INFRINGEMENT OR IDENTIFICATION?: NOMINATIVE FAIR USE AND THE RESALE OF LUXURY GOODS

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The market for luxury resale is booming and is predicted to continue its massive growth. Luxury resellers typically market and describe goods using the luxury brand's trademarks, including the brand name and logos. Luxury brands utilize their market power to "bully" smaller resellers and often take issue with third parties using their trademarks in any context, even when the use of the mark does not encroach on the luxury brand's share of the market. However, the doctrine of nominative fair use allows the use of a brand's trademark when referring to that brand's goods. An alleged infringer will be found liable for trademark infringement if their use of the trademarks is likely to confuse consumers about the source or the origin of the goods or the nature of the infringer's relationship with the trademark owner.

The U.S. Supreme Court outlined an early version of the doctrine of nominative fair use in 1924, but it has since declined to endorse any of the various ways that circuit courts have applied the doctrine. The current nominative fair use landscape leaves both resellers and luxury brands alike unsure as to what nominative fair use analysis will apply and which burdens each party will bear.

This Note presents a solution that allows resellers to use a luxury brand's trademarks, so long as the goods are authenticated and the resellers' use does not cause consumer confusion. This Note's proposed solution is designed to limit overreach by brand owners and to allow the resale market to flourish—an important goal given that the resale market benefits consumers, resellers, luxury brands, and society alike.

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INTRODUCTION

Nominative fair use is a judge-made doctrine that allows the use of a trademark by a nonowner to describe the trademark owner's goods or services if that use does not cause consumer confusion.[1] The doctrine is often used by companies comparing competing goods and services in advertisements and in advertising repair services for goods associated with the referenced trademark.[2] Thus, nominative fair use creates an exception to trademark infringement liability in cases of comparison and repair, among others.[3] Perhaps the best-known example of comparative advertising is the "Pepsi Challenge," a series of Pepsi commercials in which consumers participated in a blind taste test of Pepsi and Coca-Cola, with the bottles obscured behind a partition.[4] After the taste test, when the partition was removed, the participants were able to see a Pepsi and a Coca-Cola bottle and unanimously chose Pepsi over its competitor.[5] These commercials used the Coca-Cola trademarks, including its logo.[6] Though these commercials preceded the creation of the nominative fair use doctrine, precedential cases indicated that using a trademark to describe that trademark owner's product or service was fair use.[7] Though maybe the most recognizable instance, comparative advertising is only one scenario in which nominative fair use allows the use of a trademark for identification purposes.

Nominative fair use is becoming increasingly important due to the current success and predicted massive growth of the secondhand luxury goods market, where resellers use trademarks to identify secondhand luxury goods by their brand names and logos.[8] When reselling luxury goods, resellers use the brand names and logos to describe those goods.[9] However, luxury brands

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1. *See* Stephen R. Baird & Draeke Weseman, *Navigating Trademark Nominative Fair-Use Issues*, *in* THE IP BOOK 7-125, 7-130 (Stephen R. Baird, Timothy E. Grimsrud & Ruth Rivard eds., 2020).

2. *See id.*

3. *See id.*

4. *See, e.g.*, MemoryMuseum, *Pepsi Challenge 1983 Commercial*, YOUTUBE (Jan. 20, 2015), https://www.youtube.com/watch?v=ghMYzo0rgrw [https://perma.cc/RTV5-QERR].

5. *See id.* Real-life blind taste testers overwhelmingly preferred Pepsi over Coca-Cola due to Pepsi's sweeter taste. However, soda is typically consumed in large quantities (like cans or bottles) compared to the small amounts offered in taste tests. In large quantities, consumers prefer less-sweet soda. *See* Matthew Yglesias, *Sweet Sorrow*, SLATE (Aug. 9, 2013, 8:15 AM), https://slate.com/business/2013/08/pepsi-paradox-why-people-prefer-coke-even-though-pepsi-wins-in-taste-tests.html [https://perma.cc/3UCX-725N].

6. *See* MemoryMuseum, *supra* note 4.

7. *See infra* notes 92–97.

8. *See The Luxury Resale Market Is Growing Faster than the Primary Luxury Goods Segment, Per BCG*, THE FASHION L. (Nov. 12, 2019), https://www.thefashionlaw.com/the-luxury-resale-market-is-growing-faster-than-the-primary-luxury-goods-segment-per-bcg/ [https://perma.cc/4HTK-5JWN]; *The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, THE FASHION L. (Dec. 19, 2018), https://www.thefashionlaw.com/relationship-between-luxury-re-sale-luxury-brands-is-rocky/ [https://perma.cc/L4ZE-942P].

9. *See, e.g.*, *Louis Vuitton Leather Capucines Compact Wallet*, THE REALREAL, https://www.therealreal.com/products/details/women/accessories/wallets/louis-vuitton-leather-capucines-compact-wallet-bi9gh [https://perma.cc/AZ2T-WYKT] (last visited Oct. 7, 2022).

focus on protecting their trademarks' value, as well as the goodwill and exclusivity attached to them.[10] As a result, luxury brands seek to limit resellers' use of their trademarks.[11] Nominative fair use claims rely on the underlying goods being genuine, because using a trademark would cause consumer confusion if it incorrectly identified counterfeit goods as being made by a particular luxury brand.[12]

Due to the lack of a uniform nominative fair use test, inconsistent outcomes may arise in different jurisdictions, even when the nature of the trademark use is exactly the same.[13] This is further complicated by the fact that many resale companies are based online and mainly advertise online and through social media, reaching across state and country lines, and creating the potential for claims to be brought in various jurisdictions.[14]

It can be difficult for today's resellers to predict whether their use of a luxury brand's trademarks is permissible. The U.S. Supreme Court has thus far declined to endorse a nominative fair use test, allowing inconsistencies among circuit courts to persist.[15] Circuit courts apply varying tests, often with complex, multipart standards with numerous factors.[16] Given the lasting uncertainty about the proper test to apply, resellers may choose not to use a luxury brand's trademarks—even when that trademark would be the only way to describe those goods—to avoid suits brought by litigious luxury brands.

Despite the widespread use of a brand's trademarks in comparative advertising, advertising repair services, and the resale of goods, it is far from

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10. *See What Are Luxury Brands Really Selling?*, THE FASHION L. (Apr. 10, 2020), https://www.thefashionlaw.com/what-are-brands-really-selling/ [https://perma.cc/YQ3F-HUZU].

11. *See The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, *supra* note 8; *see also* Rolex Watch U.S.A., Inc., v. Beckertime, LLC, No. 20-CV-01060, 2021 WL 4311450, at *1 (N.D. Tex. Sept. 21, 2021); Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 96–98 (2d Cir. 2010) (detailing Tiffany's basis for bringing suit against eBay, which sold both counterfeit and genuine Tiffany goods while using Tiffany's trademarks in advertisements and listings).

12. *See* Chanel, Inc. v. The RealReal Inc., 449 F. Supp. 3d 422, 437 (S.D.N.Y. 2020) (first quoting Spin Master Ltd. v. Alan Yuan's Store, 325 F. Supp. 3d 413, 421 (S.D.N.Y. 2018); and then citing C=Holdings B.V. v. Asiarim Corp., 992 F. Supp. 2d 223, 241 (S.D.N.Y. 2013)).

13. *See* Brief of the Int'l Trademark Ass'n as Amicus Curiae in Support of Petitioners at 20, Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153 (2d Cir. 2016) (No. 16-352).

14. *See The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, *supra* note 8; *see also* Baird & Weseman, *supra* note 1, at 7-126; Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997) (holding that "the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet").

15. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 115 (2004); *see also* VIP Prods. LLC v. Jack Daniel's Props., Inc., 953 F.3d 1170, 1174 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 1054 (2021) (mem.).

16. *See, e.g.*, New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992); *see also* Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 222 (3d Cir. 2005); Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 156 (2d Cir. 2016).

clear how to evaluate the legal ramifications of the practice, given the lack of consensus among the circuit courts, as well as the Supreme Court's refusal to clarify the issue.[17] As digital marketing and e-commerce continue to become even more prevalent, thereby providing resellers with greater reach across jurisdictions, it is clear that there should be a uniform standard to prevent inconsistent outcomes among the various circuits in cases where defendants assert nominative fair use.[18]

This Note proposes a uniform standard for nominative fair use in the context of the resale of luxury goods that comports with the policy reasoning behind trademark protection. Additionally, this Note proposes a solution that would support the secondhand market, on the basis that resale provides societal and environmental benefits, and can lead to profit for both third-party resellers and luxury brands alike.[19]

Part I of this Note will detail the luxury resale market and the way in which luxury brands' reactions to that market's growth have varied. Part I will also explain the basis for trademark protection and the current trademark statutes, and will further define nominative fair use and provide background information on the cases that helped lay the groundwork for the doctrine. Part II will detail the varying circuit court approaches to nominative fair use and will detail support from scholars and commentators for the existing tests, for modifications of those tests, and for potential legislative solutions. Part III proposes that courts adopt an amalgamation of the current tests—a combination of a nominative fair use analysis with a modified likelihood-of-confusion evaluation, as well as a requirement for resellers to authenticate their goods.

I. THE INTERSECTION OF TRADEMARK LAW, NOMINATIVE FAIR USE, AND THE BURGEONING LUXURY RESALE MARKET

This part provides background information on the state of the luxury resale market, trademark protection, policy reasoning for trademark protection, fair use provisions, and fair use cases preceding the establishment of nominative fair use. Part I.A will explain the rapid growth of the luxury resale market and how luxury brands attempt to restrict the resale of their goods. Part I.B will detail the statutory provisions that protect trademarks, the statutory basis for nominative fair use, and the policy basis for trademark protection. Part I.C will define nominative fair use, distinguish the statutory affirmative defense of classic fair use, and explore cases that preceded the establishment of nominative fair use but laid the groundwork for the eventual doctrine. Lastly, Part I.D will define the first sale doctrine and its application to the resale of goods.

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17. *See* Baird & Weseman, *supra* note 1, at 7-130.

18. *See id.* at 7-126.

19. *See* Patrick Ducasse, Lucie Finet, Charles Gardet, Maëlle Gasc & Sophie Salaire, *Why Luxury Brands Should Celebrate the Preowned Boom*, BOS. CONSULTING GRP. (Oct. 16, 2019), https://www.bcg.com/publications/2019/luxury-brands-should-celebrate-preowned-boom [https://perma.cc/43KK-YX39].

A. The Growing Luxury Resale Market and Brands' Attempts to Limit Resale

Luxury goods are commonly resold through e-commerce websites like The RealReal and Vestiaire Collective.[20] These websites provide consumers all over the world with access to near endless listings of secondhand luxury goods from a myriad of brands, offered at varying price points.[21] E-commerce[22] is a massive market, with sales accounting for $204.6 billion and 12.4 percent of all retail sales in the United States in the third quarter of 2021.[23] In 2019 alone, the world's top 100 luxury goods companies sold $281 billion worth of goods worldwide.[24] Just ten companies account for 51.2 percent of those sales,[25] leaving luxury powerhouses with abundant resources to combat unauthorized uses of their intellectual property.[26]

The luxury resale market is growing rapidly, reaching a total worth of $25 billion in 2018, and it was expected to grow to $36 billion in 2021.[27] This growth can largely be attributed to two factors: the resale value of some luxury goods, leading consumers to perceive them as investments, and consumers' growing desire for sustainable goods.[28] The resale market can also be a "steppingstone into the luxury world," as online resale offers

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20. *See, e.g.*, *Retro Read: The Legality of the $25 Billion Luxury Resale Economy*, THE FASHION L. (Jan. 20, 2020), https://www.thefashionlaw.com/retro-read-the-legality-of-the-25-billion-luxury-resale-economy/ [https://perma.cc/2J4R-CYG2]; THE REALREAL, https://www.therealreal.com/ [https://perma.cc/XAX7-EGV3] (last visited Oct. 7, 2022); VESTIAIRE COLLECTIVE, https://us.vestiairecollective.com/ [https://perma.cc/CM3L-AYN9] (last visited Oct. 7, 2022).

21. *See, e.g.*, *Shop New Arrivals*, THE REALREAL, https://www.therealreal.com/sales/shop-new-arrivals-5753 [https://perma.cc/2533-KJJK] (last visited Oct. 7, 2022).

22. The U.S. Census Bureau defines e-commerce sales as "sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system." U.S. CENSUS BUREAU, U.S. DEP'T OF COM., QUARTERLY RETAIL E-COMMERCE SALES 3RD QUARTER 2021 tbl.1 n.1 (2021), https://www2.census.gov/retail/releases/historical/ecomm/21q3.pdf [https://perma.cc/B5JD-4UHQ].

23. *See id.* tbl.1.

24. *See* DELOITTE, GLOBAL POWERS OF LUXURY GOODS 2020, at 4, 24 (2020), https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/at-global-powers-luxury-goods-2020.pdf [https://perma.cc/B7T2-WPWJ].

25. *See id.* at 4.

26. *See, e.g.*, Gaston Kroub, *Bagging a Trademark Bully*, ABOVE THE L. (July 11, 2017, 9:52 AM), https://abovethelaw.com/2017/07/bagging-a-trademark-bully/ [https://perma.cc/7JJC-HEVG] (detailing Louis Vuitton's aggressive approach to protecting its trademarks in response to widespread counterfeiting); Jared Lynch, *Fashion House Chanel Accused of "Bullying" Small Australian Chocolate Maker*, SYDNEY MORNING HERALD (June 26, 2015, 1:32 AM), https://www.smh.com.au/business/fashion-house-chanel-accused-of-bullying-small-australian-chocolate-maker-20150625-ghxfzj.html [https://perma.cc/TJG8-K96D] (describing Chanel's attempt to restrict a store called Chocolate @ No. 5 from using "No. 5" in its name—referring to the shop's street address—due to similarity to Chanel's famous perfume, Chanel No. 5).

27. *See* Ducasse et al., *supra* note 19.

28. 25 percent of buyers overall, and 35 percent of millennials, purchased pre-owned goods due to environmental concerns. A pre-owned Hermès Birkin bag "generates an annual return of 14.2%." *See* DELOITTE, *supra* note 24, at 11.

increased access and more affordable luxury goods.[29] Customers may later enter the primary market and buy goods directly from luxury brands, as positive experiences with secondhand goods can create brand loyalty.[30] Additionally, resale customers are often younger and may enter the primary market as their purchasing power increases over time.[31]

Some luxury goods companies are getting in on the resale market, with companies like Richemont and Farfetch acquiring resale sites, and brands like Burberry and Stella McCartney partnering with The RealReal to promote the resale economy and circular fashion.[32] Gucci recently entered the resale market with its launch of Gucci Vault, a digital concept store selling a curated collection of the brand's vintage goods, some of which have been refurbished and customized.[33] Kering, one of the largest luxury brand conglomerates,[34] has partnered with The RealReal to sell unsold goods, which is far preferable to the previous practice of destroying said goods to avoid having to discount products, a practice which drew ire from consumers and environmental groups alike.[35]

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29. *See* Ducasse et al., *supra* note 19.

30. *See id.*

31. *See id.*

32. *See* DELOITTE, *supra* note 24, at 11; *see also* Press Release, Richemont, Richemont Acquires Watchfinder.co.uk Limited (June 01, 2018), https://cms.richemont.com/en/home/media/press-releases-and-news/richemont-acquires-watchfinder-co-uk-limited/ [https://perma.cc/U42V-V5J3]; Pamela N. Danzinger, *What Is Really Driving The RealReal's New Partnership With Burberry*, FORBES (Oct. 7, 2019, 5:00 AM), https://www.forbes.com/sites/pamdanziger/2019/10/07/circular-fashion-is-not-whats-most-important-about-burberry-partnering-with-the-realreal/ [https://perma.cc/YM65-G377]. "Circular fashion" is defined as involving goods "that are designed, sourced, produced and provided with the intention to be used and circulated responsibly and effectively in society for as long as possible in their most valuable form, and hereafter return safely to the biosphere when no longer of human use." Ella Alexander, *Introducing Circular Fashion: The Shopping Concept that Could Save the Planet*, HARPER'S BAZAAR (Apr. 22, 2019), https://www.harpersbazaar.com/uk/fashion/a27189370/circular-fashion-definition/ [https://perma.cc/FRC3-YNPL].

33. *See* Luke Leitch, *Resale Revolution: Alessandro Michele Unlocks the Thinking Behind His Gucci Vault*, VOGUE (Oct. 5, 2021), https://www.vogue.fr/fashion/article/resale-revolution-alessandro-michele-gucci-vault [https://perma.cc/55JT-FEAW]. It is important to note that while luxury brands themselves can sell modified, damaged, and repaired goods, resellers may be limited by the first sale doctrine. *See infra* Part I.D. Whether repaired or modified goods are in fact genuine is beyond the scope of this Note, which will refer to resold goods as the goods sold by luxury brands, without any repairs or modifications made.

34. Kering has the second-highest sales among all luxury goods companies, topped only by LVMH Moët Hennessy Louis Vuitton. Counting its fashion brands alone, Kering owns brands such as Gucci, Alexander McQueen, Bottega Veneta, Saint Laurent, and Balenciaga. LVMH owns brands such as Louis Vuitton, Loewe, Fendi, Christian Dior, Celine, Givenchy, Emilio Pucci, and Marc Jacobs. *See* DELOITTE, *supra* note 24, at 8, 17; *see also Houses*, KERING, https://www.kering.com/en/houses/ [https://perma.cc/V2FN-3FWX] (last visited Oct. 7, 2022); *Fashion & Leather Goods*, LVMH, https://www.lvmh.com/houses/fashion-leather-goods/ [https://perma.cc/LJ9Y-3XSS] (last visited Oct. 7, 2022).

35. *See* DELOITTE, *supra* note 24, at 11; *see also* Elizabeth Paton, *Burberry to Stop Burning Clothing and Other Goods It Can't Sell*, N.Y. TIMES (Sept. 6, 2018), https://www.nytimes.com/2018/09/06/business/burberry-burning-unsold-stock.html [https://perma.cc/W3AB-RXUD].

The practice of destroying unsold goods was not unique to Kering brands.[36] As recently as October 2021, Coach destroyed goods returned to its stores by slashing large slits in handbags or cutting through shoe straps so that the goods would be unusable.[37] After a TikTok exposed this practice, @Diet_Prada, a prominent Instagram account known for being a fashion watchdog, reposted videos of the slashed goods and their retrieval from dumpsters.[38] After the media exposure, Coach announced that they would be discontinuing this practice, declaring that it would "responsibly repurpose, recycle and reuse excess or damaged products," and drew attention to Coach (Re)Loved, the brand's program that sells vintage and refurbished handbags, as well as other goods made out of deconstructed, pre-owned handbags.[39] The practice of destroying returned goods allowed Coach to avoid selling goods at a steep markdown and to prevent others from using or reselling the returned merchandise.[40]

While some companies have clearly embraced the growing resale market—voluntarily or otherwise—others have attempted to tightly regulate not only the use of their trademarks, but also the sale and resale of their goods.[41] Luxury brands have used various strategies to limit resale.[42] Hermès has strictly rationed production of two of its most popular bags—the Birkin and the Kelly—to around 120,000 units per year.[43] Along with limiting production quantities, Hermès has instituted a quota system for certain styles like the Birkin and the Kelly, limiting customers to purchasing two bags per year.[44] Chanel allegedly instituted a similar quota system in South Korea, limiting customers to purchasing two of their classic handbags

36. *See Getting Rid of the Goods: A Look at How Brands Are Off-Loading Excess Merchandise*, THE FASHION L. (Oct. 14, 2021), https://www.thefashionlaw.com/getting-rid-of-the-goods-a-look-at-how-brands-are-off-loading-excess-merchandise/ [https://perma.cc/5ZMC-KE8G].

37. *See* Megan C. Hills, *Luxury Brand Coach Will Stop Destroying Unwanted Goods Following TikTok Outrage*, CNN (Oct. 13, 2021), https://www.cnn.com/style/article/coach-bags-destroyed-tiktok/ [https://perma.cc/88KQ-LFK7].

38. *See* Anna Sacks (@thetrashwalker), TIKTOK (Oct. 8, 2021), https://www.tiktok.com/@thetrashwalker/video/7016830633045478662 [https://perma.cc/5XR9-CHZ7]; Diet Prada (@diet_prada), INSTAGRAM (Oct. 11, 2021), https://www.instagram.com/p/CU5ydQLPS4h/ [https://perma.cc/9VFT-WVSR].

39. *See* Hills, *supra* note 37; *see also Coach (Re)Loved*, COACH, https://www.coach.com/shop/coach-reloved [https://perma.cc/N87C-GUE7] (last visited Oct. 7, 2022).

40. *See Getting Rid of the Goods: A Look at How Brands Are Off-Loading Excess Merchandise*, *supra* note 36.

41. *See The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, *supra* note 8.

42. *See, e.g.*, *In an Apparent Attempt to Crack Down on Resale, Chanel Is Putting a Quota System in Place for Some of Its Bags*, THE FASHION L. (Oct. 15, 2021), https://www.thefashionlaw.com/following-in-the-footsteps-of-hermes-chanel-is-putting-a-quota-system-in-place-for-some-of-its-bags/ [https://perma.cc/D5V8-883K].

43. *See* Carol Ryan, *Got a Birkin Bag to Sell?: That's a Problem for Hermès*, WALL ST. J. (Feb. 28, 2020, 1:43 PM), https://www.wsj.com/articles/got-a-birkin-bag-to-sell-thats-a-problem-for-hermes-11582885805 [https://perma.cc/N6ZN-P2DB].

44. *See In an Apparent Attempt to Crack Down on Resale, Chanel Is Putting a Quota System in Place for Some of Its Bags*, *supra* note 42.

per year, along with limiting sales of wallets and pouches, though the brand later denied instituting quotas.[45] Given increased demand and limited supply, Rolex put similar quotas in place to limit sales in South Korea.[46] Though these quota systems have increased in recent years, they are not new, with department stores like Saks Fifth Avenue, Neiman Marcus, and Bergdorf Goodman limiting sales of popular designer handbags to three every thirty days in as early as 2008 in an attempt to crack down on both international travelers and professional buyers buying goods at cheaper prices in the United States and reselling them at a markup overseas.[47]

Interestingly, these quota systems may actually contribute to the increased growth of the secondary market.[48] Taking Hermès as an example, it is already difficult to purchase one of their coveted bags, with customers often needing to visit boutiques repeatedly, request the specific bag style, dimensions, color, leather, and hardware that they want, and make a certain number of purchases before being offered the opportunity to purchase a Birkin or Kelly handbag.[49] In contrast, buyers of resold Hermès bags do not have to jump through those hoops and can instead purchase any bag available for resale, though often at a steep price increase compared to their retail value.[50]

Affordability of secondhand goods also draws consumers to the secondhand market, though some goods sell for more than they would in the primary market depending on their scarcity.[51] Secondhand handbags sold by luxury brands typically sell at around a 35 percent discount, while rare colors of Hermès bags often sell for between a 50 and 100 percent premium.[52]

Despite the growing resale market and its potential for profit and customer base growth, the majority of luxury brands have yet to enter the resale market.[53] For this reason, resellers are often third parties, and luxury brands have little, if any, control over the authentication and quality of resold goods; as a result, these same brands seek to control the resale of their goods by

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45. *See id.*; *see also Chanel President Says It's Not Placing New Quotas on Bags, May Make Metaverse Move*, THE FASHION L. (Dec. 7, 2021), https://www.thefashionlaw.com/chanel-president-says-its-not-placing-new-quotas-on-sales-may-make-metaverse-move/ [https://perma.cc/7GPE-F7B9].

46. *See In an Apparent Attempt to Crack Down on Resale, Chanel Is Putting a Quota System in Place for Some of Its Bags*, *supra* note 42.

47. *See* Eric Wilson, *Retailers Limit Purchases of Designer Handbags*, N.Y. TIMES (Jan. 10, 2008), https://www.nytimes.com/2008/01/10/fashion/10CAPS.html [https://perma.cc/FP9V-3SM5].

48. *See* Ryan, *supra* note 43.

49. *See* Erika Adams, *Hermès Birkin Owners Reveal Crazy Tips for Buying the Bag*, VOX (June 26, 2015, 10:27 AM), https://www.vox.com/2015/6/26/8850883/hermes-birkin-bags [https://perma.cc/CB7K-5445].

50. *See* Ryan, *supra* note 43.

51. *See* Ducasse et al., *supra* note 19.

52. In 2019, a rare, white crocodile Birkin bag was resold for $161,000, about three times the retail price. *See* Ryan, *supra* note 43.

53. *See* Ducasse et al., *supra* note 19; *see also In an Apparent Attempt to Crack Down on Resale, Chanel Is Putting a Quota System in Place for Some of Its Bags*, *supra* note 42.

limiting resellers' use of their trademarks.[54] For example, Chanel has taken issue with the use of its trademarks to sell repaired or refurbished goods, arguing that these changes altered the goods to the point that they are no longer authentic.[55] Chanel has similarly taken issue with the use of its trademarks in a hashtag on social media posts and on a brand-specific page on a reseller's website, as well as with authentication guarantees that could imply that the brand itself authenticated the goods.[56] Whether these uses of trademarks qualify as nominative fair use remains to be seen, as these cases are still ongoing.[57]

B. The Lanham Act and the Historical Policy Basis for Trademark Protection

A trademark is "any word, name, symbol, or device, or any combination thereof" that a person uses or intends to use in commerce in order to distinguish and identify their goods from those sold by others.[58] In 1946, Congress enacted the Lanham Act[59] to regulate commerce and create a cause of action for deceptive or misleading use of protected marks, as well as to protect trademark holders from unfair competition and prevent fraud through the use of reproductions or counterfeit marks.[60] Under the current act, a party who uses a reproduction or copy of a registered mark without the owner's consent is liable for trademark infringement if the owner can prove that their mark is registered and the alleged infringer's use is likely to cause consumer confusion or to otherwise cause consumers to be deceived or mistaken.[61]

15 U.S.C. § 1125 provides an exception to liability for trademark dilution in cases of nominative and descriptive fair use, including comparative advertising, parody, criticism, or commentary regarding the trademark or its owner, as well as in news reports and noncommercial uses.[62] This statutory

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54. *See In an Apparent Attempt to Crack Down on Resale, Chanel Is Putting a Quota System in Place for Some of Its Bags*, *supra* note 42; *see also* Joelle Diderich & Natalie Theodosi, *Why Luxury Brands Are Sitting Out the Resale Market Boom*, WWD (Sept. 1, 2021, 1:30 AM), https://wwd.com/fashion-news/designer-luxury/luxury-brands-reluctant-to-join-resale-market-1234898376/ [https://perma.cc/T3T2-67Z8].

55. *See* Chanel, Inc. v. What Comes Around Goes Around LLC, No. 18 Civ. 2253, 2020 WL 5522889, at *1 (S.D.N.Y. June 16, 2020). This assertion is based on the material difference exception to the first sale doctrine. *See infra* Part I.D.

56. *See* Chanel, Inc. v. WGACA, LLC, No. 18 Civ. 2253, 2018 WL 4440507, at *3 (S.D.N.Y. Sept. 14, 2018); *see also* Chanel, Inc. v. The RealReal Inc., 449 F. Supp. 3d 422, 439 (S.D.N.Y. 2020).

57. *See Chanel, The RealReal Agree to Mediation in Escalating Counterfeiting, Antitrust Fight*, THE FASHION L. (Apr. 9, 2021), https://www.thefashionlaw.com/chanel-the-realreal-agree-to-mediation-amid-escalating-counterfeiting-antitrust-fight/ [https://perma.cc/Y29H-RLEF]; *see also Chanel, The RealReal at Odds Over Discovery in Trademark, Antitrust Lawsuit*, THE FASHION L. (Dec. 16, 2021), https://www.thefashionlaw.com/chanel-the-realreal-at-odds-over-discovery-in-trademark-antitrust-lawsuit/ [https://perma.cc/M7PX-VR6Z].

58. 15 U.S.C. § 1127.

59. Ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051–1141n).

60. *See id.*

61. 15 U.S.C. § 1114(1).

62. *Id.* § 1125(c)(3).

exception only applies to trademark dilution,[63] but courts have applied nominative fair use to claims of trademark infringement as well.[64]

Trademark dilution creates a cause of action in two scenarios, blurring and tarnishment.[65] Dilution by blurring is the association of a mark with a similar famous mark, where the association of the two marks impairs the famous mark's distinctiveness.[66] Dilution by tarnishment occurs when the association of a mark with a famous mark harms the famous mark's reputation.[67] A mark is considered a famous mark if American consumers widely recognize it as signifying the mark owner's goods or services.[68]

The use of a sign or symbol as a trademark is intended "to identify the origin or ownership of the article to which it is affixed."[69] From a consumer's perspective, trademarks are both an identifier of the source of a good or service and an indicator that the good or service will meet their expectation of its quality.[70]

Trademark law has historically been grounded in two goals: (1) to protect an owner's property right in their trademark and (2) to prevent consumer confusion or deception.[71] A trademark owner can bring an infringement claim when another party uses the owner's trademark in commerce in such a way that the use is likely to confuse or deceive consumers.[72] To succeed in a trademark infringement claim, a defendant's practices in using the mark must be proven likely to cause consumer confusion about the goods' or services' origins.[73] Likelihood of confusion is not limited to confusion regarding origin; it also refers to confusion about "affiliation, connection, or association" with the trademark owner.[74] The possibility that the use *could* cause confusion is not enough—confusion must be probable.[75]

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63. *See id.*

64. *See, e.g.*, New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 305 (9th Cir. 1992); Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 214 (3d Cir. 2005).

65. 15 U.S.C. § 1125(c).

66. *Id.* § 1125(c)(2)(B).

67. *Id.* § 1125(c)(2)(C). In practice, tarnishment also applies to the use of a mark in association with something negative or damaging to the brand. *See, e.g.*, Mattel, Inc. v. MCA Recs., Inc., 296 F.3d 894, 903 (9th Cir. 2002).

68. 15 U.S.C. § 1125(c)(2)(A). Other relevant factors used to determine whether a mark is a famous mark include the extent to which a product or service was advertised and the geographic scope of those advertisements, sales volume of goods and services under the mark and their geographic scope, the extent to which the mark is actually recognized, and whether the mark was registered. *See id.*

69. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412 (1916).

70. *See* FRANK I. SCHECHTER, HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS 149–50 (1925).

71. *See* 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:1 (5th ed. 2022).

72. 15 U.S.C. § 1114(1)(a); *see also* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 117 (2004).

73. *See KP Permanent Make-Up*, 543 U.S. at 117 (first citing Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 780 (1992) (Stevens, J., concurring); and then citing Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 935 (4th Cir. 1995)).

74. *See* 4 MCCARTHY, *supra* note 71, § 23:8; *see also* 15 U.S.C. § 1125(a).

75. *See, e.g.*, Am. Steel Foundries v. Robertson, 269 U.S. 372, 384 (1926); Estee Lauder Inc. v. The Gap, Inc., 108 F.3d 1503, 1511 (2d Cir. 1997).

C. The Judge-Made Doctrine of Nominative Fair Use

There are times when it is nearly impossible to refer to a particular product or service without using a trademark.[76] In these cases, the parties using the trademark do not intend to confuse consumers or to benefit from the goodwill or reputation associated with the mark.[77] In creating the nominative fair use doctrine, the U.S. Court of Appeals for the Ninth Circuit identified such uses as "where [the mark is] the only word reasonably available to describe a particular thing."[78] In nominative fair use cases, defendants have used the plaintiff's trademarks to refer to the plaintiff's products or services.[79] The doctrine is called nominative fair use because the defendant's use "names" the trademark's owner.[80] Proponents argue that use in these scenarios is fair because naming the trademark owner does not inherently imply that the owner sponsors or endorses that use.[81]

In defining nominative fair use, it is important to distinguish the doctrine from that of descriptive, or "classic," fair use.[82] 15 U.S.C. § 1115(b)(4) provides a defense to trademark infringement when an alleged infringer uses a descriptive term "fairly and in good faith" to describe goods or services, or their geographic origin, and not as a trademark.[83] This is known as classic fair use and refers to a defendant's use of a mark to describe the plaintiff's own goods or services.[84] In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*,[85] the U.S. Supreme Court granted certiorari in a classic fair use case to address a circuit split about whether likelihood of confusion bars a fair use defense to trademark infringement, and to clarify which party bears the burden of proving likelihood of confusion.[86] The Court clarified that § 1115(b) places the burden of proving likelihood of confusion on the plaintiff alleging trademark infringement and that, under § 1115(b)(4), likelihood of confusion is not an element of the fair use affirmative defense.[87] The Court explained that the common law tolerated some consumer confusion because, in some cases, a descriptive term could be used as a mark, and it is "undesirab[le]" to allow a monopoly over a descriptive term to whoever claimed it first.[88] Similarly, the Court noted that the Lanham Act was not intended to restrict commercial speakers from using descriptive

76. *See* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 306–07 (9th Cir. 1992).
77. *See id.* at 307–08.
78. *See id.* at 308.
79. *See id.*
80. *See* 4 MCCARTHY, *supra* note 71, § 23:11.
81. *See New Kids*, 971 F.2d at 308.
82. For consistency, this Note will use the term "classic fair use."
83. 15 U.S.C. § 1115(b)(4).
84. *See* 4 MCCARTHY, *supra* note 71, § 23:11.
85. 543 U.S. 111 (2004).
86. *See id.* at 116.
87. *See id.* at 118.
88. *See id.* at 122 (citing Del. & Hudson Canal Co. v. Clark, 80 U.S. 311, 323–24, 327 (1871)).

words.[89] Notably, the Court held that some likelihood of consumer confusion does not preclude a fair use defense.[90]

While classic fair use has a statutory basis, nominative fair use arose from case law.[91] Though the doctrine of nominative fair use was not officially "named" until years after its inception, various courts had held that the use of a trademark to describe the trademark owner's product or service was fair use.[92] In *Volkswagenwerk Aktiengesellschaft v. Church*,[93] the Ninth Circuit held that it would have been difficult or impossible for a repair shop to advertise repair services for Volkswagen vehicles without the use of "Volkswagen" or "VW," especially because the name and abbreviation communicated the cars' manufacturer to the public.[94] Because the shop simply advertised repair services and did not suggest an affiliation with Volkswagen, the repair shop's use of the trademarks was fair use.[95] Similarly, the U.S. Court of Appeals for the First Circuit had previously held that the use of the trademark "Boston Marathon" when describing an upcoming broadcast of the race was fair use.[96] Lastly, the Ninth Circuit has held that a business's use of a rival's trademark in advertising or another form of communication is fair use, so long as the use of the mark does not mislead consumers.[97]

D. The First Sale Doctrine and Resale

When an owner of intellectual property sells a product, some of the owner's rights to that intellectual property are exhausted and do not extend beyond that first sale.[98] This concept is known as "first sale," a doctrine created by the Supreme Court in *Bobbs-Merrill Co. v. Straus*[99] when it held that a purchaser of a copyrighted work can resell that specific copy without the copyright owner's permission, but cannot publish a new edition of that work.[100] Congress later codified this doctrine, allowing an owner of a copy

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89. *See id.* (quoting Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co., 125 F.3d 28, 30 (2d Cir. 1997)).

90. *See id.* at 123.

91. *See* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 306–08 (9th Cir. 1992).

92. *See, e.g.*, Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 351–52 (9th Cir. 1969); WCVB-TV v. Bos. Athletic Ass'n, 926 F.2d 42, 46 (1st Cir. 1991); Smith v. Chanel, Inc., 402 F.2d 562, 563 (9th Cir. 1968).

93. 411 F.2d 350 (9th Cir. 1969).

94. *See id.* at 351.

95. *See id.* at 351–52.

96. *See WCVB-TV*, 926 F.2d at 45–46. The court relied on classic fair use despite the fact that the trademark was used to identify an event, in which case the doctrine of nominative fair use would be more appropriate than classic fair use. *See New Kids*, 971 F.2d at 308.

97. *See Smith*, 402 F.2d at 563. The Pepsi Challenge is an example of using another brand's trademarks in advertisements in a clear, nonmisleading manner. *See supra* notes 4–8.

98. *See* 4 MCCARTHY, *supra* note 71, § 25:41.

99. 210 U.S. 339 (1908).

100. *See id.* at 350.

or phonorecord to dispose of or resell that copy or phonorecord without the copyright owner's permission.[101]

In contrast, trademark law does not have a similar, codified first sale doctrine.[102] But when trademarked goods are resold, a reseller generally is not an infringer and does not need a license to resell those goods.[103] However, the applicability of the first sale doctrine to trademark cases is unclear, as courts have limited its reach.[104] The first sale doctrine has been rejected in trademark law when there is consumer confusion regarding the distribution of the goods—for example, whether a distributor was affiliated with the trademark owner, despite there being no confusion about the source of the goods.[105] Courts have similarly rejected first sale doctrine defenses when there is initial interest confusion.[106] Initial interest confusion occurs when consumers visit a reseller's site and assume that the reseller is affiliated with the trademark owner or that the trademark owner endorses the reseller's use, even if consumers quickly realize that that assumption was incorrect.[107] The first sale doctrine also may not apply if the resold goods are "materially different" from the goods sold by the trademark owner.[108] A "material difference" is a factor that consumers would find relevant when determining whether to make a purchase.[109] The applicability of the first sale doctrine in trademark is beyond the scope of this Note, but it is important to note that the current state of the doctrine has allowed brands an "end run" around first sale

101. *See* 17 U.S.C. § 109.

102. *See* 4 MCCARTHY, *supra* note 71, § 25:41.

103. *See id.*

104. *See* Yvette Joy Liebesman & Benjamin Wilson, *The Mark of a Resold Good*, 20 GEO. MASON L. REV. 157, 203–05 (2012); *see also* Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1239–41 (10th Cir. 2006); Mary Kay, Inc. v. Weber, No. 08-CV-0776-G, 2009 WL 2569070, at *3–4 (N.D. Tex. Aug. 14, 2009).

105. *See* Liebesman & Wilson, *supra* note 104, at 172; *see also Mary Kay*, 2009 WL 2569070, at *3–4.

106. *See* Liebesman & Wilson, *supra* note 104, at 172; *see, e.g.*, *Australian Gold*, 436 F.3d at 1239–41 (rejecting applicability of the first sale doctrine where some evidence of initial-interest confusion is present); *see also* Ty, Inc. v. Agnes M. Ltd., No. 00 C 358, 2001 WL 1414210, at *13–14 nn.8–9 (N.D. Ill. Nov. 9, 2001) (denying summary judgment and rejecting the first sale defense where there is an issue of fact regarding initial interest confusion).

107. *See* Liebesman & Wilson, *supra* note 104, at 170.

108. *See, e.g.*, SoftMan Prods. Co., LLC v. Adobe Sys., Inc., 171 F. Supp. 2d 1075, 1092 (C.D. Cal. 2001).

109. *See* Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc., 982 F.2d 633 (1st Cir. 1992). A "material difference" may limit the applicability of the first sale doctrine to goods as sold by the trademark owner, since refurbished or repaired goods may be considered materially different. Chanel has made this claim regarding repaired handbags, alleging that the goods "ha[d] been so altered as to no longer be an 'authentic' or 'genuine' Chanel product." Chanel, Inc. v. What Comes Around Goes Around LLC, No. 18 Civ. 2253, 2020 WL 5522889, at *1 (S.D.N.Y. June 16, 2020). Damaged or deteriorated goods pose a similar issue in the resale context. *See* Polaroid Corp. v. Blue Dot Corp., No. 79-3214, 1981 WL 48175, at *1, *4 (D.N.J. Aug. 12, 1981), *aff'd sub nom.* Polaroid Corp. v. Blue Dot Corp. Consol. Purchasing Corp., 688 F.2d 823 (3d Cir. 1982) (noting that the right of resale is limited when products are expired or deteriorated).

doctrine and has limited resale, and is thus not a viable solution to the problems identified in this Note.[110]

II. THE MUDDLED LEGAL LANDSCAPE OF NOMINATIVE FAIR USE

There has been a long-standing split among the circuit courts about how to evaluate nominative fair use and about whether it is an affirmative defense to trademark infringement or is simply one component of a likelihood-of-confusion analysis.[111] But for over a decade, the Supreme Court has declined to take up a nominative fair use case and establish a uniform standard.[112]

Part II.A of this Note will address the Supreme Court case that led to the development of the nominative fair use doctrine and the Court's refusal to clarify the long-standing circuit split. Part II.B will detail the various tests used by the circuit courts that have ruled on nominative fair use. Part II.C will distinguish those tests from one another and identify their similarities. Part II.D will detail recent cases involving the resale of luxury goods and how courts have applied nominative fair use in those cases. Part II.E will describe the impacts of the enduring circuit split. Finally, Part II.F will detail support for the various circuit tests, modified versions of those tests, and potential legislative solutions.

A. The Supreme Court's Treatment of Nominative Fair Use

The Supreme Court laid the foundation for nominative fair use in an early case about, coincidentally, foundation.[113] In *Prestonettes, Inc. v. Coty*,[114] the Supreme Court addressed the defendant's use of the plaintiff's trademarks to describe the plaintiff's product, though the Court did not describe it as a nominative fair use case.[115] Prestonettes purchased perfume and loose powder from Coty, then rebottled the perfume into smaller bottles and pressed the loose powder, which was mixed with a binder to create pressed powder compacts.[116] The Court stated that trademark protection did not prevent Prestonettes's use of Coty's mark in describing the Coty product it rebottled and compounded; it only prevented the use of Coty's trademark to pass off another product falsely as Coty's.[117] Ultimately, the Supreme Court

110. *See* Liebesman & Wilson, *supra* note 104, at 204.

111. *See* Baird & Weseman, *supra* note 1, at 7-125 to 7-126.

112. *See, e.g.*, KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 115 (2004); Joseph Petersen, *Circuit Split Remains: SCOTUS Passes on Defining Nominative Fair Use*, KILPATRICK TOWNSEND (Jan. 19, 2017), https://www.kilpatricktownsend.com/Insights/Alert/2017/1/Circuit-Split-Remains-SCOTUS-Passes-on-Defining-Nominative-Fair-Use [https://perma.cc/6HA6-B6MG].

113. *See* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992) (quoting Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924)) (naming the nominative fair use doctrine and allowing the use of trademarks when the mark is used truthfully and does not confuse consumers).

114. 264 U.S. 359 (1924).

115. *See generally id.*

116. *See id.* at 366–67.

117. *See id.* at 368–69.

allowed Prestonettes to continue using Coty's mark because the use did not deceive consumers.[118]

Though the Court laid the foundation for the nominative fair use doctrine,[119] it has declined to endorse a specific test.[120] In *KP Permanent Make-Up*, the Court explicitly declined to address the Ninth Circuit's nominative fair use discussion.[121] The Court has declined to clarify the nominative fair use issue as recently as January 2021.[122]

B. The Various Tests for Nominative Fair Use Among the Circuits

While the origin of the nominative fair use doctrine appears relatively clear,[123] courts have since split on evaluating nominative fair use, thus leaving uncertainty for both plaintiffs and defendants alike about which test will apply and which burdens they will bear.[124] In particular, courts are split as to the substance of the test itself and which party bears the burden of proving or disproving nominative fair use.[125]

1. The Ninth Circuit

The Ninth Circuit officially named the nominative fair use doctrine in 1992.[126] In doing so, the court noted the Supreme Court's approval of third-party trademark use, so long as it does not deceive consumers and truthfully represents the product or service.[127] This approval dates back to the Supreme Court's decision in *Prestonettes*.[128] In *New Kids on the Block v. News America Publishing, Inc.*,[129] the boy band New Kids on the Block sued two nationally distributed newspapers, *USA Today* and *The Star*, after they printed several polls quizzing readers on their opinions about the band members and inviting them to vote by phone call.[130] The newspapers charged callers fifty cents and ninety-five cents per call, respectively.[131]

The court outlined three factors for evaluating nominative fair use: (1) whether a product or service can be easily identified without using the

118. *See id.* (citing Del. & Hudson Canal Co. v. Clark, 80 U.S. 311, 327 (1871)).
119. *See supra* note 113 and accompanying text.
120. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 115 (2004).
121. *See id.* This denial likely occurred because the case concerned classic fair use and not nominative fair use. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 328 F.3d 1061, 1071–72 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004).
122. *See* VIP Prods. LLC v. Jack Daniel's Props., Inc., 953 F.3d 1170, 1174 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 1054 (2021).
123. *See supra* Parts I.C, II.A.
124. *See infra* Part II.E.
125. *See infra* Part II.B.
126. *See* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992).
127. *See id.* (citing Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924)).
128. *See supra* Part II.A.
129. 971 F.2d 302 (9th Cir. 1992).
130. *See id.* at 304.
131. *USA Today* garnered less than $300 from the calls, while *The Star* received around $1,600. *See id.*

trademark; (2) whether the mark is only used so much "as is reasonably necessary" in order to identify the product or service; and (3) whether the user of the mark can do anything that, in combination with the use of the mark, would imply that the trademark holder endorsed or sponsored the use.[132] As applied, the court stressed that, with nominative uses of trademarks, the alleged infringers did not intend to confuse or deceive consumers.[133] The court reasoned that it can be impossible to compare, criticize, or refer to some products without using a protected mark.[134]

Importantly, under *New Kids*, when a defendant invokes nominative fair use, the nominative fair use analysis takes place instead of the traditional likelihood-of-confusion analysis.[135] The plaintiff alleging trademark infringement bears the burden of proving that the defendant's use of the trademark was not nominative fair use.[136] Thus, where nominative fair use is found, it is because the plaintiff failed to prove that confusion was likely.[137]

2. The Third Circuit

The U.S. Court of Appeals for the Third Circuit created its own test for nominative fair use.[138] Unlike the Ninth Circuit, the Third Circuit evaluates likelihood of confusion separately from nominative fair use and treats nominative fair use as an affirmative defense.[139] An affirmative defense is an assertion of facts or arguments claimed by a defendant, which, if proven, will defeat a plaintiff's claim for relief, even if all of the plaintiff's allegations are true.[140] Some affirmative defenses are waived if not raised in a motion or in a responsive pleading, and others can be asserted later at trial.[141] The Third Circuit established nominative fair use as an affirmative defense, meaning that even if consumer confusion is likely, a defendant's use can still be fair.[142]

In *Century 21 Real Estate Corp. v. LendingTree, Inc.*,[143] the Third Circuit expressed disapproval of the Ninth Circuit's departure from a likelihood-of-confusion analysis.[144] Century 21, ERA, and Coldwell Banker brought suit against LendingTree for unauthorized uses of their trademarks

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132. *See id.* at 308.
133. *See id.* at 307–08.
134. *See id.* at 306–08.
135. *See id.* at 308.
136. *See* Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1182 (9th Cir. 2010).
137. *See id.* (first citing Playboy Enters., Inc. v. Welles, 279 F.3d 796, 801 (9th Cir. 2002); and then citing New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992)).
138. *See* Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 222, 228 (3d Cir. 2005).
139. *See id.*; *see also* Baird & Weseman, *supra* note 1, at 7-135.
140. *Defense*, BLACK'S LAW DICTIONARY (11th ed. 2019).
141. *See* FED. R. CIV. P. 12(h).
142. *See Century 21*, 425 F.3d at 232.
143. 425 F.3d 211 (3d Cir. 2005).
144. *See id.* at 220.

on LendingTree's website and printed marketing materials.[145] LendingTree used the plaintiffs' names and logos on their website, implied affiliation with the plaintiffs, and promised subscribers to LendingTree's real estate referral service access to real estate brokers representing the plaintiffs.[146] The plaintiffs objected to these uses because, although some of their franchisees were members of LendingTree's referral service, those franchisees were only granted limited licenses to use the franchisor's trademark in combination with the name they do business as (their "d/b/a" name).[147] LendingTree used the trademarks alone, without reference to the franchisees' d/b/a names.[148]

The Third Circuit relied on the Supreme Court's decision in *KP Permanent Make-Up*, where the Court held that, in the case of classic fair use, the defendant asserting the defense did not bear the burden of disproving likelihood of confusion.[149] The Third Circuit adopted a two-step analysis, under which plaintiffs first have to prove that the defendant's use of plaintiffs' trademark is likely to cause consumer confusion.[150] The defendant then bears the burden of proving that its nominative use of plaintiff's trademark was fair under a three-part fairness test.[151]

The Third Circuit largely based its three-part fairness test on the Ninth Circuit's test, despite its reservations with the Ninth Circuit's departure from the likelihood-of-confusion standard.[152] The Third Circuit held that, to prove nominative fair use, defendants must show (1) the necessity of using the plaintiff's mark to describe the plaintiff's and defendant's products or services, (2) that the defendant only used the plaintiff's mark as much as was necessary to describe the plaintiff's product, and (3) that the conduct and language the defendant used accurately represented the relationship between the parties' products or services.[153]

Though these factors are similar to the Ninth Circuit's *New Kids* factors, the Third Circuit's evaluation also includes a separate likelihood-of-confusion analysis.[154] The Third Circuit also uses the ten-part test from *Interpace Corp. v. Lapp, Inc.*[155] to evaluate likelihood of confusion discretely and ensure that a nominative fair use defense does not fail due solely to likelihood of confusion.[156]

The *Lapp* factors assess (1) how similar the plaintiff's and defendant's marks are, (2) how strong the plaintiff's mark is, (3) cost of the product and

145. *See id.* at 214–15.
146. *See id.* at 215.
147. For example, instead of being able to advertise their franchises as "Century 21," they instead had to be advertised as "Century 21 Smith Realty." *See id.*
148. *See id.*
149. *See id.* at 217 (citing KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 114 (2004)).
150. *See id.* at 222.
151. *See id.*
152. *See id.*
153. *See id.*
154. *See id.* at 222, 224–28.
155. 721 F.2d 460 (3d Cir. 1983).
156. *See Century 21*, 425 F.3d at 222–23.

any other factors that indicate the care and attention consumers typically exert when purchasing a product, (4) how long the defendant has used the mark without causing confusion, (5) the defendant's intent in using the mark, (6) proof that the defendant's use caused confusion, (7) whether the parties' noncompeting goods are marketed and advertised similarly, (8) how similar the parties' target markets are, (9) how similarly consumers view the products because they have similar functionality, and (10) any facts that suggest consumers may expect the plaintiff to produce products in or expand sales into the defendant's market.[157]

The Third Circuit focused on just four of these factors: price of the goods and other factors that indicate the care and attention consumers put into a purchase, how long the defendant has used the mark without causing confusion, the defendant's intent in using the mark, and evidence that consumers were actually confused.[158] The inquiry was limited because the court found that several *Lapp* factors were not useful indicators of confusion in the context of nominative fair use.[159] For example, the first factor, assessing the similarity of the marks, would automatically contribute to a finding that confusion is likely, given that the defendant uses the plaintiff's marks to describe the plaintiff's product.[160] Similarly, the second factor, assessing the strength of the mark, would lead to a similar result because defendants use plaintiffs' marks "*because* of [their] very strength and what [they] ha[ve] come to represent," and because it may be the only way for consumers to understand defendants' reference to plaintiffs' products.[161]

Whether the other *Lapp* factors are relevant would depend on the facts of the particular case.[162] The court clarified that some confusion is not a bar to fair use, relying on the Supreme Court's analysis in *KP Permanent Make-Up* to explain that fair use and likelihood of confusion can coexist.[163]

3. The Fifth Circuit

Like the Third Circuit, the U.S. Court of Appeals for the Fifth Circuit evaluates likelihood of confusion, but in *Pebble Beach Co. v. Tour 18 I Ltd.*,[164] the Fifth Circuit declined to outline a test for nominative fair use because nominative use was not "a significant factor in the liability determination."[165] In this case, the defendants copied a hole from the plaintiff's golf course that the plaintiff had registered as a service mark and

157. *See id.* at 224 (first citing Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225 (3d Cir.1978); and then citing Interpace Corp. v. Lapp, Inc., 721 F.2d 460, 463 (3d Cir. 1983)); *see also* Interpace Corp. v. Lapp, Inc., 721 F.2d 460, 463 (3d Cir. 1983).

158. *See Century 21*, 425 F.3d at 225–26.

159. *See id.* at 224–26.

160. *See id.* at 224–25.

161. *See id.* at 225.

162. *See id.*

163. *See id.* at 222–23 (citing KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121–22 (2004)).

164. 155 F.3d 526 (5th Cir. 1998).

165. *See id.* at 543, 547.

identified their new golf holes by using the name and hole number of the course that they were copied from.[166] Despite declining to endorse a specific test, the court used the second and third *New Kids* factors to evaluate Pebble Beach's claim against Tour 18.[167] The court did not use the first factor—that "the product or service in question must be one not readily identifiable without use of the trademark"—because it will always be satisfied when using comparative advertising to identify what the defendant allegedly copied.[168] The court also evaluated likelihood of confusion with a nonexhaustive list of factors, including (1) the kind of mark the defendant allegedly infringed, (2) how similar the two marks are, (3) how similar the products and services are, (4) who the retail outlets and purchasers are, (5) what type of advertising media the defendant used, (6) the defendant's intent in using the mark, and (7) evidence that the defendant's use caused confusion.[169] The court noted that a positive finding in a majority of the factors was not necessary to find a likelihood of confusion, and that none of the factors were dispositive.[170] The Fifth Circuit also stressed that courts should also consider other factors relevant to likelihood of confusion.[171] The Fifth Circuit places the burden of proving likelihood of confusion on the plaintiff.[172]

4. The Second Circuit

Like the Ninth and Fifth Circuits, the U.S. Court of Appeals for the Second Circuit does not recognize nominative fair use as an affirmative defense to trademark infringement.[173] Instead, the court evaluates both nominative fair use and likelihood of confusion, limiting applicability of the nominative fair use doctrine to cases where consumer confusion is unlikely.[174] In *International Information Systems Security Certification Consortium, Inc. v. Security University, LLC*,[175] plaintiffs owned a certification mark that

166. *See id.* at 533–35.

167. *See id.* at 546–47.

168. *See id.* at 546 n.13 (quoting New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992)).

169. *See id.* at 543 (first citing Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1122 n.9 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992); and then citing Conan Props., Inc. v. Conans Pizza, Inc., 752 F.2d 145, 149 (5th Cir. 1985)).

170. *See id.* (first citing Conan Props., Inc. v. Conans Pizza, Inc., 752 F.2d 145, 150 (5th Cir. 1985); and then citing Elvis Presley Enters. v. Capece, 141 F.3d 188, 194 (5th Cir. 1998)).

171. *See id.* at 546–47 (citing Elvis Presley Enters. v. Capece, 141 F.3d 188, 194 (5th Cir. 1998)).

172. *See id.* at 536 (first citing Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1117–18 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992); and then citing Sec. Ctr., Ltd. v. First Nat'l Sec. Ctrs., 750 F.2d 1295, 1298 (5th Cir. 1985)).

173. *See* Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 156 (2d Cir. 2016).

174. *See id.* at 165, 168 ("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." (quoting Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 102 (2d Cir. 2010))).

175. 823 F.3d 153 (2d Cir. 2016).

indicated that an information security professional had accomplished competency in their field and had passed examinations that plaintiffs administered.[176] The plaintiffs accused the defendant of using their certification mark in a misleading manner to indicate that their instructor had a higher level of certification.[177]

To determine whether a defendant's use of trademarks is nominative fair use, the Second Circuit evaluates (1) whether the defendant needed to use the plaintiff's mark to describe their products and services and those of the plaintiff, or whether the product or service cannot be identified unless the mark is used; (2) whether the defendant used "only so much of the plaintiff's mark as is necessary to identify the product or service"; and (3) whether the defendant's conduct or language, in combination with its use of plaintiff's mark, would suggest that the plaintiff sponsored or endorsed the use, and whether the defendant's actions accurately represented the relationship between the parties' products or services.[178]

The Second Circuit also applies the eight-factor test for likelihood of confusion from *Polaroid Corp. v. Polarad Electronics Corp.*,[179] which assesses (1) the trademark's strength, (2) how similar the marks are, (3) how similar the products are and how competitive they are, (4) evidence that "the senior user may 'bridge the gap' by developing a product for sale in the market of the alleged infringer's product," (5) proof that defendant's use confused consumers, (6) evidence that the defendant used the mark in bad faith, (7) the quality of each of the products, and (8) the level of sophistication among the market's consumers.[180] Like the Third Circuit, the Second Circuit recognized that several of these factors were not a good fit in the context of nominative fair use.[181] However, the court stated that every factor should still be considered, and if one is not relevant, the court should explain why.[182] None of the factors are dispositive, and a court will instead evaluate whether a consumer would likely be confused when looking at the product as a whole.[183] The court places the burden on the plaintiff to establish that a defendant's actions or statements will cause consumer confusion.[184]

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176. *See id.* at 156.
177. *See id.* at 157.
178. *See id.* at 156.
179. 287 F.2d 492 (2d Cir. 1961).
180. *See Int'l Info. Sys. Sec.*, 823 F.3d at 160 (citing Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961)).
181. *See id.* at 168.
182. *See id.* at 165 (citing Arrow Fastener Co. v. Stanley Works, 59 F.3d 384, 400 (2d Cir. 1995)).
183. *See id.* at 160 (quoting Kelly-Brown v. Winfrey, 717 F.3d 295, 307 (2d Cir. 2013)).
184. *See* Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 113 (2d Cir. 2010) (first quoting Johnson & Johnson Merck Consumer Pharm. Co. v. Smithkline Beecham Corp., 960 F.2d 294, 298 (2d Cir. 1992); and then citing Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 153 (2d Cir. 2007)).

C. Distinguishing the Various Tests

With the exception of the Ninth Circuit, circuit courts typically undergo a two-pronged evaluation that considers both nominative fair use and likelihood of confusion.[185] Under the various circuit court tests, the plaintiff consistently bears the burden of proving likelihood of confusion.[186] The tests for likelihood of confusion are often similar, with some being more favorable to plaintiffs.[187] For example, some factors in the analysis would automatically point to a finding of consumer confusion.[188] In the Ninth Circuit, where the *New Kids* test replaces the likelihood-of-confusion analysis, the plaintiff instead bears the burden of proving that the defendant's use is *not* nominative fair use.[189] Only the Third Circuit recognizes nominative fair use as an affirmative defense, while others recognize that defendants are not liable if their use is fair and there is no consumer confusion.[190] The Third Circuit also allows a finding of some consumer confusion, meaning that some likelihood of consumer confusion does not bar fair use.[191] Figure 1 outlines the differences between the various tests.

185. *See supra* Part II.B.
186. *See supra* Part II.B.1.
187. *See* Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 222, 224–26 (3d Cir. 2005).
188. *See id.*
189. *See* Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1182 (9th Cir. 2010).
190. *See supra* Part II.B.
191. *See Century 21*, 425 F.3d at 222–23 (citing KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121–22 (2004)).

Figure 1: Summary of Nominative Fair Use Tests Among the Ninth, Third, Fifth, and Second Circuits

	Ninth Circuit[192]	**Third Circuit**[193]	**Fifth Circuit**[194]	**Second Circuit**[195]
Burden of Proving or Disproving Nominative Fair Use	Plaintiff	Defendant	Defendant	Plaintiff
Separate Likelihood-of-Confusion Analysis	No	Yes	Yes	Yes
Burden of Proving Likelihood of Confusion	Plaintiff	Plaintiff	Plaintiff	Plaintiff
Some Likelihood of Confusion Bars Nominative Fair Use	Yes	No	Yes	Yes

D. Application of Nominative Fair Use in Cases Involving the Resale of Luxury Goods

Chanel is one brand that has tried to harshly limit the ability of any other party to use its protected marks.[196] In *Chanel, Inc. v. The RealReal Inc.*,[197] Chanel alleged that The RealReal infringed on its trademarks by using Chanel's marks in association with reselling handbags that it received on consignment from third parties.[198] The U.S. District Court for the Southern District of New York noted that, under the Lanham Act, the use of a mark to sell genuine goods, even when that sale is not authorized by the trademark's owner, does not give rise to liability because it does not confuse consumers or cause dilution.[199] Similarly, the Lanham Act does not prevent a seller of goods from describing the goods by their brand name, so long as the seller's

192. *See generally* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302 (9th Cir. 1992); *Toyota Motor Sales*, 610 F.3d 1171.

193. *See generally Century 21*, 425 F.3d 211.

194. *See generally* Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526 (5th Cir. 1998), *invalidated on other grounds by* TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001).

195. *See generally* Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153 (2d Cir. 2016); Disney Enters., Inc. v. Sarelli, 322 F. Supp. 3d 413, 432 (S.D.N.Y. 2018).

196. *See generally* Chanel, Inc. v. The RealReal Inc., 449 F. Supp. 3d 422 (S.D.N.Y. 2020); Chanel, Inc. v. What Comes Around Goes Around LLC, No. 18 Civ. 2253, 2020 WL 5522889 (S.D.N.Y. June 16, 2020).

197. 449 F. Supp. 3d 422 (S.D.N.Y. 2020).

198. *See id.* at 433, 435–36.

199. *See id.* at 436 (quoting Zino Davidoff SA v. CVS Corp., 571 F.3d 238, 243 (2d Cir. 2009)).

usage of the trademark does not cause consumer confusion by implying endorsement of or affiliation with the trademark owner.[200] Chanel also alleged that The RealReal engaged in unfair competition.[201] However, the court noted that resale of Chanel's goods in the secondary market was more likely to increase sales of its goods on the primary market, and that The RealReal does not actually compete with Chanel, given that Chanel only sells new goods, not vintage or secondhand goods.[202]

Applying the Second Circuit's *Polaroid* factors, the *Chanel* court noted that several factors, such as "similarity of the marks, the evidence of bridging the gap, and the respective quality of the products in question" were irrelevant when the defendant used the plaintiff's marks and goods.[203] The first nominative fair use factor—whether the defendant's use of the plaintiff's marks is necessary—was also met.[204] The court also found that Chanel did not allege facts sufficient to prove that The RealReal used Chanel's trademarks "too prominently or too often, in terms of size, emphasis or repetition," and, although the website had a Chanel page describing the brand and listing some secondhand Chanel products, it displayed other luxury brands in a similar manner.[205]

Chanel took issue with the fact that The RealReal advertised that many of The RealReal's authenticators had experience with and had previously worked for luxury brands like Tiffany, Hermès, and Rolex.[206] The RealReal authenticated items by dividing them into categories—high risk and low risk.[207] High-risk items were authenticated by experienced authenticators, while low-risk items were authenticated by copywriters who underwent a minimum of thirty hours of training.[208] Chanel alleged that these practices could have caused consumer confusion by suggesting that through this practice of hiring authenticators from luxury brands, the brands themselves indirectly authenticated goods that The RealReal sold.[209] Because The RealReal disclosed on its website that luxury brands had no involvement in The RealReal's authentication process, assumed no responsibility for goods sold through the site, and were not affiliated with The RealReal, Chanel did not sufficiently allege that consumer confusion was likely.[210] The fair use

200. *See id.* (quoting Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 103 (2d Cir. 2010)).
201. *See id.* at 438–39.
202. *See id.*
203. *See id.* at 439 n.16.
204. *See id.* at 439.
205. *See id.* (citing Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 168 (2d Cir. 2016); and then citing Chanel, Inc. v. WGACA, LLC, No. 18 Civ. 2253, 2018 WL 4440507, at *3 (S.D.N.Y. Sept. 14, 2018)).
206. *See id.*
207. High-risk items range from Hermès Birkin bags to popular streetwear, while low-risk items were often contemporary brands that bore "clear authenticity markers." *See id.* at 431–32.
208. *See id.*
209. *See id.* at 439.
210. *See id.* at 439–40 (citing Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 103 (2d Cir. 2010)).

claim in this case was complicated by the fact that The RealReal sold counterfeit Chanel handbags as well as authentic ones.[211]

Though Chanel's case against The RealReal is ongoing as of the time of this Note's publication, it is important to note that The RealReal recently settled two derivative suits brought by investors challenging the company's authentication practices.[212] The investors alleged that the company's authentication practices fell short of the proclamations made in its initial public offering filings, as the majority of goods were authenticated by employees with minimal experience with authentication.[213]

In a similar ongoing case against another luxury goods reseller, Chanel alleged that What Goes Around Comes Around's (WGACA) use of Chanel's trademarks caused consumer confusion by suggesting an affiliation between WGACA and Chanel or endorsement by Chanel.[214] The court evaluated whether WGACA's use of Chanel's marks was fair under nominative fair use.[215] The court determined that using the trademarks alone would have identified the goods as Chanel, but that the use of #WGACACHANEL and other marks in hashtags on social media, along with advertising Chanel goods "more prominently" than other luxury brands, may have "stepped over the line into a likelihood of confusion" by using Chanel's trademarks "too prominently or too often, in terms of size, emphasis, or repetition."[216] According to the court, the #WGACACHANEL hashtag and WGACA's authentication guarantees also could suggest that Chanel endorsed or sponsored WGACA's use of the marks.[217]

As the case continued, Chanel identified WGACA products that it asserted were counterfeit and alleged that WGACA sold some Chanel goods that had been altered, repaired, or refurbished to the point that they were no longer authentic Chanel goods.[218] Notably, the court stressed that WGACA was not a direct competitor accused of copying Chanel designs, but rather that WGACA's business relied on how its consumers valued authentic Chanel goods, and not on "passing off" counterfeit goods as authentic Chanel

211. For this reason, the court allowed the trademark infringement claim to proceed on a direct infringement theory. *See id.* at 440–42 (first citing Chanel, Inc. v. Veronique Idea Corp., 795 F. Supp. 2d 262, 267 (S.D.N.Y. 2011); and then citing Gucci Am., Inc. v. Duty Free Apparel, Ltd., 286 F. Supp. 2d 284, 290 (S.D.N.Y. 2003)).

212. *See The RealReal to Pay $11.5 Million, Make Reforms to Settle Shareholder Suits, If Court Approves*, THE FASHION L. (Nov. 9, 2021), https://www.thefashionlaw.com/pending-court-approval-the-realreal-to-pay-11-million-make-operations-reforms-to-settle-shareholder-suits/ [https://perma.cc/AP7P-9JXK].

213. *See id.*

214. *See* Chanel, Inc. v. WGACA, LLC, No. 18 Civ. 2253, 2018 WL 4440507, at *1–3 (S.D.N.Y. Sept. 14, 2018).

215. *See id.* at *3.

216. *See id.* (citing Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 168 (2d Cir. 2016)).

217. *See id.*

218. *See* Chanel, Inc. v. What Comes Around Goes Around LLC, No. 18 Civ. 2253, 2020 WL 5522889, at *1 (S.D.N.Y. June 16, 2020).

products.[219] It is critical to all resale businesses that the goods they are selling are genuine, as customers often buy the products because they are of a certain brand, and desire the appeal, reputation, and expectation of quality that comes with that brand.[220]

E. Uncertainty Caused by the Enduring Circuit Split

The current circuit split allows parties to forum shop[221] and can lead to inconsistent outcomes.[222] Were a defendant to use a plaintiff's trademarks in a national advertising campaign, the likelihood that a defendant would be found liable for trademark infringement could vary among the circuits.[223] Under the Second Circuit's test, if likelihood of confusion is found, the use is not fair and is infringing.[224] But under the Third Circuit's test, a court can find that the defendant's use causes consumer confusion and is also fair use.[225] In the Ninth Circuit, likelihood of confusion is not relevant, and instead, use of a plaintiff's trademarks is fair if the *New Kids* factors are met.[226] The Fifth Circuit has declined to adopt a test for nominative fair use but has previously evaluated it with two *New Kids* factors and a nonexhaustive list of likelihood-of-confusion factors, none of which is dispositive in determining whether confusion is likely.[227] In circuits that have not outlined a specific test for nominative fair use or that have not recognized the doctrine at all, resellers may be found liable and rendered

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219. *See id.* In March 2022, the court partially granted Chanel's motion for summary judgment, "holding WGACA liable for trademark infringement in WGACA's sales of point-of-sale items, eleven non-Chanel handbags sold as having been authorized for sale by the Renato Corti factory, and one CHANEL-branded handbag with a pirated serial number." *See* Chanel, Inc. v. WGACA, LLC, No. 18 Civ. 2253, 2022 WL 902931, at *1 (S.D.N.Y. Mar. 28, 2022).

220. *See In an Apparent Attempt to Crack Down on Resale, Chanel Is Putting a Quota System in Place for Some of Its Bags*, *supra* note 42; *Less Is More: Redefining the Luxury Goods Market*, KNOWLEDGE AT WHARTON (Apr. 6, 2021), https://knowledge.wharton.upenn.edu/article/less-is-more-redefining-the-luxury-goods-market/ [https://perma.cc/K9PV-66G4]; *see also What Are Luxury Brands Really Selling?*, *supra* note 10 and accompanying text.

221. Forum shopping is "[t]he practice of choosing the most favorable jurisdiction or court in which a claim might be heard." *Forum-Shopping*, BLACK'S LAW DICTIONARY (11th ed. 2019).

222. *See* Brief of the Int'l Trademark Ass'n as Amicus Curiae in Support of Petitioners, *supra* note 13, at 20.

223. *See id.*

224. *See id.*; *see also* Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 165, 168 (2d Cir. 2016) (quoting Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 102–03 (2d Cir. 2010)).

225. *See* Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 222–23 (3d Cir. 2005) (citing KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121–22 (2004)).

226. *See* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992).

227. *See* Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 543, 546–47 (5th Cir. 1998), *invalidated on other grounds by* TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001).

unable to use trademarks to describe resold products, even though they are often the best or only way to communicate information to consumers.[228]

Plaintiffs may choose to bring their cases in specific circuits that are more favorable to their claims, such as those that evaluate factors that automatically weigh toward a finding that confusion is likely in the nominative fair use context.[229] This would benefit plaintiffs by making a showing of likelihood of confusion easier, as would bringing their claim in a circuit where likelihood of confusion is a bar to fair use.[230]

F. Support from Scholars and Commentators for the Circuit Court Tests and Other Solutions

Several of the current circuit court tests for evaluating nominative fair use have garnered support as potential uniform solutions. The Second Circuit's test has been proposed as a solution because it supplements the nominative fair use analysis with the likelihood-of-confusion factors, not just evaluating the defendant's intent and whether they acted in good faith, but also considering the actual effect that the defendant's use would have on consumers.[231] The Third Circuit's test has also been suggested because it would align the nominative fair use analysis with the Supreme Court's analysis of classic fair use, focusing on whether the use of the trademarks would likely confuse consumers.[232] The Third Circuit's test also tailors the likelihood-of-confusion analysis to only those factors relevant to nominative fair use.[233]

Adopting the Ninth Circuit's test as the uniform standard has also been proposed[234] because it has been used successfully by district courts, many of the traditional likelihood-of-confusion factors used in other tests are not easily applied to nominative fair use, and the use of multifactor tests is inefficient and potentially wasteful of judicial resources.[235] Likelihood-of-confusion factors, like the strength and similarity of the marks,

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228. *See, e.g.*, Slep-Tone Ent. Corp. v. Coyne, 41 F. Supp. 3d 707, 717–18 (N.D. Ill. 2014) (noting that the U.S. Court of Appeals for the Seventh Circuit has not addressed nominative fair use); Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc., 704 F.3d 44, 50 (1st Cir. 2013) (stating that the First Circuit has not endorsed a specific test for nominative fair use).

229. *See, e.g.*, *supra* Part II.B.2; *see also* Brief of the Int'l Trademark Ass'n as Amicus Curiae in Support of Petitioners, *supra* note 13, at 20.

230. *See, e.g.*, *supra* Parts II.B.1–2; *see also* Brief of the Int'l Trademark Ass'n as Amicus Curiae in Support of Petitioners, *supra* note 13, at 20.

231. *See* Johnathan Oldham Ballad Jr., Comment, *The Proper Application of Nominative Fair Use in Trademark Law: Why* International Information Systems Security Certification Consortium, Inc. v. Security University, LLC *Sets the Preeminent Standard*, 51 LOY. L.A. L. REV. 523, 537–38 (2018).

232. *See* Lisa Williford Arthur, *EBay Becomes a Girl's New Best Friend as the Second Circuit Sidesteps the Nominative Fair Use Doctrine, Leaving Tiffany to Police Counterfeits in the Online Marketplace*, 12 N.C. J.L. & TECH. ONLINE 29, 53–56 (2010).

233. *See supra* notes 158–60 and accompanying text.

234. *See* Christian Ferlan, Note, *Is This Going to Be on the Test?: Reconciling the Four-Way Circuit Split over Handling Nominative Fair Use*, 18 N.C. J.L. & TECH. ONLINE 33, 73–74 (2016).

235. *See id.*

may unfairly impact defendants and go beyond the purposes of trademark law, as they could lead to plaintiffs extending their property right beyond what is intended in trademark law.[236]

Another suggested resolution is to maintain one of the current tests but adopt some modifications.[237] One way to do this would be to ensure that factors that are not relevant or are harmful to the nominative fair use analysis are not applied.[238] The Ninth Circuit and the Third Circuit tests share a similar goal in eschewing the likelihood-of-confusion factors entirely or only applying those that are relevant.[239] One suggestion is to consider how large the use of the plaintiff's trademark is, where the trademark is placed, how it is stylized, how similar the parties' goods and services are, whether either party is likely to expand their offering, whether the defendant clearly explains their relationship, if any, to the plaintiff in advertisements, what types of goods are at issue and the amount of care consumers typically exercise in purchasing them, the defendant's intent in using the mark, and whether the use caused actual confusion.[240]

A potential legislative solution would be to codify nominative fair use as an affirmative defense under the Lanham Act so that there is a clear national standard.[241] In addition to codifying nominative fair use, codifying the first sale doctrine in trademark law would comport with the Lanham Act's purpose and would respect the Supreme Court's hesitation to overextend trademark protections.[242] This change would allow online resale to better resemble resale in a brick-and-mortar setting, where consumers are less likely to assume that a consignment shop or antique store is affiliated with trademark owners whose goods they resell.[243]

III. A PATH FORWARD FOR LUXURY RESALE AND NOMINATIVE FAIR USE

As the luxury resale market continues to grow,[244] a clear and uniform nominative fair use test is needed so that luxury brand owners and resellers alike can predict whether resellers' uses of trademarks are nominative fair use.[245] Part III.A will advocate that a proposed solution to nominative fair use should support the luxury resale market. Part III.B will propose that courts follow the *New Kids* factors when evaluating nominative fair use. Part III.C will argue that evaluating the likelihood of confusion should be part of the nominative fair use analysis, but should be limited to relevant

236. *See id*.

237. *See* J. David Mayberry, *Trademark Nominative Fair Use: Toward a Uniform Standard*, 102 TRADEMARK REP. 820, 847 (2012).

238. *See id*.

239. *See id*.; *see also supra* Part II.B.1.

240. *See* Mayberry, *supra* note 237, at 843–44.

241. *See* Arthur, *supra* note 232, at 55.

242. *See* Liebesman & Wilson, *supra* note 104, at 203–05.

243. *See id*. For information on how limitations of the first sale doctrine ultimately limit resale, see *supra* Part I.D. The breadth of the first sale doctrine in trademark is beyond the scope of this Note.

244. *See supra* Part I.A.

245. *See supra* Part II.

factors. Part III.D will propose that plaintiffs bear the burden of both disproving that the defendant's use is fair and proving that the defendant's use is likely to cause consumer confusion. Part III.E will propose that resellers be required to authenticate their goods as a prerequisite to raising a nominative fair use claim.

A. The Nominative Fair Use Evaluation Should Allow the Luxury Resale Market to Prosper

A nominative fair use analysis tailored to the resale of luxury goods could prevent continued trademark bullying and will allow resellers and luxury brands alike to better predict when the use of trademarks is fair. The vast majority of luxury brands are owned by a select few conglomerates worth billions of dollars.[246] This leaves luxury brands with essentially limitless pockets, in contrast to resellers who may be individuals[247] or start-ups and smaller companies with limited funds to fight back against trademark bullying.[248] Luxury brands do not hesitate to sue businesses using their trademarks, even when that use is in a completely different context.[249] Thus, luxury brands may be even more likely to crack down on resellers that pose a direct threat to their sales, given the popularity and continued growth of the resale market, regardless of whether the luxury brand resells goods itself.[250] As more luxury brands enter the resale market, they will be able to exert control over not only the primary market, but also much of the secondary market and the uses of their intellectual property even further through trademark infringement claims against resellers.[251]

A nominative fair use solution should encourage further growth of the resale market not only because the doctrine disincentivizes trademark bullying, but also because it benefits both consumers and luxury brands alike. Insulating the resale market from frivolous or excessive trademark infringement suits provides greater choice for consumers, incentivizing luxury brands to compete for sales and encouraging innovation.[252] Additionally, the resale market typically makes luxury goods more affordable.[253] Though some luxury goods maintain all their value or even gain value when resold, others are sold at a discount, thus making them more accessible to customers who may not be able to afford them on the primary market.[254] Affordability should be incentivized—luxury brands can

246. *See* DELOITTE, *supra* note 24, at 4.

247. Luxury brands do not limit their focus on resale companies; individual resellers are also vulnerable. Chanel sued an individual eBay seller of used goods and unpackaged cosmetics and fragrances for fifty-six million dollars. *See Chanel Is Suing an Individual eBay Seller for $56 Million*, THE FASHION L. (July 12, 2018), https://www.thefashionlaw.com/chanel-is-suing-an-ebay-seller-for-56-million/ [https://perma.cc/WBP4-B7DN].

248. *See supra* notes 26, 34 and accompanying text.

249. *See supra* note 26 and accompanying text.

250. *See* Chanel, Inc. v. The RealReal, Inc., 449 F. Supp. 3d 422, 438–39 (S.D.N.Y. 2020).

251. *See supra* note 32 and accompanying text.

252. *See* Liebesman & Wilson, *supra* note 104, at 203.

253. *See supra* note 51 and accompanying text.

254. *See supra* notes 51–52 and accompanying text.

maintain continued primary market exclusivity, while their customer base expands through initial purchases from the secondary market.[255] As a potential benefit to luxury brands, secondary market sales can draw in future customers because, if customers have a great experience with purchasing and owning resold goods, they may be more likely to buy on the primary market.[256]

The resale of luxury goods does not benefit only consumers and luxury brands, it also benefits the environment.[257] Increased resale and luxury brands entering the resale market themselves may help end the practice of destroying unsold or returned goods, which is incredibly wasteful and ruins items that could be used for decades to come.[258] Luxury brands can even enter the resale market and sell their goods as vintage or even customize them, like Gucci Vault and Coach (Re)Loved, or can repurpose the materials into other goods.[259] Given the benefits to consumers, luxury brands, and the environment alike, a nominative fair use evaluation should be tailored to allow the use of a trademark in the resale context when consumer confusion is unlikely.

B. Proposed Resolution and Nominative Fair Use Factors

To allow nominative uses of trademarks that identify resold luxury goods, courts should apply the Ninth Circuit's nominative fair use factors, a likelihood-of-confusion analysis tailored to nominative fair use, and a requirement that brands asserting nominative fair use authenticate their goods before using the luxury brand's trademarks. This proposed solution is a judicial solution, not a legislative one. Though Congress has updated trademark law frequently and recently,[260] it is unlikely that a legislative solution would be as successful as the solution proposed in this Note. For example, protections against trademark dilution by blurring and tarnishment[261] were added to the Lanham Act in large part because of lobbying from luxury brand owners.[262] Due to luxury brands' immense resources and power, they could weaken any potential legislative solution to nominative fair use in the luxury resale context through lobbying, or prevent a solution from being proposed or passed at all.[263]

This Note's proposed solution will allow resellers to use a brand's trademarks to describe the resold goods, and will ensure not only that

255. *See supra* notes 29–31 and accompanying text.
256. *See supra* notes 29–31 and accompanying text.
257. *See supra* Part I.A.
258. *See supra* notes 28, 35 and accompanying text.
259. *See supra* notes 33, 39 and accompanying text.
260. *See e.g.*, Trademark Modernization Act of 2020, Pub. L. No. 116-260, 134 Stat. 2200 (codified as amended in scattered sections of 15 U.S.C.).
261. 15 U.S.C. § 1125(c).
262. *See* Sarah Lux, *Evaluating Trade Mark Dilution from the Perspective of the Consumer*, 34 U.N.S.W. L.J. 1053, 1055 n.8 (2011); *see also* Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1143, 1155 (2006).
263. *See supra* Part I.A.

consumers are fully aware of the source of the goods, but also that resellers do not imply an affiliation or endorsement that does not exist. Importantly, the proposed solution will create a uniform test to be applied to resellers' nominative fair use claims, allowing resellers to better predict when their use of a luxury brand's trademarks will be protected.

When evaluating a luxury brand's claim against a reseller, courts should apply the *New Kids* test[264] to accurately identify cases of nominative fair use. The first factor may be consistently satisfied in clear cases of nominative fair use. Indeed, the Fifth Circuit, though it has not adopted an official test, did not analyze the first *New Kids* factor when evaluating a nominative fair use claim because it was satisfied in the context of comparative advertising.[265] However, this does not mean that this factor should be abandoned altogether. This factor focuses on the heart of a nominative fair use claim—the fact that the plaintiff's trademark is the only way to accurately name or describe the product.[266] When the first factor is not met, and a product can be readily identified without the plaintiff's trademarks, nominative fair use should not apply.

The second *New Kids* factor has previously been interpreted by the Ninth Circuit to restrict the use of the plaintiff's font and design marks.[267] However, in the context of the resale of luxury goods, this does not necessarily make sense. Consumers of luxury goods are acutely aware of a luxury brand's logos, as the logo itself is often in large part what drives consumers to purchase the goods.[268] The logos themselves serve the exact same purpose as identifying an item by its brand name,[269] and thus should be allowed as an identifier under nominative fair use. However, resellers still should not use the plaintiff's trademarks to the extent that it could imply an endorsement or affiliation with the plaintiff, as this would implicate the third *New Kids* factor.

Under the third factor, resellers of luxury goods should be careful not to imply that the plaintiff endorsed or sponsored the defendant's use. Resellers

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264. The *New Kids* test considers whether (1) a product or service cannot be easily identified without using the trademark, (2) the mark is only used so much "as is reasonably necessary" in order to identify the product or service, and (3) the user of the mark cannot do anything that, in combination with the use of the mark, would imply that the trademark holder endorsed or sponsored the use. *See* New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 304 (9th Cir. 1992); *see also supra* Part II.B.1.

265. *See* Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 546 n.13 (5th Cir. 1998), *invalidated on other grounds by* TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001).

266. *See supra* Part I.C.

267. *See New Kids*, 971 F.2d at 308 n.7.

268. *See* Dhani Mau, *As Logo Mania Heats Up on the Runway, Vintage Retailers Reap Some of the Benefits*, FASHIONISTA (Jan. 10, 2018), https://fashionista.com/2018/01/vintage-fashion-designer-logos-resale-clothes-market [https://perma.cc/J6R7-J3Y8] (describing the "logo mania" trend, including "[t]he popularity of logos on the runway" and "increased demand for logos and monograms"); *see also What Are Luxury Brands Really Selling?*, *supra* note 10.

269. *See What Are Luxury Brands Really Selling?*, *supra* note 10 (describing logos on popular luxury handbags as "prominent source-identifying elements").

could use disclaimers to avoid any possibility of confusion, as was the case in *Chanel v. The RealReal*, in which The RealReal disclosed that the brands themselves were not involved in their authentication process, that the brands did not assume responsibility for the goods sold on their website, and that The RealReal was not a partner or affiliate of the luxury brands.[270] This factor may be particularly important when certain likelihood-of-confusion factors, such as evidence of actual consumer confusion, are implicated.

C. Likelihood-of-Confusion Factors Tailored to Nominative Fair Use Provide Important Insight Regarding Consumer Confusion

Likelihood of confusion needs to remain part of the courts' analysis to comport with the policy goals of trademark protection—namely, communicating to consumers the source or origin of a good or service and the relationship between the trademark owner and the party using the mark, as well as the expectation of quality associated with that trademark.[271] Additionally, the nominative fair use factors alone do not sufficiently determine whether consumer confusion is likely, as they only address whether the defendant needed to use the mark to describe the goods, whether the defendant used too much of the mark, and whether the defendant's use of the mark in combination with their actions could imply sponsorship or affiliation with the trademark owner.[272] The likelihood-of-confusion factors provide important context regarding the effect that the defendant's use of the trademark could have and already has had on consumers.[273]

Courts evaluating likelihood of confusion should narrow their analysis to the specific factors that do not automatically defeat a nominative fair use claim. Courts should follow the Third Circuit's lead and focus on four factors: (1) the price of the goods and other factors that indicate the care and attention customers put into a purchase, (2) how long the defendant has used the mark without actual confusion, (3) the defendant's intent in using the mark, and (4) evidence that consumers were actually confused.[274]

To consider the other likelihood-of-confusion factors would likely result in findings that unfairly favor plaintiffs. For example, comparing how similar the marks are in a nominative fair use case would automatically weigh toward a finding that confusion is likely because the defendant is using marks that are exactly the same as the plaintiff's.[275] Additionally, evaluating how strong the plaintiff's marks are would also weigh toward a finding of

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270. *See* Chanel, Inc. v. The RealReal, Inc., 449 F. Supp. 3d 422, 439–40 (S.D.N.Y. 2020). Where these disclaimers must appear, and any size, text, or font requirements, are beyond the scope of this Note.

271. *See supra* Part I.B.

272. *See supra* Part III.B.

273. *See* Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 221, 224 (3d Cir. 2005) (describing the likelihood-of-confusion inquiry as "an essential indicator of whether or not trademark infringement has occurred" and "helpful in determining whether a certain use of a mark is likely to confuse consumers").

274. *See supra* Part II.B.2.

275. *See supra* Part II.B.2.

likelihood of confusion.[276] Defendants use the exact same marks because of their strength, and because those marks are the only way to identify the products they are selling in a way that accurately describes them.[277] Were defendants not allowed to use the marks themselves, they could be forced to rely on vague language that avoids identifying the actual source of the goods. This cuts directly against the policy reasoning for trademark protection—to communicate information about a good's source and origins, as well as the quality expectation associated with that mark.[278]

Moreover, in the resale context, evaluating the similarity and strength of the marks does not even achieve the central goal of trademark law—preventing consumer confusion.[279] Resale consumers know that the marks are the same, and even buy the goods because of the marks.[280] Using the same strong mark alone does not create consumer confusion, and thus these factors should not be used because they do not actually address what they are designed to achieve.

The Third Circuit stated that whether the remaining factors should apply in nominative fair use cases would depend on the facts of the case.[281] But in the context of the resale of luxury goods, the remaining factors would similarly unfairly benefit plaintiffs in most cases. Evaluating whether the parties' noncompeting goods are marketed and advertised would also likely always weigh in favor of a finding of likelihood of confusion, as secondhand goods are often advertised in the same ways that goods in the primary market are—through online, social media, and print advertisements.[282]

The parties' target markets may not be exactly the same, given that resale provides increased accessibility that may be outside a luxury brand's normal target market. However, this factor would unfairly weigh in favor of a finding of likelihood of confusion as well because, as the resale market continues to grow, primary-market consumers may begin to purchase secondhand goods (if they have not already done so), which would result in a direct overlap of the parties' target markets. Considering the way in which consumers view products with similar functionality, this also cuts in favor of a finding of likelihood of confusion. For example, regardless of whether a handbag is new or secondhand, consumers will view its function exactly the same way—its function is to carry a person's belongings. Additionally, luxury goods often serve as status symbols, and consumers would view them as such whether they were new or resold.[283]

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276. *See supra* Part II.B.2.
277. *See supra* Part II.B.2.
278. *See supra* Part I.B.
279. *See supra* Part I.B.
280. *See supra* notes 268–69 and accompanying text.
281. *See supra* Part II.B.2.
282. Not all secondhand goods may be considered noncompeting, as some may be in direct competition with goods in the primary market—for example, if the secondhand product is still sold in the primary market.
283. *See* Marissa Perino, *A Chief Marketing Officer Who Works With 12,000 Luxury Brands Says Consumers Are Caught Up in 'Logo-Mania,' And It's Helped a Famously Flashy Brand Make a Huge Comeback*, BUS. INSIDER (Feb. 20, 2019),

The last factor—facts that suggest consumers may expect the plaintiff to produce products in or expand sales into the defendant's market—also unfairly weighs toward a finding of likelihood of confusion. When a luxury brand has entered the resale market itself, that factor is automatically satisfied. Additionally, with more luxury brands entering the resale market,[284] consumers may expect that even if most brands have not done so yet, they are likely to in the near future.

Given that these plaintiff-friendly factors also incentivize plaintiffs to bring infringement claims, courts should instead focus on the other four factors to determine whether a defendant's use is likely to cause consumer confusion. Plaintiffs will likely object to this tailored analysis, but it is superior to evaluating all of the likelihood-of-confusion factors, including those that are irrelevant to resale, because a holistic evaluation could lead to near-default judgments for plaintiffs and could cut against trademark policy by disallowing communication of accurate information about a product.

D. Plaintiffs Should Bear the Burden of Proving Both Likelihood of Confusion and that Defendant's Use Was Not Fair

Though this analysis is not simply limited to the likelihood-of-confusion factors, both the nominative fair use factors and the likelihood-of-confusion analysis aim to determine one thing—whether the defendant's use of the plaintiff's trademarks is likely to cause consumer confusion. The Supreme Court has stated that plaintiffs bear the burden of proving likelihood of confusion.[285] Given that the nominative fair use factors are biased toward a finding of likelihood of confusion,[286] plaintiffs should bear the burden of proving that a defendant's use of their trademarks is not nominative fair use.

For this reason, nominative fair use is not appropriate as an affirmative defense.[287] If nominative fair use is an affirmative defense, the burden shifts to the defendant to prove that their use is fair.[288] But because the nominative fair use factors also evaluate likelihood of confusion, the plaintiff—not the defendant—should be required to prove that confusion is likely, and the defendant's use is not fair.[289]

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https://www.businessinsider.com/gucci-logo-mania-fashion-trend-luxury-brand-comeback-modesens-2019-2 [https://perma.cc/T4KE-AXZW] (describing the Gucci belt with an interlocking "G" logo as a status symbol); *see also* Gaile Robinson, *Fashion: How to Bag a Status Symbol*, L.A. TIMES (Aug. 10, 1990, 12:00 AM), https://www.latimes.com/archives/la-xpm-1990-08-10-vw-335-story.html [https://perma.cc/D28X-B9EZ] (naming popular handbags "status bags").

284. *See supra* Part I.A.

285. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 118 (2004).

286. *See supra* Part II.B.1.

287. *See* Century 21 Real Est. Corp. v. LendingTree, Inc., 425 F.3d 211, 235 (3d Cir. 2005) (Fisher, J., dissenting).

288. *See supra* Part II.B.2.

289. *See Century 21*, 425 F.3d at 235 (Fisher, J., dissenting) (stating that because the "burden of showing likely confusion belongs to plaintiffs alone, it is improper to twist the nominative use inquiry into an affirmative defense").

E. Authentication Is Key to a Successful Nominative Fair Use Claim

To assert nominative fair use, resellers must first authenticate the goods because they can only assert nominative fair use when they are describing the plaintiff's genuine goods.[290] Resellers should exercise extreme care when authenticating the goods that they are reselling. Resellers' businesses rely on the fact that the goods that they are selling are authentic, as consumers expect genuine goods and seek out more affordable, sustainable, and widely available alternatives than exist in the primary market.[291] While some luxury brands claim that only they are capable of authenticating their own goods,[292] as a practical matter, resellers are likely in a better position to authenticate the goods because they can inspect the goods while they have them in their possession. This requirement would also address one of the primary objections luxury brands have to resale—that the brands themselves have no control over authentication—given that resellers will only be able to use the trademarks after authenticating the goods, and infringement claims will still be available if any counterfeit products are sold.[293]

Due to the sheer size of the secondhand market and the vast number of luxury goods available, luxury brands are unlikely to be able to authenticate every item available for resale. In some cases, the luxury brand may have a partnership with the reseller.[294] In those scenarios, brands may be able to exert some control over the authentication process. But if the burden of authentication were on luxury brands themselves rather than on the resellers, it could disincentivize resellers from authenticating their goods until a luxury brand raised a dispute about whether those goods were genuine.[295] If resellers were careless about authenticating luxury goods or failed to do so altogether, it could harm not only their reputation but the luxury brand's as well, if consumers have a negative experience with a product while mistakenly thinking that the product is genuine.[296] Resellers are not only vulnerable to reputational damage and claims brought by luxury brands—they are also vulnerable to claims brought by investors if they are misled about the reseller's authentication practices, further incentivizing resellers to be transparent about and carefully control their authentication practices.[297]

Requiring authentication not only protects resellers and luxury brands, but also achieves a main goal of trademark law—preventing consumer confusion.[298] Consumers will be able to trust that the advertisements and

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290. *See supra* Parts I.C, II.A.

291. *See* notes 219–20 and accompanying text.

292. *See Authentication, Monopolization & the $40B Resale Market*, THE FASHION L. NEWSL. (TFL Media, Inc., New York, NY), Oct. 27, 2021.

293. *See supra* Part I.A.

294. *See id*.

295. Resellers may instead be incentivized to rely on the luxury brand's authentication practices rather than undertaking their own, especially given some brands' assertions that only they can authenticate their goods. *See Authentication, Monopolization & the $40B Resale Market*, *supra* note 292.

296. *See supra* Part I.A.

297. *See supra* Part II.D.

298. *See supra* Part I.B.

descriptions of the products they are buying are based on the results of the product's authentication. When resold goods are authentic, consumers will know that the products they receive were created according to the luxury brand's standards.

Though the burden to police[299] a trademark is traditionally placed on the trademark owner,[300] resellers should be responsible for authentication. Requiring resellers to authenticate goods does not negate the need for brand owners to police their marks—they should still continue to monitor for infringing uses.[301] Even with a robust authentication process, there are bound to be occasional counterfeit goods that make it through the authentication process, given the high quality of counterfeit goods today.[302] In these cases, brands will have a cause of action for infringement because the reseller's use of the mark would not be fair if it does not accurately identify the goods.[303] And even when a good is authentic, if the defendant's use is such that consumer confusion is probable, not just possible, luxury brands will still be able to succeed on an infringement claim.[304]

CONCLUSION

Given the muddled landscape on nominative fair use and the fast-growing luxury resale market, a solution is needed that protects consumers, resellers, and luxury brands alike. This Note aims to propose a solution tailored to luxury resale that benefits all parties. The proposed solution evaluates whether the defendant's use is nominative fair use, analyzes the relevant likelihood-of-confusion factors, and requires that resellers authenticate their goods to avail themselves of the nominative fair use doctrine. This solution necessarily evaluates likelihood of confusion beyond just the nominative fair use analysis—it evaluates both the potential and actual effects that the defendant's use of the plaintiff's trademarks has on consumers. In doing so, this Note's solution will help resellers predict when their use of a trademark is fair, protect resellers from overreach by luxury brands seeking to limit the resale of their goods, spur market growth and profit for luxury brands while ensuring that resold goods bearing their trademarks are genuine, provide

299. *See Resource Center: Trademark Law*, THE FASHION L., https://www.thefashionlaw.com/resource-center/trademark-law/ [https://perma.cc/3MV5-PZW5] ("Policing consists of monitoring the use of a mark by third parties in the marketplace in order to avoid unauthorized use of the mark by other parties, improper use that may cause genericide, the use by competitors of similar marks that can cause confusion in the marketplace, dilution of the mark, etc.").

300. *See* U.S. PAT. & TRADEMARK OFF., PROTECTING YOUR TRADEMARK: ENHANCING YOUR RIGHTS THROUGH FEDERAL REGISTRATION 31 (2020), https://www.uspto.gov/sites/default/files/documents/Basic-Facts-Booklet.pdf [https://perma.cc/B3UQ-3YXZ].

301. *See id.*

302. *See Chanel Cites the "Exponential Growth" of Online Counterfeiting, Marketplace Sales in New Trademark Suit*, THE FASHION L. (Aug. 10, 2021), https://www.thefashionlaw.com/chanel-cites-the-exponential-growth-of-online-counterfeiting-in-new-trademark-suit/ [https://perma.cc/BU7U-7W7R].

303. *See supra* note 12 and accompanying text.

304. *See supra* Part I.C.

consumers with increased information about secondhand goods and increased product choice, and make the luxury goods market more accessible for consumers.