

Insights: Industry Summaries

Does the First Sale Doctrine Protect the Reselling of Genuine Goods that Include Non-Genuine Replacement Parts with the Original Trademark Retained? C.D.Cal Denied the Application of First Sale Doctrine as Defense in a Trademark Infringement Claim

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Rolex Watch USA., INC. v. Krishan Agarwal, 2012 WL 12886444 (C.D. Cal. 2012)

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TAKEAWAY

The First Sale Doctrine in Trademark Law will provide only limited protection to resellers of luxury products who have refurbished or modified the product.

CASE SUMMARY

In trademark law, the *First Sale Doctrine* provides that one who purchases a genuine trademark item has the right to sell that item without having to pay any royalty to the trademark owner. In other words, once the trademark owner has placed its product into the marketplace its right to control any further distribution is exhausted.

How does this doctrine affect the purchaser of a trademark item that makes changes to the trademarked product? Over 60 years ago, in *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), the Supreme Court held that refurbished products could bear the mark of the original manufacturer. But what about a ROLEX® watch that has been repaired or refurbished by replacing the glass or dial with non-genuine ROLEX parts on which the ROLEX mark has been added? If not allowed, can the reseller avoid liability by adding a disclaimer?

In *Rolex Watch, USA v. Agarwal*, 2012 WL 12886444 (C.D. Cal. 2012), the Court found that under these facts the First Sale Doctrine does not apply. It also found that the use of a disclaimer would not change the result.

FACTS

ROLEX is among the most famous and prestigious watches around the globe. Not surprisingly, many consumers who can't afford a new ROLEX watch are attracted to websites offering "pre-owned" ROLEX watches.

In this case, Rolex discovered after buying some of the defendant's watches that they included dials or bracelets bearing the ROLEX mark that were not genuine.

LEGAL ANALYSIS

Generally, when dealing with refurbished products, Courts look at whether the modification to the product is material to the original product. If the process of refurbishing or repairing the product materially changes the product, then the First Sale Doctrine does not apply. However, when dealing with luxury products, consumers may not find it desirable that the refurbished product bears the original trademark. For that reason, Courts have modified the test to examine the impact of any modifications on the original product. Under this test, a replacement bracelet or dial which features the ROLEX mark by definition is more than a "refurbishment" – it is a new product that can no longer feature the ROLEX mark.

This reasoning also led the Court to reject the disclaimer defense. Since the product was a "new product", a disclaimer that the product contains replacement parts would still be misleading.