Review*.

JULIE GOLDEN

Head of Operations, ADAY

Julie Golden is the Head of Operations at ADAY, a fast-growing direct-to-consumer brand creating consciously designed, versatile essentials.

ADAY fuses minimal designs with technical fabrics and a sustainable supply chain. With that, we're setting a new standard for clothing, one that focuses on simplicity + functionality to create clothing that does more with less. Our community consists of entrepreneurs, visionaries, travelers + changemakers and our customers wear our simplified capsule wardrobe to travel, work + whatever life brings.

Julie joined ADAY one year after launch in May 2016. She is a CPA and previously worked at Ernst & Young in public accounting.

JOHN MALTBIE

Director of Civil Enforcement, Intellectual Property, Louis Vuitton North America

John Maltbie has served as the Director of Intellectual Property, Civil Enforcement for Louis Vuitton Americas since October 2012. In that role, he oversees the intellectual property civil litigation and enforcement activities for some of the world's most famous luxury brands, including, Louis Vuitton, Christian Dior, Givenchy, Céline, Marc Jacobs, Emilio Pucci, Kenzo, Berluti, and Loewe. Prior to joining Louis Vuitton, John was an intellectual property associate at the law firm of Arnold & Porter LLP,

among others, where he represented clients, including, Gucci, Alexander McQueen, Bottega Veneta, Nike, Adidas, Paramount Pictures, and Pernod Ricard, with respect to intellectual property issues ranging from trademark prosecution and licensing to brand enforcement and anti-counterfeiting. John has written a number of articles and chapters concerning intellectual property and was recognized by the Chambers USA Awards for Excellence 2012 as an “Associate to Watch” for Intellectual Property.

John received a Bachelor of Arts degree from New York University and a Juris Doctor degree from Brooklyn Law School. He is admitted to the New York Bar.

ALLYSON TENNEY

Director, Division of Engineering (Textile Flammability and Electrical),
U.S. Consumer Product Safety Commission

Allyson Tenney is the Director for the Division of Engineering in the Directorate for Laboratory Sciences at the U.S. Consumer Product Safety Commission (CPSC). The Division is responsible for providing technical expertise on a variety of issues relating to textile flammability and the standards under the Flammable Fabrics Act (FFA). Regulated products under the FFA include carpets/rugs, mattresses, clothing textiles, children’s sleepwear, and apparel.

Allyson joined the CPSC in February 2000 as a Textile Technologist in The Directorate for Engineering Sciences. More recently, Allyson served as the Team Lead of the Textile Flammability Team in the Office of Compliance where she managed a team responsible for enforcing the regulations under the FFA.

Prior to joining the CPSC, Allyson worked on standards and specifications at the American Textile Manufacturers Institute (ATMI), the national trade association for the domestic textile industry. She was also an International Sales and Product Manager for Alpha Industries, Inc., a manufacturer of high performance outerwear for military and consumer markets.

Allyson is an international spokesperson for the Commission on textile and flammability issues. Allyson holds a Master of Science in Textile Science from The Ohio State University. She resides in Bethesda, Maryland.

SONIA VALDEZ

Legal Counsel, eBay

Sonia Valdez is Senior Counsel at eBay, Inc. where she advises the company’s externally-facing business units, including its marketing, brand, public relations, and charity divisions. She also leads eBay’s legal teams in Canada and Latin America. Prior to joining eBay, Sonia was a litigator in the Silicon Valley office of Orrick, Herrington, & Sutcliffe LLP where her practice focused on high stakes intellectual

property litigation with an emphasis on trademarks, copyrights, trade secrets, and consumer protection. She began her career as a fellow at the Lawyers' Committee for Civil Rights of the San Francisco Bay Area, where she ran the organization's economic justice initiative.

Sonia has presented in a number of settings on intellectual property law, consumer protection, and diversity in the legal profession, and serves on the leadership team of eBay's Diversity and Inclusion committee. She graduated magna cum laude with a B.A. from Pomona College and holds a J.D. from Stanford Law School.

GAIL WHEELER

Vice President and Legal Counsel, Hermès

For the last 5 years, **Gail Wheeler** has served as Vice President and Legal Counsel for the New York operating company of Hermès International. She is directly responsible for all legal affairs in the USA, including, commercial real estate and construction, employment matters, litigation, reselling activity, website legal compliance, contracts, corporate governance and management of outside counsel. In addition, Ms. Wheeler coordinates USA intellectual property matters with Hermès' French parent company. Prior to joining Hermès, Ms. Wheeler served as "Special Retail Counsel" at the NYC office of Proskauer Rose, where she represented many internationally known luxury retailers, in addition to Hermès.

JEFF TREXLER

Attorney and Associate Director, Fashion Law Institute

Jeff Trexler teaches the Fashion Ethics, Sustainability, and Development course at Fordham University School of Law. He is an attorney and consultant whose clients include fashion brands, nonprofits, and social ventures. He has worked with organizations around the world on issues ranging from tax exemption and corporate compliance to intellectual property and communications strategy. His publications address a wide range of topics, including complexity theory and social enterprise, business ethics, copyright, and more.

Trexler previously served as a chaired professor and executive director of the Wilson Center for Social Entrepreneurship at Pace University and taught nonprofit organizations at Yale, SMU and Saint Louis University.

Trexler holds a J.D. from Yale Law School and a Ph.D. in American Religious History from Duke University.

SELECTED READINGS

SELECTED READINGS

Susan Scafidi, *The Risk of Recycling*, Counterfeit Chic (July 25, 2007), <http://www.counterfeitichic.com/2007/07/>.

Reseller's Guide to Selling Safer Products: Make Safety Your Business, U.S. Consumer Products Safety Commission, <https://www.cpsc.gov/s3fs-public/ResellersGuide.pdf>.

State of Luxury Resale | Midyear 2018, The RealReal (2018), <https://realstyle.therealreal.com/2018-fashion-resale-consignment-trends-millennials-sneakers/>.

Scarves by Vera, Inc. v. American Handbags, Inc., 188 Fed. Supp. 255 (S.D.N.Y. 1960).

Tiffany (NJ) Inc. v. eBay Inc., 600 F.2d 93 (2nd Cir. 2010).

Chanel, Inc. v. What Goes Around Comes Around LLC, d/b/a What Goes Around Comes Around, et al., Opinion and Order, S.D.N.Y. Civil No. 18-cv-2253 (September 14, 2018).

Davidoff Cie, S.A. v. PLD International Corporation, 263 F.3d 1297 (11th Cir. 2001).

Rolex Watch U.S.A., Inc. v. Agarwal, Order Denying Defendants' Motion to Dismiss, 2012 WL 12886444 (C.D.Cal., 2012).

A Call to Action for a Circular Fashion System - Policy Brief, Global Fashion Agenda (2017), https://globalfashionagenda.com/wp-content/uploads/2017/04/GFA17_Call-to-action_Poluc-brief_FINAL_9May.pdf.

Our Mission to Revolutionize Clothing Through Conscious Design, ADAY, <https://www.thisisaday.com/supply-chain>.



Counterfeit Chic

by Susan Scafidi

The Risks of Recycling

In the industrialized world, yesterday's necessities and tedious chores have become today's trends and recreational activities. The hours that great-grandma spent picking, plucking, preparing, and cooking dinner have become the "slow food" movement. Living in makeshift shelters far from other humans or even running water is now "camping." And reusing discarded clothes and other items is one of the manifestations of "sustainable fashion."



When, exactly, did castoffs become officially cool? Rewind to 2000-01. At about the same time that Hollywood starlets (or rather, their stylists) discovered that "vintage" clothing -- previously known as "old" -- could serve as an alternative to 1990s minimalism, a group of emerging designers decided that they could improve on vintage by reworking existing pieces according to their own visions. Labels like **Imitation of Christ**, **Libertine**, and **Miguel Adrover** sent recycled but sometimes recognizable garments down the runway, to

editorial acclaim. The most prescient of these designers may have been **Russell Sage**, who called his Fall 2000 collection, "**So Sue Me**."

Wait -- how did law get into this? Recycling is a good thing, right?

Perhaps not, from the perspective of a trademark owner. Take a closer look at **Miguel Adrover's** collection, which includes reused Burberry plaid, Louis Vuitton bags, and even New York Yankees caps. Then check out **Russell Sage's** runway, which also featured bits of Burberry in several looks, along with a some Tommy Hilfiger.

Assuming that neither Miguel nor Russell copied the trademarks, but instead simply acquired and reused trademarked goods, weren't they safe from legal challenge? And weren't the original goods theirs, bought and paid for, to be used at will? In other words, doesn't the "first sale doctrine" in trademark, which allows resale of a logoed good, protect against liability for infringement?

Not necessarily. The first sale doctrine allows the resale of an unaltered item, like a Burberry raincoat; it doesn't always protect against alteration and commercial distribution. The idea is that

Burberry has a certain standard for the appearance and performance of its coats. If they're redesigned but still bear Burberry markings, consumers could confuse the altered versions with Burberry originals, thus affecting opinion of the company. This could be for the better -- after all, Burberry wasn't exactly trendy back in 2000 (and ultimately **backed away** from suing Adrover) -- but the right to control the trademark still rests with its owner.

Fast forward to the present. Why does all of this trademark first sale doctrine business matter now? Well, take a look at the "**Prada Ironic Advertisement Wallet**," sold yesterday on **Etsy.com** (and discovered by **Fashionista**):



The resourceful 17-year-old designer, **Lia Saunders**, created the wallet from an ad torn out of *Vogue* and claims to have "successfully usurped the entire silly Brand system." As Lia's own ad copy states:

The irony is that the product is a wallet.
The owner of this wallet will hold his/her money in this fabulous, handmade wallet with the Prada brand name on it -- but although he/she touts this brand proudly, no money actually went to it.
Instead it goes directly to the lovely maker of the wallet, me.
Lia. Irony queen and brilliant anti-consumerism activist.

As an art project or an item for her own use, Lia's wallet would be protected as free expression. When the wallet is offered for sale a consumer good, however, Lia's claim that she is engaging in protected parody is not as clear. Prada does, after all, sell wallets, though not for USD \$10. Moreover, Prada is known for its use of unusual materials, including photoprinted fabric. Are Lia's expressive intent and the handmade appearance of the wallet sufficient to protect her against claims of trademark infringement, given that she's selling her wallets online -- and offering custom versions as well? Hopefully for Lia and her fellow DIY entrepreneurs, she won't have to find out.

Trademark lovers beware -- the recycling process may crush more than aluminum cans.



U.S. CONSUMER PRODUCT SAFETY COMMISSION

RESELLERS GUIDE TO SELLING SAFER PRODUCTS



MAKE SAFETY YOUR BUSINESS

Office of Education, Global Outreach and Small Business Ombudsman

Cover image from *The Thrift Store Bears: Poems* used by express permission of the illustrator, Patricia Woolley, and David Evans, in honor of his late wife and author, Olive Evans. Ms. Evans collected stuffed bears from thrift stores and wrote the poems to keep her spirits high during her struggle with breast cancer.

Jim Furst scored the accompanying music to *The Thrift Store Bears: Poems*.

TABLE OF CONTENTS

The electronic version of this document (www.cpsc.gov/resale) provides access to additional helpful information available by clicking on the hyperlinks — the letters, words, phrases, and web addresses shown in dark blue provided throughout the document.

Introduction	2
The Basics	3
You are not required to test your products	3
What you cannot sell	3
CPSC Can Help You	4
CPSC’s Response to Violations	5
Product Guides	6
Bath Seats	7
Bean Bag Chairs	8
Bunk Beds for Children	9
Car Seats/Carriers Combination	10
Cribs	11
Drawstrings on Children’s Clothing	12
Hair Dryers	13
Halogen Floor Lamps	14
Lead in Children’s Products	15
Lead in Children’s Products Summary	16
Mattresses	17
Phthalates	18
Play Yards, Mesh-Sided	19
Small Parts	20
Toy Chests	21
Toys with Magnets	22
Walkers (Baby)	23
CPSC Resources	24

INTRODUCTION

The U.S. Consumer Product Safety Commission (CPSC) created this Guide for Resale Stores and Product Resellers to help you identify the types of products that are affected and to understand how to comply with the law so that you can keep unsafe products out of the hands of consumers. Consumers who regularly buy used products may also find this information helpful in avoiding products that could harm them or their family.

On August 14, 2008, the President signed into law the *Consumer Product Safety Improvement Act of 2008 (CPSIA)*. The implementation of the CPSIA has resulted in dramatic changes in the used product marketplace. For example:

- Selling recalled products is now unlawful.
- The law sets strict limits for lead in paint and for lead content.
- Most cribs manufactured before June 2011 may not be resold.
- New regulations (mandatory standards) are being put into practice for durable infant and toddler products, such as play yards, infant walkers, bath seats, bed rails for toddlers, and more.

In light of these new requirements for many consumer products, resellers should closely examine their products in inventory prior to resale to make sure that their products are safe and compliant with federal laws. This Guide will help you make sound business decisions to protect yourself and your customers.

Please make sure you visit our website at: www.cpsc.gov/resale — for updates on this information and to sign up for the email list we created specifically for resale stores and product safety.

THE BASICS

The CPSC's laws and regulations apply to anyone who sells or distributes consumer products. This includes thrift stores, consignment stores, charities, and individuals holding yard sales and flea markets.

CPSC does not require you to test your products for safety.

CPSC urges you to take a few extra steps when you sell your used products and to follow the advice in this Guide to ensure that you are only selling safe products. And while you are not required to test your products for safety, resale stores, resellers (including those who sell on auction websites), and persons who give away used products for free cannot knowingly sell products that do not meet the requirements of the law. If a product is hazardous, or does not comply with standards, the product should be destroyed and not be sold or given away to others.

You can protect yourself and your customers by using the resources in this Guide and at www.cpsc.gov/resale to screen for hazardous and other violative products. Ignorance of the law is not an excuse. But more importantly, as a person and as a business, you do not want to sell products that have the potential to cause harm to anyone, especially a child.

Examples: What you cannot sell or offer for sale:

- Children's **metal jewelry** that does not comply with the federal limit on lead of 100 parts per million;
- Products that have been **recalled** by the CPSC (unless the products have been repaired in accordance with the recall);
- Toys and other articles intended for use by children and any furniture with **paint or other surface coatings containing lead** over the specified amount;
- Products intended primarily for children age 12 or younger with **lead content** known to be over the specified amount;
- Most **cribs** manufactured before June 2011 may not be resold;
- **Durable infant and toddler products**, such as play yards, infant walkers, bath seats, bed rails for toddlers, and others that are missing parts, appear wobbly or unstable, or contain known hazards described in this Handbook; and
- Other products that violate the CPSC's safety standards, bans, rules, or regulations, or that otherwise present a substantial product hazard.



CPSC CAN HELP YOU

The CPSC would like to help you ensure that the products you sell are safe. You should periodically check www.cpsc.gov/resale for updates to the information in this Guide. In addition, the CPSC has many tools available to help you stay informed about recalls and product safety. (On average, CPSC recalls between 300 – 500 products annually.)

If you are in the business of reselling products, you are expected to know the laws, rules, and regulations that apply to your business, including whether a product you are selling has been recalled for a safety issue. **It is illegal to sell any recalled product.**

- **Search Recalls:** SaferProducts.gov has a listing of CPSC recalls and consumer reports of harm related to consumer products. Review the list of recalled products before taking a product into inventory or selling it. You can also receive information about CPSC recalls by subscribing to the CPSC's [recall email list](#).
- **Keep Current:** Subscribe to the CPSC's email list for resale stores and product resellers, and keep current on information developed specifically for resale stores at: www.cpsc.gov/resale.
- **When in doubt, throw it out!** Products used in the nursery, especially cribs and bassinets, have caused deaths and have been the subject of numerous recalls of millions of units. Do not sell any broken or wobbly nursery furniture or durable infant product that is missing parts, even if it has not been recalled. A baby's life could depend on it. The risk is too high.
- **Contact:** For questions about regulatory requirements, contact CPSC's Office of Education, Global Outreach, and Small Business Ombudsman: Email: Business@cpsc.gov; telephone (301) 504-7999; or contact the CPSC's Small Business Ombudsman at: www.cpsc.gov/smallbiz for additional information and guidance for small businesses.
- **Contact:** For questions about enforcement, contact CPSC's Office of Compliance for inquiries regarding enforcement: Email: sect15@cpsc.gov; telephone: (301) 504-7520.

CPSC'S RESPONSE TO VIOLATIONS

The CPSC's goal is to help you avoid future violations and protect your customers—not to put you out of business. If you learn that one of the products you sell violates the law or presents a hazard, immediately inform the Commission.

Under the law, it is illegal for retailers to sell or offer for sale a product in violation of the CPSIA or other CPSC laws. Our purpose is to ensure these products aren't being sold, so we still need to hear from you if you discover you may have sold one of these products in the past. The information you provide us will assist us in developing future outreach programs targeting resellers so these hazardous products won't be sold. When informed of the sale of such products, we will work with you to ensure the agency's response is appropriate under the circumstances.

You can report a potentially defective or hazardous product at: www.SaferProducts.gov or by phone at (800) 638-2772.

THANK YOU

Thank you for working with the CPSC to ensure that the children's products and other consumer products you sell are safe and comply with all applicable product safety rules.

This publication was developed by the **CPSC's Office of Education, Global Outreach, and Small Business Ombudsman**. Suggestions, feedback, and additional questions are welcomed at: Business@cpsc.gov.

PRODUCT GUIDES

The following guides provide illustrations of safety concerns when reselling products. Even if a product is not listed here, you should take similar care in reviewing each product and consider the potential hazards described in these guides. Additional product guides will be added over time and distributed at www.cpsc.gov/resale.

BABY BATH SEATS

HAZARDS: Drowning, submersion.

Infant bath seats are used in a sink or tub to provide back and front support to bathe a seated infant. They are marketed for use with infants between 5 and 10 months of age.

There are three primary hazards with baby bath seats that typically occur when the child is left unattended, even for a short period of time: the bath seat becomes unstable and tips the child over into the water; the child slips through the bath seat leg opening into the water; or the child attempts to climb out and falls into the water.

CPSC staff is aware of 29 deaths associated with baby bath seats and similar products during 2006 – 2008.



Does not meet mandatory standards



Mandatory Standards

The mandatory standard for baby bath seats went into effect on December 6, 2010. Go to: [16 CFR Part 1215](#).



Recalls

Check www.SaferProducts.gov for baby bath seat recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: CPSC staff advises you to **destroy** bath seats that:

- were made prior to December 6, 2010 before the new safety standard went into effect. (See date code stamp on the bottom of the product or contact the manufacturer.);
- attach directly to the tub floor with suction cups. (Suction cups may have contributed to some bath seat-related deaths because they failed to adhere to the tub surface, they separated from the bath seat, or they were missing);
- are broken or damaged; or
- do not have permanent warnings visible on the product. Warning labels are required by law to be fixed to the bath seat to alert parents and caregivers that bath seats are not safety devices and that infants should never be left unattended in a bath seat.

OTHER RESOURCES: [Business Guidance for Bath Seats \(Infant\)](#)

BEAN BAG CHAIRS

HAZARDS: Suffocation, choking.

Bean bag chairs made with zippers and foam pellets have resulted in deaths, as well as nonfatal incidents. Children have unzipped bean bag chairs, crawled inside, inhaled or ingested the foam pellets, and suffocated. Some have unzipped the chairs, then pulled out the foam pellets and played with them. The pellets clogged their mouths and noses, and they suffocated. Other children choked on the pellets but survived. CPSC received reports of 5 deaths and 26 nonfatal incidents associated with bean bag chairs. Victims ranged in age from 14 months to 14 years. Since 1996, bean bag chairs have been manufactured with zippers that young children can't open.



The voluntary standard for bean bag chairs requires that chairs intended to be refilled must have a locking zipper that opens only with a special tool. Chairs not intended to be refilled must have a permanently disabled zipper or no zipper. In addition, the requirements include permanent warning labels for bean bag chairs. The label wording differs depending on whether the chairs can be refilled. Durability testing is intended to ensure that materials that could tear easily and allow pellets to escape and be inhaled are not used in manufacturing bean bag chairs.



Voluntary Standards

Go to: [ASTM F1912-98 \(reapproved 2009\)](#). Voluntary standards are industry technical specifications that are developed by industry, government, and consumer representatives.



Recalls

Check www.SaferProducts.gov for bean bag chair recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: CPSC staff advises you to **destroy** any bean bag chair that has:

- a **zipper** that can be opened by young children;
- **stuffing** or pellets coming out of the chair; and
- **seams** that can come apart if they are pulled. The foam pellets could escape, posing a hazard to children.

OTHER RESOURCES: [Bean Bag Chair Recalls](#)

BUNK BEDS

HAZARDS: Strangulation, suffocation, hanging.

A bunk bed is any sleep structure with at least one mattress foundation more than 30 inches above the floor. A mattress foundation is the base or support on which you place the mattress. Since 1990, more than 70 children have died by strangulation or suffocation from entrapment in bunk beds. Most were 3 years old or younger. Some children strangled when their bodies, but not their heads, slid between a guardrail and the bed frame, leaving their bodies hanging. Some suffocated when they became trapped in openings within the footboard or headboard end structures or between the bed and the wall. CPSC staff also is aware of incidents of hanging, where some children hanged from a top bunk when something they were wearing caught on a vertical protrusion as they were climbing out of the bunk.



Mandatory Standards

The mandatory standard for bunk beds went into effect on June 19, 2000. Go to: [16 CFR Parts 1213, 1500, 1513](#) to review the regulations. (The voluntary standard is [ASTM F1427](#), Standard Safety Specification for Bunk Beds.)



Recalls

Check www.SaferProducts.gov for bunk bed recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Check the *assembled* bunk bed, and only sell it if it has all of the following safety features. **Otherwise, destroy it.**

Guardrails on Both Sides of the Upper Bunk:

- One guardrail should run continuously from the headboard to the footboard.
- If a guardrail is not continuous, there should be no openings greater than 15 inches between the end of the guardrail and either end structure (headboard or footboard).
- There should be no openings larger than 3 ½ inches within, or immediately below, the guardrail.

End Structures:

- The end structures in the upper bunk must not have openings larger than 3 ½ inches. The end structures in the lower bunk should not have openings larger than 3 ½ inches, unless those openings are 9 inches or greater.

Other Requirements:

- Assemble and ensure that the bunk beds have all component parts, including all screws and hardware. For tubular metal bunk beds, there must be no breaks or cracks in the paint or metal around the welds that hold the side rail to the bed frame at all four corners of the upper and lower bunks.
- There should be no vertical protrusions or projections, such as ladder stiles or corner posts, that extend more than 3/16 inch above the top of any end structure, guardrail, or other part of the upper bunk.
- There should be a warning label on the bed that describes the strangulation hazard from children becoming entangled from items attached to or hanging from the upper bunk.
- The mattress, if there is one, should match the size specified in the warning label on the bed. Specifically, the top of each guardrail should be at least 5 inches above the top of the mattress and the top of each end structure (headboard and footboard) should be at least 5 inches above the top of the mattress for at least half of the mattress length.

OTHER RESOURCES: [Business Guidance for Bunk Beds](#)

CAR SEATS/CARRIERS COMBINATION

HAZARDS: Skull fractures, concussions, cuts, scrapes, bruises.

A combination infant car seat/carrier is a product that can serve as both a car seat and as a hand held infant carrier. This safety information summary addresses when an infant carrier is used outside of a vehicle. (The National Highway Traffic Safety Administration (NHTSA) provides advice about the safety of car seats used in vehicles at [NHTSA — Parents Central](#).)

Most injuries and deaths associated with carrier seats outside of vehicles result from falls when an adult carries the car seat with the baby inside. A number of CPSC recalls were due to the handles or locks breaking, releasing and/or rotating unexpectedly allowing an infant to fall to the ground or be ejected on their own or when an adult carrying the seat falls down. These falls resulted in skull fractures, lacerations, broken bones, bruises, and scratches.

In 2010, there were an estimated 16,900 carrier-related injuries (excluding motor vehicle incidents) treated in U.S. hospital emergency departments. Between 2006 and 2008, there were 35 deaths among children less than 5 years old associated with infant carriers and car seat carriers.



Voluntary Standards

The voluntary safety standard for hand held carriers for use outside of vehicles is found at: [ASTM Voluntary Standard F2050](#). Voluntary standards are industry technical specifications and are developed by industry, government, and consumer representatives.



Recalls

Check www.SaferProducts.gov for CPSC infant carrier recalls and SaferCar.gov for NHTSA car seat recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY:

- Contact the manufacturer — if you have a CPSC or NHTSA recalled car seat/carrier, it may be able to be repaired to make it safe. **Otherwise, destroy it.**
- **Check with NHTSA** to see if the expiration date on the infant carrier has passed.

OTHER RESOURCES: [CPSC Safety Information for Hand Held Infant Carriers](#); [NHTSA Parents Central — Using a Secondhand Car Seat](#)

CRIBS

HAZARDS: Suffocation, strangulation.

NEW: On June 28, 2011, new and improved safety regulations went into effect for full- and non-full-size cribs. These new mandatory rules include the elimination of drop sides, and greater structural integrity and crib strength.

Do not assume that all non-drop-side cribs (even those where the drop-side has been immobilized) comply with the standard. They do not. No cribs may be manufactured, sold, or resold that do not meet these more stringent standards.



Definitions:

- A **full-size crib** is one that has interior dimensions of 28 + 5/8 inches wide, 52 + 3/8 inches long (within the range of 2 inches).
- A **non-full-size crib** can be either smaller or larger than these dimensions and include oversized, specialty, undersized, and portable cribs that have rigid sides.

Between November 2007 and April 2010, CPSC had reports of 35 deaths in cribs due to structural problems, many of which were related to drop-side fatalities and/or gaps opened up by loose/missing screws, or other hardware failures. Thirty-four of the 35 deaths were due to head/neck/body entrapments.



Mandatory Standards

The mandatory standard for full- and non-full-size cribs went into effect on June 28, 2011. Go to: [16 CFR Parts 1219, 1220](#).



Recalls

Check www.SaferProducts.gov for crib recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY:

- **Destroy** any full- or non-full-size crib (with or without drop sides) manufactured before June 28, 2011 unless you have written proof that the crib meets the standard above. (**NOTE:** Absolutely no drop side cribs in the used marketplace — even if immobilized with new hardware — can meet the standard and, therefore, **must be destroyed**.) Each full-size and non-full-size crib must have a date stamp marked permanently on the product.
- For cribs manufactured after June 28, 2011, assemble and make sure that the cribs have all component parts, including all screws and hardware and check for recalls.
- Do not accept cribs that do not comply with the federal standard.

A non-full-size crib does not include products such as play yards, cradles, baby baskets, and bassinets with mesh/net/screen siding. These products may be subject to other regulations. See additional CPSC resellers' guidance on your product.

OTHER RESOURCES: [Crib Information Center](#); [Business Guidance For Cribs \(Full-Size\) And Cribs \(Non-Full-Size\)](#)

DRAWSTRINGS ON CHILDREN'S CLOTHING

HAZARDS: Strangulation.

Drawstrings are non-retractable cords, ribbons, or tapes of any material to pull together parts of upper outerwear to provide for closure. The CPSC regulation defines "upper outerwear" as "clothing, such as jackets and sweatshirts, generally intended to be worn on the exterior of other garments."

Young children can be seriously injured or killed if the upper outerwear they are wearing catches and snags on other objects. CPSC staff is aware of 18 deaths and 38 nonfatal incidents associated with neck/hood drawstrings on children's outerwear between January 1985 and September 2009, involving children 18 months to 10 years of age. Of these, the most common incident scenarios involved drawstrings getting entangled on playground slides. Typically, as a child descended the slide, the toggle or knot on the drawstring got caught in a small space or gap at the top of the slide. Examples of catch points include: a protruding bolt or a tiny space between the guardrail and the slide platform. This can present a strangulation risk and has resulted in death. Incidents have also occurred when the long, trailing drawstring at the waist of a jacket was caught on the closed door of a moving school bus.



Substantial Product Hazard

In July 2011, the Commission determined that hood and neck drawstrings on children's upper outerwear present a strangulation hazard that is a substantial product hazard. Go to: [16 CFR Part 1120](#). The Commission can order retailers, including resellers, to recall a product deemed to be a substantial product hazard.



Recalls

Check www.SaferProducts.gov for recalls of clothing with drawstrings. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Inspect children's upper outerwear for the:

- hood and neck area, sizes 2T to 12 — **completely remove the drawstrings;**
- waist and bottom area, sizes 2T to 16 — **modify or remove the drawstrings** so that they are:
 - limited to 3 inches outside the drawstring channel when the garment is expanded to its fullest width;
 - free of toggles, knots, and other attachments at the free ends of drawstrings; and
 - are one continuous string and bar tacked (i.e., stitched through to prevent the drawstring from being pulled through its channel).

The restrictions on drawstrings do not include: underwear and inner clothing layers, pants, shorts, and skirts that are not intended for the upper portion of the body.

OTHER RESOURCES: [Drawstrings Summary](#); [Recalls Of Clothes With Drawstrings](#); [FAQs For Drawstrings](#)

HAIR DRYERS

HAZARDS: Electric shock, Electrocutation (death).

A hand held hair dryer is a portable electrical appliance that routinely contains open-coil heating elements that are uninsulated, electrically energized wires, across which a fan blows air. Electric voltage is still present when the hair dryer is plugged in, even if the switch is in the "off" position. Without the immersion protection device shown in the illustration to the right, a dryer that is dropped accidentally into water, such as in a sink or bathtub, can electrocute anyone who is in the water or who touches the water.

Most new hand held hair dryers have immersion protection devices. Many used hand held dryers do not. This immersion protection is required even if a hair dryer is intended for professional use only.

The standards have been very effective in reducing deaths and electric shock injuries from hair dryer immersion or contact with water. Before the initial safety standards took effect in 1986, a total of 110 electrocutions reportedly were due to hair dryer immersions or water contact. Three hair dryer-related electrocutions were reported from 1998 to 2007, none of which were associated with immersion or contact with water.



Hand Held Hair Dryer
(meets UL standards)



Substantial Product Hazard

Hair dryers without immersion protection are on the CPSC's list of substantial product hazards under **16 CFR Part 1120** if they do not comply with (1) section 5 of Underwriters Laboratories' (UL) *Standard for Safety for Household Electric Personal Grooming Appliances*, UL 859, 10th Edition, approved on August 30, 2002, and revised through June 2010, or (2) section 6 of UL's *Standard for Safety for Commercial Electric Personal Grooming Appliances*, UL 1727, 4th Edition, approved on March 25, 1999, and revised through June 25, 2010. Go to: **UL Standards 859 and 1727**. The Commission can order retailers, including resellers, to recall a product deemed to be a substantial product hazard.



Recalls

Check www.SaferProducts.gov for hair dryer recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: CPSC staff advises you to **destroy** any hair dryer that does NOT have:

- an integral immersion protection device, which is a large block-shaped plug at the end of the cord that contains some type of circuit interrupter. The picture to the right shows a power cord with an integral circuit interrupter at the plug end; and
- the certification mark of a recognized testing laboratory, such as UL (Underwriters Laboratory) on the hair dryer itself.



OTHER RESOURCES: [Business Guidance for Hand Held Hair Dryers](#)

HALOGEN LAMPS

HAZARDS: Fire.

Halogen torchiere floor lamps are freestanding lamps that have a shallow bowl-shaped light fixture mounted on top of a 6-foot pole and are illuminated by a tubular halogen bulb. A halogen light bulb can heat up to nearly 1,000 degrees Fahrenheit. Because of this, flammable materials, such as curtains or clothing that come into contact with the bulb can catch fire.

From 1992–1999, the CPSC received reports of at least 270 fires and 18 fire-related deaths involving halogen torchiere floor lamps. Halogen torchiere floor lamps manufactured after February 5, 1997 that meet voluntary safety requirements are made with a wire or glass guard. The guard fits over the glass bulb shield that covers the light bulb and reduces the potential fire hazard. The guard makes it harder for flammable materials to come into contact with the light bulb and catch fire.



Voluntary Standards

Go to: [UL Standard 153, Standard for Portable Electric Luminaires](#). Voluntary standards are industry technical specifications and are developed by industry, government, and consumer representatives.



Recalls

Check www.SaferProducts.gov for halogen torchiere lamp recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: CPSC staff advises you to **destroy** any halogen lamp if:

- **There is no wire or glass guard** over the glass bulb shield in the bowl at the top of the lamp. The top of the guard should be 3 inches from the glass bulb shield;
- **The bulb wattage** for the tubular halogen light bulb is more than 300 watts, even if the original label on the lamp says that a 500-watt bulb can be used;
- **The plug** is not polarized (one blade wider than the other);
- **The cord** has mechanical damage; or
- **There are signs of corrosion, bent, or loose parts.** Any of these may indicate a malfunctioning or potentially hazardous lamp.

OTHER RESOURCES: [Halogen Lamps Recalls](#)

LEAD IN CHILDREN'S PRODUCTS

HAZARDS: Brain damage, physical and mental delays and disorders.

Children's products, those designed and intended primarily for children 12 years of age or younger, cannot be sold if they do not meet the following lead limits:

- **90 parts per million (ppm) lead in paint** or other surface coating for toys, other articles intended for use by children of any age, and on all moveable painted furniture.
- **100 ppm lead content limit** in any accessible component part, unless otherwise excluded (see next page).



Toys, clothes, furniture, books, jewelry, blankets, games, strollers, and footwear may all be considered children's products.

Lead poisoning can cause irreversible brain damage, delay mental and physical growth, and cause behavior, attention, and learning problems. Children are particularly at risk because their developing bodies can absorb up to 50 percent of the lead to which they are exposed. This exposure occurs because children often put their hands and other objects in their mouth that can have lead dust on them. In 2012, the Centers for Disease Control estimated that about 450,000 children have lead levels higher than the CDC's recommendation limit.



Mandatory Standards

(1) Lead in Paint Rule: [16 CFR Part 1303](#).

(2) Total Lead Content in Accessible Component Parts: [15 U.S.C. § 1278a](#) or [Sec. 101 of the Consumer Product Safety Improvement Act of 2008, \(CPSIA\)](#).



Recalls

Check www.SaferProducts.gov for lead recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Although you are not required to comply with the lead limits, CPSC staff encourages you use several strategies to protect your customers:

- **Resellers are not required to test** suspected products. However, resellers cannot knowingly sell any children's product or painted furniture that does not comply with the new lead limits. **Check for recalls**, and if the product has been recalled, follow the recall instructions, or **destroy** it. If you have other reasons to suspect there is excessive lead based on your knowledge of the product, **destroy** it.
- **For products with high resale value, or where you have additional safety concerns**, contact the manufacturer for verification that the product meets the lead limits. Ask for a "Children's Product Certificate." Lead screening can also be done with an x-ray fluorescence (XRF) machine. Lead testing kits sold commercially are generally unreliable and should not be used.

OTHER RESOURCES: [Business Guidance for Lead in Paint And Total Lead Content](#)

LEAD IN CHILDREN'S PRODUCTS SUMMARY

With the exception of children's metal jewelry, thrift stores and other similar stores are excluded from having to comply with the limits on lead content for used children's products. (To take advantage of this exclusion, the goods being sold must be truly used, donated, and/or obtained from someone who actually used the items and may not be items that were originally purchased for the intent of resale only.)

COMMONLY RESOLD CHILDREN'S PRODUCTS THAT MAY CONTAIN LEAD

PRODUCTS THAT MAY HAVE LEAD	RESELLERS GUIDANCE
Children's metal jewelry.	Test, contact the manufacturer, or do not sell.
Children's clothes with rhinestones, metal or vinyl/plastic snaps, zippers, grommets, closures, or appliqués.	Best to test, contact the manufacturer, or do not sell.
Children's jewelry and other items made entirely of: <ul style="list-style-type: none"> • Surgical steel, • Precious metals, such as gold (at least 10 karat), sterling silver (at least 925/1,000), • Precious and semi-precious gemstones (excluding a list of stones that are associated in nature with lead), or • Natural or cultured pearls. 	OK to sell.
Children's clothes, blankets, and other items made entirely of: <ul style="list-style-type: none"> • Dyed or undyed textiles (cotton, wool, hemp, nylon, etc.), • Dyed or undyed yarn. Nonmetallic thread, trim, hook-and-loop (Velcro) and elastic.	OK to sell.
Children's books printed after 1985, which are printed conventionally and intended to be read (as opposed to used for play).	OK to sell; however, books with metal spiral bindings have been recalled for lead paint.
Vintage children's books and other collectibles not considered primarily intended for children.	OK to sell, but check for recalls.
Certain educational materials, such as chemistry sets.	OK to sell, but check for recalls.
Items made entirely of wood (without paint, surface coatings, or hardware).	OK to sell, but check for recalls.
Mirrors that are part of furniture articles, to the extent that they bear lead-containing backing paint.	OK to sell, but check for recalls.
Artists' paints and related materials.	OK to sell, but check for recalls.
Metal furniture bearing factory-applied (lead) coatings, such as powder coatings.	OK to sell, but check for recalls.
Bicycles and other related products (such as trailer bicycles and jogger strollers).	OK to sell, but check for recalls.

MATTRESSES

HAZARDS: Fire.

Mattresses, either as a set with a foundation or labeled for sale alone, must meet the CPSC's flammability regulations designed to limit the spread and intensity of a fire ignited by open-flame sources, such as candles, matches, and lighters and by cigarette ignition.

Mattresses contain a substantial amount of flammable material. If a mattress that does not meet the open-flame regulation ignites in a bedroom fire, the mattress can burn rapidly and reach dangerous flashover conditions within a few minutes. (Flashover is the point at which the entire contents of a room are ignited simultaneously by radiant heat, making it impossible for occupants to escape from a fire.) The pictures show a mattress that does not meet the open-flame standard (noncompliant) and one that does (compliant) 3 minutes after each was set on fire.



Many mattress fires are caused by children playing with open flames, such as candles, lighters, and matches, or when candles are left unattended. The mattress regulation is estimated to prevent as many as 270 deaths and 1,330 injuries each year.



Mandatory Standards

The mandatory standard addressing open-flame ignition went into effect on July 1, 2007. Go to: [16 CFR Part 1633](#). The mandatory standard addressing cigarette ignition went into effect on June 22, 1973. Go to: [16 CFR Part 1632](#).



Recalls

Check www.SaferProducts.gov for mattress recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Destroy mattresses and mattress sets manufactured, imported, or renovated:

- after July 1, 2007, and that do not have a label certifying that they meet the standard. Every mattress and foundation must bear a permanent, conspicuous, and legible label in English. **If a mattress was made before 2007, it would be good practice NOT to resell such a product.**
- where the mattress or foundation is not intended to be sold separately and the component to be sold fails to meet the requirements of the standard. The label states whether the mattress is intended for use with a foundation, without a foundation, or with or without a foundation.

OTHER RESOURCES: [Guidance for Mattresses and Mattress Pads](#)

PHTHALATES IN CHILDREN'S TOYS AND CHILD CARE ARTICLES

HAZARDS: Development effects.

Phthalates are a group of chemicals that are used, among other things, to make vinyl and other plastics soft and flexible. As of February 10, 2009, Congress permanently banned three types of phthalates (DEHP, DBP, BBP)¹ in any amount greater than 0.1 percent in (1) children's toys and (2) certain child care articles.



- A **children's toy** is designed or intended for a child who is 12 years old or younger for use when playing. General use balls, bath toys/bath books, dolls and inflatable pool toys are examples of toys that are covered by the law and might contain phthalates. Bikes, musical instruments, and sporting goods (except for their toy counterparts) are not considered toys and are not affected by the ban.
- A **child care article** is designed or intended for a child who is 3 years old or younger, to use for sleeping or feeding or to help a child who is sucking or teething. Bibs, child placemats, cribs, booster seats, pacifiers and teethingers are child care articles that are covered by the law and might contain phthalates.

Congress has also banned (on an interim basis) three additional types of phthalates (DINP, DIDP, DnOP)² in any amount greater than 0.1 percent in (1) child care articles and (2) toys that can be placed in a child's mouth, for example: squeeze toys, teethingers, bath toys, and inflatable pool toys.



Mandatory Standards

Section 108 of the **Consumer Product Safety Improvement Act of 2008 (CPSIA)** Additional requirements related to the ban on certain phthalates were added in section 5 of **H.R. 2715, Pub. L. No. 112-28** (August 12, 2011), which amended the CPSIA.



Recalls

Check www.SaferProducts.gov for phthalate recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: You can use several strategies to comply with the phthalates ban:

- Resellers are not required to test suspected products. However, resellers cannot knowingly sell any children's toy or child care article that does not comply with the ban on phthalates. Check for recalls and if the product has been recalled, follow the recall instructions or **destroy** it. If you have other reasons to suspect the product contains banned phthalates, **destroy** it.
- Your safest course is not to sell or accept certain products, unless you know they don't contain banned phthalates. CPSC's enforcement efforts will be focused on the products most likely to pose a risk of phthalate exposure to children, such as bath toys and other small, plastic toys, especially those made of polyvinyl chloride (PVC) that are intended for young children and can be put in the mouth.

¹DEHP: di-(2-ethylhexyl) phthalate; DEP: dibutyl phthalate; BBP: benzyl butyl phthalate.

²DINP: diisononyl phthalate; DIDP: diisodecyl phthalate; DnOP: di-n-octyl phthalate.

PLAY YARDS, MESH SIDED

HAZARDS: Suffocation, strangulation, choking.

Mesh-sided play yards (or play pens) are made of fabric or mesh side panels that attach to a rigid frame structure, including a floor. They are intended primarily for children who cannot climb out.

The CPSC is aware of a total of over 2,100 incidents associated with play yards that occurred between November 2007 and December 2011, including 60 deaths and 170 injuries. About 89 percent of the incidents, as well as one death, were related to the unexpected collapse of the play yard's side rail. Since 2009, the CPSC has issued four recalls of more than 1.4 million play yards.



Mandatory Standards

A mandatory standard for play yards went into effect in February 2013. Go to: [16 CFR Part 1221](#).



Recalls

Check www.SaferProducts.gov for play yard recalls. **It is illegal to sell a recalled product.**



Voluntary Standards

Go to: [ASTM Voluntary Standard F406-12A](#). Voluntary standards are industry technical specifications and are developed by industry, government, and consumer representatives.



RESELLER RESPONSIBILITY: Verify that all of the following safety features are present. If not, **destroy** the play yard.

Warning labels are present and state that the sides should never be left in the down position. (In the down position, the side forms a pocket that an infant can roll into and become trapped, causing the child to suffocate.)

The top rails:

- with a hinge in the center, must lock automatically when the rails are lifted into the normal use position. (If unlocked, the hinge may collapse, and the top rails can form an acute V-shape that can entrap a child's neck and cause the child to strangle);
- vinyl covering has no tears or holes. (A teething infant can chew off pieces of the vinyl covering of a play yard's railing and choke).

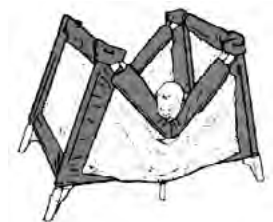
The mesh:

- has openings (weave) that are less than ¼ inch;
- has no tears or loose threads. (An infant or toddler can strangle if his or her head gets caught in tears in the mesh);
- Is attached securely to the top rails and floor plate.

No rivets protrude 1/16-inch or more on the outside of the top rails. A toddler can strangle in a play yard or portable crib with protruding rivets if a pacifier string or loose (or loosely woven) clothing catches onto one.

Any staples, rivets, or screws used in construction are not loose or missing.

No mattresses or pads are added that are not provided by the manufacturer.



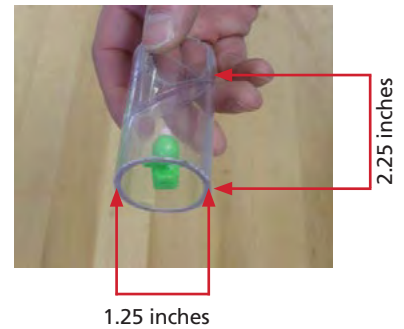
OTHER RESOURCES: [Play Yard Recalls](#)

SMALL PARTS

HAZARDS: Choking, inhaling, swallowing, death.

Children under 3 years old can choke, inhale, or swallow small parts that they put in their mouths. Products intended for children under 3 years old are **banned** if they are, or have, small parts or if one of the components can be detached or broken during normal use.

A small part can be any object or a part of an object that fits completely into a specially designed test cylinder under its own weight. The picture at the right shows the cylinder with a small toy inside. Small part cylinders are widely available for purchase.



From 2006 to 2010, the CPSC has reports of 21 children under 3 years of age who died from choking, inhaling, or swallowing balloons (8 deaths), small balls (8 deaths), and games or parts of toys (5 deaths).



Mandatory Standards

The mandatory standard for small parts went into effect on September 17, 1991. Go to: [16 CFR Part 1501](#). Also see: the [Child Safety Protection Act](#) (effective January 1, 1995) and [16 CFR Part 1117](#) (reporting requirements).




Recalls

Check for recalls involving small parts. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Destroy products:

- if they have small parts and are intended for children under 3 years old, such as:
 - balls with a diameter of 1.75 inches or less;
 - dolls and stuffed toys that have eyes, noses, or other small parts that are not fastened securely;
 - preschool toys, games, and puzzles with small parts;
 - nursery products, such as baby bouncers and exercisers with small parts.
- if they are missing/lack required warning labeling on:
 - toys and games intended for children from 3 through 5 years of age. The label must contain a small parts cautionary statement and safety alert symbol  on the packaging;
 - balloons intended for children under 8 years old (see *Other Resources* below);
 - products with marbles, small balls, and containing other small parts. The appropriate labels and instructions can be found in *Other Resources* below.

Exceptions to the small parts regulation include: books, modeling clay, crayons, paint sets, and accessories, paper products, pencils, and pens. In addition, children's clothing is exempt from the small parts regulation; but be sure that all small buttons and other parts are fastened securely.

OTHER RESOURCES: [Business Guidance for Small Parts](#); [Safety Alert — Children's Balloons](#); [Child Safety Protection Fact Sheet](#)

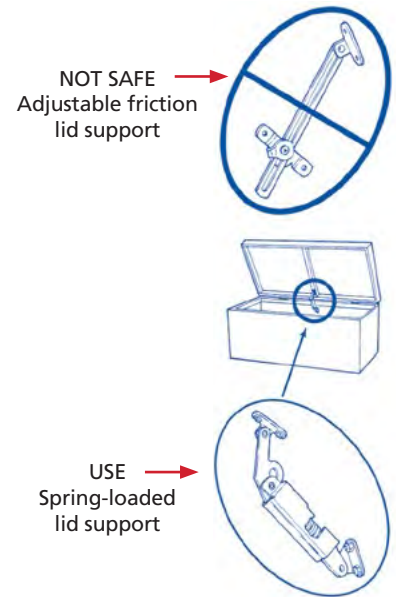
TOY CHESTS

HAZARDS: Suffocation, entrapment, strangulation, pinching, crushing, or laceration.

Toy chests with hinged lids that open vertically can collapse or drop suddenly, particularly if the lids have a hinge with an adjustable friction lid support (see drawing to right).

The CPSC has received reports of death and brain damage as a result of toy chest lids falling onto children's heads or necks. Most of the children were under 2 years of age. Accidents occurred when children were reaching over and into the toy chest when the lid dropped, either falling onto their heads or trapping them at the neck, between the lid and the edge of the toy chest.

Suffocation deaths have occurred when children climbed into chests to hide or sleep. Because the toy chests were not ventilated adequately, the children suffocated in the enclosed space. Lid support mechanisms, chest hardware, and attachments also have resulted in injuries, such as crushing, pinching, or lacerations.



Mandatory Standards

Toy chests are regulated by the toy safety standard. Go to: [ASTM Voluntary Standard F963-07e1](#).



Recalls

Check www.SaferProducts.gov for toy chest recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Destroy toy chests that do NOT have:

- a spring-loaded lid support that will keep the lid open in any position without adjustment by the consumer to ensure adequate lid support; and
- ventilation holes or openings in the front, sides, or a gap under the lid. These ventilation holes should not be blocked if the chest is placed on the floor against the wall.

Also **destroy**:

- toy chests with an automatic locking device or a latch. These devices could prevent a child who climbs into a toy chest from exiting it.
- non-toy chests with automatic locks, such as trunks, wicker chests, and wooden storage chests that have been recalled (see recall link below). Children have also died in these chests.

OTHER RESOURCES: [Safety Alert — Toy Chests; Toy Chests Recalls](#)

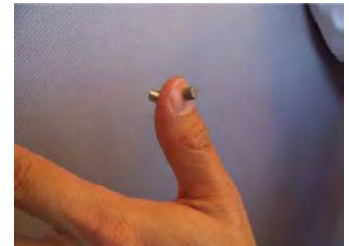
TOYS WITH MAGNETS

HAZARDS: Death, intestinal perforation (holes), or blockage.

Toys containing small, powerful magnets or magnetic components, such as construction sets, action figures, dolls, puzzles, and jewelry can kill children if two or more magnets are swallowed.

If a child swallows two or more magnets, or swallows a magnet and another metal object, such as a small metal ball, the magnetic pieces in different areas of the intestines can be attracted to each other through the stomach or intestinal walls (see demonstration in picture to right). This will crush the trapped internal tissues, cutting off blood flow, and causing serious injury, infection, and possibly death. The objects can be removed only with surgery.

Estimates show that thousands of magnet-related ingestions occurred from 2009-2011. CPSC staff has received numerous reports of magnet-related ingestions, many of which required surgical intervention. In many cases the magnets had fallen out of larger components of toys or were separated from a larger set of magnets (as in the case of "desk toys"). In other cases, children swallowed intact toy components containing magnets. Some children 18 months to 16 years old required surgery to remove ingested magnets. For prior years, CPSC is aware of one death involving a 20-month old child.



Demonstration of Hazard



Mandatory Standards

Toys with magnets intended for children up to 14 years old are regulated by the toy safety standard (ASTM F963). Go to: [ASTM Voluntary Standard F963](#).



Recalls

Check www.SaferProducts.gov for magnetic toy recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Destroy toys with magnetic parts that:

- have loose or missing magnetic components; or
- have been recalled.

The regulation **does not apply** to:

- Hobby, craft, and science kits with small magnets and that are intended for children over 8 years if the kits are labeled with this warning: *"This product contains (a) small magnet(s). Swallowed magnets can stick together across intestines causing serious infections and death. Seek immediate medical attention if magnet(s) are swallowed or inhaled."*
- Magnets used in devices, where the magnetic properties are not part of the play pattern of the toy, such as motors, relays, speakers, and electrical components.

OTHER RESOURCES: [Magnets Information Center](#); [Safety Alert — Magnets](#); [Magnets Poster](#); [Button Batteries Poster](#)

BABY WALKERS

HAZARDS: Death, skull fractures, concussions, internal injuries, broken bones, cuts, bruises.

Infant walkers are products that support very young children before they are walking (usually 6 to 15 months old). Children may use walkers to sit, recline, bounce, jump, and, most importantly, use their feet to move around. Young children can be seriously injured or killed if a walker they are in falls down stairs.



Walkers are now required to have stair fall protection so that a walker either stops at the edge of a step or is too wide to fit through a standard size doorway. In 1992, an estimated 25,700 children younger than 15 months of age were treated in hospital emergency rooms for injuries associated with baby walkers, most from falls down stairs.

During the period 2004 to 2008, injuries associated with baby walkers decreased by more than 88 percent to 3,000 injuries annually. It is likely that many of the remaining injuries would be prevented if all walkers met the stair fall protection requirement of the mandatory standard.



Mandatory Standards

The mandatory standard for baby walkers went into effect on December 21, 2010. Before that date, a voluntary standard for baby walkers was in effect. Go to: [16 CFR Part 1216](#).



Recalls

Check www.SaferProducts.gov for baby walker recalls. **It is illegal to sell a recalled product.**



RESELLER RESPONSIBILITY: Destroy baby walkers that do not meet the CPSC's mandatory standard that helps prevent falls downstairs. **The baby walker must have:**

- **Rubber-like gripping strips underneath**, or around the base, to grip the floor (see drawing to right);
- **OR**, if there are no gripping strips, it must have a base that is at least **36 inches wide** to prevent the baby walker from fitting through a standard doorway.



Look for a gripping mechanism under the edge of the base.



Too wide to fit through doorway

OTHER RESOURCES: [Business Guidance for Baby Walkers](#); [Baby Walker Recalls](#)



- CPSC's Home Page:** www.cpsc.gov
- Resale Information:** www.cpsc.gov/resale
- Recalls (CPSC only):** www.SaferProducts.gov
- Guidance for Resellers Email:** Business@cpsc.gov
- Business Education:** www.cpsc.gov/BusinessEducation
- Guidance on the CPSIA
for Small Businesses:** www.cpsc.gov/cpsia
- Small Business Information:** www.cpsc.gov/smallbiz
- Report an Unsafe Product:** www.SaferProducts.gov
- Regulations, Laws, and
Information by Product:** www.cpsc.gov/table
- Enforcement Email:** sect15@cpsc.gov
Phone: 301-504-7520



UNITED STATES OF AMERICA
CONSUMER PRODUCT
SAFETY COMMISSION

U.S. Consumer Product Safety Commission
4330 East West Highway, Bethesda, MD 20814

State of Luxury Resale | Midyear 2018

Exclusive data from The RealReal charting marketplace trends, bestselling brands and emerging designers in luxury fashion resale.



TheRealReal

“Luxury resale has become bigger and more mainstream than ever. The industry and the public are looking to this market to determine consumer behavior, and to reveal the brands and trends luxury consumers are after right now.

With over 8 million items sold, we have unique access to data that speaks to these trends, and we're excited to share it in this report.”

–*Rati Levesque*
Chief Merchant



INDUSTRY INSIGHTS
Women's



Gucci Is King Among Millennials



Search volume for **Gucci bumped Chanel and LV** from the top spots this year for the first time, and **is growing 48% faster among millennials** than other age groups.



Fendi is on the rise as logos like the house's **iconic Zucca see a resurgence.**



Céline by **Phoebe Philo** sees an uptick in search with the **departure** of the iconic designer.

Search Ranking

2018	2017	
1	3	Gucci
2	2	Louis Vuitton
3	1	Chanel
4	4	Christian Louboutin
5	5	Hermès
6	7	Prada
7	8	Céline
8	9	Burberry
9	10	Valentino
10	13	Cartier
11	15	Balenciaga
12	17	Dolce & Gabbana
13	16	Tiffany & Co.
14	12	Tory Burch
15	18	Saint Laurent
16	22	Fendi
17	8	Goyard
18	11	Isabel Marant
19	24	Yves Saint Laurent
20	19	Chloé

Year-Over-Year Growth Among The 10 Top-Selling Brands













Gucci leads the pack under Creative Director Alessandro Michele, **growing 62%** among all age groups in the first half of the year.



Hermès is the fastest-growing brand among millennials, growing 71% among shoppers 18-34.

Sales Growth Across All Age Groups

	1. GUCCI	+62%
	2. HERMÈS	+40%
	3. CHANEL	+34%
	4. CÉLINE	+32%
	5. TIFFANY & CO.	+32%
	6. LOUIS VUITTON	+31%
	7. CHRISTIAN LOUBOUTIN	+29%
	8. VALENTINO	+29%
	9. PRADA	+25%
	10. CARTIER	+13%

The 5 Most Popular Brands Millennial Women Are Buying & Consigning

1
CHANEL

2
HERMÈS

3
LOUIS VUITTON

4
GUCCI

5
Louis Vuitton

Shifts In Consignment Resale Value



+12%

GUCCI

Gucci is up as **Alessandro Michele's new vision** for the house reigns supreme.

+33%

GOLDEN GOOSE

Golden Goose increases as **women's sneakers & luxury streetwear gain in popularity.**

+15%

ULLA JOHNSON

Ulla Johnson is up as **new contemporary brands are on the rise.**



-34%

TORY BURCH

Tory Burch declines as **older contemporary brands struggle.**

-22%

VETEMENTS

Vetements is down as **shoppers turn to Balenciaga** for Demna Gvasalia's latest designs.

-27%

JOHANNA ORTIZ

Johanna Ortiz is down as **competing brands offer similar styles at a lower price point.**

Logo Bags Are Back & Selling Better Than Ever



Iconic, logo-centric styles by heritage brands are seeing rising resale value.



Dior Saddle Bag
+89%



Gucci Web
+51%



Fendi Zucca
+32%



LV Montsouris
+26%



Past-season styles without in-your-face labels are on the decline.



Fendi 2Jours
-21%



Balenciaga Motocross
-14%



Chloé Faye
-20%



JW Anderson Pierce
-14%

INDUSTRY INSIGHTS
Men's



The Top 10 Brands Millennial Men Are Buying & Consigning

Top 10 Brands Bought By Men 18-34

1. ROLEX
2. GUCCI
3. LOUIS VUITTON
4. CARTIER
5. HERMÈS
6. SAINT LAURENT
7. TOM FORD
8. PRADA
9. BRUNELLO CUCINELLI
10. LORO PIANA

Top 10 Brands Consigned By Men 18-34

1. GUCCI
2. LOUIS VUITTON
3. HERMÈS
4. SAINT LAURENT
5. TOM FORD
6. SUPREME
7. GIVENCHY
8. CARTIER
9. CHRISTIAN LOUBOUTIN
10. PRADA

Trends In Mens' Consignment Resale Value



Brands focused on logo revivals and with strong sneaker and statement outerwear offerings are seeing gains in resale value.

+21%

GUCCI

+17%

AMIRI

+16%

BALENCIAGA



Vetements ready-to-wear, Balmain ready-to-wear and Bottega Veneta leather goods are seeing a decline in resale value.

-20%

VETEMENTS

-17%

BALMAIN

-7%

BOTTEGA VENETA

Dad Knows Best

As designers have made chunky sneakers and formerly frumpy denim cool again, men are searching for dad-style staples.



HAWAIIAN STYLE

+84%



DAD HAT

+67%



FANNY PACK

+614%

Yeezy Rules Coast To Coast

Top Men's Sneakers By City



Cite as 188 F.Supp. 255 (1960)

issues are the validity of the Heiland patent and its infringement by defendant's Models 602 and 616, to determine whether the Eastman paper might safely be used in conjunction with prior art oscillographs.

The defendant's motion is denied.



SCARVES BY VERA, INC., Plaintiff,

v.

**AMERICAN HANDBAGS, INC.,
Defendant.**

United States District Court
S. D. New York.
Sept. 14, 1960.

Action brought by manufacturer of towels incorporating its copyrighted designs, against defendant which purchased such towels at retail and which, without plaintiff's consent, incorporated them in handbags of its manufacture. On plaintiff's motion for preliminary injunction restraining defendant from removing copyright notices from towels and from using towels in manufacture of bags and restraining defendant from using plaintiff's name in sale of bags, the District Court, Cashin, J., held that injunction could not be granted to prevent removal of copyrighted notices but that injunction would issue to prevent defendant from selling handbags made of plaintiff's towels unless there was sewn on inside of handbags near clasps and plainly visible to anyone opening handbags, labels stating that design was copyrighted design of plaintiff which was in no way connected with defendant which manufactured handbags.

Ordered in accordance with opinion.

1. Copyrights ©-29

Statute providing that anyone who, with fraudulent intent, removes or alters copyright notice upon any article is guilty of a misdemeanor does not empower court to issue injunction restraining removal of copyright notices. 17 U.S.C.A. § 105.

2. Copyrights ©-29

Defendant, by its actions in removing plaintiff's copyright notice from towels of plaintiff's manufacture, in incorporating them in defendant's handbags, could not place plaintiff's copyrighted designs in public domain, and plaintiff did not have a property interest which could be impaired by such removal and the asserted violation of which would authorize injunctive relief against removal by defendant.

3. Copyrights ©-29

For plaintiff's copyrighted designs to be placed in public domain, it was required to be shown that copyrighted works left plaintiff's possession without required notice, and burden was on defendant to show such in action brought by plaintiff protesting removal of notices by defendant. 17 U.S.C.A. § 105.

4. Trade-Marks and Trade-Names and Un-fair Competition ©-1

A trade-mark only gives right to prohibit its use so far as to protect owner's good will against sale of another product as his, and when mark is used in any way that does not deceive public, there is no sanctity in word as to prevent its being used to tell the truth.

5. Copyrights ©-29

Tags, attached to handbags which defendant manufactured using towels which were manufactured by plaintiff and which embodied plaintiff's copyrighted designs, stating that design on covers of handbags was copyrighted design of plaintiff did not comply with requirements for notice of copyright embodied in copyright law. 17 U.S.C.A. § 19.

6. Trade-Marks and Trade-Names and Un-fair Competition ©-68(L17)

Where defendant purchased at retail towels which were manufactured by

plaintiff and which incorporated its copyrighted design and defendant incorporated towels into handbags which it manufactured, defendant was entitled to inform customers, by use of plaintiff's name and trade-mark, that towels incorporated in handbags were products of plaintiff so long as plaintiff was not identified with manufacture of handbags; and all that plaintiff was entitled to was full disclosure.

7. Trade-Marks and Trade-Names and Unfair Competition §-95(1)

Where defendant purchased at retail towels which were manufactured by plaintiff and which incorporated its copyrighted designs and defendant made the towels into handbags without plaintiff's consent, attaching to handbags tags stating that design on covers of handbags was copyrighted design of plaintiff and that handbags were manufactured by defendant, as such tags would tend to mislead average purchaser into believing that plaintiff and defendant were in some manner associated in joint enterprise, preliminary injunction would issue on application of plaintiff to prevent defendant from selling handbags made of plaintiff's towels unless there was sewn on inside of handbags near clasps and plainly visible to anyone opening handbags, labels stating that design was copyrighted design of plaintiff which was in no way connected with defendant which manufactured handbags.

—◆—
 Samuel J. Stoll, Jamaica, N. Y., for plaintiff.

Alan Latman, New York City, for defendant.

CASHIN, District Judge.

This is a motion pursuant to Rule 65 of the Federal Rules of Civil Procedure, 28 U.S.C.A., for a preliminary injunction restraining defendant from removing plaintiff's copyright notice from towels or linens embodying plaintiff's copyright marks, Nos. Gp. 23,792, Gp. 24,216 and Gp. 24,221, and using such towels or

linens in the manufacture and sale of ladies' handbags; and restraining defendant from using plaintiff's name and plaintiff's Vera and Scarab or Ladybug trademarks in the sale of such handbags.

Plaintiff, a New York corporation, is engaged, either directly or through its affiliates, in the manufacture and sale of ladies' scarves, head coverings, blouses, beachwear, towels and linens, placemats and various wearing apparel accessories such as belts, ties and handbags. Defendant, also a New York corporation, is a manufacturer of ladies' handbags. The facts are essentially as follows:

Defendant desired to make ladies' handbags, using plaintiff's towels which embodied copyrighted marks. Negotiations for a license were carried on but ended unsuccessfully. Defendant then purchased plaintiff's towels retail and utilized them in the manufacture of ladies' handbags. On some of these handbags made with plaintiff's towels there can be seen, at the bottom, the name Vera coupled with the figure of a Scarab or Ladybug and the copyright symbol of an encircled letter C. The Scarab or Ladybug and the name Vera are trademarks of plaintiff which are registered in the State of New York, and the trademark Vera is also registered at the United States Patent Office. Plaintiff claims that defendant is engaged in the business of selling handbags which are not of plaintiff's manufacture but which bear plaintiff's trademarks and is thus infringing on plaintiff's trademarks. Defendant contends that it has not infringed on plaintiff's trademark since it has attached to its handbags, by means of a string, a tag which reads:

"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.

"American Handbags, Inc.

"New York, N. Y."

Defendant claims that the purpose of this tag is to identify defendant as the

manufacturer of the handbags and to give credit to the plaintiff for creation of the designs.

Some of the handbags, however, did not contain plaintiff's copyright notice because defendant had removed it. Plaintiff, claiming that defendant's action violates Section 105, Title 17 of the U. S. C., is moving to restrain defendant from removing the copyright notice. Title 17 U.S.C. § 105 states:

"Any person who, with fraudulent intent, shall insert or impress any notice of copyright required by this title, or words of the same purport, in or upon any uncopyrighted article, or with fraudulent intent shall remove or alter the copyright notice upon any article duly copyrighted shall be guilty of a misdemeanor, punishable by a fine of not less than \$100 and not more than \$1,000. Any person who shall knowingly issue or sell any article bearing a notice of United States copyright which has not been copyrighted in this country, or who shall knowingly import any article bearing such notice or words of the same purport, which has not been copyrighted in this country, shall be liable to a fine of \$100."

Defendant states that the copyright notice was only removed where "the exigencies of the manufacture and sale of summer handbags required" it and that it was done without any fraudulent intent. As evidence of its lack of fraudulent intent the defendant points to the fact that the above tag was attached to all handbags sold by defendant which used plaintiff's towels.

The present Title 17 U.S.C. § 105 (1947) was first enacted in 1909 when inclusion of a penalty for fraudulent removal of notice was first inserted into the law. Prior to 1909 the law contained a penalty for impressing a false notice of copyright or for knowingly issuing or selling an article bearing a false copyright notice but nothing was said about the fraudulent removal of notice.

188 F.Supp.—17

The prior law also authorized federal Circuit courts to enjoin the issuing, publishing or selling of such articles. This latter provision was omitted from the present section. Weil, in his book *The American Copyright Law* (1917), at page 500, summarized the changes introduced by the present section—

"It should be noted that the present Act strikes out much of the remedial portion of the latter amendment [29 Stat. 694 (1897)] and changes the prior law radically in other respects. It provides that a fraudulent intent on the defendant's part must be shown. It changes the liability it imposes from a civil, to a criminal responsibility. It strikes out the provision empowering the granting of injunctive relief."

[1] Thus, the injunctive relief expressly provided for in the case of false use of copyright notice was deleted in 1909 when criminal sanctions were written into the law for the false removal of a copyright notice. Moreover, 17 U.S.C. § 105, which plaintiff relies on, has apparently never been used to support injunctive relief. In view of the above and the general rule that equity will not enjoin the commission of crimes, I do not think this court has the power to issue an injunction restraining defendant from removing plaintiff's copyright notices.

[2, 3] Relying on the fact that injunctive relief can be granted for a violation of a specific property right even though such violation is a crime, plaintiff has tried to show a property interest independent of 17 U.S.C. § 105. Plaintiff's argument is that when defendant purchases towels or linens embodying plaintiff's copyrighted marks and removes the copyright notice and utilizes said towels or linens in the manufacture of ladies' handbags which are sold to the public, the defendant is placing the copyrighted designs in the public domain, exposing them to use by the public and thereby destroying plaintiff's copyright. Plaintiff's argument falls short, however, because defendant by its actions

cannot place plaintiff's copyrighted designs in the public domain. In order for the designs to be placed in the public domain it must be shown that the copyrighted works left the plaintiff's possession without the required notice, and this burden is on the defendant. *Gerlach-Barklow Co. v. Morris & Bendien*, 2 Cir., 1927, 23 F.2d 159, 162; *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 2 Cir., 1960, 274 F.2d 487.

[4] However, plaintiff has asked not only that defendant be enjoined from removing plaintiff's copyright notice but also that defendant be restrained from using plaintiff's towels or linens or plaintiff's name or plaintiff's Vera and Scarab or Ladybug trademarks in the sale of its handbags. As has been said above, on some of the handbags plaintiff's name and trademarks can be seen and plaintiff claims that this constitutes trademark infringement under 15 U.S.C.A. §§ 1114 and 1125. As was said in *Prestonettes, Inc. v. Coty*, 1924, 264 U.S. 359, 368, 44 S.Ct. 350, 351, 68 L.Ed. 731:

"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."

The question is thus whether an ordinary, intelligent purchaser, upon seeing the handbag, would be misled into the belief that plaintiff was in some way connected with its manufacture.

[5] Defendant claims that the tag, which was attached to all handbags using plaintiff's towels, informed the public that plaintiff was not connected with its manufacture. However, I find the notice printed on the tag misleading. I find that the average purchaser would be misled into believing that plaintiff and defendant were in some manner associ-

ated in the joint enterprise of manufacturing the handbags in question. This finding is supported by the fact that plaintiff has received requests from department store buyers to conduct joint promotions on their scarves and defendant's handbags. Moreover, the tag which defendant has used as a substitute for plaintiff's copyright notice does not meet the statutory requirement of 17 U.S.C. § 19. *Scarves by Vera, Inc. v. United Merchants & Mfrs., Inc.*, D.C.S.D.N.Y.1959, 173 F.Supp. 625; *Trifari, Krussman & Fishel, Inc. v. B. Steinberg-Kaslo Co.*, D.C.S.D.N.Y.1956, 144 F.Supp. 577.

[6] However, the defendant is still entitled 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. The result is, of course, that defendant will get some advantage from the trademark. This, however, is wholly permissible so long as plaintiff is not identified with the manufacture of the handbag. All plaintiff is entitled to is full disclosure. *Champion Spark Plug Co. v. Sanders*, 1941, 331 U.S. 125, 130, 67 S.Ct. 1136, 91 L.Ed. 1386.

[7] Thus, an injunction will issue enjoining defendant from selling handbags made from plaintiff's towel unless there is sewn on the inside of the handbag near the clasp, and plainly visible to anyone opening the handbag, a label which states that

"The design on the cover of this handbag is the copyrighted design of Scarves by Vera, Inc. which is in no way connected with American Handbags, Inc., manufacturer of this handbag."

Moreover, the letters are all to be of the same size and legibly readable except that defendant's name can be in slightly larger type than the rest of the body of the legend.

Settle order and submit therewith an undertaking in the amount of \$5,000.

APPENDIX—Continued

threw the Respondent from a small house, causing him to become entangled in a wire.

Behaviors that an adult may not typically associate with persecution or serious harm may produce lasting damage or physical or psychological trauma in a child and thus constitute persecution. *See Civil v. INS*, 140 F.3d 52, 62–63 (1st Cir. 1998) (dissenting opinion). However, after a careful review of the Record of Proceedings (and bearing in mind the Respondent’s age at the time these events occurred), the Court concludes that the Respondent did not suffer from past persecution. While these events were, without a doubt, troubling, they amount to no more than a series of isolated altercations with a disgruntled neighbor and with a group of boys who bullied younger children into providing them with money. *See Awad*, 463 F.3d at 76 (harassment and bullying does not amount to persecution). There is no evidence in the Record of Proceedings that the Respondent was ever physically punished for possessing a belief or characteristic that others sought to overcome. Nor is there any evidence that encounters with “Hubert” or the “Maras”—and not, perhaps, the difficulties involved in traveling unaccompanied to the United States—caused the Respondent such lasting psychological trauma so as to rise to the level of past persecution. *Cf.* Exhibit 6 (psychological evaluation diagnosing the Respondent with Post-Traumatic Stress Disorder). Accordingly, this Court finds that the Respondent did not suffer past persecution.

....



TIFFANY (NJ) INC. and Tiffany and Company, Plaintiffs–Appellants,

v.

eBAY INC., Defendant–Appellee.

Docket No. 08–3947–cv.

United States Court of Appeals,
Second Circuit.

Argued: July 16, 2009.

Decided: April 1, 2010.

Background: Jewelry seller brought action against online auction site proprietor through which counterfeit seller-branded merchandise was sold, alleging trademark infringement, false advertising, or trademark dilution. The United States District Court for the Southern District of New York, Richard J. Sullivan, J., 576 F.Supp.2d 463, entered judgment in favor of proprietor with respect to claims of trademark infringement and dilution, and seller appealed.

Holdings: The Court of Appeals, Sack, Circuit Judge, held that:

- (1) proprietor’s use of jewelry seller’s mark on its website and in sponsored links did not constitute direct trademark infringement, and
- (2) proprietor’s generalized knowledge of infringement of seller’s trademark on its website was not sufficient to impose upon proprietor an affirmative duty to remedy the problem, and therefore proprietor was not liable for contributory trademark infringement for facilitating the infringing conduct of counterfeiting vendors.

Affirmed in part, and remanded in part.

1. Trademarks ¶1421

Test for direct trademark infringement looks first to whether the plaintiff’s

mark is entitled to protection, and second to whether the defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant's goods. Lanham Act, § 32, 15 U.S.C.A. § 1114.

2. Trademarks ⇌1523(3)

Doctrine of nominative fair use allows a defendant to use a plaintiff's trademark to identify the plaintiff's goods so long as there is no likelihood of confusion about the source of the defendant's product or the mark-holder's sponsorship or affiliation.

3. Trademarks ⇌1523(1)

While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product.

4. Trademarks ⇌1523(2)

Online auction site proprietor's use of jewelry seller's mark on its website and in sponsored links did not constitute direct trademark infringement under Lanham Act; proprietor used the mark to describe accurately the genuine seller's goods offered for resale on its website, and none of proprietor's uses of the mark suggested that seller affiliated itself with proprietor or endorsed the sale of its products through proprietor's website. Lanham Act, § 32, 15 U.S.C.A. § 1114.

5. Trademarks ⇌1566

There are two ways in which a service provider may become contributorily liable for trademark infringement of another: (1) if the service provider intentionally induces another to infringe a trademark, and (2) if the service provider continues to supply its

service to one whom it knows or has reason to know is engaging in trademark infringement.

6. Trademarks ⇌1566

Online auction site proprietor's generalized knowledge of infringement of seller's trademark on its website was not sufficient to impose upon proprietor an affirmative duty to remedy the problem, and therefore proprietor was not liable for contributory trademark infringement for facilitating the infringing conduct of counterfeiting vendors; proprietor could not be held contributorily liable without evidence that it had specific contemporary knowledge of which particular listings were infringing or would infringe in the future.

7. Trademarks ⇌1566

Service provider is not contributorily liable for trademark infringement of another merely for failing to anticipate that others would use its service to infringe a protected mark.

8. Trademarks ⇌1566

When service provider has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from liability for trademark infringement by willful blindness.

9. Trademarks ⇌1463

"Dilution by blurring" can occur regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury. Lanham Act, § 43(c)(2)(B), 15 U.S.C.A. § 1125(c)(2)(B).

10. Trademarks ⇌1463

"Dilution by tarnishment" generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product. Lan-

ham Act, § 43(c)(2)(C), 15 U.S.C.A. § 1125(c)(2)(C).

See publication Words and Phrases for other judicial constructions and definitions.

11. Trademarks ⇨1459

New York does not require a mark to be ‘famous’ for protection against dilution to apply, and does not permit a dilution claim unless the marks are substantially similar. N.Y.McKinney’s General Business Law § 360–1.

12. Trademarks ⇨1470

Online auction site proprietor did not engage in dilution of jewelry seller’s protected mark in violation of federal or New York law by permitting resale of counterfeit seller-branded merchandise through its website. Lanham Act, § 43(c), 15 U.S.C.A. § 1125(c); N.Y.McKinney’s General Business Law § 360–1.

13. Antitrust and Trade Regulation ⇨22

A claim of false advertising may be based on at least one of two theories: that the challenged advertisement is literally false, i.e., false on its face, or that the advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers; under either theory, the plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product. Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

14. Antitrust and Trade Regulation ⇨103(1)

Where an advertising claim is literally false, the court may enjoin the use of the claim without reference to the advertisement’s impact on the buying public. Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

15. Antitrust and Trade Regulation ⇨22

To succeed in a likelihood-of-confusion false advertising case where the statement at issue is not literally false, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers, and must demonstrate that a statistically significant part of the commercial audience holds the false belief allegedly communicated by the challenged advertisement. Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

16. Antitrust and Trade Regulation ⇨41

Lanham Act prohibits an advertisement that implies that all of the goods offered on a defendant’s website are genuine when in fact a sizeable proportion of them are not. Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

James B. Swire (H. Peter Haveles, Jr., Peter L. Zimroth, Erik C. Walsh, and Eleanor M. Lackman, on the brief) Arnold & Porter LLP, New York, NY, for Plaintiffs–Appellants.

R. Bruce Rich (Randi W. Singer, Jonathan Bloom, and Mark J. Fiore on the brief) Weil, Gotshal & Manges LLP, New York, NY, for Defendant–Appellee.

Bruce P. Keller, David H. Bernstein, Michael R. Potenza, Debevoise & Plimpton LLP, New York, NY, for Amicus Curiae The International Anticounterfeiting Coalition.

John F. Cooney, Janet F. Satterwaite, Meghan Hemmings Kend, Venable LLP, Washington, D.C., for Amicus Curiae Coty, Inc.

Alain Coblenca, Coblenca & Associates, New York, NY, for Amicus Curiae The

Council of Fashion Designers of America, Inc.

Patric J. Carome, Samir C. Jain, Wilmer Cutler Pickering Hale and Dorr LLP, Washington, D.C., for Amici Curiae Amazon.com, Inc., Google Inc., Information Technology Association of America, Internet Commerce Coalition, Netcoalition, United States Internet Service Provider Association, and United States Telecom Association.

Meredith Martin Addy and Howard S. Michael, Brinks Hofer Gilson & Lione, Chicago, IL, David S. Fleming, Brinks Hofer Gilson & Lione, New York, NY, for Amicus Curiae Yahoo! Inc.

Fred von Lohmann, Michael Kwum, The Electronic Frontier Foundation, San Francisco, CA, for Amici Curiae The Electronic Frontier Foundation, Public Citizen, and Public Knowledge.

Before: SACK and B.D. PARKER, Circuit Judges, and GOLDBERG, Judge.*

SACK, Circuit Judge:

eBay, Inc. (“eBay”), through its eponymous online marketplace, has revolutionized the online sale of goods, especially used goods. It has facilitated the buying and selling by hundreds of millions of people and entities, to their benefit and eBay’s profit. But that marketplace is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.

Plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (together, “Tiffany”) have created and cultivated a brand of jewelry

bespeaking high-end quality and style. Based on Tiffany’s concern that some use eBay’s website to sell counterfeit Tiffany merchandise, Tiffany has instituted this action against eBay, asserting various causes of action—sounding in trademark infringement, trademark dilution and false advertising—arising from eBay’s advertising and listing practices. For the reasons set forth below, we affirm the district court’s judgment with respect to Tiffany’s claims of trademark infringement and dilution but remand for further proceedings with respect to Tiffany’s false advertising claim.

BACKGROUND

By opinion dated July 14, 2008, following a week-long bench trial, the United States District Court for the Southern District of New York (Richard J. Sullivan, *Judge*) set forth its findings of fact and conclusions of law. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F.Supp.2d 463 (S.D.N.Y.2008) (“*Tiffany*”). When reviewing a judgment following a bench trial in the district court, we review the court’s findings of fact for clear error and its conclusions of law *de novo*. *Gordano v. Thomson*, 564 F.3d 163, 168 (2d Cir.2009). Except where noted otherwise, we conclude that the district court’s findings of fact are not clearly erroneous. We therefore rely upon those non-erroneous findings in setting forth the facts of, and considering, this dispute.

eBay

eBay¹ is the proprietor of www.ebay.com, an Internet-based marketplace that

*The Honorable Richard W. Goldberg, Senior Judge, United States Court of International Trade, sitting by designation.

1. eBay appears to be short for Echo Bay—the name of eBay’s founder’s consulting firm was Echo Bay Technology Group. The name

“EchoBay” was already in use, so eBay was employed as the name for the website. See http://en.wikipedia.org/wiki/EBay#Origins_and_history (last visited Feb. 26, 2010); <http://news.softpedia.com/news/eBay-Turns-Ten-Happy-Birthday-7502.shtml> (last visited Feb. 26, 2010).

allows those who register with it to purchase goods from and sell goods to one another. It “connect[s] buyers and sellers and [] enable[s] transactions, which are carried out directly between eBay members.” *Tiffany*, 576 F.Supp.2d at 475.² In its auction and listing services, it “provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items” listed for sale on the site, *id.* at 475, nor does it ever take physical possession of them, *id.* Thus, “eBay generally does not know whether or when an item is delivered to the buyer.” *Id.*

eBay has been enormously successful. More than six million new listings are posted on its site daily. *Id.* At any given time it contains some 100 million listings. *Id.*

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

eBay also generates revenue through a company named PayPal, which it owns and which allows users to process their purchases. PayPal deducts, as a fee for each transaction that it processes, 1.9% to 2.9% of the transaction amount, plus \$0.30. *Id.* This gives eBay an added incentive to increase both the volume and the price of the goods sold on its website. *Id.*

2. In addition to providing auction-style and fixed-priced listings, eBay is also the propri-

Tiffany

Tiffany is a world-famous purveyor of, among other things, branded jewelry. *Id.* at 471–72. Since 2000, all new Tiffany jewelry sold in the United States has been available exclusively through Tiffany’s retail stores, catalogs, and website, and through its Corporate Sales Department. *Id.* at 472–73. It does not use liquidators, sell overstock merchandise, or put its goods on sale at discounted prices. *Id.* at 473. It does not—nor can it, for that matter—control the “legitimate secondary market in authentic Tiffany silvery jewelry,” i.e., the market for second-hand Tiffany wares. *Id.* at 473. The record developed at trial “offere[d] little basis from which to discern the actual availability of authentic Tiffany silver jewelry in the secondary market.” *Id.* at 474.

Sometime before 2004, Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay’s site. Prior to and during the course of this litigation, Tiffany conducted two surveys known as “Buying Programs,” one in 2004 and another in 2005, in an attempt to assess the extent of this practice. Under those programs, Tiffany bought various items on eBay and then inspected and evaluated them to determine how many were counterfeit. *Id.* at 485. Tiffany found that 73.1% of the purported Tiffany goods purchased in the 2004 Buying Program and 75.5% of those purchased in the 2005 Buying Program were counterfeit. *Id.* The district court concluded, however, that the Buying Programs were “methodologically flawed and of questionable value,” *id.* at 512, and “provide[d] limited evidence as to the total percentage of counterfeit goods available on eBay at any given time,” *id.* at 486. The court nonetheless decided that during the period in which the Buying

tor of a traditional classified service. *Id.* at 474.

Programs were in effect, a “significant portion of the ‘Tiffany’ sterling silver jewelry listed on the eBay website . . . was counterfeit,” *id.*, and that eBay knew “that some portion of the Tiffany goods sold on its website might be counterfeit,” *id.* at 507. The court found, however, that “a substantial number of authentic Tiffany goods are [also] sold on eBay.” *Id.* at 509.

Reducing or eliminating the sale of all second-hand Tiffany goods, including genuine Tiffany pieces, through eBay’s website would benefit Tiffany in at least one sense: It would diminish the competition in the market for genuine Tiffany merchandise. *See id.* at 510 n. 36 (noting that “there is at least some basis in the record for eBay’s assertion that one of Tiffany’s goals in pursuing this litigation is to shut down the legitimate secondary market in authentic Tiffany goods”). The immediate effect would be loss of revenue to eBay, even though there might be a countervailing gain by eBay resulting from increased consumer confidence about the bona fides of other goods sold through its website.

Anti-Counterfeiting Measures

Because eBay facilitates many sales of Tiffany goods, genuine and otherwise, and obtains revenue on every transaction, it generates substantial revenues from the sale of purported Tiffany goods, some of which are counterfeit. “eBay’s Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned \$4.1 million in revenue from completed listings with ‘Tiffany’ in the listing title in the Jewelry & Watches category.” *Id.* at 481. Although eBay was generating revenue from all sales of goods on its site, including counterfeit goods, the district court found eBay to have “an interest in eliminating counterfeit Tiffany merchandise from eBay . . . to preserve the reputation of its website as a safe place to do business.” *Id.* at 469. The

buyer of fake Tiffany goods might, if and when the forgery was detected, fault eBay. Indeed, the district court found that “buyers . . . complain[ed] to eBay” about the sale of counterfeit Tiffany goods. *Id.* at 487. “[D]uring the last six weeks of 2004, 125 consumers complained to eBay about purchasing ‘Tiffany’ items through the eBay website that they believed to be counterfeit.” *Id.*

Because eBay “never saw or inspected the merchandise in the listings,” its ability to determine whether a particular listing was for counterfeit goods was limited. *Id.* at 477–78. Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit. *Id.* at 472 n. 7 (“[I]n many instances, determining whether an item is counterfeit will require a physical inspection of the item, and some degree of expertise on the part of the examiner.”).

Notwithstanding these limitations, eBay spent “as much as \$20 million each year on tools to promote trust and safety on its website.” *Id.* at 476. For example, eBay and PayPal set up “buyer protection programs,” under which, in certain circumstances, the buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be genuine. *Id.* at 479. eBay also established a “Trust and Safety” department, with some 4,000 employees “devoted to trust and safety” issues, including over 200 who “focus exclusively on combating infringement” and 70 who “work exclusively with law enforcement.” *Id.* at 476.

By May 2002, eBay had implemented a “fraud engine,” “which is principally dedicated to ferreting out illegal listings, including counterfeit listings.” *Id.* at 477. eBay had theretofore employed manual searches for keywords in listings in an effort to “identify blatant instances of po-

tentially infringing . . . activity.” *Id.* “The fraud engine uses rules and complex models that automatically search for activity that violates eBay policies.” *Id.* In addition to identifying items actually advertised as counterfeit, the engine also incorporates various filters designed to screen out less-obvious instances of counterfeiting using “data elements designed to evaluate listings based on, for example, the seller’s Internet protocol address, any issues associated with the seller’s account on eBay, and the feedback the seller has received from other eBay users.” *Id.* In addition to general filters, the fraud engine incorporates “Tiffany-specific filters,” including “approximately 90 different keywords” designed to help distinguish between genuine and counterfeit Tiffany goods. *Id.* at 491. During the period in dispute,³ eBay also “periodically conducted [manual] reviews of listings in an effort to remove those that might be selling counterfeit goods, including Tiffany goods.” *Id.*

For nearly a decade, including the period at issue, eBay has also maintained and administered the “Verified Rights Owner (‘VeRO’) Program”—a “‘notice-and-takedown’ system” allowing owners of intellectual property rights, including Tiffany, to “report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings.” *Id.* at 478. Any such rights-holder with a “good-faith belief that [a particular listed] item infringed on a copyright or a trademark” could report the item to eBay, using a “Notice Of Claimed Infringement form or NOCI form.” *Id.* During the period under

3. In its findings, the district court often used the past tense to describe eBay’s anticounterfeiting efforts. We do not take this usage to suggest that eBay has discontinued these efforts, but only to emphasize that its findings are issued with respect to a particular period of time prior to the completion of trial and issuance of its decision.

consideration, eBay’s practice was to remove reported listings within twenty-four hours of receiving a NOCI, but eBay in fact deleted seventy to eighty percent of them within twelve hours of notification. *Id.*

On receipt of a NOCI, if the auction or sale had not ended, eBay would, in addition to removing the listing, cancel the bids and inform the seller of the reason for the cancellation. If bidding had ended, eBay would retroactively cancel the transaction. *Id.* In the event of a cancelled auction, eBay would refund the fees it had been paid in connection with the auction. *Id.* at 478–79.

In some circumstances, eBay would reimburse the buyer for the cost of a purchased item, provided the buyer presented evidence that the purchased item was counterfeit. *Id.* at 479.⁴ During the relevant time period, the district court found, eBay “never refused to remove a reported Tiffany listing, acted in good faith in responding to Tiffany’s NOCIs, and always provided Tiffany with the seller’s contact information.” *Id.* at 488.

In addition, eBay has allowed rights owners such as Tiffany to create an “About Me” webpage on eBay’s website “to inform eBay users about their products, intellectual property rights, and legal positions.” *Id.* at 479. eBay does not exercise control over the content of those pages in a manner material to the issues before us.

Tiffany, not eBay, maintains the Tiffany “About Me” page. With the headline

4. We note, however, that, Tiffany’s “About Me” page on the eBay website states that Tiffany does not authenticate merchandise. Pl.’s Ex. 290.

Thus, it may be difficult for a purchaser to proffer evidence to eBay supporting a suspicion that the “Tiffany” merchandise he or she bought is counterfeit.

“BUYER BEWARE,” the page begins: “Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.” Pl.’s Ex. 290 (bold face type in original). It also says, *inter alia*:

The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www.tiffany.com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you.

Id.

In 2003 or early 2004, eBay began to use “special warning messages when a seller attempted to list a Tiffany item.” *Tiffany*, 576 F.Supp.2d at 491. These messages “instructed the seller to make sure that the item was authentic Tiffany merchandise and informed the seller that eBay ‘does not tolerate the listing of replica, counterfeit, or otherwise unauthorized items’ and that violation of this policy ‘could result in suspension of [the seller’s] account.’” *Id.* (alteration in original). The messages also provided a link to Tiffany’s “About Me” page with its “buyer beware” disclaimer. *Id.* If the seller “continued to list an item despite the warning, the listing was flagged for review.” *Id.*

In addition to cancelling particular suspicious transactions, eBay has also suspended from its website “‘hundreds of thousands of sellers every year,’ tens of thousands of whom were suspected [of

having engaged in infringing conduct.” *Id.* at 489. eBay primarily employed a “‘three strikes rule’” for suspensions, but would suspend sellers after the first violation if it was clear that “the seller ‘listed a number of infringing items,’ and [selling counterfeit merchandise] appears to be the only thing they’ve come to eBay to do.’” *Id.* But if “a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the ‘infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that . . . if they do this again, they will be suspended from eBay.’” *Id.* (alterations in original).⁵

By late 2006, eBay had implemented additional anti-fraud measures: delaying the ability of buyers to view listings of certain brand names, including Tiffany’s, for 6 to 12 hours so as to give rights-holders such as Tiffany more time to review those listings; developing the ability to assess the number of items listed in a given listing; and restricting one-day and three-day auctions and cross-border trading for some brand-name items. *Id.* at 492.

The district court concluded that “eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available.” *Id.* at 493.

eBay’s Advertising

At the same time that eBay was attempting to reduce the sale of counterfeit

5. According to the district court, “eBay took appropriate steps to warn and then to suspend sellers when eBay learned of potential trademark infringement under that seller’s account.” *Tiffany*, 576 F.Supp.2d at 489. The district court concluded that it was understandable that eBay did not have a “hard-and-fast, one-strike rule” of suspending sellers because a NOCI “did not constitute a definitive

finding that the listed item was counterfeit” and because “suspension was a very serious matter, particularly to those sellers who relied on eBay for their livelihoods.” *Id.* The district court ultimately found eBay’s policy to be “appropriate and effective in preventing sellers from returning to eBay and re-listing potentially counterfeit merchandise.” *Id.*

items on its website, it actively sought to promote sales of premium and branded jewelry, including Tiffany merchandise, on its site. *Id.* at 479–80. Among other things,

eBay “advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to grow the Jewelry & Watches category.” *Id.* at 479. And prior to 2003, eBay advertised the availability of Tiffany merchandise on its site. eBay’s advertisements trumpeted “Mother’s Day Gifts!,” Pl.’s Exs. 392, 1064, a “Fall FASHION BRAND BLOWOUT,” Pl.’s Ex. 392, “Jewelry Best Sellers,” *id.*, “GREAT BRANDS, GREAT PRICES,” Pl.’s Ex. 1064, or “Top Valentine’s Deals,” Pl.’s Ex. 392, among other promotions. It encouraged the viewer to “GET THE FINER THINGS.” Pl.’s Ex. 392. These advertisements provided the reader with hyperlinks, at least one of each of which was related to Tiffany merchandise—“Tiffany,” “Tiffany & Co. under \$150,” “Tiffany & Co.,” “Tiffany Rings,” or “Tiffany & Co. under \$50.” Pl.’s Exs. 392, 1064.

eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website. *Tiffany*, 576 F.Supp.2d at 480. In one such case, in the form of a printout of the results list from a search on Yahoo! for “tiffany,” the second sponsored link read “**Tiffany** on eBay. Find **tiffany** items at low prices. With over 5 million items for sale every day, you’ll find all kinds of unique [unreadable] Marketplace.

6. That section states in pertinent part:
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; . . . shall be

www.ebay.com.” Pl.’s Ex. 1065 (bold face type in original). Tiffany complained to eBay of the practice in 2003, and eBay told Tiffany that it had ceased buying sponsored links. *Tiffany*, 576 F.Supp.2d at 480. The district court found, however, that eBay continued to do so indirectly through a third party. *Id.*

Procedural History

By amended complaint dated July 15, 2004, Tiffany initiated this action. It alleged, *inter alia*, that eBay’s conduct—i.e., facilitating and advertising the sale of “Tiffany” goods that turned out to be counterfeit—constituted direct and contributory trademark infringement, trademark dilution, and false advertising. On July 14, 2008, following a bench trial, the district court, in a thorough and thoughtful opinion, set forth its findings of fact and conclusions of law, deciding in favor of eBay on all claims.

Tiffany appeals from the district court’s judgment for eBay.

DISCUSSION

We review the district court’s findings of fact for clear error and its conclusions of law *de novo*. *Giordano v. Thomson*, 564 F.3d 163, 168 (2d Cir.2009).

I. Direct Trademark Infringement

[1] Tiffany alleges that eBay infringed its trademark in violation of section 32 of the Lanham Act.⁶ The district court described this as a claim of “direct trade-

liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1)(a). Tiffany’s complaint asserts causes of action under both the Lanham Act and New York State common law. The claims are composed of the same elements. We therefore analyze them together. *See, e.g., Standard & Poor’s Corp. v. Commodity Exch., Inc.*, 683 F.2d 704, 708 (2d Cir. 1982).

mark infringement,” *Tiffany*, 576 F.Supp.2d at 493, and we adopt that terminology. Under section 32, “the owner of a mark registered with the Patent and Trademark Office can bring a civil action against a person alleged to have used the mark without the owner’s consent.” *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 145–46 (2d Cir.), *cert. denied*, 552 U.S. 827, 128 S.Ct. 288, 169 L.Ed.2d 38 (2007). We analyze such a claim “under a familiar two-prong test. The test looks first to whether the plaintiff’s mark is entitled to protection, and second to whether the defendant’s use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant’s goods.” *Savin Corp. v. Savin Group*, 391 F.3d 439, 456 (2d Cir.2004) (alterations incorporated and ellipses omitted), *cert. denied*, 546 U.S. 822, 126 S.Ct. 116, 163 L.Ed.2d 64 (2005).

In the district court, Tiffany argued that eBay had directly infringed its mark by using it on eBay’s website and by purchasing sponsored links containing the mark on Google and Yahoo! *Tiffany*, 576 F.Supp.2d at 494. Tiffany also argued that eBay and the sellers of the counterfeit goods using its site were jointly and severally liable. *Id.* The district court rejected these arguments on the ground that eBay’s use of Tiffany’s mark was protected by the doctrine of nominative fair use. *Id.* at 494–95.

[2] The doctrine of nominative fair use allows “[a] defendant [to] use a plaintiff’s trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion about the source of [the] defendant’s product or the mark-holder’s sponsorship or affiliation.” *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F.Supp.2d

402, 413 (S.D.N.Y.2006). The doctrine apparently originated in the Court of Appeals for the Ninth Circuit. *See New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir.1992). To fall within the protection, according to that court: “First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.” *Id.* at 308.

The Court of Appeals for the Third Circuit has endorsed these principles. *See Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d Cir.2005).⁷ We have referred to the doctrine, albeit without adopting or rejecting it. *See, e.g., Chambers v. Time Warner, Inc.*, 282 F.3d 147, 156 (2d Cir.2002) (noting that the district court had “[a]ppl[ied] the standard for non-trademark or ‘nominative’ fair use set forth by the Ninth Circuit”). Other circuits have done similarly. *See, e.g., Univ. Comm’n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413, 424 (1st Cir.2007); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 547 (5th Cir.1998), *abrogated on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001).

[3] We need not address the viability of the doctrine to resolve Tiffany’s claim, however. We have recognized that a defendant may lawfully use a plaintiff’s trademark where doing so is necessary to describe the plaintiff’s product and does not imply a false affiliation or endorsement

7. The Third Circuit treats the doctrine as an affirmative defense, *see Century 21*, 425 F.3d at 217–32, while the Ninth Circuit views the doctrine as a modification to the likelihood-

of-confusion analysis of the plaintiff’s underlying infringement claim, *see Playboy Enters. v. Welles*, 279 F.3d 796, 801 (9th Cir.2002).

by the plaintiff of the defendant. “While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product.” *Dow Jones & Co. v. Int’l Sec. Exch., Inc.*, 451 F.3d 295, 308 (2d Cir.2006); *see also Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 61–62 (2d Cir.1992) (“As a general rule, trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner” (footnote omitted)); *cf. Presto-nettes, Inc. v. Coty*, 264 U.S. 359, 368, 44 S.Ct. 350, 68 L.Ed. 731 (1924) (when a “mark is used in a way that does not deceive the public,” there is “no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.”).

[4] We agree with the district court that eBay’s use of Tiffany’s mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay’s uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay’s website.

In addition, the “About Me” page that Tiffany has maintained on eBay’s website since 2004 states that “[m]ost of the purported ‘TIFFANY & CO.’ silver jewelry and packaging available on eBay is counterfeit.” *Tiffany*, 576 F.Supp.2d at 479 (internal quotation marks omitted). The page further explained that Tiffany itself sells its products only through its own stores, catalogues, and website. *Id.*

Tiffany argues, however, that even if eBay had the right to use its mark with respect to the resale of genuine Tiffany merchandise, eBay infringed the mark be-

cause it knew or had reason to know that there was “a substantial problem with the sale of counterfeit [Tiffany] silver jewelry” on the eBay website. Appellants’ Br. 45. As we discuss below, eBay’s knowledge *vel non* that counterfeit Tiffany wares were offered through its website is relevant to the issue of whether eBay contributed to the direct infringement of Tiffany’s mark by the counterfeiting vendors themselves, or whether eBay bears liability for false advertising. But it is not a basis for a claim of direct trademark infringement against eBay, especially inasmuch as it is undisputed that eBay promptly removed all listings that Tiffany challenged as counterfeit and took affirmative steps to identify and remove illegitimate Tiffany goods. To impose liability because eBay cannot guarantee the genuineness of all of the purported Tiffany products offered on its website would unduly inhibit the lawful resale of genuine Tiffany goods.

We conclude that eBay’s use of Tiffany’s mark in the described manner did not constitute direct trademark infringement.

II. Contributory Trademark Infringement

The more difficult issue, and the one that the parties have properly focused our attention on, is whether eBay is liable for contributory trademark infringement—i.e., for culpably facilitating the infringing conduct of the counterfeiting vendors. Acknowledging the paucity of case law to guide us, we conclude that the district court correctly granted judgment on this issue in favor of eBay.

A. Principles

Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts. *See, e.g., Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148

(7th Cir.1992); *cf.* *Metro-Goldwyn-May-er Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005) (“[T]hese doctrines of secondary liability emerged from common law principles and are well established in the law.”) (citations omitted). The Supreme Court most recently dealt with the subject in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982). There, the plaintiff, Ives, asserted that several drug manufacturers had induced pharmacists to mislabel a drug the defendants produced to pass it off as Ives’. *See id.* at 847–50, 102 S.Ct. 2182. According to the Court, “if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributively responsible for any harm done as a result of the deceit.” *Id.* at 854, 102 S.Ct. 2182.⁸ The Court ultimately decided to remand the case to the Court of Appeals after concluding it had improperly rejected factual findings of the district court favoring the defendant manufacturers. *Id.* at 857–59, 102 S.Ct. 2182.

8. The Supreme Court cited two cases in support of this proposition: *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 44 S.Ct. 615, 68 L.Ed. 1161 (1924), and *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F.Supp. 980 (D.Mass.1946) (Wyzanski, J.), *aff’d*, 162 F.2d 280 (1st Cir.), *cert. denied*, 332 U.S. 809, 68 S.Ct. 110, 92 L.Ed. 386 (1947).

Like *Inwood*, *Eli Lilly* involved an allegation by a plaintiff drug manufacturer that a defendant drug manufacturer had intentionally induced distributors to pass off the defendant’s drug to purchasers as the plaintiff’s. 265 U.S. at 529–30, 44 S.Ct. 615. The Supreme Court granted the plaintiff’s request for an injunction, stating that “[o]ne who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury.” *Id.* at 530–31, 44 S.Ct. 615.

Inwood’s test for contributory trademark infringement applies on its face to manufacturers and distributors of goods. Courts have, however, extended the test to providers of services.

The Seventh Circuit applied *Inwood* to a lawsuit against the owner of a swap meet, or “flea market,” whose vendors were alleged to have sold infringing Hard Rock Café T-shirts. *See Hard Rock Café*, 955 F.2d at 1148–49. The court “treated trademark infringement as a species of tort,” *id.* at 1148, and analogized the swap meet owner to a landlord or licensor, on whom the common law “imposes the same duty . . . [as *Inwood*] impose[s] on manufacturers and distributors,” *id.* at 1149; *see also Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir.1996) (adopting *Hard Rock Café*’s reasoning and applying *Inwood* to a swap meet owner).

Speaking more generally, the Ninth Circuit concluded that *Inwood*’s test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th

In *Snow Crest*, the Coca-Cola Company claimed that a rival soft drink maker had infringed Coca-Cola’s mark because bars purchasing the rival soft drink had substituted it for Coca-Cola when patrons requested a “rum (or whiskey) and Coca-Cola.” 64 F.Supp. at 982, 987. Judge Wyzanski entered judgment in favor of the defendant primarily because there was insufficient evidence of such illicit substitutions taking place. *Id.* at 990. In doing so, the court stated that “[b]efore he can himself be held as a wrongdoer o[r] contributory infringer one who supplies another with the instruments by which that other commits a tort, must be shown to have knowledge that the other will or can reasonably be expected to commit a tort with the supplied instrument.” *Id.* at 989.

Cir.1999); *see also id.* (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of *Inwood Lab.*’s ‘supplies a product’ requirement for contributory infringement.”).

We have apparently addressed contributory trademark infringement in only two related decisions, *see Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 64 (2d Cir.1992) (“*Polymer I*”); *Polymer Tech. Corp. v. Mimran*, 37 F.3d 74, 81 (2d Cir.1994) (“*Polymer II*”), and even then in little detail. Citing *Inwood*, we said that “[a] distributor who intentionally induces another to infringe a trademark, or continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, is contributorily liable for any injury.” *Polymer I*, 975 F.2d at 64.

The limited case law leaves the law of contributory trademark infringement ill-defined. Although we are not the first court to consider the application of *Inwood* to the Internet, *see, e.g., Lockheed*, 194 F.3d 980, *supra* (Internet domain name registrar), we are apparently the first to

consider its application to an online marketplace.⁹

B. Discussion

1. Does *Inwood* Apply?

In the district court, the parties disputed whether eBay was subject to the *Inwood* test. *See Tiffany*, 576 F.Supp.2d at 504. eBay argued that it was not because it supplies a service while *Inwood* governs only manufacturers and distributors of products. *Id.* The district court rejected that distinction. It adopted instead the reasoning of the Ninth Circuit in *Lockheed* to conclude that *Inwood* applies to a service provider who exercises sufficient control over the means of the infringing conduct. *Id.* at 505–06. Looking “to the extent of the control exercised by eBay over its sellers’ means of infringement,” the district court concluded that *Inwood* applied in light of the “significant control” eBay retained over the transactions and listings facilitated by and conducted through its website. *Id.* at 505–07.

On appeal, eBay no longer maintains that it is not subject to *Inwood*.¹⁰ We

9. European courts have done so. A Belgian court declined to hold eBay liable for counterfeit cosmetic products sold through its website. *See Lancôme v. eBay*, Brussels Commercial Court (Aug. 12, 2008), Docket No. A/07/06032. French courts, by contrast, have concluded that eBay violated applicable trademark laws. *See, e.g., S.A. Louis Vuitton Malletier v. eBay, Inc.*, Tribunal de Commerce de Paris, Première Chambre B. (Paris Commercial Court), Case No. 200677799 (June 30, 2008); *Hermès v. eBay*, Troyes High Court (June 4, 2008), Docket No. 06/0264; *see also* Max Colchester, “eBay to Pay Damages To Unit of LVMH,” *The Wall Street Journal*, Feb. 12, 2010, http://online.wsj.com/article_email/SB10001424052748704337004575059523018541764-lMyQjAxMTAwMDEwMjExNDIyWj.html (last visited Mar. 1, 2010) (“A Paris court Thursday ordered eBay to pay Louis Vuitton Q200,000 (\$275,000) in damages and to stop paying search engines to direct certain

key words to the eBay site.”); *see generally*, Valerie Walsh Johnson & Laura P. Merritt, *TIFFANY v. EBAY: A Case of Genuine Disparity in International Court Rulings on Counterfeit Products*, 1 No. 2 *Landslide* 22 (2008) (surveying decisions by European courts in trademark infringement cases brought against eBay).

10. Amici do so claim. *See* Electronic Frontier Foundation et al. Amici Br. 6 (arguing that *Inwood* should “not govern where, as here, the alleged contributory infringer has no direct means to establish whether there is any act of direct infringement in the first place”). We decline to consider this argument. “Although an *amicus* brief can be helpful in elaborating issues properly presented by the parties, it is normally not a method for injecting new issues into an appeal, at least in cases where the parties are competently represent-

therefore assume without deciding that *Inwood's* test for contributory trademark infringement governs.

2. *Is eBay Liable Under Inwood?*

[5] The question that remains, then, is whether eBay is liable under the *Inwood* test on the basis of the services it provided to those who used its website to sell counterfeit Tiffany products. As noted, when applying *Inwood* to service providers, there are two ways in which a defendant may become contributorily liable for the infringing conduct of another: first, if the service provider “intentionally induces another to infringe a trademark,” and second, if the service provider “continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood*, 456 U.S. at 854, 102 S.Ct. 2182. Tiffany does not argue that eBay induced the sale of counterfeit Tiffany goods on its website—the circumstances addressed by the first part of the *Inwood* test. It argues instead, under the second part of the *Inwood* test, that eBay continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany’s mark.

The district court rejected this argument. First, it concluded that to the extent the NOCIs that Tiffany submitted gave eBay reason to know that particular listings were for counterfeit goods, eBay did not continue to carry those listings once it learned that they were specious. *Tiffany*, 576 F.Supp.2d at 515–16. The court found that eBay’s practice was promptly to remove the challenged listing from its website, warn sellers and buyers, cancel fees it earned from that listing, and direct buyers not to consummate the sale of the disputed item. *Id.* at 516. The

court therefore declined to hold eBay contributorily liable for the infringing conduct of those sellers. *Id.* at 518. On appeal, Tiffany does not appear to challenge this conclusion. In any event, we agree with the district court that no liability arises with respect to those terminated listings.

[6] Tiffany disagrees vigorously, however, with the district court’s further determination that eBay lacked sufficient knowledge of trademark infringement by sellers behind other, non-terminated listings to provide a basis for *Inwood* liability. Tiffany argued in the district court that eBay knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website. *Id.* at 507–08. As evidence, it pointed to, *inter alia*, the demand letters it sent to eBay in 2003 and 2004, the results of its Buying Programs that it shared with eBay, the thousands of NOCIs it filed with eBay alleging its good faith belief that certain listings were counterfeit, and the various complaints eBay received from buyers claiming that they had purchased one or more counterfeit Tiffany items through eBay’s website. *Id.* at 507. Tiffany argued that taken together, this evidence established eBay’s knowledge of the widespread sale of counterfeit Tiffany products on its website. Tiffany urged that eBay be held contributorily liable on the basis that despite that knowledge, it continued to make its services available to infringing sellers. *Id.* at 507–08.

The district court rejected this argument. It acknowledged that “[t]he evidence produced at trial demonstrated that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit.” *Id.* at 507 (emphasis in original). The court charac-

ed by counsel.” *Universal City Studios, Inc.*

v. Corley, 273 F.3d 429, 445 (2d Cir.2001).

terized the issue before it as “whether eBay’s *generalized* knowledge of trademark infringement on its website was sufficient to meet the ‘knowledge or reason to know’ prong of the *Inwood* test.” *Id.* at 508 (emphasis in original). eBay had argued that “such generalized knowledge is insufficient, and that the law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem.” *Id.*

The district court concluded that “while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.” *Id.* at 508. The court reasoned that *Inwood*’s language explicitly imposes contributory liability on a defendant who “continues to supply its product [—in eBay’s case, its service—] to *one* whom it knows or has reason to know is engaging in trademark infringement.” *Id.* at 508 (emphasis in original). The court also noted that plaintiffs “bear a high burden in establishing ‘knowledge’ of contributory infringement,” and that courts have

been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In *Inwood*, Justice White emphasized in his concurring opinion that a defendant is not “require[d] . . . to refuse to sell to dealers who merely *might* pass off its goods.”

Id. at 508–09 (quoting *Inwood*, 456 U.S. at 861, 102 S.Ct. 2182) (White, J., concurring) (emphasis and alteration in original).¹¹

Accordingly, the district court concluded that for Tiffany to establish eBay’s contributory liability, Tiffany would have to

show that eBay “knew or had reason to know of specific instances of actual infringement” beyond those that it addressed upon learning of them. *Id.* at 510. Tiffany failed to make such a showing.

On appeal, Tiffany argues that the distinction drawn by the district court between eBay’s general knowledge of the sale of counterfeit Tiffany goods through its website, and its specific knowledge as to which particular sellers were making such sales, is a “false” one not required by the law. Appellants’ Br. 28. Tiffany posits that the only relevant question is “whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement. If so and if it fails to act, [eBay] is liable for contributory trademark infringement.” *Id.* at 29.

We agree with the district court. For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.

We are not persuaded by Tiffany’s proposed interpretation of *Inwood*. Tiffany understands the “lesson of *Inwood*” to be that an action for contributory trademark infringement lies where “the evidence [of infringing activity]—direct or circumstantial, taken as a whole— . . . provide[s] a basis for finding that the defendant knew or should have known that its product or service was being used to further illegal counterfeiting activity.” Appellants’ Br. 30. We think that Tiffany reads *Inwood* too broadly. Although the *Inwood* Court articulated a “knows or has reason to

11. The district court found the cases Tiffany relied on for the proposition that general

knowledge of counterfeiting suffices to trigger liability to be inapposite. *Id.* at 510.

know” prong in setting out its contributory liability test, the Court explicitly declined to apply that prong to the facts then before it. See *Inwood*, 456 U.S. at 852 n. 12, 102 S.Ct. 2182 (“The District Court also found that the petitioners did not continue to provide drugs to retailers whom they knew or should have known were engaging in trademark infringement. The Court of Appeals did not discuss that finding, and we do not address it.”) (internal citation omitted). The Court applied only the inducement prong of the test. See *id.* at 852–59, 102 S.Ct. 2182.

We therefore do not think that *Inwood* establishes the contours of the “knows or has reason to know” prong. Insofar as it speaks to the issue, though, the particular phrasing that the Court used—that a defendant will be liable if it “continues to supply its product to *one* whom it knows or has reason to know is engaging in trademark infringement,” *id.* at 854, 102 S.Ct. 2182 (emphasis added)—supports the district court’s interpretation of *Inwood*, not Tiffany’s.

We find helpful the Supreme Court’s discussion of *Inwood* in a subsequent copyright case, *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). There, defendant Sony manufactured and sold home video tape recorders. *Id.* at 419, 104 S.Ct. 774. Plaintiffs Universal Studios and Walt Disney Productions held copyrights on various television programs that individual television-viewers had taped using the defendant’s recorders. *Id.* at 419–20, 104 S.Ct. 774. The plaintiffs contended that this use of the recorders constituted copyright infringement for which the defendants should be held contributorily lia-

ble. *Id.* In ruling for the defendants, the Court discussed *Inwood* and the differences between contributory liability in trademark versus copyright law.

If *Inwood*’s narrow standard for contributory trademark infringement governed here, [the plaintiffs’] claim of contributory infringement would merit little discussion. Sony certainly does not ‘intentionally induce[]’ its customers to make infringing uses of [the plaintiffs’] copyrights, nor does it supply its products to *identified individuals known by it* to be engaging in continuing infringement of [the plaintiffs’] copyrights.

Id. at 439 n. 19, 104 S.Ct. 774 (quoting *Inwood*, 456 U.S. at 855, 102 S.Ct. 2182; emphases added).

Thus, the Court suggested, had the *Inwood* standard applied in *Sony*, the fact that Sony might have known that some portion of the purchasers of its product used it to violate the copyrights of others would not have provided a sufficient basis for contributory liability. *Inwood*’s “narrow standard” would have required knowledge by Sony of “identified individuals” engaging in infringing conduct. Tiffany’s reading of *Inwood* is therefore contrary to the interpretation of that case set forth in *Sony*.

Although the Supreme Court’s observations in *Sony*, a copyright case, about the “knows or has reason to know” prong of the contributory trademark infringement test set forth in *Inwood* were dicta, they constitute the only discussion of that prong by the Supreme Court of which we are aware. We think them to be persuasive authority here.¹²

12. In discussing *Inwood*’s “knows or has reason to know” prong of the contributory infringement test, *Sony* refers to a defendant’s knowledge, but not to its constructive knowl-

edge, of a third party’s infringing conduct. *Sony*, 464 U.S. at 439 n. 19, 104 S.Ct. 774. We do not take the omission as altering the test *Inwood* articulates.

Applying *Sony's* interpretation of *Inwood*, we agree with the district court that “Tiffany’s general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*.” *Tiffany*, 576 F.Supp.2d at 511. Tiffany’s demand letters and Buying Programs did not identify particular sellers who Tiffany thought were then offering or would offer counterfeit goods. *Id.* at 511–13.¹³ And although the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers’ listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.

Accordingly, we affirm the judgment of the district court insofar as it holds that eBay is not contributorily liable for trademark infringement.

3. Willful Blindness.

Tiffany and its amici express their concern that if eBay is not held liable except when specific counterfeit listings are brought to its attention, eBay will have no incentive to root out such listings from its website. They argue that this will effectively require Tiffany and similarly situated retailers to police eBay’s website—and many others like it—“24 hours a day, and 365 days a year.” Council of Fashion Designers of America, Inc. Amicus Br. 5. They urge that this is a burden that most mark holders cannot afford to bear.

13. The demand letters did say that eBay should presume that sellers offering five or more Tiffany goods were selling counterfeits, *id.* at 511, but we agree with the district court that this presumption was factually unfounded, *id.* at 511–12.

First, and most obviously, we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law in order to better serve one party’s interests at the expense of the other’s.

But we are also disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. *Tiffany*, 576 F.Supp.2d at 487. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings.¹⁴ Indeed, it has spent millions of dollars in that effort.

[7, 8] Moreover, we agree with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales sufficient to satisfy *Inwood's* “knows or has reason to know” prong. *Tiffany*, 576 F.Supp.2d at 513–14. A service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. *See, e.g., Hard Rock Café*, 955 F.2d at 1149 (“To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.”); *Fo-*

14. At the same time, we appreciate the argument that insofar as eBay receives revenue from undetected counterfeit listings and sales through the fees it charges, it has an incentive to permit such listings and sales to continue.

novisa, 76 F.3d at 265 (applying *Hard Rock Café's* reasoning to conclude that “a swap meet can not disregard its vendors’ blatant trademark infringements with impunity”).¹⁵ In the words of the Seventh Circuit, “willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.” *Hard Rock Café*, 955 F.2d at 1149.¹⁶

eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. *Tiffany*, 576 F.Supp.2d at 514. Without more, however, this knowledge is insufficient to trigger liability under *In-*

wood. The district court found, after careful consideration, that eBay was not willfully blind to the counterfeit sales. *Id.* at 513. That finding is not clearly erroneous.¹⁷ eBay did not ignore the information it was given about counterfeit sales on its website.

III. Trademark Dilution

A. Principles

Federal law allows the owner of a “famous mark” to enjoin a person from using “a mark or trade name in commerce that is likely to cause dilution by blurring or dilu-

15. To be clear, a service provider is not contributorily liable under *Inwood* merely for failing to anticipate that others would use its service to infringe a protected mark. *Inwood*, 456 U.S. at 854 n. 13, 102 S.Ct. 2182 (stating that for contributory liability to lie, a defendant must do more than “reasonably anticipate” a third party’s infringing conduct (internal quotation marks omitted)). But contributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact.

16. The principle that willful blindness is tantamount to knowledge is hardly novel. See, e.g. *Harte-Hanks Commc’ns, Inc. v. Connaughton*, 491 U.S. 657, 659, 692, 109 S.Ct. 2678, 105 L.Ed.2d 562 (1989) (concluding in public-official libel case that “purposeful avoidance of the truth” is equivalent to “knowledge that [a statement] was false or [was made] with reckless disregard of whether it was false” (internal quotation marks omitted)); *United States v. Khorozian*, 333 F.3d 498, 504 (3d Cir.2003) (acting with willful blindness satisfies the intent requirement of the federal bank fraud statute); *Friedman v. Comm’r*, 53 F.3d 523, 525 (2d Cir.1995) (“The ‘innocent spouse’ exemption [from the rule that married couples who file a joint tax return are jointly and severally liable for any tax liability found] was not designed to protect willful blindness or to encourage the deliberate cultivation of ignorance.”); *Mattingly v. United States*, 924 F.2d 785, 792 (8th Cir. 1991) (concluding in civil tax fraud case that “the element of knowledge may be inferred

from deliberate acts amounting to willful blindness to the existence of fact or acts constituting conscious purpose to avoid enlightenment.”); *Morrow Shoe Mfg. Co. v. New England Shoe Co.*, 57 F. 685, 694 (7th Cir.1893) (“The mind cannot well avoid the conclusion that if they did not know of the fraudulent purposes of Davis it was because they were willfully blind. Such facility of belief, it has been well said, invites fraud, and may justly be suspected of being its accomplice.”); *State Street Trust Co. v. Ernst*, 278 N.Y. 104, 112, 15 N.E.2d 416, 419 (1938) (“[H]eedlessness and reckless disregard of consequence [by an accountant] may take the place of deliberate intention.”).

17. Tiffany’s reliance on the “flea market” cases, *Hard Rock Café* and *Fonovisa*, is unavailing. eBay’s efforts to combat counterfeiting far exceeded the efforts made by the defendants in those cases. See *Hard Rock Café*, 955 F.2d at 1146 (defendant did not investigate any of the seizures of counterfeit products at its swap meet, even though it knew they had occurred); *Fonovisa*, 76 F.3d at 265 (concluding that plaintiff stated a claim for contributory trademark infringement based on allegation that swap meet “disregard[ed] its vendors’ blatant trademark infringements with impunity”). Moreover, neither case concluded that the defendant was willfully blind. The court in *Hard Rock Café* remanded so that the district court could apply the correct definition of “willful blindness,” 955 F.2d at 1149, and the court in *Fonovisa* merely sustained the plaintiff’s complaint against a motion to dismiss, 76 F.3d at 260–61, 265.

tion by tarnishment of the famous mark.” 15 U.S.C. § 1125(c)(1).

[9] “Dilution by blurring” is an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” *Id.* § 1125(c)(2)(B). It can occur “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” *Id.* § 1125(c)(1). “Some classic examples of blurring include ‘hypothetical anomalies as Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.’” *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 105 (2d Cir.2009) (quoting *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir.1989)). It is not a question of confusion; few consumers would likely confuse the source of a Kodak camera with the source of a “Kodak” piano. Dilution by blurring refers instead to “the whittling away of [the] established trademark’s selling power and value through its unauthorized use by others.” *Id.* (quoting *Mead Data Cent.*, 875 F.2d at 1031).

Federal law identifies a non-exhaustive list of six factors that courts “may consider” when determining whether a mark is likely to cause dilution by blurring. These are: (1) “[t]he degree of similarity between the mark or trade name and the famous mark”;¹⁸ (2) “[t]he degree of inherent or acquired distinctiveness of the famous mark”; (3) “[t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark”; (4) “[t]he degree of recognition of the fa-

mous mark”; (5) “[w]hether the user of the mark or trade name intended to create an association with the famous mark”; and (6) “[a]ny actual association between the mark or trade name and the famous mark.” 15 U.S.C. § 1125(c)(2)(B)(i-vi).

[10] In contrast to dilution by blurring, “dilution by tarnishment” is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125(c)(2)(C). This “generally arises when the plaintiff’s trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner’s product.” *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir.1994).

[11] New York State law also “provide[s] for protection against both dilution by blurring and tarnishment.” *Starbucks Corp.*, 588 F.3d at 114; see N.Y. Gen. Bus. Law § 360-*l*. The state law is not identical to the federal one, however. New York “does not[, for example,] require a mark to be ‘famous’ for protection against dilution to apply.” *Starbucks Corp.*, 588 F.3d at 114. Nor are the factors used to determine whether blurring has occurred the same. “Most important to the distinction here, New York law does not permit a dilution claim unless the marks are ‘substantially’ similar.” *Id.*

B. Discussion

[12] The district court rejected Tiffany’s dilution by blurring claim on the

18. We have recently explained that under the Trademark Dilution Revision Act of 2006 (“TDRA”), Pub.L. No. 109–312, 120 Stat. 1730, 1731 (Oct. 6, 2006), the similarity between the famous mark and the allegedly blurring mark need not be “substantial” in order for the dilution by blurring claim to

succeed. See *Starbucks Corp.*, 588 F.3d at 107–09. The district court concluded that the TDRA governs Tiffany’s claim. See *Tiffany*, 576 F.Supp.2d at 522–23. We agree and note that Tiffany does not dispute this conclusion on appeal.

ground that “eBay never used the TIFFANY Marks in an effort to create an association with its own product, but instead, used the marks directly to advertise and identify the availability of authentic Tiffany merchandise on the eBay website.” *Tiffany*, 576 F.Supp.2d at 524. The court concluded that “just as the dilution by blurring claim fails because eBay has never used the [Tiffany] Marks to refer to eBay’s own product, the dilution by tarnishment claim also fails.” *Id.* at 525.

We agree. There is no second mark or product at issue here to blur with or to tarnish “Tiffany.”

Tiffany argues that counterfeiting dilutes the value of its product. Perhaps. But insofar as eBay did not itself sell the goods at issue, it did not itself engage in dilution.

Tiffany argued unsuccessfully to the district court that eBay was liable for contributory dilution. *Id.* at 526. Assuming without deciding that such a cause of action exists, the court concluded that the claim would fail for the same reasons Tiffany’s contributory trademark infringement claim failed. *Id.* Tiffany does not contest this conclusion on appeal. We therefore do not address it. *See Palmieri v. Allstate Ins. Co.*, 445 F.3d 179 (2d Cir. 2006) (issues not raised on appeal are treated as waived).

IV. False Advertising

Finally, Tiffany claims that eBay engaged in false advertising in violation of federal law.

19. We recently adopted “the ‘false by necessary implication’ doctrine,” under which “a district court evaluating whether an advertisement is literally false ‘must analyze the message conveyed in full context.’” *Time Warner Cable*, 497 F.3d at 158; cf. *S.C. Johnson & Son, Inc. v. Clorox Co.*, 241 F.3d 232, 238 (2d

A. Principles

[13] Section 43(a) of the Lanham Act prohibits any person from, “in commercial advertising or promotion, misrepresent[ing] the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities.” 15 U.S.C. § 1125(a)(1)(B). A claim of false advertising may be based on at least one of two theories: “that the challenged advertisement is literally false, *i.e.*, false on its face,” or “that the advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers.” *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 153 (2d Cir.2007).

In either case, the “injuries redressed in false advertising cases are the result of public deception.” *Johnson & Johnson * Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 298 (2d Cir.1992) (“*Merck*”). And “[u]nder either theory, the plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product.” *Time Warner Cable*, 497 F.3d at 153 n. 3.¹⁹

[14, 15] Where an advertising claim is literally false, “the court may enjoin the use of the claim without reference to the advertisement’s impact on the buying public.” *McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir. 1991) (internal quotation marks omitted). To succeed in a likelihood-of-confusion case where the statement at issue is not literally false, however, a plaintiff “must demonstrate, by extrinsic evidence, that the chal-

Cir.2001) (“In considering a false-advertising claim, [f]undamental to any task of interpretation is the principle that text must yield to context.”) (quoting *Avis Rent A Car Sys., Inc. v. Hertz Corp.*, 782 F.2d 381, 385 (2d Cir. 1986) (internal quotation marks omitted)).

lenged commercials tend to mislead or confuse consumers,” and must “demonstrate that a statistically significant part of the commercial audience holds the false belief allegedly communicated by the challenged advertisement.” *Merck*, 960 F.2d at 297, 298; *Time Warner Cable*, 497 F.3d at 153 (“[W]hereas plaintiffs seeking to establish a literal falsehood must generally show the substance of what is conveyed, . . . a district court *must* rely on extrinsic evidence [of consumer deception or confusion] to support a finding of an implicitly false message.” (internal quotation marks omitted and emphasis and alterations in original)).

B. Discussion

eBay advertised the sale of Tiffany goods on its website in various ways. Among other things, eBay provided hyperlinks to “Tiffany,” “Tiffany & Co. under \$150,” “Tiffany & Co.,” “Tiffany Rings,” and “Tiffany & Co. under \$50.” Pl.’s Exs. 290, 392, 1064, 1065. eBay also purchased advertising space on search engines, in some instances providing a link to eBay’s site and exhorting the reader to “Find **tiffany** items at low prices.” Pl.’s Ex. 1065 (bold face type in original). Yet the district court found, and eBay does not deny, that “eBay certainly had generalized knowledge that Tiffany products sold on eBay were often counterfeit.” *Tiffany*, 576 F.Supp.2d at 520–21. Tiffany argues that because eBay advertised the sale of Tiffany goods on its website, and because many of those goods were in fact counterfeit, eBay should be liable for false advertising.

The district court rejected this argument. *Id.* at 519–21. The court first concluded that the advertisements at issue were not literally false “[b]ecause authentic Tiffany merchandise is sold on eBay’s

website,” even if counterfeit Tiffany products are sold there, too. *Id.* at 520.

The court then considered whether the advertisements, though not literally false, were nonetheless misleading. It concluded they were not for three reasons. First, the court found that eBay’s use of Tiffany’s mark in its advertising was “protected, nominative fair use.” *Id.* Second, the court found that “Tiffany has not proven that eBay had specific knowledge as to the illicit nature of individual listings,” implying that such knowledge would be necessary to sustain a false advertising claim. *Id.* at 521. Finally, the court reasoned that “to the extent that the advertising was false, the falsity was the responsibility of third party sellers, not eBay.” *Id.*

We agree with the district court that eBay’s advertisements were not literally false inasmuch as genuine Tiffany merchandise was offered for sale through eBay’s website. But we are unable to affirm on the record before us the district court’s further conclusion that eBay’s advertisements were not “likely to mislead or confuse consumers.” *Time Warner Cable*, 497 F.3d at 153.

As noted, to evaluate Tiffany’s claim that eBay’s advertisements misled consumers, a court must determine whether extrinsic evidence indicates that the challenged advertisements were misleading or confusing. The reasons the district court gave for rejecting Tiffany’s claim do not seem to reflect this determination, though. The court’s first rationale was that eBay’s advertisements were nominative fair use of Tiffany’s mark.

But, even if that is so, it does not follow that eBay did not use the mark in a misleading advertisement. It may, after all, constitute fair use for Brand X Coffee to use the trademark of its competitor, Brand Y Coffee, in an advertisement stating that “In a blind taste test, 9 out of 10 New

Yorkers said they preferred Brand X Coffee to Brand Y Coffee.” But if 9 out of 10 New Yorkers in a statistically significant sample did *not* say they preferred X to Y, or if they were paid to say that they did, then the advertisement would nonetheless be literally false in the first example, or misleading in the second.

There is a similar difficulty with the district court’s reliance on the fact that eBay did not know which particular listings on its website offered counterfeit Tiffany goods. That is relevant, as we have said, to whether eBay committed contributory trademark infringement. But it sheds little light on whether the advertisements were misleading insofar as they implied the genuineness of Tiffany goods on eBay’s site.

Finally, the district court reasoned that if eBay’s advertisements were misleading, that was only because the sellers of counterfeits made them so by offering inauthentic Tiffany goods. Again, this consideration is relevant to Tiffany’s direct infringement claim, but less relevant, if relevant at all, here. It is true that eBay did not itself sell counterfeit Tiffany goods; only the fraudulent vendors did, and that is in part why we conclude that eBay did not infringe Tiffany’s mark. But eBay did affirmatively advertise the goods sold through its site as Tiffany merchandise. The law requires us to hold eBay accountable for the words that it chose insofar as they misled or confused consumers.

[16] eBay and its amici warn of the deterrent effect that will grip online advertisers who are unable to confirm the authenticity of all of the goods they advertise for sale. *See, e.g.,* Yahoo! Inc. Amicus Br. 15; Electronic Frontier Foundation et al. Amicus Br. 18–19. We rather doubt that the consequences will be so dire. An online advertiser such as eBay need not cease its advertisements for a kind of

goods only because it knows that not all of those goods are authentic. A disclaimer might suffice. But the law prohibits an advertisement that implies that all of the goods offered on a defendant’s website are genuine when in fact, as here, a sizeable proportion of them are not.

Rather than vacate the judgment of the district court as to Tiffany’s false advertising claim, we think it prudent to remand the cause so that the district court, with its greater familiarity with the evidence, can reconsider the claim in light of what we have said. The case is therefore remanded pursuant to *United States v. Jacobson*, 15 F.3d 19 (2d Cir.1994), for further proceedings for the limited purpose of the district court’s re-examination of the false advertising claim in accordance with this opinion. We retain jurisdiction so that any of the parties may seek appellate review by notifying the Clerk of the Court within thirty days of entry of the district court’s judgment on remand. *See, e.g., Galviz Zapata v. United States*, 431 F.3d 395, 399 (2d Cir.2005). Such notification will not require the filing of a new notice of appeal. *Id.* If notification occurs, the matter will be referred automatically to this panel for disposition.

If circumstances obviate the need for the case to return to this Court, the parties shall promptly notify the Clerk of the Court. *Id.*

CONCLUSION

For the foregoing reasons, we affirm the judgment of the district court with respect to the claims of trademark infringement and dilution. Employing a *Jacobson* remand, we return the cause to the district court for further proceedings with respect to Tiffany’s false advertising claim.



Majority Opinion >

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

CHANEL, INC., Plaintiff, - against - WGACA, LLC, WHAT COMES AROUND GOES AROUND LLC d/b/a WHAT GOES AROUND COMES AROUND, MHW PROPERTIES, INC., WGACA WEB, LLC, PINES VINTAGE, INC., VINTAGE DESIGNS LTD., WCAGA LA, LLC, and Individuals SETH WEISSER and GERARD MAIONE, Defendants.

18 Civ. 2253 (LLS)

September 14, 2018, Filed September 14, 2018, Decided

For Chanel, Inc., Plaintiff: Thomas McKee Monahan, Theodore Conrad Max, Sheppard, Mullin, Richter & Hampton, New York, NY.

For What Comes Around Goes Around LLC, doing business as What Goes Around Comes Around, MHW Properties, Inc., Pines Vintage, Inc., Vintage Designs Ltd., WCAGA LA, LLC, Seth Weisser, Gerard Maione, WGACA, LLC, WGACA Web, LLC, Defendants: Daniel C. DeCarlo, Lewis Brisbois Bisgaard & Smith LLP (LA), Thomas S. Kidde, Los Angeles, CA; Peter T. Shapiro, Lewis Brisbois Bisgaard & Smith LLP (Water St), New York, NY.

LOUIS L. STANTON, UNITED STATES DISTRICT JUDGE.

LOUIS L. STANTON

OPINION & ORDER

In this action, Chanel, Inc. ("Chanel") asserts several claims under the Lanham Act and New York law for the defendants' use of the Chanel trademark and brand, complaining that WGACA's advertising and marketing improperly trade on Chanel's famous brand and trademark to create the false impression that WGACA is affiliated with Chanel or that Chanel endorses its products.

The defendants move to dismiss the amended complaint (Dkt. No. 28) under Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim. (Dkt. No. 49). For the following reasons, the motion is granted in part and denied in part.

BACKGROUND 1

Parties

Chanel is a premier seller of luxury consumer products that include bags, shoes, jewelry, sunglasses, and accessories. It owns all rights to several Chanel and CC monogram trademarks on handbags and accessories. Chanel sells hundreds of millions of dollars' worth of consumer goods annually through its own retail stores and website, and through certain authorized specialty retail stores and their websites.

The defendants are the companies and individuals that operate WGACA,² a business that describes itself as "the leading global purveyor of authentic luxury vintage accessories and apparel." The individual defendants, Seth Weisser and Gerard Maione, own and control WGACA.

WGACA's Conduct

WGACA sells secondhand Chanel-branded products in its retail stores and on its website. It uses the Chanel trademark and brand in its advertising and promotions, although WGACA is not an authorized Chanel retailer or affiliated with Chanel. The amended complaint alleges that its use of the Chanel trademark misleads consumers into thinking that WGACA's sales are affiliated with or sponsored by Chanel.

Retail Stores. WGACA's retail stores prominently feature the Chanel brand. Its store in East Hampton is decorated with a facsimile of a giant Chanel No. 5 perfume bottle as a promotional advertisement, and the sign in front of its SoHo store lists several brands, but lists "Vintage Chanel" at the top of the sign in larger print than the other brands, and its window display items are all Chanel-branded.

Website. The WGACA website offers [*2] products of at least seven luxury brands as well as Chanel, but offers more Chanel-branded products for sale than those of any other brand. The website's home page features a sale of Chanel-branded handbags, accessories, apparel, and jewelry. Under the non-alphabetical heading "Shop by Brand," Chanel is listed first.

Social Media. WGACA's social media pages include quotations of Coco Chanel, photographs of Chanel-branded products, and photographs of models and public-opinion influencers wearing or carrying Chanel handbags, including photographs from previous Chanel advertisements. They tag photos of Chanel-branded products with the hashtag "#WGACACHANEL" and refer to Chanel-branded products as "our #WGACACHANEL." A representative post on Instagram follows:



Authentication. WGACA's website contains a section titled "Authenticity Guaranteed," which states, "Any piece purchased at What Goes Around Comes Around or one of our retail partners has been carefully selected, inspected and is guaranteed authentic." WGACA also provides letters of authenticity to its customers, such as one which reads, "This letter confirms that item Q6HCHK00KB000 Chanel Black Long Tissue Box is an authentic Chanel decoration."

In fact, Chanel has not inspected or authenticated WGACA's inventory.

Chanel's Claims

Chanel asserts claims for violations of the Lanham Act (trademark infringement, false advertising, and false endorsement/unfair competition) and for violation of New York law (common law unfair competition, deceptive business practices, and false advertising). It seeks an injunction against WGACA misleading customers into believing that WGACA has any affiliation or association with Chanel, or that Chanel has approved of or authenticated the Chanel-branded items being sold by WGACA.

WGACA moves for dismissal, arguing that the lawsuit is an impermissible attempt by Chanel to bar the legitimate resale of its products, and that WGACA uses the Chanel trademarks simply to identify its products, and does not claim any affiliation or sponsorship by Chanel.

STANDARD

To survive a Rule 12(b)(6) motion to dismiss, a complaint must plead "enough facts to state a claim to relief that is plausible on its face." Ruotolo v. City of New York, 514 F.3d 184 , 188 (2d Cir. 2008) (quoting Bell Atl. Corp. v. Twombly, 550 U.S. 544 , 570 , 127 S. Ct. 1955 , 167 L. Ed. 2d 929 (2007)). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." Ashcroft v. Iqbal, 556 U.S. 662 , 678 , 129 S. Ct. 1937 , 173 L. Ed. 2d 868 (2009).

DISCUSSION

Lanham Act Claims

The Lanham Act claims for (i) counterfeiting and trademark infringement under Section 32(1), (ii) false advertising under Section 43(a)(1)(B) , and (iii) unfair competition and false endorsement and association under Section 43(a)(1)(A) , all rest upon an act of consumer confusion. As the Second Circuit has stated:

Section 43(a) thus specifically defines misrepresentation causing confusion as to affiliation, association, or sponsorship as infringing activity. A consumer "need not believe that the owner of the mark actually produced [*3] the item and placed it on the market" in order to satisfy § 43(a) 's confusion requirement. Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200 , 204 (2d Cir. 1979). "The public's belief that the mark's owner *sponsored or otherwise approved* the use of the trademark satisfies the confusion requirement." *Id.* at 205 (emphasis added).

Famous Horse Inc. v. 5th Ave. Photo Inc., 624 F.3d 106 , 109 (2d Cir. 2010), abrogated on other grounds by Lexmark Int'l, Inc. v. Static Control Components, Inc., 572 U.S. 118 , 134 S. Ct. 1377 , 188 L. Ed. 2d 392 (2014).

Chanel's amended complaint plausibly alleges that WGACA's use of the hashtag #WGACACHANEL infringes Chanel's trademarks. It alleges that WGACA conjoined its acronym with the Chanel trademark to create the impression that WGACA is affiliated with Chanel or is an authorized Chanel retailer. Courts have upheld similar complaints. See Weight Watchers Int'l, Inc. v. Luigino's, Inc., 423 F.3d 137 , 144 (2d Cir. 2005) ("the use of the term 'Points' on the front of the package was likely to confuse consumers into believing that Weight Watchers had determined the point values or otherwise endorsed the Luigino's products."); Pub. Impact, LLC v. Boston Consulting Grp., Inc., 169 F. Supp. 3d 278 , 294-95 (D. Mass. 2016) (use of the hashtag "#publicimpact" was likely to infringe the plaintiff's "Public Impact" trademark); Fraternity Collection, LLC v. Fagnoli, No. 13 Civ. 664 (CWR), 2015 U.S. Dist. LEXIS 42120 , [2015 BL 91705], 2015 WL 1486375 , at*5-*6 (S.D. Miss. Mar. 31, 2015) (designer's use of plaintiff's "FRATERNITY COLLECTION" trademark in the hashtags "#fratcollection and #fraternitycollection").

Chanel also adequately alleges that WGACA's extensive unauthorized use of the Chanel brand and trademarks constitutes false advertising or endorsement. The amended complaint's allegations that WGACA's advertising and marketing materials imply that its sale of Chanel-branded products is endorsed by Chanel are based on the use of

pictures from Chanel advertising campaigns, the #WGACACHANEL hashtag on social media, and the prominence and large volume of Chanel trademarks that WGACA displays in stores and online. Such extensive use of Chanel's trademarks may form the basis for a Lanham Act violation. See Beastie Boys v. Monster Energy Co., 66 F. Supp. 3d 424, 449 (S.D.N.Y. 2014) (Monster's use of the Beastie Boys' copyrighted music could be used in a false endorsement claim where "Viewers are inundated with visual references to Monster's product, name, and brand.").

The nominative fair use doctrine, which allows use of the plaintiff's trademark solely to identify the plaintiff's goods as long as there is no likelihood of confusion of the markholder's sponsorship or affiliation, does not change this outcome. The Second Circuit has explained how courts should consider nominative fair use:

We further hold that in cases involving nominative use, in addition to considering the *Polaroid* factors, courts are to consider (1) whether the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; [*4] and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship between plaintiff's and defendant's products or services.

Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 156 (2d Cir. 2016), cert. denied, 137 S. Ct. 624, 196 L. Ed. 2d 516 (2017). WGACA's use of the Chanel trademarks here may create a likelihood of confusion about Chanel's sponsorship or affiliation. First, WGACA's Chanel-branded items would be readily identifiable as Chanel without the #WGACACHANEL hashtag and the multiple uses of Chanel's name and trademark in the hashtags. Second, WGACA's display of Chanel-branded goods more prominently than other luxury-brand goods makes it plausible that it "step[ped] over the line into a likelihood of confusion by using the senior user's mark too prominently or too often, in terms of size, emphasis, or repetition." *Id.* at 168 (alteration in original) (citations omitted). Third, the hashtag #WCAGACHANEL and WGACA's guarantees of authentication of themselves may be taken as suggesting sponsorship or endorsement by Chanel.

Nor does the first sale doctrine give WGACA protection. That doctrine applies only where a "purchaser resells a trademarked article under the producer's trademark, and nothing more." S&L Vitamins, Inc. v. Australian Gold, Inc., No. 05 Civ. 1217 (JS), 2006 U.S. Dist. LEXIS 102332, at *14 (E.D.N.Y. Mar. 30, 2006) (quoting Sebastian Int'l, Inc. v. Longs Drug Stores Corp., 53 F.3d 1073 (9th Cir. 1995)). Here, the amended complaint alleges that WGACA did much more than laconically resell Chanel-branded products: its presentations were consistent with selling on Chanel's behalf.

WGACA's motion to dismiss the Lanham Act claims is denied.

State Law Claims

The three state law claims are: (i) unfair competition under New York common law, (ii) deceptive business practices under Section 349 of the New York General Business Law ("NYGBL"), and (iii) false advertising under Section 350 of the NYGBL. Chanel fails to make the showing of bad faith necessary to sustain its common law unfair competition claim, but adequately pleads claims under the NYGBL for unfair competition and false advertising.

"Under New York law, common law unfair competition claims closely resemble Lanham Act claims except insofar as the state law claim may require an additional element of bad faith or intent." Genesee Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 149 (2d Cir. 1997) (citation and internal quotation marks omitted). "Bad faith generally refers to an attempt by a junior user of a mark to exploit the good will and reputation of a senior user by adopting the mark with the intent to sow confusion between the two companies' products." Star Indus., Inc. v. Bacardi & Co., 412 F.3d 373, 388 (2d Cir. 2005) (citation omitted). Although the amended complaint shows that WGACA used Chanel's status in the luxury goods market to sell Chanel-branded products, Chanel does not make any showing that WGACA intended to sow confusion between the two companies' products. If anything, the amended complaint shows that WGACA's intent

was to display [*5] the Chanel brand conspicuously, and emphasize that their source was Chanel.

Sections 349 and 350 of the NYGBL prohibit, respectively, "deceptive acts or practices in the conduct of any business, trade or commerce or in the furnishing of any service in this state" and "False advertising in the conduct of any business, trade or commerce or in the furnishing of any service in this state." As described above, Chanel's amended complaint alleges that WGACA engaged in many advertising and marketing business practices which could deceive consumers or constitute false advertising: its website may suggest an affiliation or sponsorship with Chanel by prominently displaying Chanel-branded goods and Chanel trademarks, and listing Chanel first on the list of luxury brands; and its representations that its Chanel-branded products were authentic, with its misleading implication that WGACA was authorized by Chanel to make that representation. If so viewed by the trier of fact, those allegations show that WGACA "is engaging in an act or practice that is deceptive or misleading in a material way." Goshen v. Mut. Life Ins. Co. of N.Y., 98 N.Y.2d 314 , 324 , 774 N.E.2d 1190 , 746 N.Y.S.2d 858 (2002) (citation omitted).

WGACA's motion to dismiss the state law claims is granted as to the one for common law unfair competition, but denied as to the New York statutory claims for deceptive practices and false advertising.

The Individual Defendants

The Second Circuit has explained when New York courts may pierce the corporate veil to hold individuals liable:

It is well settled that New York courts are reluctant to disregard the corporate entity. Indeed, New York "allows individuals to incorporate for the very purpose of avoiding personal liability."

Thus, the corporate veil will be pierced only when it can be demonstrated that the "[corporate] form has been used to achieve fraud, or when the corporation has been so dominated by an individual ... and its separate identity so disregarded, that it primarily transacted the dominator's business rather than its own and can be called the other's alter ego." A court may consider several factors in making this determination:

(1) the intermingling of corporate and personal funds; (2) undercapitalization of the corporation; and (3) failure to maintain separate books and records or other formal legal requirements for the corporation. While there is no set rule as to how many of these factors must be present in order to pierce the corporate veil, the general principle followed by the courts has been that liability is imposed when doing so would achieve an equitable result.

William Wrigley Jr. Co. v. Waters, 890 F.2d 594 , 600-01 (2d Cir. 1989) (alterations in original) (citations omitted). The Court of Appeals of New York has explained what plaintiffs seeking to pierce the corporate veil must show:

While complete domination of the corporation is the key to piercing the corporate veil, especially when the owners use the corporation as a mere device to further their personal rather than the corporate business, such domination, standing alone, is not enough; some showing of a wrongful or unjust [*6] act toward plaintiff is required. The party seeking to pierce the corporate veil must establish that the owners, through their domination, abused the privilege of doing business in the corporate form to perpetrate a wrong or injustice against that party such that a court in equity will intervene.

Morris v. New York State Dep't of Taxation & Fin., 82 N.Y.2d 135 , 141-42 , 623 N.E.2d 1157 , 603 N.Y.S.2d 807 (1993) (citations omitted). As courts in this district have held, "it is well established that purely conclusory allegations cannot suffice to state a claim based on veil-piercing." EED Holdings v. Palmer Johnson Acquisition Corp., 387 F. Supp. 2d 265 , 274 (S.D.N.Y. 2004) (citations and internal quotation marks omitted). "Accordingly, the Individual Defendants' mere knowledge and control of the company's operations is insufficient." Reynolds v. Lifewatch, 136 F. Supp. 3d 503 , 526-27 (S.D.N.Y. 2015).

Here, Chanel seeks to hold Messrs. Weisser and Maione liable because WGACA's activities are under their express control and direction, and they run, own, and/or control the business. The allegations in the amended complaint are purely conclusory, as they do not show that WGACA primarily transacted the individual defendants' business rather than its own, or that the individual defendants used WGACA as a mere device to further their personal rather than the corporate business. The amended complaint suggests only that WGACA's actions produced income for its owners and managers in the same fashion as any other business company. Thus, Chanel has failed to meet the demanding standard required to pierce the corporate veil.

WGACA's motion to dismiss all claims against the individual defendants, Messrs. Weisser and Maione, is granted. However, in the interest of justice, Chanel has leave to file an amended complaint asserting claims against the individual defendants.

CONCLUSION

The motion to dismiss (Dkt. No. 49) is granted with respect to the New York State common law unfair competition claim, and all claims against the individual defendants, and is otherwise denied. Chanel has leave to file an amended complaint within 45 days of the date of this order.

So ordered.

Dated: New York, New York

September 14, 2018

/s/ Louis L. Stanton

LOUIS L. STANTON

U.S.D.J.

fn 1

The following facts are taken from the amended complaint and documents attached to or integral to the amended complaint. See Tannerite Sports, LLC v. NBCUniversal News Grp., 864 F.3d 236 , 247-48 (2d Cir. 2017).

fn 2

For "What Goes Around Comes Around." Adopted to designate secondhand wares.

tal Corp., 212 F.3d 1199, 1200 (11th Cir. 2000) (To be a final judgment, the judgment must have disposed of all claims as to all parties.) (footnote omitted).

[29, 30] The action the district court took on July 23, 1999 related only to the summary judgment it had entered on two of the plaintiffs claims. True, the document is captioned Final Judgment, but that does not mean that it is a final judgment as to all of the claims and counterclaims in the case. To the extent, if any, that the caption implies judgment over the case as a whole, content counts over caption, and the content of the document establishes that it is a Rule 54(b) partial final judgment. The first sentence of the document states: The Court, upon making the express determination that there is no just reason for delay, hereby directs entry of partial final judgment pursuant to Rule 54(b). It did so only as to two of the plaintiffs claims.

The district court has never directed entry of final judgment as to all the claims and counterclaims in the case, nor has it ever decided all of the claims. The partial final judgment the district court entered on July 23, 1999, does state that, while the court retains jurisdiction to decide certain issues relating to costs and damages under temporary restraining order bonds, [a]ll other motions are DENIED as moot. But claims are not motions, and most of the plaintiffs claims against the defendants are still outstanding. Indeed, the fact that the district court felt compelled to proceed under Rule 54(b) evidences that there was no final judgment as to all the claims in the case.

20. The counterclaims and the affirmative defenses we addressed in Part II. B.4, *supra*, overlap to a substantial degree, because both raise act of state doctrine issues. What we have held about the act of state doctrine as it involves the affirmative defenses may, as a practical matter (depending upon whether

Because no final judgment has been entered disposing of all the claims in this case, our appellate jurisdiction is confined to the issues made appealable under Rule 54(b). Those are the issues arising from the summary judgment entered on plaintiffs reclamation of shares and conversion claims, which we have decided.²⁰

III. CONCLUSION

We AFFIRM the district court's orders granting leave to amend and its order granting partial summary judgment for plaintiffs. We lack jurisdiction to decide any issues arising from the district court's orders relating to the counterclaims.



DAVIDOFF & CIE, S.A., a Swiss Corporation, and Lancaster Group US LLC, a Delaware Limited Liability Corporation, Plaintiffs Appellees,

v.

PLD INTERNATIONAL CORPORATION, a Florida Corporation, and Phillippe L. Dray, an individual Florida resident, Defendants Appellants.

No. 00 14368.

United States Court of Appeals,
Eleventh Circuit.

Aug. 28, 2001.

Owner of trademark for brand of fragrance water sued unauthorized distribu-

there are any other counterclaim issues), decide how any future appeal of the dismissal of the counterclaims should be decided. But until there is a final judgment entered on the order dismissing the counterclaims, there can be no appeal of that order.

ter for infringement. The United States District Court for the Southern District of Florida, No. 00-02635-CV-DMM, Donald M. Middlebrooks, J., granted preliminary injunctive relief, and distributor appealed. The Court of Appeals, Anderson, Chief Judge, held that etching of glass bottles to remove trademark owner's batch codes was material alteration of product which created likelihood of consumer confusion.

Affirmed.

1. Trade Regulation ⚖️620

Party seeking preliminary injunction for trademark infringement must establish: (1) substantial likelihood of success on merits; (2) that it would be irreparably harmed if injunctive relief were denied; (3) that threatened injury to trademark owner outweighs whatever damage injunction may cause to alleged infringer; (4) that injunction, if issued, would not be adverse to public interest.

2. Trade Regulation ⚖️332

To succeed on merits of trademark infringement claim, plaintiff must show that defendant used mark in commerce without its consent and that unauthorized use was likely to deceive, cause confusion, or result in mistake. Lanham Trade Mark Act, §§ 32, 43(a), 15 U.S.C.A. §§ 1114, 1125(a).

3. Trade Regulation ⚖️368.1

Although trademark owner's infringement protections are generally exhausted by authorized initial sale of its product, unauthorized resale of materially different product containing mark can constitute in-

fringement. Lanham Trade Mark Act, §§ 32, 43(a), 15 U.S.C.A. §§ 1114, 1125(a).

4. Trade Regulation ⚖️368.1

Unauthorized distribution of fragrance water with trademark owner's batch codes removed constituted infringement, even though distributor was reselling genuine articles; etching of glass bottles to remove batch codes was material alteration of product which created likelihood of consumer confusion. Lanham Trade Mark Act, §§ 32, 43(a), 15 U.S.C.A. §§ 1114, 1125(a).

Edward M. Joffe, Sandler, Travis & Rosenberg, Miami, FL, for Defendants Appellants.

Charles E. Buffon, Covington & Burling, Washington, DC, Jack E. Dominik, Miami Lakes, FL, for Plaintiffs Appellees.

Appeal from the United States District Court for the Southern District of Florida.

Before ANDERSON, Chief Judge, and FAY and BRIGHT*, Circuit Judges.

ANDERSON, Chief Judge:

This case appears to be the first time that this circuit has addressed the circumstances under which the resale of a genuine product with a registered trademark can be considered infringement. We recognize the general rule that a trademark owner's authorized initial sale of its product exhausts the trademark owner's right to maintain control over who thereafter

* Honorable Myron H. Bright, U.S. Circuit Judge for the Eighth Circuit, sitting by desig-

nation.

resells the product; subsequent sales of the product by others do not constitute infringement even though such sales are not authorized by the trademark owner. However, we adopt from our sister circuits their exception to this general rule i.e., the unauthorized resale of a materially different product constitutes infringement. Because we conclude that the resold products in the instant case are materially different, we affirm.

I. BACKGROUND

Davidoff & Cie, S.A., a Swiss corporation, is the manufacturer of DAVIDOFF COOL WATER fragrance products and owns the U.S. trademark. Davidoff & Cie, S.A. exclusively licenses Lancaster Group US LLC (collectively Davidoff) to distribute its products to retailers in the United States. Working outside of this arrangement, PLD International Corporation (PLD) acquires DAVIDOFF fragrances that are intended for overseas sale or that are sold in duty-free sales. PLD then distributes them to discount retail stores in the United States.

At the time that PLD acquires the product, the original codes on the bottom of the

1. PLD and its principle, Phillipe L. Dray, were sued. We refer to them collectively as PLD.
2. Section 32 of the Lanham Act provides:
 - (1) Any person who shall, without 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; . . .shall be liable in a civil action by the registrant. . . .
 - 15 U.S.C. § 1114(1). Similarly, section 43(a)(1) of the Lanham Act provides:

boxes are covered by white stickers, and batch codes on the bottles themselves have been obliterated with an etching tool. The etching leaves a mark on the bottle near its base on the side opposite the DAVIDOFF COOL WATER printing. The mark is approximately one and one-eighth inches in length and one-eighth of an inch wide. The batch codes are removed, according to PLD, to prevent Davidoff from discovering who sold the fragrances to PLD because Davidoff would stop selling to those vendors.

II. DISTRICT COURT PROCEEDINGS

Davidoff filed a complaint seeking, *inter alia*, a preliminary injunction against PLD¹ for infringement of its trademark under the Lanham Trade Mark Act, 15 U.S.C. § 1051 *et seq.*² Davidoff alleged that PLD's distribution of the fragrances with the batch codes removed and obliterated constituted infringement. The district court held that PLD's distribution of DAVIDOFF fragrances constituted infringement by creating a likelihood of consumer confusion. In reaching this conclusion, the district court found that the

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce, any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which

- (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods, services, or commercial activities by another person, . . .

shall be liable in a civil action. . . .

15 U.S.C. § 1125(a)(1).

product distributed by PLD differed from the genuine DAVIDOFF product because the removal of the batch code from the bottle by etching the glass constitutes alteration of a product,³ which would create a likelihood of consumer confusion. A consumer might believe that a product had been harmed or tampered with.⁴ Based on the infringement finding, the district court granted a preliminary injunction, prohibiting PLD from selling, repackaging or altering any product with the name DAVIDOFF and/or COOL WATER with an obliterated batch code. This appeal followed.

III. CONTENTIONS

PLD argues that it is selling genuine DAVIDOFF fragrances and that as a result no consumer can be confused. Therefore, it claims that it cannot be considered an infringer under the Lanham Act. PLD asserts that [w]ith or without a manufacturer or batch code on its packaging, the product is absolutely the same. PLD states that the district court incorrectly relied on cases where the product itself and not just the packaging was altered.

Davidoff urges us to adopt a material difference test whereby a material difference between goods sold under the same trademark warrants a finding of consumer confusion. Davidoff argues that the obliteration of batch codes by PLD transforms the appearance of its product into a mate-

rially different, infringing product, which is likely to confuse consumers.

IV. PRELIMINARY INJUNCTION POSTURE

[1] We review a district court's order granting or denying a preliminary injunction for abuse of discretion. *McDonald's Corp. v. Robertson*, 147 F.3d 1301, 1306 (11th Cir.1998). A party seeking a preliminary injunction for trademark infringement must establish four elements: (1) substantial likelihood of success on the merits; (2) that it would be irreparably harmed if injunctive relief were denied; (3) that the threatened injury to the trademark owner outweighs whatever damage the injunction may cause to the alleged infringer; (4) that the injunction, if issued, would not be adverse to the public interest. *See id.* It is well established in this circuit that [a] preliminary injunction is an extraordinary and drastic remedy not to be granted unless the movant clearly established the burden of persuasion as to all four elements. *Siegel v. LePore*, 234 F.3d 1163, 1176 (11th Cir.2000) (en banc) (internal citation omitted). The issues raised by PLD in this case primarily address the first element: substantial likelihood of success on the merits.

V. TRADEMARK INFRINGEMENT: LAW

[2] In order to succeed on the merits of a trademark infringement claim, a plain-

3. Record 3:63 (August 10, 2000, evidentiary hearing on the preliminary injunction).

4. The district court also based its finding of infringement on the fact that the removal of the batch code interfered with DAVIDOFF's quality control system. Although the lack of quality control can rise to the level of a material difference from the trademark owner's product and create a likelihood of confusion,

see Warner Lambert Co. v. Northside Dev. Corp., 86 F.3d 3, 7 (2d Cir.1996), we need not address the district court's findings in this regard because we conclude that the physical differences in PLD's product create a likelihood of consumer confusion and support the district court's infringement finding. *See infra* Part VI.

tiff must show that the defendant used the mark in commerce without its consent and that the unauthorized use was likely to deceive, cause confusion, or result in mistake. *McDonald's Corp.*, 147 F.3d at 1307. Generally speaking, the determination boils down to the existence *vel non* of likelihood of confusion. *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1538 (11th Cir. 1986).

A. Purpose

To understand what type of consumer confusion is actionable under the Lanham Trade Mark Act, it is useful to review Congress purposes for enacting trademark legislation. Congress sought to protect two groups: consumers and registered trademark owners. See S.Rep. No. 1333, 19th Cong.2d Sess., reprinted in 1946 U.S.Code Cong. Serv. 1274. In protecting these groups lawmakers recognized that [e]very product is composed of a bundle of special characteristics. *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 636 (1st Cir.1992) (Nestle). Consumers who purchase a particular product expect to receive the same special characteristics every time. See *id.* The Lanham Act protects these expectations by excluding others from using a particular mark and making consumers confident that they can purchase brands without being confused or misled. See 15 U.S.C. § 1114(1); S.Rep. No. 100 515, at 4 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5580. Thus trademark law ensures consistency for the benefit of consumers. See *Nestle*, 982 F.2d at 636; *Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68, 75 (2d Cir.1987) (Cardamone, J., concurring).

The Lanham Act also protects trademark owners. See S.Rep. No. 100 515 at

4. A trademark owner has spent time, energy and money in presenting a product to the public and building a reputation for that product. See *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205, 62 S.Ct. 1022, 1024, 86 L.Ed. 1381 (1942); S.Rep. No. 1333, reprinted in 1946 U.S.Code Cong. Serv. 1274. The Act prevents another vendor from acquiring a product that has a different set of characteristics and passing it off as the trademark owner's product. See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 778, 112 S.Ct. 2753, 2762, 120 L.Ed.2d 615 (1992) (Stevens, J., concurring) (noting that passing off is a form of infringement prohibited by the Lanham Act). This would potentially confuse consumers about the quality and nature of the trademarked product and erode consumer goodwill. See *Iberia Foods Corp. v. Romeo*, 150 F.3d 298, 303 (3d Cir.1998); *Nestle*, 982 F.2d at 638.

B. Resale of a Genuine Trademarked Product and the Material Difference Exception

[3] The resale of genuine trademarked goods generally does not constitute infringement. See, e.g., *Matrix Essentials, Inc. v. Emporium Drug Mart, Inc.*, 988 F.2d 587, 590 (5th Cir.1993); *NEC Electronics v. CAL Circuit Abco*, 810 F.2d 1506, 1509 (9th Cir.1987). This is for the simple reason that consumers are not confused as to the origin of the goods: the origin has not changed as a result of the resale. See *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1085 (9th Cir.1998) (quoting *NEC*, 810 F.2d at 1509). Under what has sometimes been called the first sale or exhaustion doctrine, the trademark protections of the Lanham Act are exhausted after the trademark owner's first authorized sale of that product. See *Iberia Foods*, 150 F.3d at 301 n. 4; *Enes-*

co, 146 F.3d at 1085; *Allison v. Vintage Sports Plaques*, 136 F.3d 1443, 1447 48 (11th Cir.1998). Therefore, even though a subsequent sale is without a trademark owner's consent, the resale of a genuine good does not violate the Act.

This doctrine does not hold true, however, when an alleged infringer sells trademarked goods that are materially different than those sold by the trademark owner. Our sister circuits have held that a materially different product is not genuine and therefore its unauthorized sale constitutes trademark infringement. See *Nestle*, 982 F.2d at 644 (1st Cir.); *Original Appalachian Artworks*, 816 F.2d at 73 (2d Cir.); *Iberia Foods*, 150 F.3d at 302 3 (3d Cir.); *Martin's Herend Imports, Inc. v. Diamond & Gem Trading USA, Co.*, 112 F.3d 1296, 1302 (5th Cir.1997); cf. *Enesco*, 146 F.3d at 1087 (9th Cir.) (quoting *Warner Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3, 6 (2d Cir.1996)) (noting that a non-conforming product is not genuine and its distribution constitutes trademark infringement). We follow our sister circuits and hold that the resale of a trademarked product that is materially different can constitute a trademark infringement.⁵ This rule is consistent with the purposes behind the Lanham Act, because materially different products that have the same trademark may confuse consumers and erode consumer goodwill toward the mark. See *Iberia Foods*, 150 F.3d at 303; *Nestle*, 982 F.2d at 638.

5. PLD argues that the material difference test only applies to so-called gray-market goods: foreign made goods bearing a trademark and intended for sale in a foreign country, but that are subsequently imported into the United States without the consent of the U.S. trademark owner. We reject this argument and join the Third Circuit in noting that infringement by materially different products is not limited to gray goods cases.... The same theory has been used to enjoin the sale of domestic products in conditions materially different from those offered by the trademark

owner. Not just any difference will cause consumer confusion. A material difference is one that consumers consider relevant to a decision about whether to purchase a product. See *Martin's Herend Imports*, 112 F.3d at 1302; *Nestle*, 982 F.2d at 641. Because a myriad of considerations may influence consumer preferences, the threshold of materiality must be kept low to include even subtle differences between products. See *Iberia Foods*, 150 F.3d at 304; *Nestle*, 982 F.2d at 641.

The caselaw supports the proposition that the resale of a trademarked product that has been altered, resulting in physical differences in the product, can create a likelihood of consumer confusion. Such alteration satisfies the material difference exception and gives rise to a trademark infringement claim. *Nestle*, 982 F.2d at 643 44 (applying the material difference exception, e.g., differences in the composition, presentation and shape of premium chocolates); *Original Appalachian Artworks*, 816 F.2d at 73 (applying the material difference exception where the infringing Cabbage Patch Kids dolls had Spanish language adoption papers and birth certificates, rather than English).

VI. APPLICATION OF THE EXCEPTION IN THIS CASE

[4] The district court found that etching the glass to remove the batch code

owner. *Iberia Foods Corp. v. Romeo*, 150 F.3d 298, 302 (3d Cir.1998). Indeed, several courts have held that the purchase and resale of goods solely within the United States may constitute infringement when differences exist in quality control or the products themselves. See *Enesco Corp. v. Price Costco Inc.*, 146 F.3d 1083 (9th Cir.1998); *Warner Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3 (2d Cir.1996); *Matrix Essentials, Inc. v. Emporium Drug Mart, Inc.*, 988 F.2d 587 (5th Cir.1993); *Shell Oil Co. v. Commercial Petroleum Inc.*, 928 F.2d 104 (4th Cir.1991).

degrades the appearance of the product and creates a likelihood of confusion. In addition, the court credited testimony of the marketing vice-president that the etching may make a consumer think that the product had been harmed or tampered with. We defer to the district court's finding that the etching degrades the appearance of the bottle. This finding is not clearly erroneous in light of the stylized nature of the fragrance bottle, which has an otherwise unblemished surface. Indeed, based on our own examination and comparison of the genuine fragrance bottle and the bottle sold by PLD, we agree with the district court that a consumer could very likely believe that the bottle had been tampered with. We agree with the district court that this alteration of the product could adversely affect Davidoff's goodwill, creates a likelihood of consumer confusion, satisfies the material difference exception to the first sale doctrine, and thus constitutes a trademark infringement. We believe that the material difference in this case is comparable to, or more pronounced than, the product differences in *Nestle* and *Original Appalachian Artworks* where the First and Second Circuits applied the material difference exception and found trademark infringement.

PLD directs us to two cases, *Graham Webb International Ltd. Partnership v. Emporium Drug Mart, Inc.*, 916 F.Supp. 909 (E.D.Ark.1995), and *John Paul Mitchell Systems v. Randalls Food Markets, Inc.*, 17 S.W.3d 721 (Tex.App.2000), where courts have held that the removal of batch codes on hair care products does not constitute infringement. They are both distinguishable from the instant case. Neither court found that the removal affected the overall appearance of the product to the extent that it might be material to a consumer decision to purchase the prod-

uct. In *Graham Webb*, the court noted that the removal of batch codes resulted in almost imperceptible scratches that were not likely to confuse consumers. 916 F.Supp. at 916. And in *Randalls Food Markets*, the court stated that there was no evidence that removal of the batch codes defaced the bottles. 17 S.W.3d at 736. In the instant case, the etching on the fragrance bottle is more than almost imperceptible scratches. Indeed, the district court credited testimony that consumers may regard the bottles as harmed or tampered with. We agree with the district court that the physical difference created by the obliteration of the batch code on PLD's product constitutes a material difference. See *John Paul Mitchell Systems v. Pete N Larry's Inc.*, 862 F.Supp. 1020, 1027 (W.D.N.Y.1994) (concluding that removal of batch codes from bottles of hair care products, leaving noticeable scars on the bottles and erasing some of the information printed, constitutes a material difference).

PLD also attempts to cast the effect of the etching as minimal. PLD argues that the etching is on the back side of the bottle beneath several lines of printing that identifies the manufacturer and distributor, country of origin and volume, while the front side contains the trademarks in gold and black script letters. This may be true, but the etching is clearly noticeable to a consumer who examines the bottle. At oral argument, PLD argued that only the packaging but not the product itself i.e., the liquid fragrance inside the bottle had been altered by the etching. In marketing a fragrance, however, a vendor is not only selling the product inside the bottle, it is also selling the commercial magnetism of the trademark that is affixed to the bottle. *Mishawaka Rubber*, 316 U.S. at 205, 62 S.Ct. at 1024. The appearance of the

product, which is associated with the trademark, is important to establishing this image. This makes the appearance of the bottle material to the consumer decision to purchase it. Because the etching degrades the appearance of the bottles, the DAVIDOFF fragrance that PLD distributes is materially different from that originally sold by Davidoff. Therefore, we agree with the district court that PLD's sale of this materially different product creates a likelihood of confusion, and satisfies Davidoff's burden of establishing a likelihood of success on the merits.

VII. OTHER ELEMENTS OF A PRELIMINARY INJUNCTION

Next, we examine the remaining three elements required for a preliminary injunction. On the irreparable injury element, we note that our circuit has stated that a sufficiently strong showing of likelihood of confusion [caused by trademark infringement] may by itself constitute a showing of . . . [a] substantial threat of irreparable harm. *McDonald's Corp.*, 147 F.3d at 1310 (quoting *E. Remy Martin & Co. v. Shaw Ross Intl Imports*, 756 F.2d 1525, 1530 (11th Cir.1985)). PLD's only argument against a finding of irreparable injury is that Davidoff cannot show a likelihood of confusion. Because we found a likelihood of consumer confusion and thus reject PLD's only argument against a finding of irreparable harm, and because the likelihood of confusion is substantial, we will not overturn the district court's finding of irreparable injury.

Regarding the balancing of potential harms, we agree with the district court that the probable loss of consumer goodwill for Davidoff outweighs the costs of delay that PLD will incur in not being able to sell DAVIDOFF fragrances without the

batch codes until a decision on the merits. As the district court found, PLD is able to continue selling other products and Davidoff products where the batch codes have not been removed. Lastly, the injunction is not adverse to the public interest, because the public interest is served by preventing consumer confusion in the marketplace. *See SunAmerica Corp. v. Sun Life Assurance Co. of Canada*, 77 F.3d 1325, 1334 (11th Cir.1996).

VIII. CONCLUSION

The district court correctly decided that Davidoff demonstrated a substantial likelihood of success on the merits by showing a likelihood of consumer confusion. Davidoff has also met the other three elements necessary for a preliminary injunction. Accordingly, the district court's order granting a preliminary injunction is

AFFIRMED.



CHICAGO TRIBUNE COMPANY, The Washington Post Company, CBS Broadcasting, Inc., Los Angeles Time Communications, LLC, d.b.a. Los Angeles Times, Intervenors Plaintiffs Appellees,

v.

BRIDGESTONE/FIRESTONE, INC., Defendant Appellant.

No. 00 15133.

United States Court of Appeals,
Eleventh Circuit.

Aug. 28, 2001.

After settlement of products liability action against tire manufacturer and auto-

2012 WL 12886444

Only the Westlaw citation is currently available.
United States District Court, C.D. California.

ROLEX WATCH U.S.A., INC., Plaintiff,

v.

Krishan AGARWAL, individually and d/b/a Melrose Jewelers, Melrose.com, LLC, and Melrosejewelers.com,
Defendants.

CASE NO. CV 12-06400 MMM (MRWx)

|
Signed 12/17/2012

Attorneys and Law Firms

Beth M. Frenchman, Brian W. Brokate, Christina L. Winsor, Jeffrey E. Dupler, Gibney Anthony and Flaherty LLP, New York, NY, Craig S. Summers, Matthew Scott Bellinger, Knobbe Martens Olson and Bear LLP, Irvine, CA, for Plaintiff.

Jason Howard Fisher, Buchalter Nemer APC, Irvine, CA, Mitchell N. Reinis, Thompson Coburn LLP, Los Angeles, CA, for Defendants.

ORDER DENYING DEFENDANTS' MOTION TO DISMISS

MARGARET M. MORROW, UNITED STATES DISTRICT JUDGE

*1 Rolex Watch U.S.A., Inc. ("Rolex") commenced this action against Krishan Agarwal, Melrose Jewelers, Melrose.com LLC, and Melrosejewelers.com ("Defendants") on July 26, 2012.¹ On September 14, 2012, defendants filed a motion to dismiss Rolex's complaint in its entirety.² Rolex opposes the motion.³

I. FACTUAL BACKGROUND

Rolex is the exclusive importer and distributor of Rolex brand watches in the United States.⁴ Every watch sold by Rolex bears one or more trademark registered by Rolex.⁵ The company owns nineteen trademarks that appear on various parts of the watches it sells.⁶ The marks are allegedly distinct, arbitrary and some of the most famous marks in the world.⁷

Defendants own and operate the website www.melrosejewelers.com, which allegedly advertises, promotes, and sells merchandise bearing copies of four of the Rolex trademarks.⁸ Rolex asserts that it purchased three watches from defendants, and upon inspection, discovered that each was a used Rolex watch that contained replacement parts bearing copies of the Rolex marks.⁹ One watch was allegedly a 25 year old Rolex that had counterfeit copies of three Rolex marks on its dial, and

an additional counterfeit mark on the watch bracelet.¹⁰ The second and third watches had similar counterfeit marks on the bracelets.¹¹

Defendants also own six other websites, each of which utilizes a domain name that incorporates a Rolex mark.¹² Rolex contends defendants profit from the websites each time a user clicks an advertising link on the sites.¹³ They also purportedly use the sites to redirect internet users to their jewelry store website, www.melrosejewelers.com.¹⁴ Rolex asserts that defendants are not affiliated with it and have never been endorsed by it.¹⁵

Rolex asserts claims for (1) trademark counterfeiting in violation of 15 U.S.C. § 1114; (2) trademark infringement in violation of 15 U.S.C. § 1114; (3) false designation of origin, false description, and unfair competition in violation of 15 U.S.C. § 1125(a); and (4) unlawful cybersquatting in violation of 15 U.S.C. § 1125(d)(1)(A). Defendants move to dismiss the claims on the basis that the fair use and first sale doctrines bar Rolex's claims, that the cybersquatting claim is not adequately pled, and that Rolex has failed to comply with the heightened pleading standard of Rule 9(b) of the Federal Rules of Civil Procedure.

II. DISCUSSION

A. Legal Standard Governing Motions to Dismiss under Rule 12(b)(6)

*2 A Rule 12(b)(6) motion tests the legal sufficiency of the claims asserted in the complaint. A Rule 12(b)(6) dismissal is proper only where there is either a "lack of a cognizable legal theory," or "the absence of sufficient facts alleged under a cognizable legal theory." *Balistreri v. Pacifica Police Dept.*, 901 F.2d 696, 699 (9th Cir. 1988). The court must accept all factual allegations pleaded in the complaint as true, and construe them and draw all reasonable inferences from them in favor of the nonmoving party. *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996); *Mier v. Owens*, 57 F.3d 747, 750 (9th Cir. 1995).

The court need not, however, accept as true unreasonable inferences or conclusory legal allegations cast in the form of factual allegations. See *Bell Atlantic Corp. v. Twombly*, 540 U.S. 544, 553-56 (2007) ("While a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do"). Thus, a plaintiff's complaint must "contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.' ... A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1949 (2009); see also *Twombly*, 540 U.S. at 545 ("Factual allegations must be enough to raise a right to relief above the speculative level, on the assumption that all the allegations in the complaint are true (even if doubtful in fact)" (citations omitted)); *Moss v. U.S. Secret Service*, 572 F.3d 962, 969 (9th Cir. 2009) ("[F]or a complaint to survive a motion to dismiss, the non-conclusory 'factual content,' and reasonable inferences from that content, must be plausibly suggestive of a claim entitling the plaintiff to relief," citing *Iqbal* and *Twombly*).

B. Whether Rule 9(b) of the Federal Rules of Civil Procedure Applies

Defendants argue that the pleading standard set forth in Rule 9(b) of the Federal Rules of Civil Procedure, rather than the more lenient standard of Rule 8, applies to Rolex's claims. Generally, claims sounding in fraud are subject to the heightened pleading requirements of Rule 9(b), which mandates that the facts constituting the fraud be pled with specificity. Under the

rule, fraud allegations must include the “time, place, and specific content of the false representations as well as the identities of the parties to the misrepresentations.” See *Swartz v. KPMG LLP*, 476 F.3d 756, 764 (9th Cir. 2007) (citing *Edwards v. Marin Park, Inc.*, 356 F.3d 1058, 1066 (9th Cir. 2004)); see also *Schreiber Distributing Co. v. Serv-Well Furniture Co., Inc.*, 806 F.2d 1393, 1401 (9th Cir. 1986) (“[T]he pleader must state the time, place, and specific content of the false representations as well as the identities of the parties to the misrepresentation”); *Miscellaneous Serv. Workers Local # 427 v. Philco-Ford Corp.*, 661 F.2d 776, 782 (9th Cir. 1981) (holding that Rule 9(b) requires a pleader to set forth the “time, place and specific content of the false representations as well as the identities of the parties to the misrepresentation”); *Dielsi v. Falk*, 916 F.Supp. 985, 995 n. 12 (C.D. Cal. 1996) (“The fraud complaint should generally set out the time, place, and content of alleged misrepresentations, who made the statements, [and] why they were false, as well as set forth specific facts to show the defendant’s knowledge of material falsity,” citing *In re GlenFed Securities Litigation*, 42 F.3d 1541, 1547-48 (9th Cir. 1994) (en banc)).

***3** A complaint that fails to satisfy these requirements must be dismissed. See *Kearns v. Ford Motor Co.*, 567 F.3d 1120, 1126 (9th Cir. 2009) (affirming the dismissal of a complaint alleging fraudulent misrepresentations because plaintiff “failed to articulate the who, what, when, where, and how of the misconduct alleged,” such that the pleading did “not satisfy the requirement of Rule 9(b) that ‘a party must state with particularity the circumstances constituting fraud ...’”).

Defendants assert that “all of the [Rolex’s] claims fail for noncompliance with FRCP 9(b).”¹⁶ They cite no authority, however, for the proposition that Rule 9(b) applies to trademark infringement or counterfeiting claims. The court, moreover, was unable to find any case in which the heightened standard was applied to such claims. Rather, the authority it has located was to the contrary. See, e.g., *Indiaweekly.com, LLC v. Nehaflix.com, Inc.*, 596 F.Supp.2d 497, 502 (D. Conn. 2009) (“[Defendants] argue that Lanham Act claims necessarily contain some element of fraud, which must be pled with particularity. The Court concludes that this argument is unsupported by case law. No court in this district has ever dismissed a Lanham Act claim for failure to comply with Rule 9(b), nor has the Second Circuit ever held that it should”); *Stubbs Collections, Inc. v. Davis*, No. CIV. A. 3–99CV2440–P, 2000 WL 381947, *4 (N.D. Tex. Apr. 14, 2000) (“A claim of fraud requires not only the making of a false statement but also the intent to defraud the victim. However, likelihood of confusion—the test for infringement under 15 U.S.C. § 1114—does not consider the actor’s intent in determining whether infringement has occurred. The fact that a party did not intend to defraud is not a defense to a trademark infringement violation because intent is not an element of the claim. Therefore, a claim of infringement under 15 U.S.C. § 1114 does not constitute a claim subject to the heightened pleading requirements of Rule 9(b)” (citations omitted)); *Kia Motors America, Inc. v. Autoworks Distributing*, Civil No. 06-156 (DWF/JJG), 2006 WL 2943306, *3 (D. Minn. Sept. 28, 2006) (distinguishing false advertising claims, which are akin to fraud, from other Lanham Act claims, and stating “[d]efendants did not cite—and the Court could not find—a decision in the Eighth Circuit holding that all claims pled under the Lanham Act require the heightened pleading set forth in Rule 9(b)”).

Similarly, there is no support for defendants’ contention that claims of unlawful cybersquatting are subject to Rule 9(b)’s requirements. See *CSC Holdings, LLC v. Optimum Networks, Inc.*, 731 F.Supp.2d 400, 410 (D. N.J. 2010) (“Moreover, defendants’ discussion of ‘fraud’ and ‘consumer fraud’ is misplaced. While allegations of fraud must be pled with particularity under Rule 9(b) of the Federal Rules of Civil Procedure, this case does not involve allegations of fraud as contemplated by Rule 9(b), but instead involves alleged cybersquatting violations.... Rule 9(b) is not implicated”); *Vulcan Golf, LLC v. Google Inc.*, No. 07 C 3371, 2008 WL 2959951, *8 (N.D. Ill. July 31, 2008) (“Here, however, the plaintiffs do not plead a separate fraud claim. Instead, the wrongdoing and unlawful conduct alleged by the plaintiffs includes trademark violations and violations of the ACPA, which are not based on fraud. Thus, the defendants’ motion to dismiss these claims for failing to comply with Rule 9(b) is denied”). Because Rolex’s trademark infringement, trademark counterfeiting, and cybersquatting claims are not based on allegations of fraud or misrepresentation, the court declines to apply the heightened pleading standard of Rule 9(b) to these claims.

***4** The issue is not as clear with respect to Rolex’s false designation of origin, false description, and unfair competition claim, however. Several district courts in the Ninth Circuit have held that where section 43 claims are grounded in fraud, they are subject to the heightened pleading standard of Rule 9(b). See *Pestube Systems, Inc. v. HomeTeam Pest Defense*, No. CIV-05-2832-PHX-MHM, 2006 WL 1441014, *4–5 (D. Ariz. May 24, 2006) (applying Rule 9(b) to a Lanham Act claim that was “grounded in fraud”); *Collegenet, Inc. v. Xap Corp.*, No. CV-03-1229-HU, 2004 WL 2303506, *5–6 (D. Or. Oct. 12, 2004), adopted as modified, 2005 WL 708406 (D. Or. 2005) (holding that a Lanham Act unfair competition claim was

grounded in fraud because the “allegations [were] such that plaintiff [was] alleging a unified course of fraudulent conduct and relie[d] entirely on that course of conduct as the basis of the claim”).

Fraud is not a necessary element of claims under the Lanham Act. See *Brosnan v. Tradeline Solutions, Inc.*, No. C-08-0694 JCS, 2009 WL 1604572, *4 (N.D. Cal. June 5, 2009) (“[A] false advertising claim under the Lanham Act does not contain an element of fraud ...”). Where claims are based on a course of conduct that involves knowingly fraudulent misrepresentations, however, they are said to “sound in fraud” and are subject to Rule 9(b). See *Vess*, 317 F.3d at 1103–04 (“Vess argues that Rule 9(b) does not apply at all in this case because the state statutory claims he asserts do not require a showing of fraud. Vess is correct that fraud is not an essential element of the California statutes on which he relies.... But he is not correct in concluding that his averments of fraud therefore escape the requirements of the rule. In cases where fraud is not a necessary element of a claim, a plaintiff may choose nonetheless to allege in the complaint that the defendant has engaged in fraudulent conduct. In some cases, the plaintiff may allege a unified course of fraudulent conduct and rely entirely on that course of conduct as the basis of a claim. In that event, the claim is said to be ‘grounded in fraud’ or to ‘sound in fraud,’ and the pleading of that claim as a whole must satisfy the particularity requirement of Rule 9(b)”).

Defendants assert that Rolex’s section 43 claim “sounds in fraud” because, at various points in the complaint, Rolex uses the terms “false and misleading,” “deceit,” and “bad faith.”¹⁷ A closer reading of these allegations, however, demonstrates that they are not averments of fraud and thus not subject to the Rule 9(b) pleading standard. In Paragraph 41 of the complaint, for example, Rolex alleges: “Instances of Defendants’ false and misleading activities include, but are not limited to, the following: a. A Google search of ‘Melrose Jewelers’ results in the listing for ‘ROLEX WATCHES FOR SALE AT USA’S #1 ROLEX STORE’ ...; b. The homepage of melrosejewelers.com, the Website, is overwhelmingly dominated by pictures of Rolex Watches ...; c. The Website homepage states ‘Lifetime Authenticity Guarantee’ in relation to its sale of Rolex Watches; d. Within the Website under the heading ‘Lifetime Authenticity Guarantee’ it states: ‘Your Rolex is guaranteed to be genuine for the life of the watch.’ ” It is clear from a review of the allegation that although Rolex uses the term “false and misleading,” it is not alleging a species of fraud; rather, it is alleging how defendants’ use of the Rolex marks likely causes confusion among customers. This, of course, is a necessary element of a trademark infringement claim. This becomes apparent when other allegations in the complaint are considered. The paragraph immediately preceding the list of “false and misleading” statements, for example, alleges: “Defendants advertise, promote and sell their unauthorized/counterfeit and infringing watches and watch parts in a manner which is likely to cause confusion, or to cause mistake, or to deceive consumers into believing that Defendants and the products they sell are in some way authorized, sponsored or approved by Rolex, when they are not.”¹⁸ Thus, it is clear that Rolex does not allege that defendants acted fraudulently, but rather that they made unauthorized use of its trademarks in ways that will confuse or mislead consumers.

*5 Furthermore, although some courts in this circuit have applied Rule 9(b) to Lanham Act claims, they have generally done so where the claim alleged “false advertising.” See *EcoDisc Technology AG v. DVD Format/Logo Licensing Corp.*, 711 F.Supp.2d 1074, 1085 (C.D. Cal. 2010) (“Although the Ninth Circuit has not concluded that Rule 9(b) applies to Lanham Act claims, many district courts have applied this heightened pleading standard to claims that are grounded in fraud, such as misrepresentation claims. The Court agrees that Plaintiff’s false advertising claims are grounded in fraud and that Rule 9(b) applies to the pleading of this claim”); *Pestube Systems, Inc.*, 2006 WL 1441014 at *5 (applying Rule 9(b) to a Lanham Act false advertising claim because “the crux of Plaintiff’s Lanham Act violation claim is based upon unidentified alleged false or misleading material descriptions of facts knowingly misrepresenting the nature, characteristics, or qualities of Defendant’s products including the ‘Tubes in the Wall’ system. These allegations are clearly analogous to a claim of fraud”); *Impeva Labs, Inc. v. System Planning Corp.*, No. 5:12–CV–00125–EJD, 2012 WL 3647716, *5 (N.D. Cal. Aug. 23, 2012) (noting that “[i]t is not settled whether claims under § 43(a)(1)(B) [, the false advertising prong,] are always subject to the special pleading requirements of Fed.R.Civ.P. 9(b)”) (emphasis added). Cf. *In re Century 21–RE/MAX Real Estate Adver. Claims Litig.*, 882 F.Supp. 915, 927 (C.D. Cal. 1994) (“While a Lanham Act claim is not subject to the strict pleading requirements of Rule 9 fraud claims, ‘the policies which underlie Rule 9’s requirement that the nature of an alleged misrepresentation be pleaded with specificity are equally applicable to the type of misrepresentation claims presented in [a] Lanham Act claim. In litigation in which one party is charged with making false statements, it is important that the party charged be provided with sufficiently detailed allegations regarding the nature of the alleged falsehoods to allow him to make a proper defense’ ”). The court has found no decision in this circuit where Rule 9(b) was applied to a false designation of origin claim not based on a pattern of fraudulent conduct.

Courts in other circuits, moreover, have expressly found that Rule 9(b) does not apply to Lanham Act claims under section 43(a)(1)(A). See *General Council of Assemblies of God v. Fraternidad de Iglesia de Asamblea de Dios Autonoma Hispana, Inc.*, 382 F.Supp.2d 315, 325 (D. P.R. 2005) (“Defendants have cited no legal authority in support of their contention that Plaintiff needed to plead its cause of action [for false designation of origin] under the Lanham Act with particularity in compliance with Rule 9 of the Federal Rules of Civil Procedure. Thus, Defendants’ contention that more than a “short and plain statement” is required to plead a cognizable claim under the Lanham Act is meritless. We are not aware of any case law to that effect”); *Stubbs Collections*, 2000 WL 381947 at *5 (“[T]he Lanham Act does not require a showing of fraudulent intent to establish a violation of 15 U.S.C. § 1125(a). This statute proscribes not only use of a false designation of origin but also use of any false or misleading description or representation of fact tending to misrepresent goods, services, or commercial activities in commerce. A violation exists where the trademarks used by the plaintiff are so associated with its goods that the use of the same or similar marks by another company constitutes a representation that its goods come from the same source. Again, the statute does not require intent to deceive as a necessary element of a Section 1125(a) violation. Therefore, Plaintiff’s federal Lanham Act claims do not allege claims of fraud and are not subject to Rule 9(b)’s particularity in pleading requirements”); *Mills Corp. v. Miller*, No. CIV. A. 97–219(TAF), 1997 WL 280599, *2 (D. D.C. May 20, 1997) (“Miller has cited a number of cases to convince the Court that Lanham Act claims are essentially fraud claims, and are therefore subject to the pleading requirements of Rule 9(b), but none of these cases concern claims of infringement or dilution. Rather, the cited cases concern ‘false advertising,’ a separate cause of action under Section 43(a) of the Lanham Act.... Because infringement and dilution claims are not ‘misrepresentation claims,’ like those at issue in [false advertising cases], they are not governed by Rule 9(b)”).

Because Rolex’s section 43 claim does not rely on allegations of fraud or misrepresentation, but rather allegations of unauthorized use of Rolex’s trademarks and a likelihood of customer confusion, the court finds that Rule 9(b)’s heightened pleading standard does not apply. Defendants’ motion to dismiss the complaint on the basis that it does not satisfy Rule 9(b) is accordingly denied.

C. Whether the Fair Use Defense Bars Rolex’s Claims for Trademark Counterfeiting, Trademark Infringement, and False Designation of Origin

*6 Rather than expressly challenging the sufficiency of Rolex’s pleadings, defendants next assert that a series of defenses bar all of Rolex’s claims. First, they argue that plaintiff’s claims are defeated by the fair use doctrine. There are two fair use defenses available in trade dress/trademark infringement cases—classic and nominative. See *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 809 (9th Cir. 2003) (stating that both types of fair use defense are applicable in both trademark and trade dress cases). The nominative fair use defense applies where the defendant has “ ‘used the plaintiff’s mark to describe the plaintiff’s product, *even if the defendant’s ultimate goal is to describe his own product.*’ ” *Id.* (quoting *Cairns v. Franklin Mint*, 292 F.3d 1139, 1151 (9th Cir. 2002) (emphasis original)). In other words, “ ‘[t]he goal of a nominative use is generally for the ‘purposes of comparison, criticism [or] point of reference.’ ” *Id.* (quoting *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992)).

A defendant’s use of a trademark is classic fair use, by contrast, “ ‘where [he] has used the plaintiff’s mark only to describe his own product, *and not at all to describe the plaintiff’s product.*’ ” *Id.* (quoting *Cairns*, 292 F.3d at 1151 (emphasis original)). The classic fair use defense “applies only to marks that possess both a primary meaning and a secondary meaning—and only when the mark is used in its primary descriptive sense rather than its secondary trademark sense.” *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 905 (9th Cir. 2003) (footnote omitted), cert. denied sub nom. *Jardine v. Brother Records, Inc.*, 540 U.S. 824 (2003); see also *Cairns*, 292 F.3d at 1150 (under the classic fair use defense, “ ‘[a] junior user [of a trademark] is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark,’ ” quoting 2 J. Thomas McCarthy, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 11:45 (4th ed. 2001)).

Thus, for example, in *In re Dual-Deck Video Cassette Recorder Antitrust Litigation*, 11 F.3d 1460 (9th Cir. 1993), defendant used the descriptive word, “VCR-2” to designate the jack to which a second VCR could be attached. The Ninth Circuit held

this did not infringe plaintiff's trademark for a two-deck videocassette recorder, "VCR-2." See *id.* at 1467 ("A JVC receiver, labeled JVC on the front, would not be mistaken for a Go-Video product because the videocassette jacks on the back were labelled 'VCR 1 and VCR 2,' and reference was made to 'VCR 2' in the instruction book and on the remote. No possibility existed that a person would buy the plainly labelled JVC receiver thinking that it was made by Go-Video, because a set of jacks on the back was labelled 'VCR 2.' ... This was fair use as a matter of law. The uses were descriptive, and there is no evidence from which an inference of bad faith could be drawn" (citations omitted)); see also *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1143-44 (9th Cir. 2002) (holding that the owner of *Entrepreneur* magazine had "the exclusive right to use its trademark in printed publications pertaining to business opportunities," but did not "have the exclusive right to use the word 'entrepreneur' in any mark identifying a printed publication addressing subjects related to entrepreneurship," and concluding that the name of defendant's public relations firm, "EntrepreneurPR," constituted a classic fair use (emphasis original)); *Brookfield Communications, Inc v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1066 (9th Cir. 1999) (holding that defendant could legitimately use the term "Movie Buff" to describe a movie devotee, but was barred from using "MovieBuff," since, without the space, the term was not an English language word and "[was] used to refer to Brookfield's products and services, rather than to mean 'motion picture enthusiast' "); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995) (holding that defendant's use of a pine tree shape for a Christmas season air freshener qualified as a classic fair use, and did not infringe plaintiff's rights in its pine tree air freshener design or dress).

*7 Because defendants do not use the Rolex trademarks to describe Rolex's products, but rather their own goods, this does not appear to be a case where the nominative fair use doctrine applies. See *powerlineman.com, LLC v. Kackson*, No. CIV. S-07-879 LKK/EFB, 2007 WL 3479562, *4 (E.D. Cal. Nov. 15, 2007) ("Here, based on the facts alleged in the complaint, it appears that the classic fair use analysis, rather than the nominative fair use analysis, is most applicable. Defendant has not used the phrase 'power lineman' to describe plaintiff's website; rather, it appears that defendant has used the phrase in its own service").

Moreover, even were the defense applicable, courts have stated that "nominative fair use analysis typically involves questions of law and fact, and determination on a motion to dismiss is premature." *Electronic Arts, Inc. v. Textron Inc.*, No. C 12-00118 WHA, 2012 WL 3042668, *5 (N.D. Cal. July 25, 2012). See also *powerlineman.com, LLC*, 2007 WL 3479562 at *4 ("In any event, analysis of [nominative fair use] defenses is premature on a motion to dismiss, particularly given their factual nature"); *Autodesk, Inc. v. Dassault Systemes SolidWorks Corp.*, No. C 08-04397 WHA, 2008 WL 6742224, *5 (N.D. Cal. Dec. 18, 2008) ("Although at first blush all of the uses alleged would seem to be fair use, at least arguably, analysis of nominative fair use is premature on a motion to dismiss, particularly given the factual nature of the inquiry in this case").

An exception exists "where simply looking at the work itself, and the context in which it appears, demonstrates how implausible it is that a viewer will be confused into believing that the plaintiff endorsed the defendant's work." *Louis Vuitton Mallatier S.A. v. Warner Bros. Entertainment Inc.*, No. 9436 ALC HBP, 2012 WL 2248593, *8 (S.D.N.Y. June 15, 2012). This is not a case, however, where the exception applies. Defendants' watches carry the Rolex trademarks, and defendants inserted Rolex trademarks on replacement parts that they added to the watches. It would not be implausible for a consumer, looking at defendants' inventory, to believe that Rolex endorsed the watches defendants were selling. See *Rolex Watch, U.S.A. v. Michel Co.*, 179 F.3d 704, 710 (9th Cir. 1999) (holding that the retention of original Rolex marks on altered Rolex watches constituted trademark infringement). Nor is this a case like *Dual-Deck*, in which it was apparent from looking at the allegedly infringing item that the mark VCR-2 was solely being used to describe the jack where a second VCR could be attached. *In re Dual-Deck*, 11 F.3d at 1467. It is not apparent when looking at defendants' watches that Rolex does not endorse them, since they bear Rolex marks in a variety of places. Because defendants do not use the Rolex marks only to describe Rolex goods, and because it is not facially implausible that a consumer would mistakenly believe that Rolex endorses defendants' goods, the nominative fair use doctrine does not defeat Rolex's claims.

Defendants also assert a classic fair use defense. This defense protects a defendant where "the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark ... of a term or device which is descriptive of and used fairly and in good faith only to describe the goods." 15 U.S.C. § 1115(b)(4). See also *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Management, Inc.*, 618 F.3d 1025, 1040 (9th Cir. 2010) (to prevail on a classic fair use defense, a defendant must demonstrate that it used a registered trademark " 'otherwise than as a mark,' 'only to describe [its] goods or services,' and 'in good faith,' " quoting 15 U.S.C. § 1115(b)(4)). To establish that its use is fair, a defendant need not prove that there is no customer confusion, as "some possibility of consumer confusion must be compatible with fair use." *KP*

Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121 (2004).

*8 Rolex has alleged sufficient facts to defeat the defense if they are proved. First, it alleges that defendants are not using Rolex's trademarks "other than as a mark." To determine whether a term is being used as a mark, the court looks for "indications that the term is being used to associate it with a manufacturer." *Fortune Dynamic*, 618 F.3d at 1040. "Indications of trademark use include whether the term is used as a 'symbol to attract public attention.'" *Id.* (citing *JA Apparel Corp. v. Abboud*, 568 F.3d 390, 400 (2d Cir. 2009)). Rolex asserts that defendants use the Rolex marks in a manner that will "deceive consumers into believing that [d]efendants and the products they sell are in some way authorized, sponsored or approved by Rolex."¹⁹ It also alleges that defendants advertise their watches with slogans such as "ROLEX WATCHES FOR SALE AT USA'S #1 ROLEX STORE."²⁰ If proved, these allegations will demonstrate that defendants used the marks primarily in an effort to associate their products with Rolex. This is not use of the trademarks in a manner "other than as a mark." Defendants' classic fair use defense thus does not bar Rolex's claims at the pleadings stage.

Similarly, Rolex adequately alleges that defendants did not use the marks solely to describe their goods. To prevail on this factor, "a defendant must establish that it used the word in [its] primary, descriptive sense or primary descriptive meaning." *Fortune Dynamic*, 618 F.3d at 1041. Rolex alleges that defendants kept original Rolex trademarks on the altered watches, and inserted copies of Rolex marks on replacement parts not made by Rolex, not to describe the watches but rather to associate them with Rolex.²¹ Rolex asserts, for example, that it examined a watch sold by defendants where "the dial bore counterfeit copies of the ROLEX, CROWN DEVICE, DATEJUST and OYSTER PERPETUAL trademarks and that the bracelet bore a counterfeit copy of the CROWN DEVICE trademark."²² It thus sufficiently pleads that the marks were used not in a descriptive sense, but to give the impression that the items were made or endorsed by Rolex. See *Brother Records, Inc.*, 318 F.3d at 907 ("Jardine does not use the trademark in any primary, descriptive sense. That is, Jardine does not use 'The Beach Boys' trademark to denote its primary, descriptive meaning of 'boys who frequent a stretch of sand beside the sea.' Instead, Jardine uses 'The Beach Boys' trademark in its secondary, trademark sense, which denotes the music band—and its members—that popularized California surfing culture. This is true regardless of whether Jardine's use of the mark refers to Jardine himself or to the band"); *Automobile Club of Southern California v. Auto Club, Ltd.*, CV 05-3940 RSWL (CWx), 2007 WL 704892, *5 (C.D. Cal. Mar. 6, 2007) ("Defendants' use of 'AUTO CLUB' as part of the company name and website domain name is use as a trademark or service mark and not only descriptive use"). See also *Michel*, 179 F.3d at 708 (discussing the district court's holding, not challenged on appeal, that selling a watch with a "watch band bearing Rolex trademarks that is not a Rolex band at trade shows" constitutes trademark infringement). The court therefore denies defendants' motion to dismiss on the grounds of fair use.

D. Whether the Fair Use Doctrine Bars Rolex's Cybersquatting Claim

Defendants assert that the doctrine of nominative fair use also applies to Rolex's claim that defendants are unlawfully profiting from controlling various websites whose domain names incorporate Rolex marks.²³ The basis of this claim is not trademark infringement or counterfeiting, but defendants' purported violation of the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d)(1)(A) ("ACPA").²⁴ The ACPA has its own fair use defense, separate from the fair use defense for trademark infringement.²⁵ The ACPA provides a defense for registrants who "believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." 15 U.S.C. § 1125(d)(1)(B)(ii). The Ninth Circuit has cautioned that this defense should be invoked "very sparingly and only in the most unusual cases." *Lahoti v. VeriCheck, Inc.*, 586 F.3d 1190, 1203 (9th Cir. 2009) (internal quotation marks omitted). A defendant "who acts even partially in bad faith" cannot successfully assert the defense. *Id.* At this early stage of the litigation, there is no indication that this is that "most unusual case" in which the fair use defense to the ACPA applies. Indeed, the complaint alleges that defendants are unlawfully profiting from their use of infringing domain names, and that registration of the domain names was "deliberately calculated to confuse and deceive the public."²⁶ Accepted as true, these allegations suggest that defendants acted at least partially in bad faith. If this is proved, the ACPA fair use defense will not defeat Rolex's claim that defendants violated the statute.²⁷

E. Whether the First Sale Doctrine Bars Rolex's Claims

*9 Defendants next assert that Rolex's claims are precluded by the first sale doctrine. Under this doctrine, a reseller is not liable for trademark infringement. "Beginning with *Prestonettes, Inc. v. Coty*, 264 U.S. 359, ... (1924), courts have consistently held that, with certain well-defined exceptions, the right of a producer to control distribution of its trademarked product does not extend beyond the first sale of the product. Resale by the first purchaser of the original article under the producer's trademark is neither trademark infringement nor unfair competition." *Sebastian Int'l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1074 (9th Cir. 1995). The first sale doctrine, however, applies only to "genuine" goods. See, e.g., *NEC Electronics v. CAL Circuit Abco*, 810 F.2d 1506, 1509 (9th Cir. 1987). "When the reseller's conduct goes beyond the mere resale of trademarked goods, such conduct may be sufficient to support a cause of action for infringement." *Softman Prods Co. LLC v. Adobe Systems, Inc.*, 171 F.Supp. 2d 1075, 1092 (N.D. Cal. 2001). The reason behind the rule is that "trademark law is designed to prevent sellers from confusing or deceiving consumers about the origin or make of a product, which confusion ordinarily does not exist when a genuine article bearing a true mark is sold." *NEC Electronics.*, 810 F.2d at 1509.

Ninth Circuit precedent clearly establishes that watches that have been altered or that have had replacement bezels, dials, or bracelets installed constitute "new product[s]." *Michel*, 179 F.3d at 710. In *Michel*, the court addressed facts strikingly similar to those here. The defendant in *Michel* "recondition[ed] used Rolex watches with parts that [were] not provided or authorized by Rolex Watch, U.S.A., Inc. ('Rolex'), and s[old] the altered watches, as well as generic replacement parts fitting Rolex watches." *Id.* at 706. Moreover, "[t]he altered 'Rolex' watches retain[ed] their original Rolex trademarks on their dials and bracelets, except when [defendant] replace[d] the bracelet.... Some examples of the replacement bracelets used by [defendant] [bore] an imitation of the Crown Device logo." *Id.* at 707. After reviewing the evidence, the Ninth Circuit concluded that "the alterations that [defendant] makes to the used Rolex watches he sells ... result in a new product." It therefore enjoined the defendant from selling additional altered watches *Id.* at 710.

Under *Michel*, it is clear that a watch that has replacement " bezels (the ring that surrounds the crystal and affixes it to the watch casing), dials, and bracelets" is no longer a genuine product, and that the first sale doctrine does not apply. The cases cited by defendants do not hold otherwise. In *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), the court reviewed whether a defendant who refurbished spark plugs, bearing the Champion Spark Plug mark, was liable for trademark infringement. The reconditioned spark plugs retained their original Champion trademark and were sold in boxes stamped "Champion." *Id.* at 126. The Court reasoned that it was permissible for a secondhand dealer to get some advantage from the trademark "so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer." *Id.* at 130. The Court cautioned, however, that "[c]ases may be imagined 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 'repaired' were added." *Id.* at 129.

In *Michel*, the court noted that *Champion* was not a case in which it would have been a "misnomer" to refer to the spark plugs by their original name because "[t]he repair or reconditioning of the plugs does not give them a new design," but rather was no more than "a restoration, so far as possible, of their original condition." *Michel*, 179 F.3d at 709 (citing *Champion*, 331 U.S. at 129). By contrast, it concluded that where a used Rolex watch included unauthorized replacement parts, there had been such extensive reconditioning that it was no longer appropriate to permit use of the Rolex trademarks. *Michel*, 179 F.3d at 710. See also *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 23 (7th Cir. 1964) (enjoining the sale of recased watches bearing the Bulova name because "the recasing operation here employed results in a 'new construction.' The case of a wrist watch is a necessary and integral part of the complete product. The substitution of a different crown and case by defendants results in a different product. The watch is no longer a Bulova watch. It is a new and different 'watch' albeit one containing a 'movement' manufactured by Bulova"). Under *Michel*, it is clear that replacing integral parts of a watch constitutes a more extensive restoration than the refurbishment of spark plugs at issue in *Champion*, and that the *Champion* holding does not dictate the outcome in such a case. Rolex alleges that defendants engage in this type of more extensive restoration. Consequently, on the face of the pleadings, defendants' first sale defense fails.

*10 Defendants contend, however, that because they have placed a disclaimer on their website, customers know the extent of the parts replacement and thus the first sale doctrine applies.²⁸ The disclaimer states:

"Melrose.com is an independent Rolex Oyster Perpetual watch and fine diamond jewelry retailer and is not affiliated with Rolex, S.A. Melrose.com sells pre-owned, used Rolex Oyster Perpetual watches and warrants its watches directly through its store. Melrose.com watches ship with aftermarket natural diamond additions and aftermarket replacement

bracelet additions. Aftermarket additions void the warranty of new and used Rolex Oyster Perpetual watches sold by Rolex S.A. or at www.rolex.com. Rolex is under no obligation to warranty-service watches sold by Melrose.com through its service locations. Rolex Oyster Perpetual Day Date President, Presidential, Super President, Submariner, Cosmograph Daytona, Rolex Oyster Perpetual Datejust, Explorer, Sea Dweller, Air King GMT Master, Yacht Master, YachtMaster, Milgauss, Prince, PearlMaster, and MasterPiece are all registered trademarks of the Rolex Corporation (Rolex USA, Rolex S.A.) If you are interested in purchasing a new Rolex watch with Rolex-set diamonds please visit Rolex.com to find a list of Authorized Rolex Dealers. All brands including Cartier, Audemars Piguet, Patek Philippe, Ulysse Nardin, Breitling and Omega are trademarks or their respective holders. Melrose.com services international markets including Italy, Germany, France, Spain, Hong Kong, China, Mexico, Australia, India, Japan, Netherlands, Singapore, Turkey, Sweden, Denmark, Brazil and South Korea.”²⁹

Defendants assert that “such a disclaimer ... prevents any likelihood of consumer confusion,” and therefore the watches they sell qualify as genuine goods.³⁰

As noted, the first sale doctrine is based on the premise that consumer confusion “ordinarily does not exist when a genuine article bearing a true mark is sold.” *NEC Electronics*, 810 F.2d at 1509. Defendants’ assertion that placing a disclaimer on their website mitigates confusion and renders the watches they sell “genuine” is contrary to the holding in *Michel*. There, the district court found that defendant’s watches infringed Rolex’s trademarks, but did not entirely enjoin their sale. *Michel*, 179 F.3d at 707-08. Rather, it permitted the defendant to sell the watches if it placed an “independent, permanent mark on the non-Rolex replacement parts that [it] add[ed] to Rolex watches, such as ‘Michel Co.,’ and ... include[d] a written disclosure in tags, promotions, and advertising of [the] altered ‘Rolex’ watches.” *Id.* Specifically, the court required the defendant to disclose the following:

“This watch contains non-Rolex parts which are not supplied by an official Rolex jeweler. The addition of non-Rolex parts voids the Rolex warranty. Rolex Watch, U.S.A., Inc. may no longer service a watch containing non-Rolex parts.” *Id.* at 708.

On appeal, the Ninth Circuit reversed, holding that the district court abused its discretion in not completely enjoining the sale of the infringing watches. *Id.* at 710. The circuit court determined that the disclaimer was inadequate to “prevent consumer confusion,” as it failed to “convey basic[] changes that ha[d] been made to the watch.” *Id.* Thus, despite defendants’ disclaimer, “the retention of Rolex’s trademarks on [defendant’s] altered watches is a misnomer—and a trademark infringement.” *Id.*

*11 Moreover, defendants’ disclaimer is found only on defendants’ website, which a customer views prior to sale; there is no indication on the watches themselves that they do not come from Rolex. In *Au-Tomotive Gold Inc. v. Volkswagen of America, Inc.*, 603 F.3d 1133, 1138 (9th Cir. 2010), the court held that “disclaimer-covered packaging” does nothing to “dispel post-purchase confusion” because the disclaimer is removed from the infringing product by the time the general public views it. The court noted that post-purchase confusion “creates a free-rider problem” in first sale cases, because “[i]f the [infringing] producer purchases such a trademarked product and uses that product to create post-purchase confusion as to the source of a new product, the producer is free-riding even though it has paid for the trademarked product.” *Id.* at 1139.³¹ Ultimately, the court noted that it could not find “any case in which a court has held that the ‘first sale’ doctrine applies when there is a likelihood of post-purchase confusion.” It therefore held that the doctrine does not apply where a disclaimer as to the true origin of the product does not effectively dispel post-purchase confusion. *Id.* at 1138. Compare *Scarves by Vera, Inc. v. American Handbags, Inc.*, 188 F.Supp. 255, 256-58 (S.D.N.Y. 1960) (allowing the resale of trademarked handbags so long as a disclaimer label was sewn into the bag “near the clasp, and plainly visible to anyone opening the handbag”).

The court has found no case in which a materially altered product was protected by the first sale doctrine based on a disclaimer provided to the purchaser. Rather, “[t]he first sale doctrine is inapplicable when the resold product is materially different from the originally sold product.” *Beltronics USA, Inc. v. Midwest Inventory Distribution, LLC*, 562 F.3d 1067, 1076 (10th Cir. 2009). A disclaimer is not a panacea that eliminates consumer confusion. Although defendants’ disclaimer is more detailed than that in *Michel*, and is more specific concerning the alterations made, the court cannot conclude as a matter of law at this stage of the proceedings that the disclaimer eliminates all customer confusion, both pre-and post-sale, such that the watches are “genuine goods.” Consequently, the court denies defendants’ motion to dismiss based on the first sale

doctrine.

F. Whether Rolex States a Cybersquatting Claim

The only cause of action defendants attack as insufficiently pled is Rolex's claim for unlawful cybersquatting in violation of the ACPA. Congress passed the ACPA in 1999 as an amendment to the Lanham Act. The statute is designed to reach activities that might otherwise fall outside the scope of the Lanham Act, i.e., the bad faith registration of domain names with intent to profit from the goodwill associated with the trademarks of another—i.e., “cybersquatting.” See S. Rep. No. 106-140, at 4 (1999); see also *Porsche Cars North America, Inc. v. Porsche.net*, 302 F.3d 248, 260-61 (4th Cir. 2002) (“We may and do conclude that the enactment of the ACPA eliminated any need to force trademark-dilution law beyond its traditional bounds in order to fill a past hole, now otherwise plugged, in protection of trademark rights. As the Second Circuit recently remarked, the ACPA ‘was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting,’ ” quoting *Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489, 497 (2d Cir. 2000)).

According to the Senate Report accompanying the ACPA, cybersquatters are those who (1) “register well-known domain names in order to extract payment from the rightful owners of the marks”; (2) “register well-known marks as domain names and warehouse those marks with the hope of selling them to the highest bidder”; (3) “register well-known marks to prey on customer confusion by misusing the domain name to divert customers from the mark owner's site to the cybersquatter's own site”; or (4) “target distinctive marks to defraud customers, including to engage in counterfeiting activities.” S. Rep. No. 106-140 (quoted in *Lucas Nursery and Landscaping, Inc. v. Grosse*, 359 F.3d 806, 809 (6th Cir. 2004)); see also *Bosley Medical Institute, Inc. v. Kremer*, 403 F.3d 672, 680 (9th Cir. 2005) (“[C]ybersquatting occurs when a person other than the trademark holder registers the domain name of a well known trademark and then attempts to profit from this by either ransoming the domain name back to the trademark holder or by using the domain name to divert business from the trademark holder to the domain name holder,” quoting *DaimlerChrysler v. The Net Inc.*, 388 F.3d 201, 204 (6th Cir. 2004) (alteration original)); *Interstellar Starship Services v. Epix, Inc.*, 304 F.3d 936, 946 (9th Cir. 2002) (“Cybersquatting is the Internet version of a land grab. Cybersquatters register well-known brand names as Internet domain names in order to force the rightful owners of the marks to pay for the right to engage in electronic commerce under their own name”); *Northern Light Technology v. Northern Lights Club*, 97 F.Supp.2d 96, 115 (D. Mass. 2000) (noting that the ACPA was enacted “primarily in an effort to stop ‘cybersquatters who register numerous domain names containing American trademarks or tradenames only to hold them ransom in exchange for money,’ ” quoting H.R. Rep. No. 106-412 at 5), *aff'd*, 236 F.3d 57 (1st Cir. 2001).

*12 To prevail on an ACPA claim, a plaintiff must prove, “without regard to the goods or services [offered by] the parties,” that the defendant:

“(i) has a bad faith intent to profit from [a] mark ...; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of Title 18 [the Red Cross] or section 22056 of Title 36 [the Olympics].” 15 U.S.C. § 1125(d)(1)(A).

See also *Bosley Medical Institute*, 403 F.3d at 681 (“[A] ‘trademark owner asserting a claim under the ACPA must establish the following: (1) it has a valid trademark entitled to protection; (2) its mark is distinctive or famous; (3) the defendant's domain name is identical or confusingly similar to, or in the case of famous marks, dilutive of, the owner's mark; and (4) the

Rolex Watch U.S.A., Inc. v. Agarwal, Not Reported in Fed. Supp. (2012)

defendant used, registered, or trafficked in the domain name (5) with a bad faith intent to profit,' ” quoting *DaimlerChrysler*, 388 F.3d at 204). The statute identifies nine non-exclusive factors that are relevant in evaluating a defendant’s “bad faith intent.” 15 U.S.C. § 1125(d)(1)(B)(i).³²

*13 Rolex alleges that defendants are the registrants and owners of various domain names and websites, including rolexgiveaway.ca, rolexblogsite.com, rolexblogsite.net, rolexwatchforum.com, rolexwatchforum.net, rolexwatchforums.com, and rolexwatchforums.net.³³ It also alleges that defendants “have no trademark or intellectual property rights in the six sites and have acted in bad faith with the intent to profit from the goodwill of the famous ROLEX trademark.”³⁴ Rolex contends that “[d]efendants profit from their use of the six Parking Sites which provide links to melrosejewelers.com and other websites advertising and promoting, offering for sale and selling goods that are not sponsored or authorized by Rolex,”³⁵ and that “[d]efendants are unlawfully profiting each time someone clicks through to one of the links advertised on their Parking Sites.”³⁶

Defendants do not dispute that Rolex owns the marks at issue, nor that the marks are famous or distinct. Rather, they assert both that the complaint fails to establish that the domain names are identical or confusingly similar to any mark owned by Rolex, and that the complaint fails adequately to allege that defendants acted in a bad faith effort to profit from the marks.³⁷ As respects the first argument, defendants contend that because the domain names use terms such as “blogsite,” “forum,” and “giveaway,” in conjunction with “Rolex,” the names are not confusingly similar to Rolex’s marks.

“In determining whether there is a likelihood of confusion under the ACPA, courts compare the plaintiff’s mark with the name of the website.” *Ringcentral, Inc. v. Quimby*, 711 F.Supp.2d 1048, 1060 (N.D. Cal. 2010), vacated in part, 781 F.Supp.2d 1007 (N.D. Cal. Apr 18, 2011). The inquiry is whether “the domain name itself is identical or confusingly similar to a plaintiff’s mark.” A court should not look to the contents of the website in making this determination. *Coca-Cola Co. v. Purdy*, 382 F.3d 774, 783 (8th Cir. 2004).

Although the domain names use “Rolex” in conjunction with additional terms, they are not so clearly distinct from Rolex’s marks that there is no risk of confusion. The additional terms in the domain names are not terms that clearly indicate to a visitor that the site is not affiliated with Rolex. Compare *The Taubman Co. v. Webfeats*, 319 F.3d 770, 777 (6th Cir. 2003) (holding that there was no likelihood of confusion with the Taubman mark where defendant operated a website with the domain name www.taubmansucks.com); *Bally Total Fitness Holding Corp. v. Faber*, 29 F.Supp.2d 1161, 1163-64 (C.D. Cal. 1998) (holding there was no likelihood of confusion with Bally’s marks where defendant operated website with the domain name www.ballysucks.com). Indeed, the domain names—“rolexblogsite,” “rolexgiveaway” and “rolexwatchforum”—are clearly derived from the Rolex marks and could lead a consumer to believe that the sites are officially sanctioned by Rolex. As a consequence, a trier of fact could find the names are confusingly similar to the Rolex marks. See *Louis Vuitton Malletier and Oakley, Inc. v. Veit*, 211 F.Supp.2d 567, 578 (E.D. Pa. 2002) (“Use of the LOUIS VUITTON mark in the domain name louisvuitton-replicas.com constitutes an identical or confusingly similar use of the LOUIS VUITTON mark”); *Con-Way Inc. v. Conwayracing.com*, No. 08-4263 SC, 2009 WL 2252128, *3 (N.D. Cal. July 28, 2009) (“The domain name, ‘CONWAYRACING.COM,’ is confusingly similar to Plaintiff’s mark, ‘CON-WAY’ ... and apparently derived from[] Plaintiff’s mark”). Thus, accepting the allegations in the complaint as true, Rolex has adequately pled that the challenged domain names and the Rolex mark are identical or confusingly similar.

Defendants next argue that the complaint fails to allege facts sufficient to support a finding that they had a bad faith intent to profit from Rolex’s marks. The bad faith required to support a cybersquatting claim is not general bad faith, but “a bad faith intent to profit from the mark,” 15 U.S.C. § 1125(d)(1)(A)(I) (emphasis added). Thus, the defendant must intend to profit specifically from the goodwill associated with another’s trademark. See *Lucas Nursery*, 359 F.3d at 810 (“In its report on the ACPA, the Senate Judiciary Committee distilled the crucial elements of bad faith to mean an ‘intent to trade on the goodwill of another’s mark,’ ” quoting S. Rep. No. 106-140 at 9); *Sporty’s Farm*, 202 F.3d at 495 (Congress enacted the ACPA “ ‘to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks,’ ” quoting S. Rep. No. 106-140 at 4 (emphasis added)); id. at 499 n. 13 (“We expressly note that ‘bad faith [and] intent to profit’ are terms of art in the ACPA and hence should not necessarily be equated with ‘bad faith’ in other contexts”); *Healix Infusion Therapy, Inc. v. Murphy*, Civil Action No. H-08-0337, 2008 WL 4155459, *4 (S.D. Tex. Sept. 2, 2008) (“The ACPA makes a person who in bad faith seeks to profit

from the goodwill associated with an owner's mark liable to the mark owner for damages"); H.R. Conf. Rep. No. 106-464 (1999) ("[T]he bill does not extend to innocent domain name registrations by those who are unaware of another's use of the name, or even to someone who is aware of the trademark status of the name but registers a domain name containing the mark for *any reason other than with bad faith intent to profit from the goodwill associated with that mark,*" quoted in *Harrods Ltd. v. Sixty Internet Domain Names*, 110 F.Supp.2d 420, 426 (E.D. Va. 2000) (emphasis added)); S. Rep. No. 106-140 ("Under the bill ... the abusive conduct that is made actionable is appropriately limited just to bad-faith registrations and uses of others' marks by *persons who seek to profit unfairly from the goodwill associated therewith,*" quoted in *Harrods*, 110 F.Supp.2d at 426 (emphasis added)).

*14 Rolex pleads in conclusory fashion that defendants "have acted in bad faith with the intent to profit from the goodwill of the famous ROLEX trademark."³⁸ At least one appellate court has held that such an allegation suffices to defeat a Rule 12(b)(6) motion. See *Eagle Hospital Physicians, LLC v. SRG Consulting, Inc.*, 561 F.3d 1298, 1308-09 (11th Cir. 2009) ("Appellants assert that the complaint did not allege they had a bad faith intent to profit from the mark as required by § 1125(d)(1)(A)(i). Paragraph 53, however, states 'Upon information and belief, Defendants continue to use the domain names with the bad faith intent of profiting unlawfully from Eagle's trademarks.' The complaint thus alleged a bad faith intent to profit from the mark").

Rolex, moreover, has alleged additional facts that could support a finding that defendants acted in bad faith. One factor tending to show that a defendant acted in bad faith is "the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names." 15 U.S.C. § 1125(d)(1)(B)(i)(VIII). Rolex alleges that defendants have registered six different domain names, each of which incorporates the Rolex marks. This allegation supports a finding of bad faith. See *Aviva USA Corp v. Vazirani*, No. CV 11-0369-PHX-JAT, 2012 WL 4514039, *18 (D. Ariz. Oct. 2, 2012) ("[T]his factor recognizes the increasingly common cybersquatting practice known as 'warehousing,' in which a cybersquatter registers multiple domain names.... This bill does not suggest that the mere registration of multiple domain names is an indication of bad faith, but allows a court to weigh the fact that a person has registered multiple domain names that infringe or dilute the trademarks of others as part of its consideration of whether the requisite bad-faith intent exists"); *Transamerica Corp. v. Moniker Online Services, LLC*, 672 F.Supp.2d 1353, 1367 (S.D. Fla. 2009) ("[T]he Amended Complaint identifies eleven separate domain names registered by Moniker that are substantially similar to the Transamerica mark. These factual allegations are sufficient at the pleading stage to satisfy the bad faith prong by creating an inference that Defendants intended to profit from the misuse of Transamerica marks").

Rolex also alleges other facts that could support a finding of bad faith. It asserts, for example, that defendants profit from diverting customers to their website,³⁹ and that defendants' acts were "deliberately calculated to confuse and deceive the public and [were] performed with full knowledge of Rolex's rights."⁴⁰ Both of these facts, taken as true, would be probative of bad faith. See *E. Gluck Corp. v. Rothenhaus*, 585 F.Supp.2d 505, 520 (S.D.N.Y. 2008) (finding bad faith was adequately pleaded because "Gluck specifically alleges in its Amended Complaint that Rothenhaus registered, maintains and operates the Domain Name in bad faith with knowledge of Gluck's protected mark and with the intent to divert customers from Gluck"); *Intel Corp. v. Americas News Intel Pub., LLC*, No. C 09-05085 CRB, 2010 WL 2740063, *6 (N.D. Cal. July 12, 2010) ("[T]he allegation that ANIP's websites prominently feature Intel's trademarks and products, combined with the fact that ANIP's domain names use and emphasize the term 'intel,' is sufficient to state a plausible claim that ANIP registered its domain names with the bad faith intent to 'divert business from the trademark holder to the domain name holder' ").

Because the facts alleged in Rolex's complaint as a whole adequately support its allegation of bad faith, the court denies defendants' motion to dismiss Rolex's cybersquatting claim.

G. Whether Rolex States a Claim for Trademark Infringement, Counterfeiting, and False Designation of Origin in Violation of the Lanham Act

*15 Defendants do not expressly address whether Rolex has sufficiently alleged its trademark infringement, counterfeiting, or

false designation of origin claims. Because defendants asserted that Rule 9(b) barred Rolex's claims, however, the court will presume they challenge the sufficiency of Rolex's allegations in support of these claims, and evaluate them under the more lenient Rule 8 standard, which requires only a "short and plain statement" of the claim.

1. Trademark Infringement and False Designation of Origin

Rolex alleges a trademark infringement claim under 15 U.S.C. § 1114(1)(a) and a false designation of origin claim under § 1125(a); both of these claims concern defendants' use in commerce of unauthorized Rolex marks in connection with the offering of their goods for sale. To prevail on a trademark infringement claim, a plaintiff must demonstrate (1) that, without its consent, defendant used in commerce a reproduction or copy of a registered trademark in connection with the sale or advertising of goods or services, and (2) that such use is likely to cause confusion, mistake, or deceive customers. 15 U.S.C. § 1114(a)(1);⁴¹ *Philip Morris USA, Inc. v. Castworld Products, Inc.*, 219 F.R.D. 494, 499 (C.D. Cal. 2003).

Similarly, to prevail on a false designation of origin claim, plaintiff "must establish that [d]efendant used in commerce any word, term, name, symbol, or device, or any combination thereof ... which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of [d]efendant with [p]laintiff, or as to the origin, sponsorship, or approval of his goods by Plaintiff." *Philip Morris USA, Inc.*, 219 F.R.D. at 499 (citing 15 U.S.C. § 1125(a)(1)).⁴²

Rolex contends that defendants have sold goods bearing Rolex trademarks, and that their use of the Rolex marks causes confusion and deceives customers to believe that Rolex authorized, sponsored, or approved of the goods they sell.⁴³ It further alleges that defendants have used the Rolex marks in connection with offering their goods for sale, as defendants' website purportedly displays the marks repeatedly.⁴⁴ Accepting the truth of plaintiff's allegations, as the court must, Rolex has adequately stated a claim both for trademark infringement under § 1114(a)(1) and false designation of origin under § 1125(a) of the Lanham Act.

2. Trademark Counterfeiting

*16 Rolex also asserts a trademark counterfeiting claim under 15 U.S.C. § 1114(1)(b). This statute imposes liability on a person who "reproduce[s], counterfeit[s], cop[ies], or colorably imitate[s] a registered mark and appl[ies] such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive" 15 U.S.C. § 1114(1)(b); *PepsiCo, Inc. v. California Security Cans*, 238 F.Supp.2d 1172, 1175 (C.D. Cal. 2002).

Rolex has adequately pled each of the required elements. As noted, it asserts that it is the owner of registered marks,⁴⁵ that defendants reproduced unauthorized copies of the Rolex marks on replacement parts,⁴⁶ that this unauthorized use was in commerce in connection with the sale of defendants' watches,⁴⁷ and that defendants' use is likely to confuse consumers and lead them to believe that defendants are associated with Rolex.⁴⁸ Accepting these allegations as true, the court finds that Rolex has adequately alleged a claim of trademark counterfeiting in violation of § 1114(1)(b) of the Lanham Act.

III. CONCLUSION

For the reasons stated, defendants' motion to dismiss Rolex's complaint is denied.

All Citations

Not Reported in Fed. Supp., 2012 WL 12886444

Footnotes

¹ Complaint, Docket No. 1 (July 26, 2012).

² Motion to Dismiss Case ("Motion"), Docket No. 21 (Sept. 14, 2012). See also Reply in Support of Motion to Dismiss Case ("Reply"), Docket No. 29 (Nov. 30, 2012).

³ Memorandum in Opposition to Motion to Dismiss Case ("Opp."), Docket No. 28 (Nov. 26, 2012).

⁴ Complaint, ¶ 12.

⁵ *Id.*

⁶ *Id.* ¶ 17.

⁷ *Id.*, ¶¶ 19-21.

⁸ *Id.*, ¶ 29.

⁹ *Id.*, ¶¶ 31, 33, 38.

¹⁰ *Id.*, ¶ 31, 32.

¹¹ *Id.*, ¶¶ 33, 38.

¹² *Id.*, ¶ 42. The domain names are rolexgiveaway.ca, rolexblogsite.com, rolexblogsite.net, rolexwatchforum.com, rolexwatchforum.net, rolexwatchforums.com, and rolexwatchforums.net. (*Id.*, ¶ 11.)

¹³ *Id.*, ¶ 44.

¹⁴ *Id.*

¹⁵ *Id.*, ¶ 46.

¹⁶ Motion at 14.

¹⁷ Motion at 14-15.

¹⁸ Complaint, ¶ 40.

¹⁹ Complaint, ¶ 40.

²⁰ *Id.*, ¶ 41(a).

²¹ *Id.*, ¶¶ 29, 31, 34, 38.

22 *Id.* at ¶ 31.

23 Motion at 9-10.

24 Complaint, ¶ 69.

25 Defendants cite no authority for the proposition that the fair use defense applicable to trademark violations under the Lanham Act applies to violations of the ACPA, and the court was unable to find any.

26 Complaint, ¶ 45.

27 Rolex's allegations of cybersquatting and defendants' bad faith are discussed in greater detail *infra*.

28 Motion at 7.

29 Complaint, Exh. 7.

30 Motion at 7.

31 The *Au-Tomotive Gold* court cited *Michel* as an example of this free-rider principle. It stated:

"For example, a producer may purchase non-functioning Rolex watches and refurbish them with non-Rolex parts, leaving only the original casing. Even if the producer adequately explains the nature of the refurbished watches to purchasers, the producer nonetheless infringes on Rolex's trademarks by profiting from the Rolex name. In such a case, the purchasers buy the watches in order to make others think that they have bought a true Rolex watch." *Au-Tomotive Gold*, 603 F.3d at 1138-39 (citing *Michel*, 179 F.3d at 707-10).

32 The factors are:

"(I) the trademark or other intellectual property rights, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert customers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section."

33 Complaint, ¶ 11.

34 *Id.*, ¶ 71.

35 *Id.*, ¶ 72.

36 *Id.*, ¶ 44.

37 Motion at 11.

38 Complaint, ¶ 71.

39 *Id.*, ¶ 44.

40 *Id.*, ¶ 45.

41 In relevant part, 15 U.S.C. § 1114(1)(a) states: “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 ... shall be liable in a civil action by the registrant for the remedies hereinafter provided.”

42 In pertinent part, 15 U.S.C. § 1125(a) provides: “Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities—shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.”

43 *Id.*, ¶ 40.

44 *Id.*, ¶ 41.

45 Complaint, ¶ 17.

46 *Id.*, ¶ 31.

47 *Id.*, ¶ 40

48 *Id.*

A CALL TO ACTION FOR A CIRCULAR FASHION SYSTEM



POLICY BRIEF

A CALL TO ACTION FOR A CIRCULAR FASHION SYSTEM

POLICY BRIEF

© Global Fashion Agenda 2017

Authors

David Watson, PlanMiljø, Jonas Eder-Hansen, Global Fashion Agenda, Sofia Tärneberg, Global Fashion Agenda

Graphic Designer

Daniel Siim

Cover photo

I:CO/SOEX

Photos

I:CO/SOEX

Copenhagen Fashion Week

About the Global Fashion Agenda

Global Fashion Agenda is a global leadership forum on fashion sustainability founded in 2016 and anchored around Copenhagen Fashion Summit, the world's principal event on sustainability in fashion for industry decision-makers. Global Fashion Agenda advances a year-round mission to mobilize the international fashion industry to transform the way we produce and consume fashion, for a world beyond next season. In partnership with sustainability pioneering industry leaders including Kering, H&M, Target, Li & Fung and Sustainable Apparel Coalition, Global Fashion Agenda sets the agenda for the industry on the most critical environmental, social and ethical issues, and advocates for a collective industry focus on the largest opportunities. Global Fashion Agenda is a not-for-profit initiative.

Global Fashion Agenda
Frederiksholms Kanal 30C
1220 Copenhagen
Denmark
Phone +45 3318 6565

For more information, please visit
www.copenhagenfashionsummit.com

INTRODUCTION

The fashion industry is an engine for global growth and development. Generating €1.5 trillion in 2016, it employs around 60 million people along its value chain.¹ At the same time the industry uses a large amount of resources and has a heavy environmental impact compounded by the industry's continuing growth.²

Today's linear "take, make, dispose" economic model relies on large quantities of cheap, easily accessible materials and energy. With the world population expected to exceed 8.5 billion people and global garment production to increase by 63% by 2030, this model is reaching its physical limits.³ By acting now the fashion industry can lead the transition to a circular system that reuses and recirculates products and materials while offering new opportunities for innovative design, increased customer engagement and for capturing economic value.

A circular system provides opportunities for reducing the demands on material resources and environmental pressures without challenging profitability. Reduced revenue due to lower volumes can be more than offset by the increased value derived from individual garments, through reuse, resale, repair services and eventually the recovery of materials to produce new products.⁴ Fashion brands and retailers can acquire a stake in this value by extending their responsibility beyond the point of sale and throughout the continued life of their products.

To this end Global Fashion Agenda (GFA) is calling on fashion brands and retailers to take leadership in this transformation by committing to contributing to and driving an increased circularity of garments and footwear. GFA will take a central role in catalysing the various stakeholders involved in making this happen.

GFA has identified four immediate points of action to accelerate the transition to circular fashion:

- > Implementing design strategies for cyclability
- > Increasing the volume of used garments collected
- > Increasing the volume of used garments resold
- > Increasing the share of garments made from recycled textile fibres

If we are to achieve a circular fashion system a collaborative effort is needed between businesses and government, with regulators taking on a catalysing role by developing incentives and frameworks. The intention of this policy brief is to lay a foundation for this work.

THE NEED TO GO BEYOND A LINEAR FASHION SYSTEM

Today's linear "take, make, dispose" economic model is reaching its physical limits, putting the earth's natural resources under pressure. With current trajectories of production and consumption, these pressures will intensify to the point of threatening industry growth.



© CFW

CLOTHING AND TEXTILES IS ONE OF THE WORLD'S LARGEST CONSUMER INDUSTRIES

- > 5% of household expenditure in the EU is, on average, on clothing and footwear.⁵
- > EU citizens purchase more than 9.5 million tonnes of textile products annually, or 19 kg per person. 70% of this is clothing (13 kg per person).⁶
- > Per capita consumption of clothing and footwear in the EU increased in weight by 34% between 1996 and 2012.⁷
- > Global consumption of clothing and footwear is expected to increase by 63% by 2030, from 62 million tonnes today to 102 million in 2030.⁸

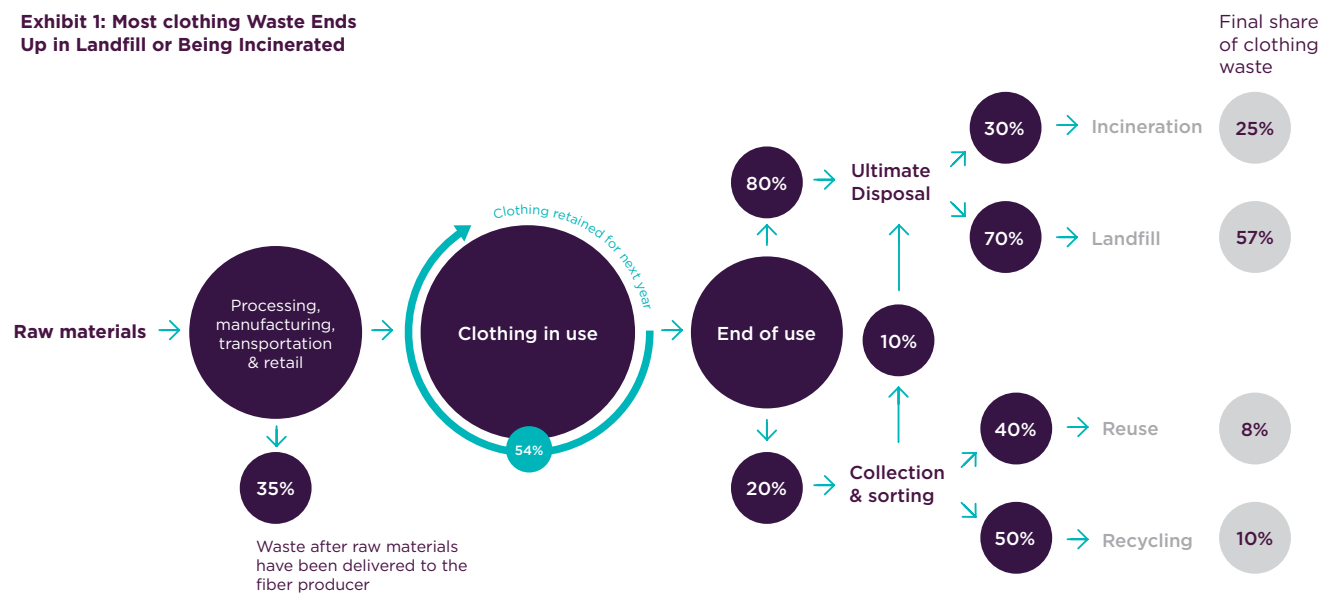
GARMENTS ARE RESOURCE-INTENSE TO PRODUCE AND SIGNIFICANTLY IMPACT THE PLANET

- > 4-6% of the EU's environmental footprint is caused by the consumption of textiles.⁹ The footprint for clothing and footwear ranks around fourth, after the three main consumption areas of housing, mobility, and eating and drinking.¹⁰
- > The footprint is a result of energy, material and chemical use during production, and energy and detergent use during consumer care. The transport and distribution of garments and their end-of-life treatment contribute relatively little.¹¹
- > An average kilogram of textiles has a carbon footprint of 15 kg and a 10,000 litre water footprint. The water footprint derives primarily from cotton production, much of which takes place in some of the world's most water-stressed areas.¹²

SOCIETY IS NOT CAPTURING THE FULL VALUE OF GARMENTS AND THE MATERIALS THEY CONTAIN

- > Much of the 9.5 million tonnes of textiles that EU citizens purchase each year is discarded, long before it is worn out. Moreover 30% of what hangs in our wardrobes has not been used for at least a year.¹³
- > Well over half of used European textiles still end up in mixed household waste destined for landfill or incineration.¹⁴
- > Separate collection of used garments varies from close to nothing in some EU member states to 50% or more in frontrunners like the UK, Denmark and Germany.¹⁵
- > Charities dominate collection, sometimes working in collaboration with local authorities. Recently, fashion brands and retailers have begun in-store collection in partnership with charities and/or third-party service providers.
- > Most of what is collected in the EU finds a new life. Typically at least 40% is sold for re-wear on global markets, with most of the rest down-cycled for use in e.g. insulation, industrial wipes and upholstery filling.¹⁶ (See exhibit 1)
- > Re-wear provides the greatest environmental benefits. Extending the active lifetime of a garment by just nine months reduces carbon, waste and water footprints by around 20-30% each and cuts resource costs by 20%.¹⁷
- > Recycling is a more sustainable option than incineration¹⁸ and much more sustainable than landfill¹⁹, which remains the dominant treatment for mixed household waste in Europe.²⁰
- > Textile fibre-to-fibre recycling is still limited globally due to technical barriers, low virgin fibre prices combined with high recycling costs, and trade barriers to textile waste.²¹
- > There are currently no EU-level targets for the reuse and recycling of clothing waste.²²

Exhibit 1: Most clothing Waste Ends Up in Landfill or Being Incinerated



Source: Boston Consulting Group and Global Fashion Agenda (2017). Pulse of the Fashion Industry report.



© IFCO/SOEX

THE OPPORTUNITIES IN TRANSITIONING TO A CIRCULAR FASHION SYSTEM

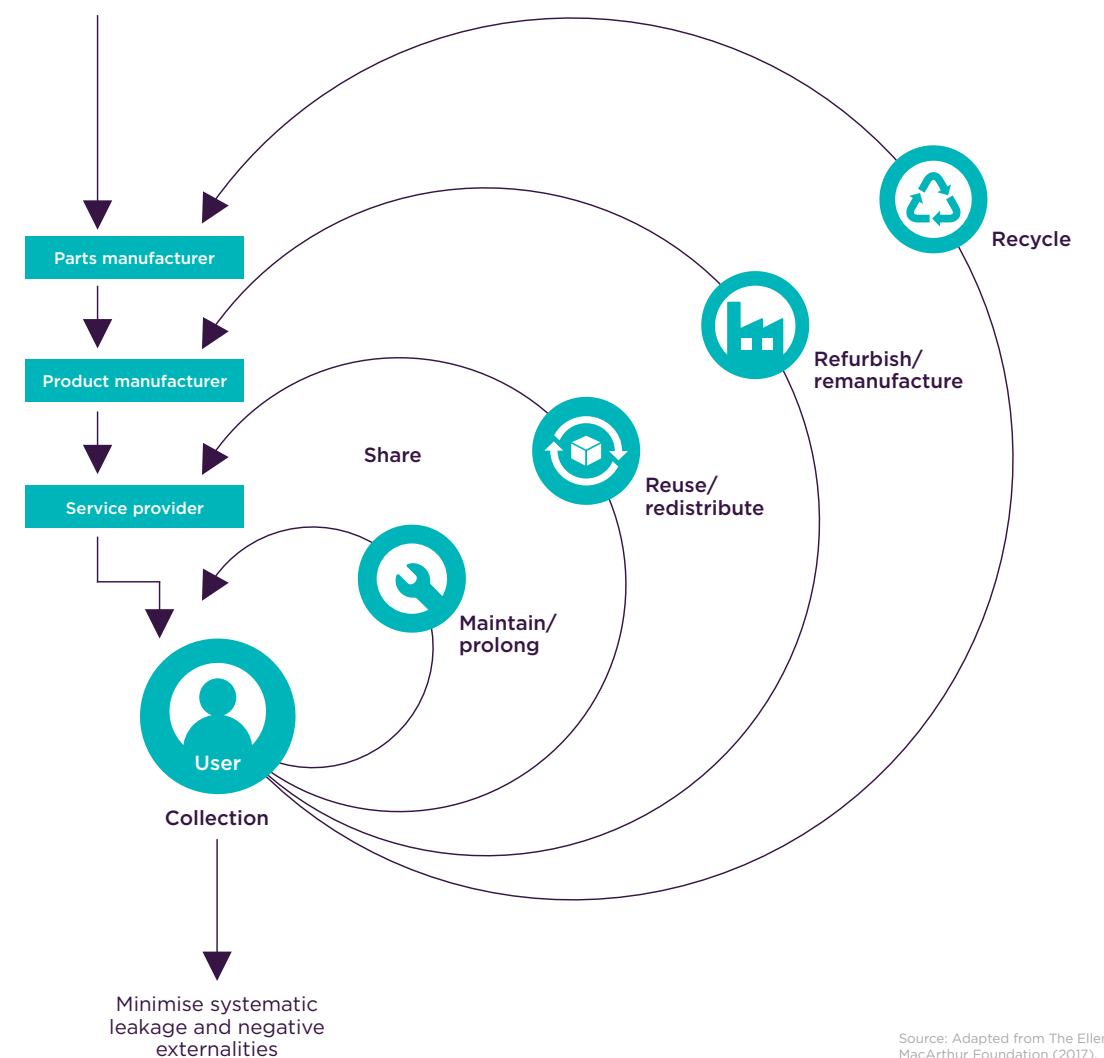
A circular fashion system contains multiple value-creation opportunities. The fashion industry can lead the transition to a circular system while offering new opportunities for innovative design, increased customer engagement and for capturing economic value.



CAPTURING THE VALUE OF TEXTILE

- > The full value of a product is captured to the greatest extent possible in a circular system. Sharing and recirculating between users extends its active lifetime. It is well-looked after, repaired when it breaks, and when no longer fit for use, the materials it contains are recovered for use in new products. (See exhibit 2)
- > A circular system brings significant environmental savings and at the same time generates value throughout a product's life cycle rather than just at the point of sale.^{23 24}

Exhibit 2: Circular System Diagram



Source: Adapted from The Ellen MacArthur Foundation (2017).



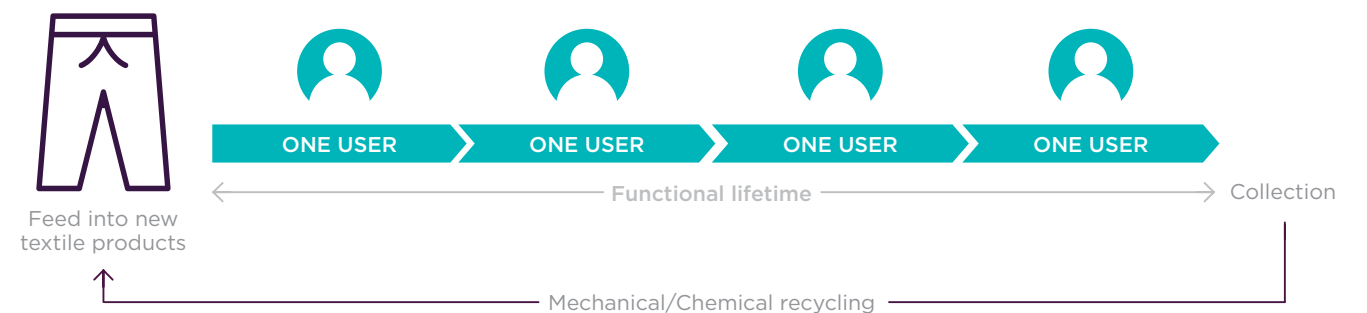
- > The concept is highly applicable to garments and other fashion products. It comprises a shift from garments that are only used by a single consumer and have a long 'idle-time' in a closet before being disposed of in mixed household waste, towards garments which are under continual active use by consecutive users and at the end of functional life are recycled into new garments. (See exhibit 3)
- > In addition to reducing the environmental footprint of clothing and creating new business opportunities, it increases security in the supply of fibres in the face of tomorrow's resource scarcity. Moreover, it can work to catalyse a shift in consumer perceptions of garments from being disposable to being items of value.
- > Increasing the collection rates of used clothing and footwear in Europe and North America to the same level as in the UK would raise €24 billion annually.²⁵ Renting and sharing business models could raise a further €20 billion.²⁶
- > Fully implementing a circular system requires establishment of systems and businesses for e.g. sharing/recirculation, repair and recycling. Equally important, products must be designed to be long-lasting, easily repairable and easily recyclable at end of life to facilitate seamless integration into the system.
- > The fashion and textile industry can play a key role in establishing circular systems and in designing products better suited to them. Brands are also perfectly placed to engage consumers in these systems.

Exhibit 3: The Shift Towards a Circular System for Textiles

Where we are now



Where we need to get to

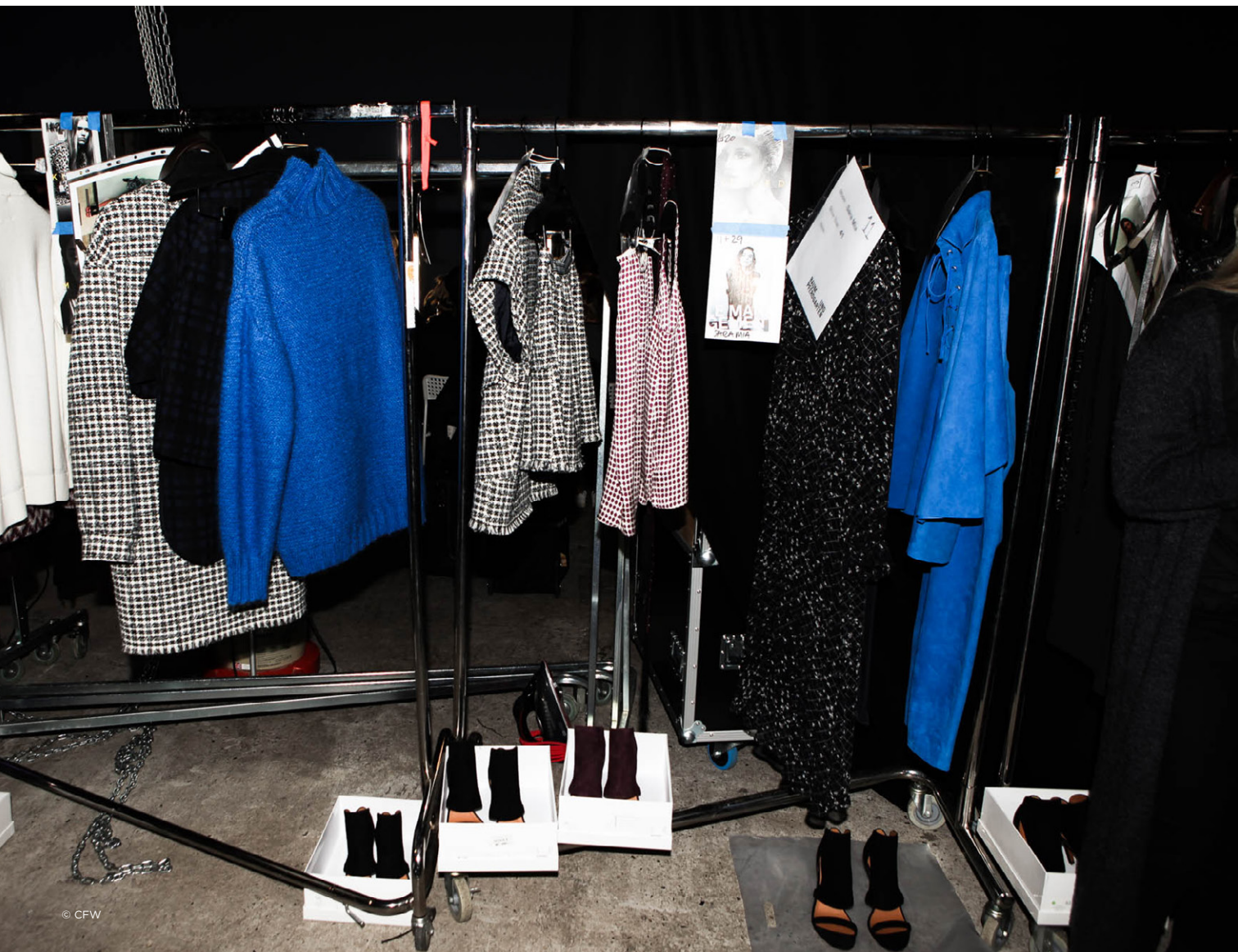


Source: Adapted from David Watson, 2014.

A CALL TO ACTION FOR BRANDS AND RETAILERS

Starting in May 2017, GFA is calling on fashion brands and retailers to use their influential role in the value chain to take leadership in accelerating the transition to circular fashion. Today a few pioneers are leading the way, but for a circular system to succeed at industry level, collaboration and transparent action are needed. With this call to action GFA wants to push beyond the boundaries of where we stand today and create tangible progress by 2020.

The “Call to action for a circular fashion system” is available at copenhagendfashionsummit.com/commitment.



© CFW

RECOMMENDATIONS FOR POLICYMAKERS

Policymakers at EU and national level have an important role to play in creating the framework conditions necessary to nurture the growth of circular fashion and are called to:

SUPPORT FASHION BRANDS AND RETAILERS IN IMPLEMENTING DESIGN STRATEGIES FOR CYCLABILITY BY:

- > Introducing criteria for textiles under the EcoDesign Directive that support design for zero waste, durability, ease of repair, reuse and fibre-to-fibre recycling.

ENCOURAGE AN INCREASE IN THE VOLUME OF USED GARMENTS COLLECTED BY:

- > Adopting ambitious EU-wide quantitative targets for the separate collection of clothing and footwear. This could follow the approach of France which has set consecutive ambitious but achievable targets for collection, reuse and recycling.²⁷
- > Seeding voluntary extended producer responsibility (EPR) schemes (see box on page 12) for clothing and footwear, with clearly defined roles and responsibilities for all actors. EPR schemes should build on existing collection activities.
- > Reviewing and clarifying regulations on the classification of discarded textiles as waste to reduce unnecessary disposal of valuable used textiles.
- > Reviewing rules on the legal ownership of discarded textiles to make it easier for fashion brands and retailers to collect and recirculate valuable used textiles.
- > Reviewing and clarifying regulations on cross-border transport of discarded textiles to increase access to markets and decrease uncertainty for collectors and exporters.
- > Investing in infrastructure for sustainable management of used textiles in Europe, including collaborative collection schemes.

SUPPORT FASHION BRANDS AND RETAILERS IN INCREASING THE VOLUME OF USED GARMENTS RESOLD BY:

- > Incentivising business models for leasing, repair and resale of used clothes for example via VAT reductions for these services, start-up/transition funding for sustainable business models, earmarking of wage subsidies for long-term unemployed etc.²⁸

SUPPORT FASHION BRANDS AND RETAILERS IN INCREASING THE SHARE OF GARMENTS MADE FROM RECYCLED TEXTILE FIBRES BY:

- > Investing in efficient textile recycling technologies. Some EU and national government support has already been provided to recycling innovations such as Textiles-4Textiles, Re:newcell and SIptex, but more is needed.

KEY EXISTING INITIATIVES

Circular economy package

The EU Commission launched a €5.5 billion package in December 2015 to stimulate a transition towards a circular economy. The package opens the door for member states to develop EPR schemes (see below) for products such as textiles. In January 2017 the European Parliament's Environment Committee made proposals for changes, one of which would oblige member states to establish separate collection systems for textile waste by 2020. The proposal, adopted by the European Parliament in March 2017, now awaits negotiations with the European Council.²⁹

Ellen MacArthur Foundation

Several actors in the textile fibre value chain, including some notable industry leaders, are discussing an industry-wide research partnership with the Ellen MacArthur Foundation. The aim is to engender a shift away from today's fragmented initiatives towards a systemic global approach to transition this value chain into a positive spiral of value capture.³⁰

Extended producer responsibility

In an EPR system, producers and importers have responsibility for ensuring post-consumer collection and treatment of their products. EPR systems are commonplace for electronics, packaging and cars, but France is the only EU country to have an EPR for clothing. It is run by a central organisation, EcoTLC, which is collectively financed by producers and importers and includes charities, local authorities and others as registered collectors.³¹ The system has significantly increased France's national collection rates for used textiles since its inception in 2008. The Swedish government is currently considering similar proposals.³²

Sustainable clothing action plans

A frontrunner, UK Sustainable Clothing Action Plan (UK SCAP)³³ was established in 2008 with a wide range of initiatives to engage industry and consumers in making the lifecycle of garments sustainable. More than 80 retailers, brands and public organisations have pledged to reduce carbon and water footprints and textile waste in landfills by 15% by 2020. UK SCAP has now inspired a European Clothing Action Plan (ECAP)³⁴ that aims to upscale many of the successful initiatives. Meanwhile the Nordic Council of Ministers (NCM) adopted an action plan, *Well dressed in a clean environment*,³⁵ in 2015 to develop framework conditions for sustainable design, production and consumption. The action plan led to the initiation of six projects that engage the industry and that can be carried forward long after NCM funding has expired.

ENDNOTES

1. FashionUnited (2016). *Global fashion industry statistics - International apparel*. Retrieved 4 April 2017, from <https://fashionunited.com/global-fashion-industry-statistics>.
2. For an overview of the environmental and social impacts of the fashion industry view the *Pulse of the Fashion Industry* report. (The Boston Consulting Group and Global Fashion Agenda, 2017).
3. The Boston Consulting Group and Global Fashion Agenda (2017). *Pulse of the Fashion Industry* report.
4. Ellen MacArthur Foundation (2013). *Towards the Circular Economy*.
5. Eurostat (2015). *Household Expenditure by Purpose in the EU*.
6. European Commission JRC (2012). *Environmental Improvement Potential of Textiles*.
7. European Environment Agency (2014). *Environmental Indicators* report.
8. The Boston Consulting Group and Global Fashion Agenda (2017). *Pulse of the Fashion Industry* report.
9. Ibid
10. The environmental footprint of European consumption comprises all the production phase impacts of the goods and services we purchase, plus impacts caused during the use and end-of-life phases of those goods. If footprints for broad consumption activities are compared, purchase and use of clothing and footwear has a larger footprint than all other consumption areas, with the exception of housing, mobility, and eating and drinking. Since we import a large part of the clothing we consume much of that footprint extends across European borders into other regions. European Environment Agency (2014). *Environmental Indicators* report 2014.
11. European Environment Agency (2014). *Environmental Indicators* report.
12. Nordic Council of Ministers (2015). *Policy Brief: A Nordic strategy for collection, sorting, reuse and recycling of textiles*.
13. WRAP (2014). *Valuing Our Clothes*.
14. According to the *Pulse of the Fashion Industry* report (The Boston Consulting Group and Global Fashion Agenda, 2017) it is as high as 80%. Figures based on studies of the UK and the EU27. Source: Boston Consulting Group analysis; WRAP (2012); Beton et al. (2014).
15. Nordic Council of Ministers (2016). *Exports of Nordic Used Textiles: Fate, benefits and impacts*; Nordic Council of Ministers (2014). *Towards a Nordic Textile Strategy: Collection, sorting, reuse and recycling of textiles*; WRAP (2014). *Valuing Our Clothes*.
16. The Boston Consulting Group and Global Fashion Agenda (2017). *Pulse of the Fashion Industry* report 2017.
17. WRAP (2014). *Valuing Our Clothes*.
18. Nordic Council of Ministers (2016). *Gaining benefits from discarded textiles: LCA of different treatment pathways*.
19. Oakdene Hollins (2006). *Recycling of Low Grade Clothing Waste*. Report for UK DEFRA.
20. EEA (2013). *Managing municipal solid waste - a review of achievements in 32 European countries*.
21. Elander and Ljungkvist (2016). *Critical aspects in design for fiber-to-fiber recycling of textiles*.
22. European Environment Agency (2014). *Environmental Indicators* report 2014.
23. Ellen MacArthur Foundation (2013). *Towards a Circular Economy: Economic and Business Rationale for an Accelerated Transition*.
24. A UK study found that hire services and take-back and resell of pre-used, own brand models can raise profits within two years of initial investments. WRAP (2016). Retrieved 2 May 2017, wrap.org.uk/content/financial-viability-innovative-business-models-clothing.
25. Based on lifting today's collection rates in North America (15%) and Europe (25%) to the same level as in the UK (65%). Ellen MacArthur Foundation (2013). *Towards the Circular Economy*.
26. Ibid.
27. The latest targets set for the EPR system are for 50% separate collection rates for clothing, line and footwear by 2019 of which 95% should be reused or recycled. Eco TLC (2017) Retrieved 2 May 2017, http://www.ecotlc.fr/ressources/Communiqués_de_presse/PR_March_2017_-_CFP_2016_GB.pdf
28. Watson et al (2017). *Business Models Extending Active Lifetime of Garments: Supporting Policy Instruments*. Report under Mistra Future Fashion Program.
29. European Commission (2017). Retrieved 2 May 2017, from http://ec.europa.eu/environment/circular-economy/index_en.htm.
30. Ellen MacArthur Foundation (2017). Retrieved 2 May 2017, from <https://www.ellenmacarthurfoundation.org>.
31. EcoTLC (2017). Retrieved 2 May 2017, from <http://www.ecotlc.fr/page-297-information-in-english.html>.
32. Naturvårdsverket (2016). Retrieved 2 May 2017, <http://www.naturvardsverket.se/Miljoarbete-i-samhall/Miljoarbete-i-Sverige/Regeringsuppdrag/Redovisade-2016/Hantering-av-textilier/>
33. WRAP (2017). Retrieved 2 May 2017, from <http://www.wrap.org.uk/sustainable-textiles/scap>.
34. European Clothing Action Plan (2017). Retrieved 2 May 2017, from <http://www.ecap.eu.com>.
35. Nordic Council of Ministers (2015). *Well dressed in a clean environment: Nordic Action plan for sustainable fashion and textiles*.

A CALL TO ACTION FOR A CIRCULAR FASHION SYSTEM

POLICY BRIEF

© Global Fashion Agenda 2017

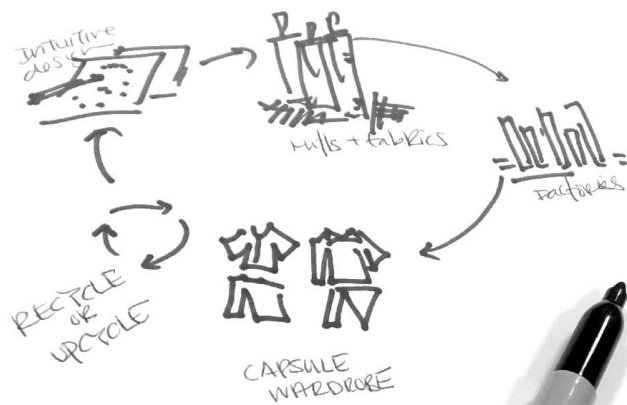
For more information, please visit
www.copenhagenfashionsummit.com

A DAY

Our mission is to revolutionize clothing through **conscious design.**

Keep scrolling, and we'll walk you through what that means in practice—from the way we design to the partners we choose to create it.

Creating fabrics in mills, and clothing in factories, requires energy + water. So we choose our partners specifically for their sustainable practices, technological superiority and overall impact on the world. We're young, but we aim to be a world leader, working with the highest quality fabrics and partners out there. We're ADAY and we make clothing that's strong, comfortable and long lasting. Hi.



Our process starts with **intentional design**

Our intention:

We start with simplicity + versatility. Marrying classic silhouettes with clean lines, we include only the details that are truly necessary.

Our questions:

How will we make our favorite staples better? How will we make them your go-to? How will we make them last? How will we make the plain white tee truly magical?

Our development:

Instead of following seasonal trends, we spend our time perfecting the pieces our customers love through wear testing, customer feedback + experimentation. This allows us to keep improving each of our pieces so they can be loved even more.



8

design iterations before
Launch. Our award-winning
and best-selling Throw & Roll
leggings goes through a new
iteration almost every two
months. We still have so
many ideas on how to make
them better.

Next comes **our fabrics**

We scoured the world to find the perfect luxury textiles. We select them for their unique properties (super powers!) and hand feel.

5 of our favorite fabrics:



The hand feel of silk, yet durable + easy to care for



Thermo-regulating thermal fabric. Soft inside, matte outside.



Light weight, four-way stretch, sculpts but never constricts.



Scuba made soft + breathable



A recycled super fabric, made from fishing nets collected from our oceans.

Each sourced for their super powers like:



wrinkle



quick



high



silk feel



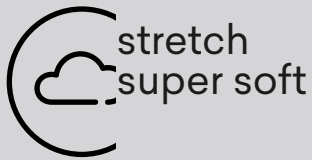
breathable



resistant water



drying light



stretch super soft



pilling



UV

resistant

weight

resistant

protected



We also make our own.

When we can't find what we're looking for, we make it ourselves. Meet our custom fabric, **Recycled Scuba**, recycled, made using custom grade Repreve® yarn, which is made from water bottles. Its inaugural product is the Waste Nothing Jacket, which is proudly made of 41 bottles.

Our mills make our super power fabrics

We hold our partners to the highest technological, environmental + social standards. Making and dying fabric requires energy + water, so it's important to us that we look at the impact across the board.

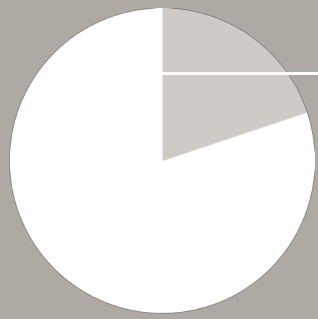
Here's why it matters:

Our mills are world leaders in high quality performance fabrics and make fabrics that are super strong, super comfortable and long lasting. We've been selective in choosing partners that are **Oeko-tex + Bluesign** approved—meaning the chemicals used to treat the fabrics aren't harmful to the environment. And, as we grow, we're using more recycled and regenerated fabrics, creating new textiles where necessary.



Here's where our mills are:

Here's how they affect the world:



2 mills in Taiwan

4 mills in Italy
(near our factory!)

	Italy	Taiwan
Efficient machinery	4/4	2/2
Recycling	4/4	2/2
Reuses + purifies water	4/4	1/2
Solar panels	2/4	0/2
Oeko Tex standard 100	4/4	2/2
Bluesign	0/4	2/2

****Our aim is to get to 100% on all of the above by 2022.*

How to wear ADAY with love

Wear, sleep, repeat. Often.

Make sure to maximize your wears (which also lowers the cost per wear). We like that.

Do more with less.

Whether it's building companies, raising a family or contemplating space travel, each piece is designed to take you there. So go!

In fact...we can get you started with a capsule wardrobe, so you have time and (head)space to focus on the things that matter.



How not to tear



Cold wash

to save 2,000 pounds of CO2 per household per year



Don't iron

to preserve bonded seams + fabric super powers



Ditto, bleach

instead, try hydrogen peroxide in the whites wash or apply directly



No dryers or dry cleaning

to save energy + protect the environment from toxic chemicals



Use a washing bag

to increase longevity of your ADAY + catch microwaste (we love The Guppyfriend)

How to recycle + upcycle

We optimize for longevity, since our garments never go out of style. But if garments rip, or you no longer have a use for them, we have solutions for you.

1) Give it a new life.

Gift your ADAY to a friend, send us a photo and we'll give you both \$10 store credit. thredUP, Poshmark and

there is
beauty
in
simplicity

Depop are other great options. Simple as that.

2) Help us recycle it.

Send us or drop off your old ADAY at one of our offices

New York

264 Canal Street, #4W
New York, NY 10013 United States

London

ADAY attn Makerversity
Somerset House, West Good Entrance
London, WC2R 1LA United Kingdom

or email us at recycle@thisisaday.com to get a pre-paid return label. Bonus: We'll give you \$5 in store credit per recycled item.

Our ultimate goal is to achieve a closed, self-sufficient loop. We're currently working to dream up ways to make old ADAY into new ADAY. Thank you for supporting us in getting there!

This is really just the beginning.

If you want to hear more about what we're doing to improve our impact, or even wear test some of our clothes, drop us a line at hello@thisisaday.com.

Visit our showroom


Shop ADAY IRL 

New York: 264 Canal St.

London Pop Up: 15 Monmouth St.


Give us a ring

Call or text us,
M-F between 10AM - 5PM EST.

415-915-2329 (ADAY) 

Email us 24/7

Shoot us an email and we'll get
back to you within 24 hours.

helpme@thisisaday.com 

Love us? We love you too.

Get early access, party invites +
more, in your inbox.

SEE YOU SOON

SEE YOU SOON



SHOP

Uniforms

Tops

Bottoms

Shop all
MORE

Privacy Policy

Terms of Use

Switch Currency 

COMPANY

Our Story

Our Process

Careers

HELP

Returns & Exchanges

FAQ

Contact Us

Press

THANKS to all of you who have repeatedly contributed so much to the work of the nonprofit **FASHION LAW INSTITUTE**, especially the following individuals and organizations:

Council of Fashion Designers of America

Diane von Furstenberg

Balenciaga

Maureen Bateman

Laurie Berke-Weiss

Louise Firestone

Gemma Redux

The Judy and Dennis Kenny Foundation

Daniel Letsch

Levi Strauss & Co.

Louis Vuitton Malletier

MarkMonitor

Nike

Pentagram

Ralph Lauren Corporation



We look forward to seeing you again at our upcoming events, including **INSIDE OUT 4** on **FRIDAY, FEBRUARY 8, 2019**, and our **9TH ANNUAL SYMPOSIUM** on **FRIDAY, APRIL 12, 2019!**