



1-2022

One Too Many Sticks for the Trademark Bundle? The Unintended Consequences of Luxury Brands' Push for a Post-First Sale Authentication Right

Betina A. Baumgarten

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One Too Many Sticks for the Trademark Bundle? The Unintended Consequences of Luxury Brands' Push for a Post-First Sale Authentication Right

Cover Page Footnote

This Note is all about second chances—and this dedication would not be complete without thanking the powers that be that have afforded them to me. Thank you to Professors Susan Scafidi and Jeff Trexler for your guidance, brainstorming, patience, and support in this endeavor of obtaining my LLM in Fashion Law and writing this thesis/magnum opus. It is a privilege and an honor to know and work with you both, and I am so grateful for the opportunity, especially as I commence the third iteration of my career. It is an honor and privilege to publish in my alma mater's Entertainment Law Journal, to accompany my Comment, published many moons ago in the Loyola of Los Angeles Law Review while I was a student at Loyola Law School. I've come full circle and the irony is not lost on me. Thank you. Adam, Zachary, and Gabby—you are the reasons for everything I do and for all that I am, and I love you more. I hope I make you proud each and every day. Every day is an opportunity, and it is never too late to start anew, revise, revisit, explore, and reinvent. Zachary and Gabby, I encourage you to do so always and know I'm here cheering you on every step of the way. Disclaimer: I am Of Counsel for The RealReal, and while this article was written prior to my commencing work for the company, the ideas and opinions expressed herein are mine alone and not those of The RealReal.

ONE TOO MANY STICKS FOR THE TRADEMARK BUNDLE? THE UNINTENDED CONSEQUENCES OF LUXURY BRANDS' PUSH FOR A POST-FIRST SALE AUTHENTICATION RIGHT

*Betina A. Baumgarten, Esq.**

The unprecedented and exponential growth of resale is both a rose and a thorn to the luxury market. Some fashion brands construe resale as an opportunity to diversify and expand their client base; while others, who firmly subscribe to a luxury philosophy grounded in exclusivity, believe resale threatens everything from their brand allure to their very existence. Indeed, when Chanel declared that “[o]nly Chanel itself can know what is genuine Chanel,” it opened Pandora’s box by providing far more than a peek into its litigation strategy. Chanel’s declaration all but declared war on the secondary resale market in not only undermining the authenticity of authentic products in the resale stream of commerce, but in claiming the sole right to preserve, protect and police its marks throughout its branded products’ life, well after the first sale.

Because counterfeiting’s proliferation and resale’s global expansion, luxury brands’ desire to police their trademarks has effectively expanded the

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scope of trademark enforcement rights beyond what the Lanham Act confers. Largely as a result of the law's inability to keep pace and afford mark holders expanded enforcement rights to target counterfeiters at their source, luxury brands have resorted to policing their marks through instituting litigation against resellers, "partnering" with resellers to serve as authentication gatekeepers to the resale stream of commerce; or in expanding their own businesses by bringing resale in-house. Irrespective of whichever poison they pick, luxury brands are effectively seeking to expand their trademark rights beyond the first sale—which the Lanham Act's legislative history specifically proscribed against—in effectively adding a stick to the trademark bundle of rights to claim a post-first sale trademark enforcement and authentication right. In so doing, luxury brands are pushing the bounds of trademark law into the very territory the Lanham Act drafters feared mark holders world: antitrust territory.

This Note examines how luxury brands' recent entree and involvement in resale raises antitrust concerns and how both luxury brands and resellers can more effectively address their concerns within the bounds of trademark law through alternative respective resale engagement strategies; revised strategies to solidify their respective legal and market positioning; and partnership opportunities between resellers and luxury brands to collaborate in fighting their common enemy in counterfeiting.

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I. INTRODUCTION

When Chanel declared that “[o]nly Chanel itself can know what is genuine Chanel,”¹ it perhaps spoke the very words many luxury brands contemplate but never dared utter aloud. However, in instituting its most recent trademark infringement lawsuit, this time against luxury consignment retailer, The RealReal,² Chanel’s statement demonstratively elucidates not only its ferocity concerning its brand’s protection, but also its underlying fear of resale in general. Indeed, with fashion trade publication headlines that read “Gucci and The RealReal Announce a Game-Changing Partnership,”³ “Chanel and Farfetch Sign Exclusive Innovation Partnership,” and “Why Kering⁴ Invested in Vestiaire Collective,”⁵ unlike fashion trends themselves, resale and luxury brand partnerships are anything but fleeting. It is no wonder that resale’s⁶ exponential growth of late is both a rose and a thorn to the luxury market: some brands view resale as an opportunity, while others, who

1. Complaint at 11, *Chanel, Inc. v. The RealReal, Inc.*, 449 F. Supp. 3d 422, No. 1:18-cv-10626-VSB (S.D.N.Y. 2020) [hereinafter *Chanel Complaint*]. As of April 5, 2021, the Southern District of New York issued an order approving the parties’ joint stipulation to stay the case in favor of mediation, which remains pending. *See generally* Joint Stipulation & Ord., *Chanel, Inc. v. The RealReal, Inc.*, 449 F. Supp. 3d 422, No. 1:18-CV-10626 (S.D.N.Y. 2020) [hereinafter *Joint Stipulation & Ord.*].

2. The RealReal, *The RealReal Announces First Quarter 2021 Results*, GLOBE NEWSWIRE, <https://www.globenewswire.com/en/news-release/2021/05/10/2226667/0/en/The-RealReal-Announces-First-Quarter-2021-Results.html> [<https://perma.cc/4EAP-VMBA>]. The RealReal is one of the largest online luxury consignment retailers (and a public company) with eighteen brick-and-mortar retail locations across the country, having reported almost \$100 million in gross revenue in the first quarter of 2021. *About The RealReal*, <https://www.therealreal.com/about> [<https://perma.cc/P76E-5CSR>].

3. Emily Farra, *Gucci and The RealReal Announce a Game-Changing Partnership*, VOGUE (Oct. 5, 2020), <https://www.vogue.com/article/gucci-the-realreal-partnership-secondhand-consignment> [<https://perma.cc/TLK2-TJRW>].

4. Kering is a French based “global Luxury group” that “manages the development of a series of renowned Houses in Fashion, Leather Goods, Jewelry and Watches” such as Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, and others. The group prides itself on approaching luxury in a sustainable and responsible way. KERING, <https://www.kering.com/en/group/> [<https://perma.cc/RML4-7CJ5>].

5. Robert Williams, *Why Kering Invested in Vestiaire Collective*, BUS. OF FASHION (Mar. 1, 2021, 8:48 PM), <https://www.businessoffashion.com/articles/luxury/kering-acquires-5-stake-in-vestiaire-collective> [<https://perma.cc/LQG6-FTKY>].

6. Throughout this Note, “resale” or “resellers” shall collectively refer to resale/resellers, consignment/consignors.

firmly subscribe to a traditional luxury philosophy premised on scarcity and exclusivity, view it as a threat.

However, Chanel's declaration has far reaching implications and seemingly unintended consequences. Fundamentally, it reflects Chanel's principled belief that only Chanel (and perhaps by implication, any luxury brand) is capable of authenticating its products at any point in the commerce stream and on resale. But more importantly, Chanel implies that its registered marks and trademark law itself confer those exclusive rights. As the internet facilitated counterfeiting's proliferation and resale's global expansion, luxury brands naturally feared resale's consumer diversion and the resale of counterfeit marked goods. Worse still, luxury brands ultimately feared that counterfeits practically indistinguishable from the genuine product, known as "super fakes," were in higher demand than the genuine goods themselves. Relying almost exclusively on trademark protection, luxury brand mark holders forcibly expanded the boundaries of trademark law, invoking it as both a shield to protect against the unauthorized use of its marks and a sword to protect a mark's strength, "selling power,"⁷ and goodwill. No longer a mechanism to protect consumers from deception and confusion, trademark law became the vehicle mark holders invoked to preserve their brands.

With the law's inability to keep pace and gross limitations in failing to eradicate counterfeiting at the source, luxury brands find themselves with few means of legal recourse to effectively combat the dangers counterfeit products pose in commerce and especially in the resale market. As such, luxury brand mark holders recognized the need and opportunity to engage in the resale market by asserting resale authentication rights. Whether by suing resellers,⁸ "partnering" with resellers to position themselves as resale commerce stream authentication gatekeepers, or acquiring ownership interests in third-party resellers, luxury brands effectively added, like in a game of "pick-up sticks," an additional right to authenticate on resale to the trademark bundle. However, claiming this "resale right" contradicts the Lanham Act's legislative intent, which explicitly rejected resale rights for mark holders to preclude "bad monopolies." With a burgeoning resale market and luxury brands' legitimate concerns, the questions become these: (1) how can luxury brands engage in resale and/or ensure the authentication of their marked

7. Hugh C. Hansen et al., *Panel III: Trademark Dilution and Its Effects on the Marks of Big and Small Business*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1025, 1028 (2009).

8. "Resellers" herein refers generally to reseller and consignment retailers, which include, but are not limited to, e-commercial businesses such as The RealReal, What Goes Around Comes Around, and Fashionphile.

goods in resale without triggering anti-trust and/or monopoly scrutiny; and (2) how can resellers effectively withstand luxury's challenges to its authentication methods and overall business legitimacy?

This Note examines how the nature of luxury, the internet's proliferation of counterfeiting, and the facilitation of resale's unparalleled growth, has forced luxury brands to push the boundaries of trademark law to claim a post-first sale authentication right and its unintended consequences. Part I examines underlying luxury philosophies and how trademark law consequently evolved from protecting consumers against confusion and deception to affording brand protection. Part II explores how the evolution and growth of counterfeiting and resale necessitated brands' reliance on their registered trademarks to protect their brands and the issues surrounding authentication as the basis for why luxury brands engage in resale. Part III addresses how luxury brands "engage" in resale and how their exercise of resale authentication rights effectively constitutes adding a post-first sale authentication right to their trademark bundle—and the consequences thereof. Part IV proposes several legislative, legal, and business solutions for resellers and luxury brands alike, including: (1) their respective resale engagement strategies that respect the Lanham Act's boundaries; (2) strategies to solidify respective legal and market positioning; and (3) partnership opportunities between resellers and luxury brands to pool resources in fighting their common enemy in counterfeiting.

II. LUXURY BRANDS' EXCLUSIVITY IS REINFORCED THROUGH RELIANCE ON TRADEMARK RIGHTS

A. Exclusivity Is the Heart of Luxury

"[A] woman spending in excess of \$1,000 for a pair of shoes is probably not buying those shoes because of their role in comfortably protecting her feet."⁹

While many definitions of luxury exist,¹⁰ Coco Chanel's remains among the most notable: "[l]uxury is a necessity that begins where necessity

9. Ben Kleinman, *Luxury Markets, Antitrust, and Intellectual Property: An Introduction*, 90 J. PAT. & TRADEMARK OFF. SOC'Y 742, 744 n.2 (2008).

10. Theorists and luxury experts define luxury in various ways. Some define luxury as "things which are not necessary, but which give you pleasure or make life more comfortable." *Definition of 'Luxury Goods'*, COLLINS ENG. DICTIONARY, <https://www.collinsdictionary.com/dictionary/english/luxury-goods> [<https://perma.cc/AS3D-GFVM>]. While others regard luxury as possessing characteristics, such as: (1) a qualitative hedonistic product made to last; (2) offered at a price far exceeding what its functional value commands; (3) tied to a heritage culture; (4) that is

ends.”¹¹ Luxury is more than affording additional comfort or pleasure. It is inextricably tied to economic and social stratification, and thus, exclusivity. Central to luxury brands’ identity, luxury preserves its exclusivity through high price tags few can afford¹² and tightly controlled, select distribution.¹³ Viewed as something to be earned and cherished, luxury creates actual and perceived exclusivity by “set[ting] up the necessary obstacles to the straining of desire, and keep[ing] them in place,” whether they be geographic (a limited number of stores located in high-fashion, select cities that are often expensive to travel to); financial (expensive to buy and to access); or strategic (years long waitlists for an entry level Hermes Birkin bag with upwards of a

purposefully restricted and offered only through controlled distribution; (5) offered with personalized accompanying services; and (6) representing a social market making the owner or beneficiary feel special, with a sense of privilege. See J.N. KAPFERER & V. BASTIEN, *THE LUXURY STRATEGY: BREAK THE RULES OF MARKETING TO BUILD 47* (2d ed. 2012). Indeed, exclusivity exists both in owning something few others do and in excluding others from so doing. See *id.* at 103. Some distinguish luxury goods from luxury itself: “The high-quality and creative ready-to-wear is identified as a luxury symbol”; “Luxury is research, the chance to experience new routes, to find new and not predictable or already seen solutions. Experimentations are luxury. And it’s a fortune finding them and being able to have them.” Franca Sozzani, *What Is the Meaning of Luxury?*, *VOGUE ITALIA* (Mar. 5, 2011, 8:00 AM), <https://www.vogue.it/en/magazine/editor-s-blog/2011/03/march-5th> [<https://perma.cc/58ZM-AFPN>].

11. Woody Hochswender, *Review/Television; The Chanel Who Created the Fashions*, *N.Y. TIMES* (July 25, 1989), <https://www.nytimes.com/1989/07/25/movies/review-television-the-chanel-who-created-the-fashions.html> [<https://perma.cc/3SKV-69HA>] (quoting Gabriella “Coco” Chanel).

12. Kleinman, *supra* note 9, at 748–49 (explaining that luxury’s goal is to “enable invidious comparison by being expensive” and “limit pecuniary emulation by being priced out of the range of the masses.”).

13. Luca Solca, *How Luxury Brands Sell ‘Exclusive’ Goods by the Millions*, *BUS. OF FASHION* (June 22, 2020, 5:20 AM), <https://www.businessoffashion.com/opinions/luxury/luxury-exclusivity-pricing-chanel-louis-vuitton-dior> [<https://perma.cc/U7UM-FSWJ>].

\$10,000 price tag¹⁴) to enhance their allure and covet-ability.¹⁵ As such, luxury brands utilize every means available to them to curate a unique experience—from elaborate campaigns to a rich boutique experience replete with custom scents, sights, sounds, and logo-embossed cocktail napkins, which work to enhance and preserve their respective messaging and experience. Consumers, in turn, regard the ownership of luxury goods as more than just a symbol of social status or economic stature. Indeed, purchasing luxury goods is an investment in assets¹⁶ that at worst will hold their value,¹⁷ and at best, appreciate over time.¹⁸

14. The waitlist for Hermès' Birkin and Kelly bags can extend up to and beyond six years. *Hermès First Time Buyer Guide*, BAGHUNTER, <https://baghunter.com/blogs/insights/hermes-hand-bag-first-time-buyer-guide> [<https://perma.cc/ZYN7-9UZ9>]; see also Patricia Ann Hitzler & Günter Müller-Stewens, *The Strategic Role of Authenticity in the Luxury Business*, in SUSTAINABLE MGMT. OF LUXURY: ENV'T FOOTPRINTS AND ECO-DESIGN OF PRODS. AND PROCESSES 29, 45 (M.A. Gardetti ed., 2017) (explaining how in the case of Hermes, clientele must visit a company-run boutique, located in only a handful of cities, to be deemed eligible to even purchase a bag. If a person is so deemed, Hermes places their name at the end of a two year waiting list—a sign of “one of the last true luxury suppliers could simply increase the number of craftsmen to meet the growth in demand. But this approach would contradict the company’s philosophy. . . . Instead, as a result of this practice, it secures its authentic position. Profit motives thus take a back seat.”).

15. J.N. KAPFERER & V. BASTIEN, *THE LUXURY STRATEGY: BREAK THE RULES OF MARKETING TO BUILD*, 71 (2nd ed. 2012); see *Hermès First Time Buyer Guide*, *supra* note 14; see also Hitzler & Müller-Stewens, *supra* note 14, at 45.

16. See *Unraveling Kering's Investment in Vestiaire Collective*, BUS. OF FASHION (Mar. 5, 2021) (downloaded using iTunes) (where Max Bittner, Vestiaire's Chief Executive Officer, describes luxury branded as “assets and not just consumer goods” because of their high residual value).

17. A pre-owned Hermès, Kelly, or Birkin bag in “good condition” can “fetch up to or more than 80 percent of what the previous owner invested, a bag in excellent condition up to or more than 100 percent of what the previous owner invested, and a bag in pristine condition up to or more than 120 percent of the previous owner invested [sic].” *Are Birkin Bags Really a Better Investment than Stocks and Gold? One Company is Actively Testing that Theory*, FASHION L. (Mar. 26, 2020), <https://www.thefashionlaw.com/are-birkin-bags-really-a-better-investment-than-stocks-and-gold-one-company-is-actively-testing-that-theory/> [<https://perma.cc/FL4H-AS62>]. Indeed, many investment analysts regard investing in a Birkin bag as a better investment than in the stock market. See Nina Golgowski, *Hermes Handbags Are A Better Investment Than The Stock Market*, *Study Says*, HUFFPOST (Jan. 14, 2016, 2:55 PM), https://www.huffpost.com/entry/hermes-bags-investment_n_5697a827e4b0ce496423521e [<https://perma.cc/F8GM-W75M>].

18. Baghunter, a Beverly Hills online luxury handbag retailer, stated: “Hermès Birkin handbags are a better investment—on an annualized basis—than gold and the stocks in the S&P 500 index.” *Are Birkin Bags Really a Better Investment than Stocks and Gold? One Company is Actively Testing That Theory*, *supra* note 17 (citing *The Investment Value of Hermès*, BAGHUNTER, <https://baghunter.com/blogs/news/investment-value-of-hermes> [<https://perma.cc/RNS8-UGJ3>]) (claiming a Hermes Birkin handbag's value increased 500 percent in the last thirty-five years). Having studied the market swings over a thirty-five-year period leading up to present, as between

B. With Few Other Means of Legal Recourse or Protection, Luxury Brand Trademark Holders Rely Almost Exclusively on Trademark Law for Mark and Brand Protection

1. As Drafted, the Lanham Act Sought to Protect Consumers Against Confusion and Deception by Granting Mark Holders Limited, Exclusive Trademark Use

The principles underlying luxury—durability, quality, and exclusivity—are embodied not only in the brand curated consumer experience and in the products themselves, but in the trademarks they bear. Consumers readily recognize two interlocking black “Cs” as Chanel vertically descending and overlapping “Y,” “S,” and “L,” as Yves Saint Laurent (now referred to as Saint Laurent), and an “L” overlapping a “V” as Louis Vuitton. Consumers also associate distinctive colors, such as red on the sole of a shoe as Christian Louboutin, red and green striped webbing as Gucci, and robin’s egg blue as Tiffany. These marks, and many others, are just a few examples of luxury brand trademarks that, along with the products that bear them, are a brand’s most valuable asset. And once a consumer is willing to pay for a product simply because it bears a famous trademark,¹⁹ trademark protection becomes all the more imperative for brands to obtain and protect at all costs.

However, trademark holders have few means of legal recourse or protections,²⁰ other than trademark law as established by the Lanham Act, on which to protect these assets. Passed in 1946,²¹ the Lanham Act protects

investing in a Birkin handbag, gold, or the stock market, the Birkin constituted “the safest and least volatile investment,” having not been subject to the market’s ebbs and flows. *Id.* More often than not, luxury goods, and especially Hermes products, “are more expensive to buy used than new.” *Id.*

19. Kleinman, *supra* note 9, at 747.

20. Indeed, copyright law does not afford protection for fashion designs, despite noble efforts to pass legislation. *See* S. REP. NO. 112-259 (2012); *see also* Sara R. Ellis, *Copyrighting Couture: An Examination of Fashion Design Protection and Why the DPPA and IDPPPA are a Step Towards the Solution to Counterfeit Chic*, 78 TENN. L. REV. 163, 165–66, 174 (2010). While patent law can afford protection under narrow circumstances via design or utility patent, it is generally inapplicable to fashion design in general. *See id.* at 178–79; *see generally* *Intellectual Property 101: A Primer*, FASHION LAW (Apr. 26, 2020), <https://www.thefashionlaw.com/intellectual-property-rights-a-primer/> [<https://perma.cc/D66Y-JPDG>].

21. In 1870, Congress passed the first federal act conferring trademark protection which permitted trademarks to be registered irrespective of whether they were used in interstate or foreign commerce. However, the Supreme Court ruled the act unconstitutional, as it exceeded Congress’ power under the Commerce Clause from which trademark rights derive. Indeed, the Court specifically distinguished copyrights and patent rights from that of trademark on ground that while the Constitution protects the “right to promote the progress of science and the useful arts by securing

trademarks, which originally constituted a registered word, name, symbol, device, or any combination used in commerce to: (1) identify and distinguish the marked goods from those manufactured or sold by others; (2) indicate the source of the goods; and most significantly, (3) protect consumers against confusion or mistake, or an intent to deceive the consumer through a mark's unauthorized use.²² Long regarded as copyright and patent law's "ugly step-sibling," trademark law's legal origins were based on "priority of appropriation";²³ whereas copyright and patent law derive from Constitutional origins, affording rights "to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."²⁴ At the time it was passed, the Lanham Act protected only fanciful²⁵ and arbitrary²⁶ marks and remedied earlier trademark legislation's inadequacies, which permitted perpetual ownership of a mark without the need for re-registration, even without

for limited times to authors and inventors the exclusive right to their respective writings and discoveries," trademarks fell outside that realm, as they were "simply founded on priority of appropriation." 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:3 (5th ed. 2021) (citing *In re Trade-Mark Cases*, 100 U.S. 82 (1879)). It was not until three decades later, in 1905, that Congress enacted the first modern trademark statute, which by today's standards was limited in scope to protecting only fanciful and arbitrary marks. *See id.* Even after amendment, the Act proved insufficient, effectively precluding the registration of service marks and permitting perpetual ownership of a mark once registered without the need for re-registration or even commercial use. *Id.* Ironically, it was at an American Bar Association meeting in 1920 that the Lanham Act was originally conceived. After several drafts and years of Congressional hearings, the Lanham Act as we know it today, was passed in 1946, and took effect in 1947. *See* 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:4 (5th ed. 2021).

22. 15 U.S.C. §§ 1114, 1127.

23. 1 MCCARTHY, *supra* note 21, § 5:3.

24. *Id.*

25. A fanciful mark "comprise[s] terms that have been invented for the sole purpose of functioning as a trademark or service mark. Such marks comprise words that are either unknown in the language (e.g., PEPSI, KODAK, and EXXON) or are completely out of common usage (e.g., FLIVVER)." *Trademark Manual of Examining Procedure*, USPTO (Sept. 12, 2021), <https://tmep.uspto.gov/RDMS/TMEP/Oct2012#/Oct2012/TMEP-1200d1e7036.html> [<https://perma.cc/8CML-WNCH>].

26. An arbitrary mark "comprise[s] words that are in common linguistic use but, when used to identify particular goods or services, do not suggest or describe a significant ingredient, quality, or characteristic of the goods or services (e.g., APPLE for computers; OLD CROW for whiskey)." *Id.*

commercial use.²⁷ The Lanham Act effectively created limited monopoly power for trademark holders by imposing durational limitations for a mark's ownership. This ensured that trademarks were not "a governmental grant of an exclusive right; . . . [they] [we]re the antithesis of monopoly, making possible a choice between competing articles by giving the consumer distinguishing symbols" that "protect both [the] seller and consumer from fraud and misrepresentation."²⁸

Trademark law also focuses on consumer protection. Congress recognized that trademarks constitute a "visual symbol of the good will and reputation that a business has built up"²⁹ deserving of "protect[ion] in the exclusive use thereof."³⁰ To facilitate the protection of their marks, the Lanham Act confers trademark holders private rights of action to assert direct³¹ and indirect³² trademark infringement claims and associated derivative claims for unfair competition, false endorsement,³³ as well as counterfeiting³⁴ against any perceived infringers. These rights and causes of actions are central to trademark law and protection in that they aim to inhibit the type of competition³⁵ that could otherwise deceive and confuse consumers³⁶ as to a product's

27. See MCCARTHY, *supra* note 21, § 5:3.

28. *Id.* § 5:4.

29. *Id.* § 3:2.

30. *Celotex Co. v. Millington*, 49 F.2d 1053, 1054 (C.C.P.A. 1931).

31. Direct infringement occurs when a "reproduction, counterfeit, copy or colorable imitation of a registered mark" is used in commerce "in connection with the sale . . . [of] goods . . . with which such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a); *see also* *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 855 n.14 (1982).

32. Indirect, or contributory infringement, occurs when a party intentionally induces another party to infringe on a third-party's registered trademark; or when a party continues to supply its product to one whom it knows or has reason to know it is engaging in trademark infringement. *See Inwood Laboratories, Inc.*, 456 U.S. at 854.

33. *See* 15 U.S.C. § 1125(a).

34. *See id.* §§ 1114(1), 1116(d)(1)(A).

35. *See* Jessica M. Kiser, *Brands as Copyright*, 61 VILL. L. REV. 45, 50–52 (2016).

36. *See* *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495–96 (2d Cir. 1961) ("Courts consider eight factors, known as the "Polaroid factors" in assessing whether "a likelihood for confusion" exists for the ordinary prudent consumer"); Chad Gilson, *Putting the Brakes on*

origin or as to an affiliation between the mark holder and its unauthorized user. This is especially true of counterfeiting. Regarded as an aggravated form of trademark infringement that “seeks to trick the consumer into believing he or she is getting the genuine article,”³⁷ Lanham Act drafters treated the production, selling, or introduction of a product bearing a counterfeit mark into commerce as a strict liability offense, intending to protect the consumer public regardless of the offender’s intent.³⁸

2. The Internet’s Growth and Luxury Mark Holders’ Reliance on Trademark Law Expanded Trademark Law’s Focus from Protecting Consumer Rights to Protecting the Mark Holders’ Brands Themselves

The internet’s growth prompted revolutionary change in how the world conducts business. As commerce traversed state boundaries into international ones, trademark law followed suit, shifting in focus and expanding in scope to protect not simply the consumer public, but the strength and integrity of mark holders’ brands themselves. A “tool of commerce,”³⁹ trademark law’s breadth grew alongside commerce itself, prompting trademark holders to develop additional means through which to convey source identification. Following suit, the Lanham Act expanded to include trade dress, or things “that signal[ed] source,”⁴⁰ affording mark holders exclusive rights to use

Monopolistic Trademark Expansion: Where the First Sale Defense Stands Against Post-Sale Confusion in the Wake of Automotive Gold v. Volkswagen, 37 U. DAYTON L. REV. 223, 227–28 (2012) (“No single factor is dispositive, and the court balances them in evaluating whether a likelihood for confusion exists”).

37. *Gucci Am. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 242 (S.D.N.Y. 2012).

38. *See Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 156 (E.D.N.Y. 2016) (citing *Fitzgerald Publ’g, Co. v. Baylor Publ’g Co.*, 807 F.2d 1110, 1113 (2d Cir. 1986)) (“trademark infringement . . . is a strict liability offense, meaning ‘intent or knowledge is not an element of infringement.’”). Though subsequent legislation, namely the 1984 Federal Counterfeiting Act, contemplated including a two-part Safe Harbor provision which could relieve a potential infringer of liability, the final version ultimately excluded the provision, and revision of the Lanham Act’s strict liability remains unchanged. *See* 130 CONG. REC. H12076-77, 12077 (daily ed. Oct. 10, 1984) (statement on trademark counterfeiting legislation).

39. Kiser, *supra* note 35, at 50.

40. Timothy Greene, *Trademark Hybridity and Brand Protection*, 46 LOY. UNIV. CHI. L.J. 75, 86 (2014).

registered scents, colors, and even tactile feelings.⁴¹ The advent of trade dress protection signaled the beginning of trademark law's evolution, as trademark law became more than simply a device to convey "otherwise indiscernible information concerning a product,"⁴² and a means to save consumers "search costs made possible by the information or reputation the trademark conveys or embodies about the brand"⁴³ and its "expected quality."⁴⁴ Rather, trade dress "recognize[d] the investments being made by trademark owners in the larger notion of the trademark-affiliated brand."⁴⁵ Through judicial construct and later legislative amendment, Congress promulgated first the 1995 Federal Dilution Trademark Act ("FTDA")⁴⁶ and further expanded trademark protection to protect against cyber-squatting in enacting the Anti-Cybersquatting Consumer Protection Act ("ACPA") in 1999.⁴⁷ The enactment of both of these statutes unequivocally reshaped

41. *See id.* at 86–87; *see also* 15 U.S.C. § 1125(a)(3). Historically, trade dress "referred only to the manner in which a product was 'dressed up' to go to market with a label, package display card and similar packaging elements." *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 31 (2d Cir. 1995). The modern view of trade dress is much more expansive and is defined as a product's "total image" or "overall appearance" and "may include features such as size, shape, color or color combinations, texture, graphics or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980, 984 (11th Cir. 1983) (cited with approval in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 764 n.1 (1992)).

42. Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 371 (1999).

43. Greene, *supra* note 40, at 85; *see also* *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (precluding others from using one's trademark to source identify "reduces the customer's costs of shopping and making purchasing decisions . . . [as it] quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.>").

44. *See Trademark Counterfeiting Act of 1982: Hearing on S.B. 2428 Before the S. Judiciary Subcomm.*, 97th Cong., 12 (1982) (statement of William F. Baxter).

45. Kiser, *supra* note 35, at 61.

46. 15 U.S.C. § 1125(c). The FTDA protected famous marks from third-party uses that "blurr[ed]" or "tarnish[ed]" it, where the third-party's use impaired the distinctiveness of the famous mark—not because the use actually confused or diverted consumers in diminishing competition. *See id.* Use of a mark without fear of dilution is permissible in advertising or for promotional purposes when referenced for identification, for non-commercial use, and in all forms of news reporting and commentary. *See id.* §§ 1125(c)(1), (c)(3)(A–C); *see, e.g.*, *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 431 (2003).

47. 15 U.S.C. § 1125(d). The ACPA created a cause of action against an individual who in bad faith intended to profit off another's protected mark, including one's personal name, by registering, trafficking, or using a domain name identical or "confusingly similar" to the mark, or in the

trademark law, evidencing an unprecedented expansion of rights.⁴⁸ A trademark claim could now be brought under the FTDA or ACPA “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”⁴⁹ Now, senior mark holders could arguably sue the owners of junior marks even where there was no confusion or likelihood for confusion and where no measurable economic harm was suffered.⁵⁰ Focused squarely on protecting the mark holder and not the consumer, Congress’ enactment of the FTDA reframed trademark law as one of brand protection.⁵¹ Indeed, in recognizing the trademark owners’ significant investment in the mark and the “aura of the mark itself,”⁵² trademark law extended to protect the goodwill the brands’ investment in its trademarks generated.⁵³ Consequently, Congress effectively encouraged mark holders to invest in their marks and brands.⁵⁴ This “creeping expansion of trademark protections” bolstered mark holders’ otherwise limited ability to police their rights in order to maintain them and uphold the value of their brand and exclusivity of

case of a famous mark distinctive at the time of the domain name’s registration, is “identical or confusingly similar to or dilutive of that mark.” *Id.* § 1125(d)(1)(A)(i–ii).

48. See Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1697–98 (1999); see also Kiser, *supra* note 35, at 62–63 (proffering that the codification of dilution protection was done “at the expense of the public domain,” as dilution claims can be brought regardless).

49. 15 U.S.C. § 1125(c)(1).

50. Kiser, *supra* note 35, at 63.

51. See *id.* at 63–64.

52. H.R. Rep. No. 104-374 (1995).

53. See MCCARTHY, *supra* note 21, at § 2:17 (citing to Porous Media Corp. v. Pall Corp., 173 F.3d 1109, 1122 (8th Cir. 1999)) (a mark’s good will reflects the “likelihood” and “human propensity to continue doing business with a seller who has offered goods and services that the customer likes and . . . fulfill[s] her needs.”); see *id.* § 2:19 (citing to Washburn v. Nat’l Wall-Paper Co., 81 F. 17, 20 (2d Cir. 1897)) (“[T]here has been produced an element of value quite as important—in some cases, perhaps far more important—than the plant or machinery with which the business is carried on. That [good will] is property is abundantly settled by authority and indeed, is not disputed.”).

54. See Irina D. Manta, *Branded*, 69 SMU L. REV. 713, 724–25 (2016) (citing to Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1896 (2013)). Affording dilution protection now protected mark holders even in the case where their marks might have lost prestige or value as a result of a junior mark or even if their ability to enter new markets was impeded. *Id.* at 728.

their product but not without criticism that trademark law boundaries were being pushed too far.⁵⁵

3. A Trademark Holder's "Bundle of Rights" Constitutes a Legal, Limited Monopoly Because the First Sale Doctrine Expressly Limits Mark Holder's Rights in Both Scope and Duration

Because the Lanham Act confers trademark holders' exclusive rights⁵⁶ to control the use of their registered mark, theorists rightfully regard trademark law as a form of intangible property law.⁵⁷ It follows that a mark holder, like a real property owner, is conferred a bundle of rights the holder can exercise in protecting its property, including the most fundamental of property rights: the right to exclude others.⁵⁸ In addition to exclusionary rights, the Lanham Act's "bundle of rights"⁵⁹ also includes a trademark holder's right to: (1) exclusively use its registered mark to identify the source of its goods to prevent consumer confusion;⁶⁰ (2) alienate the mark;⁶¹ (3) preserve an owner's investment and goodwill in its mark and in the mark's

55. Adam Mossoff, *What Is Property? Putting the Pieces Back Together*, 45 ARIZ. L. REV. 371, 423 (2003); see generally Lemley, *supra* note 48 (detailing and criticizing the expansion of trademark protection).

56. See *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) ("[t]he Lanham Act may well contain provisions that protect constitutionally cognizable property interests—notably, its provisions dealing with infringement of trademarks, which are the 'property' of the owner because he can exclude others from using them," thereby rendering exclusive use of the trademark an essential right of trademark law).

57. See Sigmund Timberg, *Trade-Marks, Monopoly, and the Restraint of Competition*, 14 L. & CONTEMP. PROBS. 323, 323 (1949).

58. Mossoff, *supra* note 55, at 414.

59. *Id.* at 415; see also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:10 (5th ed. 2021) (While "a 'trademark' is physically evident as a designation appearing on a product or in an ad on an internet page . . . legally it is a bundle of rights in intellectual property.").

60. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 817–18 (1927).

61. 1 McCarthy, *supra* note 21, § 5:3 (noting that trademark holders are able to sell or license their marks, just as much as marks can be bought. Goodwill transfers with the alienation of any mark, as it cannot exist apart from it).

value and strength;⁶² (4) a legislatively codified, private infringement right of action against the mark's misuse or misappropriation;⁶³ (5) the right to remedies for harm caused as a result of the mark's infringement or other misuse/misappropriation;⁶⁴ and (6) the right to control distribution of the mark through the first sale,⁶⁵ among others.

Though deemed “exclusive,” the trademark bundle of rights is tempered with exceptions as non-mark holders may use another's registered mark in commerce for identification purposes—also known as “nominative fair use”⁶⁶—without infringing thereon or may license a mark from the mark holder for delineated purposes. Trademark rights are also limited in duration pursuant to the first sale doctrine. Derived from copyright law and applied through judicial construction to trademark,⁶⁷ the first sale doctrine exhausts a trademark holder's exclusive distribution rights upon the first sale of goods bearing the trademark.⁶⁸ Therefore, “[r]esale [of genuinely marked goods] by the first purchaser of the original article”⁶⁹ does not constitute infringement nor unfair competition.⁷⁰ The rationale follows that even though

62. 15 U.S.C. § 1125(a), (c), (d).

63. *Id.* § 1114(1).

64. *Id.* § 1117.

65. *Sebastian Int'l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1075 (9th Cir. 1995); see also 1 LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 22:47 (4th ed. 2003).

66. Nominative fair use or using a mark to describe or identify the goods, does not constitute trademark infringement. See *Century 21 Real Est. Corp. v. Lendingtree, Inv.*, 425 F.3d 211, 219–20 (3d Cir. 2005) (holding that where use of the mark “does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different one . . . [s]uch nominative use of a mark—where the only word reasonably available to describe a particular thing is pressed into service—lies outside the structures of trademark law); see also Yvette Joy Liebesman & Benjamin Wilson, *The Mark of a Resold Good*, 20 GEO. MASON L. REV. 157, 183–84 (2012).

67. The first sale doctrine as codified in the Copyright Act, 17 U.S.C. § 109, provides that an individual who knowingly purchases a copy of a copyrighted work from the copyright holder receives the right to sell, display, or otherwise dispose of that particular copy, notwithstanding the interests of the copyright owner. The right to distribute ends, however, once the owner has sold that particular copy. See 17 U.S.C. § 109(a), (c).

68. See *Sebastian Int'l, Inc.*, 53 F.3d at 1075.

69. *Id.* at 1074.

70. Liebesman & Wilson, *supra* note 67, at 188–89 n.218. Resale by the first purchaser of the original article under the producer's trademark is neither trademark infringement nor unfair

subsequent resales may occur without the trademark owner's consent, there is no consumer confusion as to the origin of the goods because "the origin has not changed as a result of the resale."⁷¹ Unlike copyright law, however, the first sale doctrine remains uncodified and is often treated as an affirmative defense to infringement allegations whereby a trademark defendant bears the burden of proving it resold genuine, lawfully acquired goods.⁷²

Nevertheless, limiting trademark holders' rights through the first sale evidences the law's clear "distaste"⁷³ for alienation restraints on property in only allowing "the holder of intellectual property rights to obtain the price for its creations only once."⁷⁴ Indeed, conferring any "exclusive" right historically triggered fear and a knee-jerk reaction that so doing would yield an "illegal" monopoly⁷⁵ on that sale of goods such that "the public would be injured rather than protected, for competition would be destroyed."⁷⁶

competition. *Sebastian Int'l, Inc.*, 53 F.3d at 1076. Note that the first sale doctrine does not apply to trademarked goods that are materially different from those sold by the trademark owner. *Softman Prods. Co. v. Adobe Sys. Inc.*, 171 F. Supp. 2d 1075, 1092 (C.D. Cal. 2001).

71. *Davidoff & Cie, S.A. v. PLD Int'l Corp.*, 263 F.3d 1297, 1301–02 (11th Cir. 2001) (internal citations omitted).

72. David W. Barnes, *Free-Riders and Trademark Law's First Sale Rule*, 27 SANTA CLARA COMPUT. & HIGH TECH. L.J. 457, 465 (2011).

73. *Id.* at 458.

74. *Id.*

75. *U.S. v. E.I. du Pont De Nemours & Co.*, 351 U.S. 377, 393 (1956) (Trademark law generally regards a trademark as a limited and legal monopoly right, whereas illegal monopolies are the subject of antitrust law, which prevents a single company from controlling the market and preserving competition.); *see generally* 15 U.S.C. §§ 1, 2; *see generally* 15 U.S.C. §§ 12–27. Courts have been careful to differentiate between trademark "monopolies" and antitrust "monopoly theory," noting that the latter analysis is grounded in economic and mathematical methodologies (e.g. assessing percentages of ownership of overall market shares) in deterring anti-competitive conduct. *See* Harold R. Weinberg, *Is the Monopoly Theory of Trademarks Robust or a Bust?*, 13 J. INTELL. PROP. L. 137, 156–57 (2005).

76. Weinberg, *supra* note 75, at 141 (quoting *Canal Co. v. Clark*, 80 U.S. 311, 320–22 (1871)); *see also* *Bell Canto Design, Ltd. v. MSS HiFi, Inc.*, 837 F. Supp. 2d 208, 222–23 (S.D.N.Y. 2011) ("As a general matter, 'trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner'. . . . [nor] does [it] give mark holders the right to control subsequent, non-authorized resales, as long as the product sold is genuine.").

However, with “rights to a name only,”⁷⁷ and imposed requirements as to time, use, and scope,⁷⁸ legal scholars and judges alike rebutted concerns that trademarks “partake of the evil aspects of an illegal ‘monopoly’”⁷⁹ because trademark protection is ultimately “socially desirable,”⁸⁰ and does not pose the same threats that other forms of intellectual property could.⁸¹ Though trademark is often considered a limited monopoly,⁸² and fundamentally regarded as both a source identifier and means of preserving goodwill,⁸³ experts reasoned that “there is a monopoly [only when] there is no need for any distinguishing.”⁸⁴ Moreover, merely possessing limited monopoly power is not per se illegal—it is the possession of monopoly power coupled with anti-competitive conduct that poses the greatest “danger to the competitive picture,”⁸⁵ as it pushes the boundaries of trademark law into conferring “bad” monopoly power.⁸⁶

To balance the need for mark holders’ to have exclusive rights to use their mark in commerce along with the desire to prevent “bad monopolies,”

77. *Clorox Co. v. Sterling Winthrop, Inc.*, 117 F.3d 50, 56 (2d Cir. 1997).

78. Generally speaking, after registering one’s trademark, the mark holder must use it in commerce and file documentation between the fifth and sixth year after registration demonstrating its continued use. As long as the mark is used in commerce and the proper fees are paid and papers filed, the trademark can remain registered to that mark holder for its exclusive use indefinitely. *See Keeping Your Registration Alive*, USPTO, <https://www.uspto.gov/trademarks/maintain/keeping-your-registration-alive> [https://perma.cc/Z9TY-8X9Y].

79. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:12 (5th ed. 2021); *see also* S. REP. NO. 79–1333, at 3 (1946), *as reprinted in* U.S.C.C.A.N. 1275 (assuring that in protecting trademarks, it “can be done without any misgivings and without the fear of fostering hateful monopolies, for no monopoly is involved in trade-mark protection.”).

80. Weinberg, *supra* note 75, at 145 (quoting *Standard Brands v. Smidler*, 151 F.2d 34, 42 (2d Cir. 1945)).

81. *Clorox Co.*, 117 F.3d at 56.

82. *Artype, Inc. v. Zappulla*, 228 F.2d 695, 696–97 (2d Cir. 1956).

83. *See* Weinberg, *supra* note 75, at 142–43.

84. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:12 (5th ed. 2021) (citing to Rogers, Goodwill, Trademarks and Unfair Trading 51 (1914)).

85. *Id.*

86. *See infra* Section IV.D.

the Lanham Act drafters ultimately rejected the notion of protecting mark holders' rights in perpetuity and limited them in duration through the first sale.⁸⁷ While early drafts of the Lanham Act actually afforded mark holders rights to control their marked goods on resale,⁸⁸ legislators ultimately refused to confer resale rights to mark holders because concentrating unlimited control in mark holders' hands would empower original manufacturers with rights "to control remote sellers, distributors or repairers,"⁸⁹ and "vest in the original manufacturer of trademarked products extensive control over distributors of both new and second-hand products and materials."⁹⁰ Conferring seemingly unfettered resale rights would also "seriously interfere with legitimate activities" of the resale market.⁹¹

In striking mark holders' resale rights from the Lanham Act, the drafters recognized that ultimately, "trade-mark is only property in a limited sense."⁹² As a trademark can be transferred with its business, the mark owner retains the right to enforce the mark against its competitors insofar as it

87. See generally 15 U.S.C. § 1114.

88. Sec. 32(3) of the draft Lanham Act provided in relevant part that "[i]f goods bearing a registered mark have been put on the market by or with the authority of the registrant of a registered mark or in any package or other container bearing said mark and a notice that the goods may be resold only unaltered or unrenovated or in the original package or container and said goods or any part thereof have, without the authority of the registrant, been transferred to another package or container or been in any way altered or renovated, any person who shall, in commerce, make any use of or reference to said registered mark upon or in connection with the sale or advertising of such transferred or altered or renovated goods shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided." *Trade-Marks: Hearing on H.R. 82 Before a S. Subcomm. of the Comm. on Patents*, 78th Cong. 10 (1944) [hereinafter *Hearing on H.R. 82*].

89. *Id.* at 63; see *Trade-Marks: Hearing on S.B. 895 Before a Subcomm. of the Comm. on Patents*, 77th Cong. 39 (1942) [hereinafter *Hearing on S.B. 895*] (referencing the "provision giving the trade-mark [sic] holder dominance over the use of the mark in connection with the resale of the product."); see also *Hearing on H.R. 82*, *supra* note 88, at 72 ("Under this bill, . . . used equipment could not be handled without [the] permission of the original manufacturer. This would attach a restraint that runs along with the chattel after many sales. Inevitably such authorization will not be given unless the dealer follows the distribution program dictated by the original manufacturer [who is the mark holder, as discussed earlier in the transcript]. The original manufacturers now dictate to their own outlets the scrapping of machines which they built. They may be perfectly good machines, but buyers should have the opportunity to determine whether they want them. The [sic] dictate the prices, they dictate service costs, trade-in values, and so on.").

90. *Hearing on H.R. 82*, *supra* note 88, at 62.

91. *Id.*

92. *Id.*

protects the owner's goodwill against the sale of another's product as his own but not thereafter.⁹³ Imposing this durational limit on the mark holder's otherwise exclusive rights to use and control its mark, in addition to the five-year ownership period (which was subject to renewal so long as the mark remained in commercial use), struck the necessary balance in favor of good and against "bad monopoly" in both conferring exclusive rights to use the mark, but only for limited periods of time, subject to renewal to encourage ongoing commercial use. Over time, however, as luxury brands dipped their toes into the resale market, they tested the first sale doctrine's boundaries—but not without unintended consequences.

III. THE RISE AND UNPRECEDENTED GROWTH OF COUNTERFEITING AND CONSIGNMENT/RESALE FORCED LUXURY BRANDS TO PUSH THE BOUNDARIES OF TRADEMARK LAW

While the internet and e-commerce afforded many opportunities for businesses and luxury brands alike, with these immense growth opportunities came increased competition, risks, and threats in the form of counterfeiting and the growth of consignment and resale—threats which impacted luxury brands, their business models, client base, and luxury's future.

A. The Growth and Proliferation of Counterfeiting Has Undermined the Luxury Market

Counterfeiting⁹⁴ and the proliferation of sales of counterfeit luxury goods⁹⁵ of late have proven among the greatest threats to luxury brand mark holders. Yet, counterfeiting is hardly a new phenomenon.⁹⁶ Before the internet, lining Canal Street on the southern border of New York's trendy Soho neighborhood, vendors sold imitation luxury handbags,⁹⁷ including

93. *Id.*

94. Counterfeiting is an "aggravated form of trademark infringement" and defined as "the act of producing or selling a product with a sham trademark that is an intentional and calculated reproduction of the genuine trademark." 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:10 (5th ed. 2021).

95. The Lanham Act defines a counterfeit mark as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127.

96. See DEP'T. OF HOMELAND SEC., COMBATING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS: REPORT TO THE PRESIDENT OF THE UNITED STATES, at 4 (Jan. 24, 2020).

97. Jonathan M. Barnett, *Shopping for Gucci on Canal Street: Reflections on Status Consumption, Intellectual Property, and the Incentive Thesis*, 91 VA. L. REV. 1381 (2005). As of 2017,

knockoffs,⁹⁸ all at drastically reduced prices on undraped fold up tables.⁹⁹ Obviously of lesser quality than their authentic counterparts,¹⁰⁰ the imitation handbags bore luxury's most coveted trademarks—Gucci's "Gs," Chanel's mirror image "Cs," and Louis Vuitton's "LVs," among others. As law enforcement's increased presence relegated counterfeiters to back alleys, back rooms, or flea markets,¹⁰¹ the advent and growth of e-commerce transformed the once contained counterfeit market into an unpoliceable international enterprise designed to fund criminal or even terrorist activities.¹⁰² Now showcased on well-designed, seemingly legitimate e-commerce websites, these advertised "authentic" Gucci, Vuitton, or Hermes handbags are accessible to

the Organisation for Economic Cooperation and Development found that brands like Chanel, Louis Vuitton, Prada, Hermes, Gucci, and Dior are routinely among the most heavily targeted brands by counterfeiters. *The Counterfeit Report: The Big Business of Fakes*, FASHION L. (Oct. 11, 2019), <http://www.thefashionlaw.com/the-counterfeit-report-the-impact-on-the-fashion-industry/> [<http://perma.cc/MQ4Z-FP25>].

98. In New York, while a counterfeit employs a registered trademark, albeit in an unauthorized manner thereby constituting trademark infringement, a knock-off resembles but does not employ the registered trademark on the item and is legal under New York law. See Barnett, *supra* note 97, at 1394.

99. See, e.g., Betsy Hilliard, *Guide to Buying Fake Handbags in New York City*, BETSY BAGS, <https://betsybags.com/fake-handbag-guide-nyc/> [<https://perma.cc/2GD4-ENR2>]; Alice Hines, *Knockoff: Another Day at the Office—on Canal Street with Counterfeit Vendors*, VILLAGE VOICE (May 18, 2016), <https://www.villagevoice.com/2016/05/18/knockoff-another-day-at-the-office-on-canal-street-with-counterfeit-vendors/> [<https://perma.cc/6TXU-HYEP>].

100. 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:10 (5th ed. 2021).

101. See, e.g., *Coach, Inc. v. Gata Corp.*, No. 10-cv-141-LM, 2011 U.S. Dist. LEXIS 45045, at * 10–12, 27 (C.D. Cal. Apr. 26, 2011) (granting plaintiff Coach's motion for summary judgment, finding defendant flea market operator liable for contributory trademark infringement because it knew its vendors were selling counterfeit Coach products, thereby engaging in direct trademark infringement).

102. See Peter S. Sloane, *Trademark Vigilance in the Twenty-First Century: An Update*, 30 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1197, 1201, 1207 (2020); see also 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:10 (5th ed. 2021) (citing David Johnston, *Fake Goods Support Terrorism, Interpol Office is set to Testify*, N.Y. TIMES (July 16, 2003), <https://www.nytimes.com/2003/07/16/us/threats-responses-money-trail-fake-goods-support-terrorism-interpol-official.html> [<https://perma.cc/4TRE-L2SR>]); see also Jon Ungoed-Thomas, *Designer Fakes Are Funding Al-Qaeda*, SUNDAY TIMES (Mar. 20, 2005, 12:00 AM), <https://www.thetimes.co.uk/article/designer-fakes-are-funding-al-qaeda-rhcq8wcd9kk> [perma.cc/XBF9-VLV4]; see also Ezra Marcus, *Inside Virgil Abloh's Trademark Ballet*, N.Y. TIMES (Apr. 21, 2021), <https://www.nytimes.com/interactive/2021/04/21/style/off-white-papers.html> [<https://perma.cc/ABH9-6HBF>].

the world with a single click of a button with few or any barriers to trade or inspection and even fewer means of monitoring and regulating their production or sales.¹⁰³ Counterfeit good sales accounted for 40% of all e-commerce transactions in 2019¹⁰⁴ and grew from \$5.5 billion dollars in 1982¹⁰⁵ to \$200 billion by 1996.¹⁰⁶ By 2016, the international market for counterfeited goods was valued at \$509 billion dollars,¹⁰⁷ and in 2019, the luxury counterfeit market exceeded \$2.7 trillion dollars—with over half those earnings attributable to e-commercial sales—compared to the luxury goods market’s valuation at \$308 billion in 2019.¹⁰⁸ With a counterfeit market almost six times its size, it is no wonder luxury mark holders vigilantly enforce their trademarks to secure their brands at any and all costs.

These staggering sales figures reveal counterfeiting’s unparalleled proliferation, which is attributable to several factors. First, e-commerce affords opportunity for expansive growth,¹⁰⁹ low-financial barriers to entry, yielding

103. See Sloane, *supra* note 102, at 1202.

104. *Id.* at 1202–03.

105. 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:10 (5th ed. 2021).

106. 142 CONG. REC. H5778, H5778 (daily ed. June 4, 1996) (statement of Rep. Moorhead); see also Matthew Benjamin, *A World of Fakes*, 135 U.S. NEWS & WORLD REP. 46, 46–47 (2003) (stating that the FBI reported U.S. businesses losing between \$200–\$250 billion every year to counterfeiting, and U.S. Customs seized between \$100 million in counterfeit goods in 2002 as compared to \$57 million in 2001, accounting for over 8% of world trade in 2003).

107. See Sloane, *supra* note 102, at 1202.

108. Katie Jones, *Charting the Rise and Fall of the Global Luxury Goods Market*, VISUAL CAPITALIST (May 26, 2020), <https://www.visualcapitalist.com/charting-the-rise-and-fall-of-the-global-luxury-goods-market/> [<https://perma.cc/V86M-XPDP>]; see also Roberto Fontana, Stéphane J.G. Girod & Martin Králik, *How Luxury Brands Can Beat Counterfeiters*, HARV. BUS. REV. (May 24, 2019), <https://hbr.org/2019/05/how-luxury-brands-can-beat-counterfeiters> [<https://perma.cc/C9SS-YKNE>].

109. Indeed, the internet’s democratization of luxury also contributed to counterfeiting’s rampant growth in several ways. The internet’s accessibility successfully fueled consumer’s aspirations, along with the counterfeiting industry’s ability to satiate those wants with nearly identical counterfeits at lower prices thanks to the high-resolution detailed photos posted on the brands’ sites or on influencer’s blogs. Counterfeiters seized readily available brand information and quickly reproduced nearly identical replicas within hours of their online debut, which undermines luxury on every level. See generally *Combating Trafficking in Counterfeit and Pirated Goods*, *supra* note 96. Indeed, “emulation is [good] when it is limited to elites, . . . [but] as the bandwagon grows,

high profits and low risk of prosecution,¹¹⁰ as shutting down a platform is just as easy as creating one.¹¹¹ Second, the internet and third-party platforms, such as eBay and Amazon, offer counterfeiters both credibility and anonymity.¹¹² This enables counterfeiters opportunities to evade detection and prosecution by utilizing multiple merchant accounts having provided little to no (accurate) personal identifying information to consumers, making them virtually untraceable.¹¹³ Though verification programs, such as eBay's Verified Owner's Rights program ("VeRO"¹¹⁴) and Amazon's Brand registry program,¹¹⁵ afford some accountability in allowing consumers to report counterfeit transactions and vendors, its effectiveness is limited. By the time authorities take action against these sellers of counterfeits, their accounts are often shut down only to "pop right back up—either on the same third-party

the masses will also seek to emulate possibly by obtaining copies and not the luxury itself." Kleinman, *supra* note 9, at 749.

110. See *Combating Trafficking in Counterfeit and Pirated Goods*, *supra* note 96, at 12, 20.

111. See *The Economic Impact of Counterfeiting and Piracy*, ORG. FOR ECON. COOP. AND DEV., at 14 (2007), <https://www.oecd.org/sti/38707619.pdf> [<https://perma.cc/6F7H-HSLA>].

112. See George Anderson, *Should Online Marketplaces Be Required to Verify Third-Party Sellers for Safety's Sake?*, RETAILWIRE (July 24, 2020), <https://www.retailwire.com/discussion/should-online-marketplaces-be-required-to-verify-third-party-sellers-for-safety-sake/> [<https://perma.cc/38QC-JBFV>] (discussing how currently, vendors on third-party sites can effectively remain anonymous and untraceable by creating false aliases and how the pending INFORM Act, legislation which is intended to provide greater transparency to consumers and assist law enforcement authorities by requiring third-party sites to identify sellers suspected of trafficking in counterfeit, stolen and sometimes dangerous products, could work to improve not only transparency, but promote better enforcement in cracking down on counterfeiting.).

113. See *How Effective Would the Shop Safe Act Be for Fashion and Luxury Brands in the Fight Against Fakes?*, FASHION L. (July 24, 2020), <https://www.thefashionlaw.com/is-the-shop-safe-act-2020-a-new-tool-for-brand-owners-in-the-fight-against-fakes/> [<https://perma.cc/P2W3-VVK6>].

114. See *Verified Rights Owner Program*, EBAY, <https://pages.ebay.com/seller-center/listing-and-marketing/verified-rights-owner-program.html> [<https://perma.cc/C25A-HW4L>].

115. See *Build and Protect Your Brand*, AMAZON, <https://brandservices.amazon.com/> [<https://perma.cc/S82J-WXXZ>].

marketplace platform or another—through the creation of a new merchant account.”¹¹⁶

Third, luxury brand mark holders possess few means of legal recourse apart from the Lanham Act.¹¹⁷ While the Lanham Act delineates causes of actions for counterfeiting and infringement, mark holders’ inability to lodge them against counterfeiters, the majority of whom fall outside U.S. law’s jurisdiction, renders such laws practically unenforceable.¹¹⁸ This only worsened during the COVID-19 pandemic, as consumers forcibly grew more accustomed to shopping online.¹¹⁹ Mark holders’ recourse is often limited as to third-party platforms; not only are most third-party platforms immune from liability under relevant law,¹²⁰ that recourse is further limited because third-party platforms are “not necessarily the ones most directly responsible for the infringing goods.”¹²¹ Moreover, though Congress broke down due

116. *How Effective Would the Shop Safe Act be for Fashion and Luxury Brands in the Fight Against Fakes?*, *supra* note 113.

117. *See supra* note 20; *see also Intellectual Property 101: A Primer*, FASHION L. (Apr. 26, 2020), <https://www.thefashionlaw.com/intellectual-property-rights-a-primer/> [<https://perma.cc/D66Y-JPDG>].

118. Loren Yager, *Intellectual Property: U.S. Efforts have Contributed to Strengthened Laws Overseas, but Significant Enforcement Challenges Remain*, U.S. GOV’T ACCOUNTABILITY OFF. (June 14, 2005), <https://www.govinfo.gov/content/pkg/GAOREPORTS-GAO-05-788T/html/GAOREPORTS-GAO-05-788T.htm> [<https://perma.cc/AC2J-K766>].

119. *See How Effective Would the Shop Safe Act be for Fashion and Luxury Brands in the Fight Against Fakes?*, *supra* note 113. While e-commerce was quickly replacing consumer brick and mortar shopping, COVID-19 accelerated that growth. With retail stores shut down, COVID-19 pushed consumers online, resulting in a 32.4% growth in online sales in 2020 (\$598.02 billion in 2020 to \$791.70 billion in 2020). *Coronavirus Adds \$105 Billion to US Ecommerce in 2020*, DIGIT. COM. 360 (June 16, 2021), <https://www.digitalcommerce360.com/article/coronavirus-impact-online-retail/> [<https://perma.cc/8SY3-DZS5>]. According to the Department of Commerce, this was the largest online sales growth in any one year for which data is available. *Id.* Furthermore, studies further evidence a greater shift among consumers to online shopping following COVID-19, with an average of 36% of consumers who shop online weekly, as compared to 28% pre-COVID-19. Blake Morgan, *Fifty Statistics Showing the Lasting Impact of COVID-19 on Consumers*, FORBES (Oct. 19, 2020, 9:21 AM), <https://www.forbes.com/sites/blakemorgan/2020/10/19/50-statistics-showing-the-lasting-impact-of-covid-19-on-consumers/> [<https://perma.cc/W29V-WLSK>].

120. The Communications Decency Act section 230 and Digital Millennium Copyright Act section 512 both afford platforms, such as Ebay and Amazon, immunity for third-party content and copyrighted content, respectively, posted on their sites. *See* 47 U.S.C. § 230(c); *see* 17 U.S.C. § 512(a).

121. *How Effective Would the Shop Safe Act be for Fashion and in the Fight Against Fakes?*, *supra* note 113. *See Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 469–70 (S.D.N.Y. 2008) (holding third-party platform host eBay did not contributorily infringe on Tiffany’s marks

process barriers in allowing judges to grant ex-parte seizure orders¹²² and enhanced the availability of legal remedies to include criminal or statutory damages,¹²³ legislation focuses on mitigation, not prevention. Even recent proposed legislation holding third-party platforms more accountable, including the Shop Safe Act,¹²⁴ failed to garner support.¹²⁵ As such, U.S. law offers few legal means of targeting or dismantling counterfeiting operations at their source.

Finally, while historically consumers would purchase luxury counterfeits knowing they are not authentic (often due to their lesser quality), the current counterfeit market is replete with “super fakes,”¹²⁶ which seek to

because as merely a facilitator and platform host, and not a handler of sales transactions, it lacked requisite knowledge that the transacted goods were counterfeit and because eBay took reasonable steps through its VeRO enforcement program to remove the infringing site from its platform).

122. See 15 U.S.C. §§ 1116(d)(1)(A), (d)(4), 1117(a), 1118.

123. *Id.*

124. The Shop Safe Act sought to amend the Trademark Act of 1946 to establish trademark liability for online market platforms who harbor counterfeiters. It also incentivized these platforms to elevate their enforcement best practices, through the adoption of ten (10) measures aimed at identifying counterfeiters. See Shop Safe Act of 2020, H.R. 6058, 116th Cong. (2020). Given the Act’s “health and safety” aim, its application to luxury marked goods was indeterminate. *Id.* However, Trump’s Executive Order 13904 targeting counterfeiting was designed to broadly address e-commerce, which would include fashion and accessories under its umbrella. See Donald J. Trump, *Memorandum on Stopping Counterfeit Trafficking on E-Commerce Platforms Through Fines and Civil Penalties*, THE WHITE HOUSE (Oct. 13, 2020), <https://trumpwhitehouse.archives.gov/presidential-actions/memorandum-stopping-counterfeit-trafficking-e-commerce-platforms-fines-civil-penalties/> [<https://perma.cc/E4JJ-DCFR>].

125. Fareeha Ali, *Proposed Legislation Makes Marketplaces Liable for Counterfeit Goods*, DIGIT. COM. 360 (Mar. 4, 2020), <https://www.digitalcommerce360.com/2020/03/04/proposed-legislation-makes-marketplaces-liable-for-counterfeit-goods/> [<https://perma.cc/N897-FAL8>]. Given tech’s sizable lobby presence in Washington, it is more likely than not that they did not support—and likely opposed—the Act, which may have contributed to its stalemate. *Id.*; see also Cristiano Lima, *Tech Companies Face Another Liability Threat, this Time Over Counterfeit Goods*, WASH. POST (Sept. 30, 2021, 9:00 AM), <https://www.washingtonpost.com/politics/2021/09/30/tech-companies-face-another-liability-threat-this-time-over-counterfeit-goods/> [<https://perma.cc/9FBQ-4YX9>]; see also Cecilia Kang & Kenneth P. Vogel, *Tech Giants Amass a Lobbying Army for an Epic Washington Battle*, N.Y. TIMES (June 5, 2019), <https://www.nytimes.com/2019/06/05/us/politics/amazon-apple-facebook-google-lobbying.html> [<https://perma.cc/P4VM-VFAQ>].

126. “Super fakes” are counterfeits “so good [they] can even stump the experts.” *Buyer Beware: Don’t Get Duped by ‘Super Fake’ Designer Goods*, CBS N.Y. (May 8, 2018, 12:05 AM), <https://newyork.cbslocal.com/2018/05/08/super-fake-designer-goods/> [<https://archive.ph/Wg9eP>]; Dhani Mau, *Counterfeit Handbags Are Getting Harder and Harder to Spot*, FASHIONISTA (Mar. 6, 2018), <https://fashionista.com/2018/03/counterfeit-knockoff-handbags-authenticity> [<https://perma.cc/7KEA-DKUU>]; see also Betsy Hilliard, *High Quality Counterfeit Handbags “Super-*

deceive the consumer into believing the counterfeit is a genuine product.¹²⁷ Because of technological advances, counterfeits have drastically improved in quality such that they are often indistinguishable from the authentic luxury item itself.¹²⁸ Moreover, given how the internet and e-commerce provide access to high resolution detailed images, detailed product information, as well as experts' published materials about brands' identifying marks, it is no wonder counterfeits can—and have—deceived even the luxury brands themselves.¹²⁹

As such, luxury brands have no choice but to rely on the few legal means at their disposal to protect both their brand value¹³⁰ and their clients'

Fakes” Are Close to the Real Thing, BETSY BAGS, <https://betsybags.com/super-fakes-counterfeit-handbags/> [<https://perma.cc/A87Q-VSDZ>].

127. *Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 242 (S.D.N.Y. 2012).

128. There are also cases where higher-quality fakes, which are made in the same factories as the authentic bags but not afforded a serial number of stamps of authenticity, are sold inexpensively either out the back door or on the side. See Mau, *supra* note 126. Because these “super fakes” are not technically authenticated by the brand, brands construe them as being counterfeit. It has yet to be determined whether a court would similarly construe.

129. Praepitcha Smatsorabudh ran a counterfeiting operation whereby she purchased authentic luxury handbags, returned nearly identical replicas to the stores where she purchased the originals, and sold the authentic items on third-party platforms for profit. After earning over \$1 million, she was arrested and sentenced to thirty months in prison, and with restitution amounting to over \$400,000. See *Arlington Woman Sentenced for Counterfeit Handbag Scheme*, U.S. DEP'T OF JUST. (Dec. 21, 2016), <https://www.justice.gov/usao-edva/pr/arlington-woman-sentenced-counterfeit-handbag-scheme> [<https://perma.cc/KUZ8-5RXT>]; see also Rachel Weiner, ‘Compulsion to Have Expensive Handbags’ Lands Woman in Prison, WASH. POST (Dec. 21, 2016), https://www.washingtonpost.com/local/public-safety/compulsion-to-have-expensive-handbags-lands-woman-in-prison/2016/12/21/3b9158dc-c7a3-11e6-85b5-76616a33048d_story.html [<https://perma.cc/6T7H-8F4W>]; see also Arthur Weinreb, *Virginia Woman Arrested in Alleged \$1 Million Handbag Scheme*, DIGIT. J. (May 28, 2016), <https://www.digitaljournal.com/world/woman-allegedly-made-1-million-in-designer-bag-knockoff-scam/article/466478> [<https://perma.cc/7457-JPJX>].

130. For example, Louis Vuitton Moet Hennessey (“LVMH”) invested over \$17 million annually on anti-counterfeiting legal measures and employs a team of over 60 attorneys. *The Counterfeit Report: The Big Business of Fakes*, *supra* note 97. Comparatively, Amazon spent \$500 million on anti-fraud efforts (\$195 million alone on IP lawsuits), having removed 6 billion fraudulent products from its platform in 2019. Ruiqi Chen, *Amazon Taps DOJ Prosecutor, Helps 3M, Valentino Fight Fake Goods*, BLOOMBERG L. (July 8, 2020, 2:56 AM), https://www.bloomberglaw.com/bloomberglawnews/ip-law/XF8M7MDS000000?bna_news_filter=ip-law#jcite [<https://perma.cc/Q6UH-JCTM>]; see *How Effective Would the Shop Safe Act be for Fashion and Luxury Brands in the Fight Against Fakes?*, *supra* note 113; see also Marcus, *supra* note 102.

investments.¹³¹ Not only do counterfeits undermine luxury brands' values, but also their credibility in consumers' eyes, which forces luxury brand trademark owners to be more vigilant than ever in policing their brands.¹³²

B. Resale's E-Commercial Growth Poses Challenges for Luxury Brands

Fashion resale and consignment pose both challenges and new opportunities for luxury brands in particular. Indeed, the luxury resale market forced luxury brands to revisit their brand ethos, business models, and their brand's definition of luxury. Undeniably, thrift,¹³³ pawn,¹³⁴ and consignment¹³⁵ shops have come a long way from their brick-and-mortar roots, as resale evolved from that of need to one of want¹³⁶ for several reasons.

131. Kleinman, *supra* note 9, at 750.

132. Sloane, *supra* note 102, at 1206–07.

133. Thrift shops, such as Goodwill or Salvation Army, sell donated clothing at reduced prices often to benefit charities. Though successful at keeping clothes out of landfills and in circulation, the majority of donated clothes are shipped overseas for incineration or repurposing. See Jinhee Han, *Understanding Second-hand Retailing: A Resource Based Perspective of Best Practices Leading to Business Success* (2013) (M.S. Thesis, Iowa State University) (on file with Iowa State University); see also Nell Durfee, *The Troubled Second Life of Donated Clothes*, SCIENCELINE (June 6, 2018), <https://scienceline.org/2018/06/the-troubled-second-life-of-donated-clothes/> [<https://perma.cc/F84K-QQFK>]; see also Beth Porter, *What Really Happens to Unwanted Clothes?*, GREEN AM., <https://www.greenamerica.org/unraveling-fashion-industry/what-really-happens-unwanted-clothes> [<https://perma.cc/RUF3-4CKY>].

134. Pawn shops sell valuable goods in exchange for cash on the spot or are used to obtain a loan using a valuable item as collateral. See *Regulating Pawnshops: What You Should Know Before Visiting Your Local Pawn Shop*, IMPERIAL PAWNBROKERS (Mar. 7, 2016), <http://imperialpawnbrokers.com/regulating-pawnshops-what-you-should-know-before-visiting-your-local-pawn-shop/> [<https://perma.cc/F4Q6-FBP6>]. Pawn shops and all second-hand dealers must be licensed. See, e.g., CAL. BUS. & PROF. CODE § 21625; see, e.g., CAL. FIN. CODE § 21300(a). All received second-hand tangible personal property must be registered in a statewide electronic reporting system operated by the Department of Justice to prevent the trafficking of stolen property. See CAL. BUS. & PROF. CODE § 21628(a); see also *Secondhand Dealer and Pawnbroker Unit*, ST. OF CAL. DEP'T OF JUST., <https://oag.ca.gov/secondhand> [<https://perma.cc/N9C5-2ETW>].

135. Consignment shops are businesses that sell the consignee's goods for a shared commission, whereby the consignor transfers ownership and possession of its goods to the consignee shop for the latter to sell for a partial commission, shared with the consignee, when the item sells. See, e.g., *Consignment Shops vs Pawn Shops*, LAMBERT PAWN, <https://www.lambertpawn.com/consignment-shop-vs-pawn-shop/> [<https://perma.cc/PRJ6-5YSS>].

136. Indeed, whereas resale, consignment and pawn shops once afforded cash-strapped individuals quick sources of cash either through consigning/selling desirable items or using the items as collateral for a loan (aka "need"), consumers now view resale and consignment as "wardrobe

First, like counterfeiting, e-commerce afforded international expansion and growth opportunities for resale businesses to extend their reach and consumer base from local to international communities. Sifting through \$1 bins at local brick-and-mortar stores¹³⁷ gave way to easy-to-navigate, visually appealing e-commerce platforms of various natures: some are peer to peer, such as Tradesy,¹³⁸ and Poshmark;¹³⁹ while others, like ThredUp¹⁴⁰ follow a business to consumer model, reselling second hand clothing ranging from fast fashion to designer and luxury items. Also, business to consumer, at the opposite end of the spectrum, are luxury consignment sites such as The RealReal (“TRR”),¹⁴¹ What Goes Around Comes Around (“WGACA”),¹⁴² and Vestiaire Collective (“VC”),¹⁴³ with virtually every designer at every price point available at a retail consumer’s fingertips. Between 2019 and the

refresh” opportunities (aka “want”). See Cathaleen Chen, *Inside the Closet of the Future*, BUS. OF FASHION (Jan. 22, 2020, 5:37 AM), <https://www.businessoffashion.com/articles/retail/rental-resale-closet-of-the-future> [<https://perma.cc/5X99-P7Y3>]. Playing a huge role in promoting and sustaining a circular economy, resale becomes a place to trade in and trade up. See Julie Zerbo, *Can the Birkin Bag Survive the Resale Market?*, N.Y. TIMES (Apr. 9, 2019), <https://www.nytimes.com/2019/04/09/fashion/hermes-birkin-resale-secondary-market.html> [<https://perma.cc/B4F8-BBPG>].

137. Suzanne Kapner, *The Rise of Hand-Me-Down Inc.*, WALL ST. J. (Aug. 16, 2019, 2:46 PM), <https://www.wsj.com/articles/the-rise-of-hand-me-down-inc-11565947804> [<https://perma.cc/Q825-P55R>].

138. See TRADESY, <http://www.tradesy.com> [<https://perma.cc/96FY-9795>].

139. See POSHMARK, <http://www.poshmark.com> [<https://perma.cc/U4SP-2524>] (where consumers can establish and run their own resale boutiques).

140. See *Our Story*, THREDUP, <https://www.thredup.com/impact> [<https://perma.cc/Q3KC-832G>] (an online resale store where consumers can send their closet castoffs to the company in easy to return “clean out kits,” whereby consumers are paid out directly for accepted items which are posted for sale on the site, while the company donates/disposes of unaccepted items on the consumer’s behalf).

141. See THE REALREAL, <https://www.therealreal.com/> [<https://perma.cc/K7Z2-KCRW>].

142. See WHAT GOES AROUND COMES AROUND, <https://www.whatgoesaroundnyc.com/> [<https://perma.cc/A2ST-CX39>]. What Goes Around Comes Around was one of the first luxury vintage retailers that began in a brick and mortar location in New York in 1993 and has since added an online presence. *About Us*, WHAT GOES AROUND COMES AROUND, <https://www.whatgoesaroundnyc.com/about-us.html> [<https://perma.cc/PC9L-GXVD>].

143. See *The Story*, VESTIAIRE, <https://www.vestiairecollective.com/about/> [<https://perma.cc/5P9E-7MC5>]. Vestiaire Collective, established in 2009 in Paris, is a European based luxury consignment site that has recently partnered with Kering to expand Kering’s brands’ second-hand market. *Id.*

end of 2021, secondhand retail and brick and mortar will shrink by 15%, while online second hand sales through these sites and others like them will grow by 69% percent.¹⁴⁴ Accessible almost everywhere in the world by almost everyone in the world, the resale marketplace morphed into a global enterprise—though the laws regulating resale have yet to catch up to reflect resale’s expansion into interstate commerce, let alone its transformation into a global market.¹⁴⁵

Second, resale’s explosion is directly attributable to consumer’s sustainability awareness.¹⁴⁶ Consumers’ once passive recognition of the inextricable link between the global warming crisis and the fashion industry finally became mainstream.¹⁴⁷ Consequently, it ignited young and seasoned shoppers’ interest in and desire to buy second hand to promote fashion’s circularity.¹⁴⁸ With over 10 million tons of discarded clothing sent to landfills yearly,¹⁴⁹ both older and younger consumers are turning to resale and consignment to stay fashionable and reduce their carbon footprint.¹⁵⁰ In 2020, 33 million consumers shopped second-hand for the very first time,¹⁵¹ and in

144. *2020 Resale Report*, THREDUP, <https://www.thredup.com/resale/2020/#resale-growth> [<https://perma.cc/VJ2T-Q5ZD>].

145. *See generally supra* note 134. Indeed, while all received second hand merchandise must still be reported to the DOJ site to address stolen goods, the laws have not been updated to reflect the far more pervasive threat that counterfeiting poses. Moreover, consignment and resale are still governed by many of the archaic pawn laws from the days where resale/consignment remained mom and pop operations. *See, e.g., Secondhand Dealer and Pawnbroker Unit, supra* note 134.

146. *See 2021 Resale Report*, THREDUP, <https://www.thredup.com/resale/#size-and-impact> [<https://perma.cc/FS9B-QAQY>].

147. *See id.*

148. *See id.*

149. Porter, *supra* note 133.

150. *See 2020 Resale Report, supra* note 144. Indeed, ThredUp’s report revealed that if every consumer purchased one gently used vs. new item of clothing a year, it would save 5.7 billion pounds of CO₂, 25 billion gallons of water, and 18,700 garbage trucks worth of waste. *Id.*

151. *2021 Resale Report, supra* note 146.

2019, over 62 million women in the U.S. shopped second-hand in total.¹⁵² The luxury resale market is also experiencing record breaking growth.¹⁵³ Valued at approximately \$24 billion in 2018, it is projected to be worth \$34 billion dollars at 2021's conclusion, representing 41% growth in just three years.¹⁵⁴ These statistics clearly demonstrate that any stigma surrounding shopping second-hand has vanished.¹⁵⁵ The COVID-19 pandemic also accelerated the growth of the resale and luxury resale markets. Pre-pandemic, the resale market was estimated to triple between 2009-2029; however, new projections estimate it will double in only a quarter of that time.¹⁵⁶

Finally, luxury resale exploded because luxury goods are inherently sustainable.¹⁵⁷ By definition, luxury goods are built to last, as they are hand-crafted from high-quality, durable leathers and fabrics. These qualities not only ensure their longevity, but also make them inherently timeless. Indeed, it is why Gucci, Chanel, and especially Hermes Birkin bags hold, if not increase, in value on resale and why the luxury resale market is thriving.¹⁵⁸

While some luxury brands, such as Gucci and Alexander McQueen, have embraced opportunities with the second-hand luxury market,¹⁵⁹ others,

152. See *2020 Resale Report*, *supra* note 144. Moreover, “[b]argain hunting, environmental concerns and the sharing economy have erased the stigma of used goods at the same time technology has made thrift shopping more accessible, reliable and cool.” Kapner, *supra* note 137.

153. See Florine Eppe Beauoye, *Luxury Resale: A Secondhand Strategy for Brands*, LUXE DIGIT., <https://luxe.digital/business/digital-luxury-reports/luxury-resale-transformation/> [https://perma.cc/ZU3Z-JFLX].

154. See *id.*

155. *Gucci Launches Online Shop with Consignment Site The RealReal*, CPP LUXURY (Oct. 6, 2020), <https://cpp-luxury.com/gucci-launches-online-shop-with-consignment-site-the-realreal/> [https://perma.cc/RKH6-VG64].

156. See Chavie Lieber, *What's Next for Resale?*, BUS. OF FASHION (Apr. 30, 2020, 4:30 AM), <https://www.businessoffashion.com/articles/retail/fashion-resale-poshmark-thredup-depop-stockx-coronavirus> [https://perma.cc/M8HW-Y6CR]; see also *2020 Resale Report*, *supra* note 144, at 11.

157. Tonino Pencarelli et al., *Luxury Products and Sustainability Issues from the Perspective of Young Italian Consumers*, 12 SUSTAINABILITY 245, 251 (2020).

158. *Are Birkin Bags Really a Better Investment than Stocks and Gold? One Company Is Actively Testing that Theory*, *supra* note 17.

159. See, e.g., *Gucci Launches Online Shop with Consignment Site The RealReal*, *supra* note 155; Natalie Theodosi, *In the Name of Circular Fashion, Alexander McQueen Partners with Vestiaire Collective*, WWD (Feb. 16, 2021, 12:01 AM), <https://wwd.com/fashion-news/fashion->

like Louis Vuitton, are focusing elsewhere.¹⁶⁰ Some marquis brands, like Hermes¹⁶¹ seek to prevent their products from entering resale, while others, like Chanel,¹⁶² fear it.¹⁶³ Brands fear that a non-brand cultivated

scoops/circular-fashion-alexander-mcqueen-partners-vestiaire-collective-1234732169/ [https://perma.cc/LKR8-PDAZ].

160. Of late, Louis Vuitton's Head of Image and Environment, Antoine Arnault, noted that "it did not plan to get involved at present," adding that it is instead focusing on its repair program: "We have such long-lasting products and we repair them, we for the moment will stick to that and proposing as beautiful new products, as creative and thrilling new collections as we can." 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/VPN7-L7LT].

161. On the Hermes website, Hermes' "General Terms and Conditions of Sale" includes a provision that strictly prohibits the resale of any Hermes product: "The Website is intended for customers looking to purchase products for personal use. Purchasing products on the Website intended for commercial resale is strictly prohibited. When you purchase a product on the Website, you represent and warrant that you are purchasing the product for personal and not commercial purposes and that you do not intend to resell, directly or indirectly, Hermès products for commercial purposes." *General Terms and Conditions of Sale*, HERMÈS, at 1, https://assets.hermes.com/is/content/hermesedito/Legal/GTCS_US_EN.pdf [https://perma.cc/D3TK-UPD7]. Additionally, on the front of all Hermes receipts, similarly states that "you will not, directly, or indirectly, resell Hermes products purchased in our boutiques for commercial purposes." *Hermès Buyer Beware: Read Your Receipts*, PURSEBOP, <https://www.pursebop.com/hermes-fingerprint-on-receipt/> [https://perma.cc/7BX8-PTZ9].

162. Bruno Pavlovsky, Chanel's President, indicated that Chanel has no interest in or plans to engage with the second hand market: "We want to retain control of our distribution, and I think that approach was an early contributor to the success of the brand. We've spent the last 20 years securing that control, so we're not going to give it up now with partnerships in the secondhand market." Diderich & Theodosi, *supra* note 160. Interestingly, Chanel first entered into a partnership agreement with Farfetch on or about February 19, 2018, but it was later revealed that the "partnership" was actually part of Chanel's purchase of a minority stake in Farfetch. See Sarah White & Pascale Denis, *Chanel, Farfetch Pair Up for Digital Push at Fashion Label's Stores*, REUTERS (Feb. 18, 2018, 4:08 PM), <https://www.reuters.com/article/us-chanel-farfetch/chanel-farfetch-pair-up-for-digital-push-at-fashion-labels-stores-idUSKCN1G300D> [https://perma.cc/E7VH-XPKP]. Not even a year later, Farfetch Second Life was launched featuring "Chanel pre-owned" products, including an archival collection. See *Sell Your Designer Bags*, FARFETCH SECOND LIFE, <https://www.farfetch.com/positively-farfetch/secondlife/us> [https://perma.cc/3LMJ-VZR2]; see also Maddison Glendinning, *A Treasure Trove of Pre-Owned Vintage Chanel Pieces Just Hit Farfetch*, FASHION MAG. (May 7, 2020), <https://fashionmagazine.com/style/a-treasure-trove-of-vintage-chanel-pieces-just-hit-farfetch/> [https://perma.cc/E82X-39ML].

163. In unsealed documents disclosed during the What Goes Around Comes Around litigation, Chanel produced a variety of documents that offered an "unprecedented look into Chanel's internal discussions about its future and its aggressive tactics for dealing with what it perceives to be new threats to its business." Sharon Edelson, *The RealReal Cites Antitrust Concerns in Counterclaim to Chanel Lawsuit*, FORBES (Feb. 1, 2021, 4:02 PM), <https://www.forbes.com/sites/sharonedelson/2021/02/01/the-realreal-cites-antitrust-concerns-in-counterclaim-to-chanel-lawsuit/>

experience¹⁶⁴ or a consumer's negative experience with a resale site¹⁶⁵ and/or with a pre-owned luxury branded good will turn a client off to a brand completely¹⁶⁶—or worse, that resale luxury will cut into luxury's market share.¹⁶⁷ Not only do luxury brands fear the appearance of an affiliation between the brands and resale sites,¹⁶⁸ but a pervasive “[f]ear’ amongst fashion’s well-established houses ’is that [resale is] cannibalizing their business.”¹⁶⁹ The ultimate irony and heart of the luxury paradigm is that luxury is valued for

[<https://perma.cc/569M-3QRH>]. In a memo from Chanel U.S. President John Galantic to executives, including Chanel's CEO, Galantic acknowledges that Chanel is not keeping up with its consumers who want to shop for luxury goods online and through secondary websites. *Id.* In another document, entitled “The Luxury Fashion Second Hand Market,” a primer on the resale market, Chanel lists resale as a threat to the brand, and possible means of recourse via legal action to effectively address it. *Id.*; see also *The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, FASHION L. (Dec. 19, 2018), <https://www.thefashionlaw.com/relationship-between-luxury-re-sale-luxury-brands-is-rocky> [<https://perma.cc/5DNK-HX4S>].

164. *Buyback Programs: The Future of the Luxury Market*, FASHION L. (Feb. 18, 2021), <https://www.thefashionlaw.com/buyback-programs-the-future-of-the-luxury-market/> [<https://perma.cc/3T4R-KRCJ>] (“If their image is tarnished by consumers buying sub-par (or counterfeit) pre-owned products, that could chip away at brand equity, and ultimately, reflect poorly on their new goods, thereby, deterring consumers.”).

165. *Id.*

166. This is especially true should the pre-owned product actually be a counterfeit. In its lawsuit against TRR, Chanel alleges that TRR marketed and sold at least seven counterfeit Chanel bags because they were improperly authenticated—prompting Chanel's declaration that “only Chanel itself can know what is genuine Chanel.” Chanel Complaint, *supra* note 1, at 11–12.

167. See *Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 473 (S.D.N.Y. 2008) (explaining that luxury brand “rights holders . . . have obvious economic incentives to curtail the sale of both counterfeit and authentic goods on the internet – after all, every sale . . . potentially represents a lost sales opportunity via [the manufacturer's] own authorized distribution channels.”); see also Edelson, *supra* note 163 (revealing that in Chanel's own documents, the brand discusses the second hand market as a threat to the brand).

168. See *Buyback Programs: The Future of The Luxury Market?*, *supra* note 164; see, e.g., Chanel Complaint, *supra* note 1 (Note that Court dismissed the false affiliation claim pursuant to TRR's motion to dismiss); see also, Second Am. Complaint, Chanel, Inc. v. What Goes Around Comes Around, LLC No. 1:18-cv-02253-LLS, 2018 WL 6440647 (S.D.N.Y. 2018) [hereinafter Second Am. Complaint] (alleging the unauthorized use of Chanel's trademarks amounted to false advertising and false association and endorsement under the Lanham Act. Those claims remain pending in the lawsuit).

169. *The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, FASHION L. (Dec. 19, 2018), <https://www.thefashionlaw.com/relationship-between-luxury-re-sale-luxury-brands-is-rocky> [<https://perma.cc/5DNK-HX4S>] (quoting Julie Wainwright, CEO and Founder of TRR).

its timelessness, high quality, and durability—the very characteristics that give rise to the market that luxury believes undermines it. Concerned about diverting consumers and diminishing market share, luxury brands too begrudge what appears to be resale sites “leveraging of the appeal and esteem of the world’s most famous luxury brands and their valuable intellectual property”¹⁷⁰ that luxury brands have spent decades, if not hundreds of years building, and millions (if not billions) of dollars in marketing and legal fees maintaining.¹⁷¹ This proves especially true as counterfeiting is running rampant and authentication proves more and more difficult.¹⁷²

C. Authentication Is Critical to Luxury

Although the proliferation of counterfeiting and resale poses a genuine threat to luxury brands, the larger issue of authentication is a driving factor.¹⁷³ Regarded as “*the* challenge for the luxury segment of our time,”¹⁷⁴ authentication stands at the core of “safeguarding the exclusivity for which the luxury industry stands.”¹⁷⁵ Authentication is why luxury brands heavily invest in protecting their trademarks: brands’ identity and exclusivity hinge on “ensur[ing] the authenticity and quality – and frankly, the conditions in which their goods are merchandised and marketed.”¹⁷⁶ In luxury’s eyes, a consumer’s bad experience with a sub-par, pre-owned, or counterfeit product will negatively impact the brand’s reputation and cause a domino effect in

170. *Id.*

171. See Roberto Fontana, Stéphane J.G. Girod & Martin Králik, *How Luxury Brands Can Beat Counterfeiters*, HARV. BUS. REV. (May 24, 2019), <https://hbr.org/2019/05/how-luxury-brands-can-beat-counterfeiters> [<https://perma.cc/C9SS-YKNE>].

172. See generally *id.*

173. See Hitzler & Müller-Stewens, *supra* note 14, at 31; see generally Danny Parisi, *The Rise of Authentication Has Curbed the Flow of Counterfeits to Fashion Resellers*, GLOSSY (June 6, 2019), <https://www.glossy.co/fashion/the-rise-of-authentication-has-curbed-the-flow-of-counterfeits-to-fashion-resellers/> [perma.cc/UDN6-9CJ5].

174. Hitzler & Müller-Stewens, *supra* note 14, at 31.

175. *Id.* at 44.

176. *Buyback Programs: The Future of the Luxury Market?*, *supra* note 164.

ultimately casting a shadow on their new collections, which would in turn deter customers, new and old,¹⁷⁷ thanks to social media's pervasiveness.¹⁷⁸

Given the critical role authentication plays in product valuation, it is ironic that codified authentication standards or definitions of who is capable of authenticating are lacking in both the luxury and art worlds.¹⁷⁹ While the art world offers generalized "expert" qualification guidelines,¹⁸⁰ the luxury

177. *See id.*

178. While an informal court of public opinion always weighed in on issues, the advent of social media has turned public opinion into a "diaspora," where personal opinion has "officially supplanted data and evidence." Caitria O'Neill, *The New Court of Public Opinion*, NIEMAN LAB, <https://www.niemanlab.org/2017/12/the-new-court-of-public-opinion/> [<https://perma.cc/R9LB-M9GA>]. Indeed, social media and related technologies, all of which operate through algorithms, automation, and data collection and analysis, have "vastly change[d] the scale, scope, and precision of how information is transmitted in the digital age. Although social media was once heralded as a force for freedom and democracy, it has increasingly come under scrutiny for its role in amplifying disinformation, inciting violence, and lowering trust in the media and democratic institutions." *Use of Social Media to Manipulate Public Opinion Now a Global Problem, Says New Report*, OXFORD INTERNET INST. (Sep. 29, 2019), <https://www.oii.ox.ac.uk/news/releases/use-of-social-media-to-manipulate-public-opinion-now-a-global-problem-says-new-report/> [<https://perma.cc/UL2B-75XQ>] (quoting Samantha Bradshaw).

179. *Fake or Real? The Challenge of Product Authentication for Luxury Brands*, RETAILER CHRON. (Mar. 9, 2020), <https://www.theretailchronicler.com/post/fake-or-real-the-challenge-of-product-authentication-for-luxury-brands> [<https://perma.cc/AVS3-5WT2>]; *see also Poor Training and Quotas Threaten The RealReal Pledge of 'No Fakes' on Its Site*, CNBC (Nov. 5, 2019, 12:45 PM), <https://www.cnbc.com/2019/11/05/cnbc-investigates-poor-training-and-quotas-threaten-the-realreals-pledge-of-no-fakes-on-its-site.html> [<https://perma.cc/3FPL-2T5Z>] (noting that authentication is "brand-specific" and unique to each brand). As to art, *see The Enduring Challenges of Authenticating Art*, ART CRITIQUE (Mar. 20, 2020, 5:22 PM), <https://www.art-critique.com/en/2020/03/art-authentication-today/> [<https://perma.cc/JS7K-83PL>].

180. Besides the artist itself, an art "expert" is generally regarded as "[s]omeone who knows what he or she is talking about and . . . has the experience and resume to prove it," a relative, former employee, highly respected, or individuals with "legal[ly] . . . granted entitlements or permission to pass judgment," highly respected art community "go-to individuals," or art authentication firms/practitioners. *Authenticating and Attributing Art: What You Need to Know*, ART BUS., <https://www.artbusiness.com/artauth.html> [<https://perma.cc/MA2R-F647>]. The luxury fashion industry, however, lacks standards for who "can" authenticate and do so for the authentication of luxury goods. Tyler Clifford, *The RealReal CEO Says: 'We Keep Changing' to Fend Off Fakes*, CNBC (Nov. 13, 2019, 4:40 PM), <https://www.cnbc.com/2019/11/13/the-realreal-ceo-says-we-keep-changing-to-fend-off-fakes.html> [<https://perma.cc/54TX-UY3D>]. A recurring issue too, in the art world, art sales (much like luxury, but in most cases, with a far smaller accompanying price tag), are premised upon authenticity guarantees. Interestingly, the Federal Rules of Evidence section 702 sets forth similar guidelines as to who constitutes an expert, providing that an expert witness can opine if: (a) its "scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient

world lacks similar articulations that apply across the industry.¹⁸¹ Moreover, authentication itself is far from an “exact science,”¹⁸² and it presents a no-win situation because even when authenticators get it right, it is costly to prove.¹⁸³ With a rise in litigation challenging authenticator’s opinions, the art world lobbied (though unsuccessfully) for legislation limiting authenticator liability to cases where “clear and convincing” evidence demonstrated an authenticator acted in bad faith.¹⁸⁴ In attempting to carve out a good faith exception to protect authenticators, the art world recognized the necessity, significance, and weight those opinions carry and sought to protect them by preserving an industry wholly dependent on them.¹⁸⁵

Comparatively, while luxury brands can ensure their goods’ authenticity through tightly controlled initial distribution, it ceases following the first sale.¹⁸⁶ Thereafter, luxury resellers and consumers share luxury brand mark holders’ interest in ensuring the sale/purchase of an authentic product and why companies such as TRR, Fashionphile, and VC developed robust authentication teams and processes. Staffed with highly trained luxury

facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case.”

181. See *One of the Most In-Demand Skill Sets in Fashion Right Now? Luxury Authentication*, FASHION L. (Mar. 22, 2019), <https://www.thefashionlaw.com/one-of-the-most-in-demand-skill-sets-in-fashion-right-now-luxury-authentication/> [<https://perma.cc/9KAN-PTHK>] (noting that each item is brand specific and that creating authentication standards is often brand and company—not industry—specific.).

182. Danielle Rahm, *Warhols, Pollocks, Fakes: Why Art Authenticators Are Running for the Hills*, FORBES (June 18, 2013, 10:29 AM), <https://www.forbes.com/sites/daniellerahm/2013/06/18/warhols-pollocks-fakes-why-art-authenticators-are-running-for-the-hills/> [<https://perma.cc/TRB3-7Y55>].

183. See *id.* Indeed, in a case involving the Andy Warhol Foundation, where despite winning every case, it spent over \$10 million in defense costs, thereby necessitating its closure. Daniel Grant, *New Legislation Would Protect Art Authenticators Against ‘Nuisance’ Lawsuits*, OBSERVER (June 4, 2014, 1:07 PM), <https://observer.com/2014/06/dont-shoot-the-messenger-if-passed-new-legislation-would-protect-art-authenticators-against-nuisance-lawsuits/> [<https://perma.cc/GXL4-WGF3>]. The same fate befell the Keith Haring Foundation, the Pollock-Krasner Foundation, and the estates of Pablo Picasso and Jean-Michel Basquiat. *Id.*

184. Grant, *supra* note 183.

185. Rahm, *supra* note 182.

186. See 15 U.S.C. § 1114; see also, Gilson, *supra* note 36, at 233.

experts,¹⁸⁷ some of whom must complete 5,200 hours of training just to be able to authenticate seven luxury brands,¹⁸⁸ resellers have staked their business reputations on their authentication programs and authentication guarantees.¹⁸⁹

Despite an authenticator's extensive training, the authentication process, as thorough, detailed and meticulous as it is, is not infallible. Indeed, authenticators are human and to err is human;¹⁹⁰ as previously mentioned, like art authentication, luxury authentication is not an "exact science"¹⁹¹—at least not yet.¹⁹² It is why Praepitcha Smatsorabudh's counterfeit luxury handbag operation earned her over \$1 million—plus a thirty month prison sentence and a \$400,000 fine.¹⁹³ After purchasing authentic luxury handbags at luxury retailers, Smatsorabudh¹⁹⁴ would return nearly identical counterfeit

187. See *One of the Most In-Demand Skill Sets in Fashion Right Now? Luxury Authentication*, *supra* note 181.

188. Tyler McCall, *Fashionphile is Turning Luxury Authentication Into A Science*, FASHIONISTA (Jan. 31, 2020), <https://fashionista.com/2020/01/fashionphile-handbag-authentication-technology> [<https://perma.cc/LR69-9N4U>] (referring to Fashionphile University's authentication training program's basic requirements); see also Kaley Roshitsh, *Fashionphile University to Become an App*, WWD (July 11, 2019, 10:54 AM), <https://wwd.com/fashion-news/fashion-scoops/fashionphile-to-launch-an-app-1203219002/> [<https://perma.cc/GFQ2-K69U>].

189. See, e.g., *The RealReal Sets the Record Straight on Its Authentication Process*, THE REALREAL (Nov. 12, 2019, 5:00 PM), <https://www.globenewswire.com/news-release/2019/11/12/1945947/0/en/The-RealReal-Sets-the-Record-Straight-on-Its-Authentication-Process.html> [<https://perma.cc/Y8CY-8KU5>].

190. Even The RealReal CEO, Julie Wainwright, admitted that to err is human, and that while The RealReal's goal is to keep counterfeits out of the marketplace with its top notch, rigorous authentication process, maybe ".001%" slip through the cracks. Pamela Boykoff, Clare Sebastian & Masha Angelova, *The RealReal CEO Stands Up for the Company's Authentication Policy*, CNN BUS. (Nov. 29, 2019, 12:24 PM), <https://www.cnn.com/2019/11/29/business/realreal-counterfeit-items/index.html> [<https://perma.cc/2DLS-KCQ8>].

191. Jane Kallir, *Art Authentication Is Not an Exact Science*, ART NEWSPAPER (Nov. 23, 2018), <https://www.theartnewspaper.com/comment/art-authentication-is-not-an-exact-science> [<https://perma.cc/EX4Z-CNRR>].

192. *But see* McCall, *supra* note 188 (where Fashionphile's CEO, Ben Hemminger, believes luxury authentication is "just a science." His company is using top of the line equipment and developing its own patented technology to scientifically discern counterfeits from authentic items.).

193. See *Arlington Woman Sentenced for Counterfeit Handbag Scheme*, *supra* note 129; see also Weiner, *supra* note 129; see also Weinreb, *supra* note 130.

194. See *Arlington Woman Sentenced for Counterfeit Handbag Scheme*, *supra* note 129; see also Weiner, *supra* note 129. Interestingly, the Judge in her case noted that the high quality of

replicas back to the stores where she purchased the originals and sell the authentic bags on third party platforms for profit.

However, the Chanel Complaint failed to mention that only seven of tens of thousands of Chanel items authenticated and listed on TRR site were deemed inauthentic.¹⁹⁵ This begs the question: does the problem lie with an authenticator's inaptitude or the enhanced aptitude of the counterfeiters themselves? The answer demonstrates how modern counterfeiting poses unparalleled and unprecedented challenges that render making 100% accurate authentication decisions more difficult and precarious.

IV. LUXURY BRAND MARK HOLDERS' ENGAGEMENT IN RESALE IS LARGELY PREMISED ON ASSERTING RESALE AUTHENTICATION RIGHTS TO PROTECT THEIR BRAND IDENTITY AND EXCLUSIVITY

With the foundation-undermining challenges that counterfeiting and resale growth pose to the luxury market, the need for bullet-proof authentication and few avenues of legal recourse available, brands rely almost exclusively on trademark law as they strategically "engage" in resale out of both opportunity and need. In doing so, luxury brands have approached resale in varying ways, which include: (1) instituting trademark infringement suits against resellers; (2) partnering with resale platforms to mutually promote the brand and circularity/sustainability brand priorities; and (3) bringing resale in-house, by opening brand specific and brand-owned resale stores/platforms.

A. Some Luxury Brands "Engage" in Resale Through Litigation

At one end of the resale engagement spectrum are luxury brands slow to warm to resale and who opt to fight it tooth-and-nail to secure their brand exclusivity. For example, Louis Vuitton and Chanel instituted infringement lawsuits against sellers small and large; Louis Vuitton sued three individuals convicted of offering counterfeit versions of its clothing, shoes, and handbags on an Alibaba site,¹⁹⁶ and Chanel pursued litigation against

counterfeits undoubtedly facilitated her "ingenious" scheme: "I think what you did was ingenious. . . . It's just stealing, but the Internet has given us so many more ways to steal. . . . I thought I'd seen everything." *Id.*

195. Chanel Complaint, *supra* note 1, at 11–12.

196. *France's Louis Vuitton Sues Counterfeit Online Sellers in China*, REUTERS (Jan. 10, 2016, 7:17 AM), <https://www.reuters.com/article/us-china-luxury-lawsuit/frances-louis-vuitton->

unauthorized accessories e-commerce company Shiver and Duke¹⁹⁷ for allegedly misappropriating Chanel's marks by crafting jewelry out of authentic Chanel hardware¹⁹⁸ without proper disclaimers, hoping to capitalize on "the selling power and fame of the Chanel mark."¹⁹⁹

Luxury brands have also targeted third-party platforms. For instance, both LVMH²⁰⁰ and Tiffany²⁰¹ sued third-party internet hosting platforms, Akanoc²⁰² and eBay, respectively, alleging contributory infringement for their users' counterfeit activities.²⁰³ Though the courts reached different outcomes in each case,²⁰⁴ luxury brands' institution of litigation communicated their intolerance for third-party platforms' hosting of counterfeiters by attempting to hold them accountable for facilitating counterfeiting on their platforms.

sues-counterfeit-online-sellers-in-china-idUSKCN0UO0MZ20160110 [https://perma.cc/TJL3-UA8F].

197. *Chanel Is Suing an Accessories Company Over Jewelry Made from Authentic Logo Bearing Buttons*, FASHION L. (Feb. 15, 2021), <https://www.thefashionlaw.com/chanel-is-suing-shriver-duke-over-jewelry-made-from-authentic-logo-bearing-buttons/> [https://perma.cc/W4EJ-LJWP].

198. *Id.*

199. *Id.*

200. LVMH also instituted litigation in French courts against eBay, alleging French legal counterparts to contributory infringement under U.S. law. See Ellie Mercado, Note, *As Long as "It" Is Not Counterfeit: Holding eBay Liable for Secondary Trademark Infringement in the Wake of LVMH and Tiffany Inc.*, 28 CARDOZO ARTS & ENT. L.J. 115, 127–28 (2010).

201. *Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 469 (S.D.N.Y. 2008).

202. *Louis Vuitton Malletier, S.A. v. Akanoc Sols.*, 658 F.3d 936, 941 (9th Cir. 2011).

203. *See id.*

204. The differing outcomes turned on whether the platform had specific knowledge of the infringing activity occurring on its platforms. In *Tiffany*, the court sided with eBay, holding that because eBay merely served as a host platform, without any specific knowledge that counterfeit goods were sold, eBay could not be liable for infringement. See *Tiffany Inc.*, 576 F. Supp. 2d at 508. In contrast, the LVMH court held the web host company liable because unlike eBay in the *Tiffany* case, it had not only control, but actual knowledge of the infringing behavior. See *Louis Vuitton Malletier, S.A.*, 658 F.3d at 940, 947.

In addition to LVMH, Tiffany, and Kering,²⁰⁵ Chanel also “engaged” in resale through instituting litigation to police its marks and preserve its exclusivity against e-reseller Fashionphile in 2014 and both vintage reseller What Goes Around Comes Around²⁰⁶ and e-consignment retailer TRR²⁰⁷ in 2018. Therein, Chanel sought to bolster its brand exclusivity claims by asserting that its strict, limited distribution through its own retail stores and designated high-end prestigious specialty stores²⁰⁸ is “the only way to ensure that [consumers] are in fact receiving genuine Chanel products.”²⁰⁹ However, in its Complaint against TRR, Chanel took it a step further in declaring that “[o]nly Chanel itself can know what is genuine Chanel.”²¹⁰

On its face, Chanel’s self-serving and self-preserving proclamation is justifiably viewed by its litigation adversaries as a “thinly-veiled effort to stop consumers from reselling their authentic used goods,”²¹¹ and to engage in an “overarching competitive scheme” to “inhibit. . .and impair the growth and development of innovative resale rivals...who threaten Chanel’s dominance.”²¹² After investing millions into managing and controlling every

205. Kering originally sued Alibaba alleging various counterfeiting claims but dropped the suit in favor of partnering with Alibaba to fight counterfeiting across its platform. See Paul Mozur, *In Fight Against Fakes, Alibaba and Owner of Gucci Go from Adversaries to Partners*, N.Y. TIMES (Aug. 3, 2017), <https://www.nytimes.com/2017/08/03/business/alibaba-kering-fakes-luxury.html> [<https://perma.cc/BHC4-KHEC>].

206. See generally, Complaint, Chanel, Inc. v. What Goes Around Comes Around, LLC, 1:18-cv-02253-LLS (S.D.N.Y., filed Mar. 14, 2018) [hereinafter What Goes Around Comes Around Complaint].

207. See generally, Chanel Complaint, *supra* note 1.

208. Second Amended Complaint, *supra* note 168, at 5; Chanel Complaint, *supra* note 1, at 8.

209. What Goes Around Comes Around Complaint, *supra* note 206, at 11; Chanel Complaint, *supra* note 1, at 9.

210. Chanel Complaint, *supra* note 1, at 11.

211. *Chanel and The RealReal Both Nab Wins in Latest Round of Ongoing Counterfeit Lawsuit*, FASHION L. (Mar. 31, 2020), <https://www.thefashionlaw.com/chanel-the-realreal-both-nab-wins-in-latest-round-of-ongoing-counterfeit-lawsuit/> [<https://perma.cc/FW3D-SGWC>].

212. *Chanel Is Maintaining a “Monopoly” with the Help of Big-Name Retailers, Publishers, The RealReal Claims in New Filing*, FASHION L. (Oct. 30, 2020), <https://www.thefashionlaw.com/chanel-is-maintaining-a-monopoly-with-the-help-of-big-name-retailers-publishers-the-realreal-claims-in-new-filing/> [<https://perma.cc/7ZME-GTYF>].

detail of the brand, from its tight distribution and strict quality control to its marketing and boutique product experience, it is understandable why Chanel views resale as a threat. However, the ripple effect stemming from its assertion effectively undermines not only any reseller or third-party expert authenticator's ability to authenticate Chanel, but that of other luxury brands who did not voice similar concerns or objections regarding their need to authenticate their marked products on resale. Chanel's statement effectively restrains a consumer's ability to freely alienate its Chanel product as Chanel implied that unless a consumer obtains Chanel's authentication determination/blessing on resale, even an authentic Chanel product, bought at a Chanel boutique, may be deemed inauthentic if not authenticated on resale. Construed in its most unfavorable light, even though Chanel's statement elicits monopoly and antitrust implications,²¹³ Chanel remains seemingly steadfast (at least outwardly) in its approach to resale²¹⁴ and to litigation as a means of overall brand protection.²¹⁵

213. Discovery in the WGACA litigation revealed documents evidencing that Chanel had engaged in anti-competitive behavior against The RealReal. Indeed, Chanel allegedly threatened to pull its products from such retailers unless they made immediate changes to the programs and partnerships with The RealReal, thereby directly interfering with The RealReal's contracts and business endeavors. Documents further revealed that Chanel had allegedly also interfered with The RealReal's advertising opportunities with a variety of fashion publications, including New York Magazine, Vogue, and the New York Times. These documents supported The RealReal's theory that Chanel had engaged in antitrust behavior at worst, and tortious interference with contract and prospective business advantage at best, prompting The RealReal to move to and eventually amend its answer to include these counterclaims. See Edelson, *supra* note 163; see also First Am. Answer at 18–19, Chanel, Inc. v. The RealReal, Inc., 449 F. Supp. 3d 422, No. 1:18-CV-10626 (S.D.N.Y., filed Feb. 25, 2021).

214. On or about April 5, 2021, Chanel, Inc. and The RealReal stipulated to a three month stay of the case in favor of mediation. See Joint Stipulation & Ord., *supra* note 1, at 1.

215. In discovery produced in the WGACA litigation, documents revealed not only that Chanel views the secondhand market as a threat, but that “legal action” is the “brand strategy” to address “the diversion of products to . . . undesirable channels.” Edelson, *supra* note 163. Therein, Chanel notes that in the last three years, Chanel in the U.S. has targeted the secondhand industry with “three lawsuits and 15 cease and desist letters for trademark violations such as false association, false endorsement, false sponsorship, and unfair competition.” *Id.* Moreover, even prior to the filing of the WGACA and TRR cases, between 2009 and 2017, Chanel filed almost 400 trademark litigation cases and recouped over \$1 billion dollars in damages. Trevor Little, *Chanel Bursts Through \$1 Billion Damages Barrier as Coach Revealed as Top US Trademark Litigation Filer*, WORLD TRADEMARK REV. (Nov. 23, 2017), <https://www.worldtrademarkreview.com/anti-counterfeiting/chanel-bursts-through-1-billion-damages-barrier-coach-revealed-top-us> [https://perma.cc/HBY4-52CY]; see also Rachel Bailey, *Copyright and Trademark Litigation Report 2021*, LEX MACHINA (June 2021), https://pages.lexmachina.com/rs/098-SHZ-498/images/Lex_Machina_Copyright_and_Trademark_Litigation_Report_2021.pdf [https://perma.cc/S9CY-GE6E] (listing

B. Other Luxury Brands “Partner” With Resellers to Ensure Products’ Authenticity in Resale Commerce

Alternatively, other luxury mark holding brands opted to “partner” with established e-commerce resellers. A pioneer in this area, The RealReal initially paved the way for such partnerships. TRR’s and Stella McCartney’s partnership²¹⁶ was one of the first of its kind, and it mutually promoted the companies’ shared sustainability and circularity goals. As retailers became more and more interested in resale (likely in response to consumers’ interest therein)²¹⁷ subsequent partnerships served as opportunities to test the resale waters, like Burberry’s limited TRR partnership.²¹⁸ However, by late 2019 and early 2020, and after seeing the rapid growth of luxury resale and resale companies’ initial public offerings,²¹⁹ luxury brands recognized not just the

Chanel as the eighth most active trademark litigator, having filed 70 trademark cases between 2018 and 2020; and the only luxury brand to have made the top ten).

216. See Mario Abad, *Why The RealReal and Stella McCartney Are Calling for Luxury Brands to Embrace Reselling*, FORBES (Apr. 19, 2018, 7:34 AM), <https://www.forbes.com/sites/marioabad/2018/04/19/realreal-stella-mccartney/> [<https://perma.cc/T84C-PS82>]. The brands’ mutual desire to make “a positive impact and advance our shared values [of] sustainability and the promotion of the circular economy in luxury fashion,” rewarded consignors of Stella McCartney products with The RealReal with a \$100 shopping credit at Stella McCartney. *The RealReal x Stella McCartney*, REALREAL, <https://promotion.therealreal.com/stellamccartney/> [<https://perma.cc/4RXX-36BN>].

217. In 2019, resale grew 25% faster than retail alone. See *2020 Resale Report*, THREDUP, <https://www.thredup.com/resale/2020/#resale-growth> [<https://perma.cc/VJ2T-Q5ZD>]. While the resale market value was negligible in 2009, it was valued at \$7 billion in 2019, and is estimated to increase in value over six fold to over \$44 billion by 2029. *Id.* This increase is in response to consumer demand and interest in secondhand, as ThredUp’s 2021 report reveals. Indeed, with over 43% of consumers interested in purchasing only from retailers who are engaged in the secondhand market, a corresponding 60% of retailers expressed interest in partnering with existing resale retailers. *2021 Resale Report*, *supra* note 146.

218. Maghan McDowell, *Burberry’s Partnership with The RealReal Signifies a Real Shift*, VOGUE BUS. (Oct. 7, 2019), <https://www.voguebusiness.com/companies/burberrys-partnership-realreal-secondhand> [<https://perma.cc/WNY4-FUUE>] (Burberry says this “partnership is part of a five-year strategy that includes finding new uses for waste and becoming carbon neutral . . . [as] the brand is looking at ways to disrupt the linear production model in a push towards circularity”); see Sarah Kent, *Burberry Partners with The RealReal to Tap Fast-Growing Resale Market*, BUS. OF FASHION (Oct. 7, 2019, 5:20 AM), <https://www.businessoffashion.com/articles/retail/burberry-partners-with-the-realreal-to-tap-fast-growing-resale-market> [<https://perma.cc/T9ZB-G9MF>].

219. The RealReal filed to go public on May 31, 2019, and raised over \$300 million in its initial public offering. Glenda Toma, *The RealReal IPO: First Startup from Resale’s New Wave to Go Public Sees Shares Soar*, FORBES (June 28, 2019, 8:20 AM), <https://www.forbes.com/sites>

opportunity but the need to engage in resale as a means of exerting control in a market selling their branded goods over which they had little to no control or involvement.²²⁰ What consequently followed included Gucci's brand partnership with TRR in October 2020, whereby Gucci launched its own online consignments shop with TRR, selling both its own archival and pre-worn pieces sourced from Gucci itself, as well as consigned pieces the brand "curated daily."²²¹ Gucci's "partnership" reflects not only its desire to directly engage in the secondary resale market (an engagement whose rewards, the brand states, "outweigh the risks"²²²), but its need to manage its brand on a major second hand reseller site to evaluate the interaction between "second-hand shoppers and its products."²²³

Alexander McQueen's recent "partnership" with VC shared these objectives. Through the "Brand Approved program," Alexander McQueen solicits second-hand items from its most valued and trusted customers, which the brand authenticates and lists for sale on VC's platform.²²⁴ While "put[ting] brands directly in control of pre-owned or vintage items,"²²⁵ these "partnerships" allow luxury brands to not only engage in resale, but to police their marks, ultimately controlling and overseeing which marked goods enter resale.²²⁶ Effectively, these partnerships directly position luxury brands as

/glendatoma/2019/06/28/the-realreal-ipo-luxury-reseller-latest-retailer-to-go-public/?sh=1e6e71a26289 [https://perma.cc/9TY5-55WJ].

220. See Vikram Alexei Kansara, *Should Luxury Build Resale Into its Business Model?*, BUS. OF FASHION (Oct. 9, 2020, 3:12 PM), <https://www.businessoffashion.com/briefings/luxury/should-luxury-build-resale-into-its-business-model> [https://perma.cc/MLE6-HT7B].

221. Luisa Zargani, *Gucci Partners with The RealReal*, WWD (Oct. 5, 2020, 6:00 AM), <https://wwd.com/fashion-news/designer-luxury/gucci-the-realreal-1234618857/> [https://perma.cc/WX2F-KJCG].

222. Kansara, *supra* note 220.

223. *Id.*

224. Theodosi, *supra* note 159.

225. *Id.*

226. Luxury brands, such as Valentino and Ferragamo, partnered with third-party platforms, such as Amazon, to fight counterfeiting on the latter's sites and platforms. See Ruiqi Chen, *Amazon Taps DOJ Prosecutor, Helps 3M, Valentino Fight Fake Goods*, BLOOMBERG L. (July 8, 2020, 2:56 AM), <https://www.bloomberglaw.com/bloomberglawnews/ip-law/> [https://perma.cc/Q6UH-JCTM]. As did Kering, in dismissing its own trademark infringement suit against Alibaba, to join Alibaba's "Big Data Anti-counterfeiting Alliance," recognizing that "the only way [brands] . . . can win this war is to unite" in using pools brands' data and resources in tandem with Alibaba's

gatekeepers to resale, allowing their exercise of resale authentication rights—rights that may ultimately have unintended consequences should these “partnerships” continue.

C. Some Luxury Brands Opt to “Own” Their Own Resale

Lastly, at the opposite end of the resale engagement spectrum, luxury brands, and most recently, luxury conglomerates, have dove head-first into resale by “owning” their own resale.²²⁷ For instance, luxury brands like leather handbags and accessories atelier, Mark Cross, and watchmaker, Richard Mille, brought their resale business in-house, the latter having opened three retail stores offering certified pre-owned watches.²²⁸ Others, such as Kering, acquired financial stakes in existing third-party resellers; indeed, on the heels of Alexander McQueen’s announcement of a partnership with VC, luxury conglomerate Kering, which owns Alexander McQueen, announced its acquisition of a minority stake in Vestiaire Collective.²²⁹ While some regard Kering’s investment as an indication that “luxury’s attitude to the second-hand model could be thawing,” given that “[s]uccessful luxury labels usually seek to tightly control where products are sold and for

anti-counterfeiting algorithms to police counterfeiting on Alibaba’s platform. Maria Bobila, *Chinese Retail Giant Alibaba Launches ‘Big Data Anti-Counterfeiting Alliance’ with Louis Vuitton, Swarovski and More*, FASHIONISTA (Jan. 16, 2017), <https://fashionista.com/2017/01/alibaba-anti-counterfeit-alliance> [https://perma.cc/UCR8-FQT6]. Even third-party marketplaces like Etsy are eager for a piece of the resale market, as reflected by their recent acquisition of Depop, a resale site that “is a little bit Ebay and a little bit Instagram.” Taylor Lorenz, *Why Teens Are Selling Clothes Out of Their Closets*, ATLANTIC (June 13, 2019), <https://www.theatlantic.com/technology/archive/2019/06/depop-live-selling-clothes-influencers/591595/> [https://perma.cc/7Z84-Q522]; see *Etsy to Acquire Global Fashion Resale Marketplace Depop*, ETSY (June 2, 2021), <https://investors.etsy.com/press-releases/press-release-details/2021/Etsy-to-acquire-global-fashion-resale-marketplace-Depop/default.aspx> [https://perma.cc/8TPY-L2QS].

227. Indeed, luxury brands’ ownership of their own resale is emerging of late as the way luxury brands can “close the loop.” Avery Booker, *Brand-Owned Resale Could Finally “Close the Loop” for Luxury*, JING DAILY (Apr. 23, 2021), <https://jingdaily.com/could-brand-owned-resale-finally-close-the-loop-for-luxury/> [https://perma.cc/3EHH-5XB7].

228. See Kati Chitrakorn, *Why Luxury Fashion Brands Should Offer Resale*, VOGUE BUS. (Nov. 11, 2020), <https://www.voguebusiness.com/sustainability/should-luxury-fashion-brands-offer-resale-richard-mille-mark-cross-do> [https://perma.cc/5RUZ-4HFR].

229. See generally Cathaleen Chen, *Vestiaire Collective Announces Resale Partnership with Alexander McQueen*, BUS. OF FASHION (Feb. 16, 2021, 12:03 AM), <https://www.businessof-fashion.com/news/retail/vestiaire-collective-announces-resale-partnership-with-alexander-mcqueen> [https://perma.cc/4JDF-MNX2].

how much,”²³⁰ Kering “seize[d] the opportunity”²³¹ to own its resale e-commercially, and effectively, to control the resale commerce streams that sell its marked goods.

Despite very public pronouncements to the contrary,²³² in the vein of thou “doth protest too much,”²³³ even Chanel has silently entered the resale space in this capacity. Indeed, recent reports disclosed that Chanel inked a 2018 deal with Farfetch to jointly develop a digital dressing room,²³⁴ which too quietly debuted in January 2020. However, what contemporaneous reports did not reveal was that the Chanel deal with Farfetch also included its acquisition of a minority stake in Farfetch²³⁵ and emerged only one month before Chanel instituted litigation against WGACA and ten months before Chanel sued TRR alleging infringement, counterfeiting, unfair competition, false advertising, and other general business law claims for their resale of Chanel on TRR’s site.²³⁶ In May 2020, Farfetch’s new resale venture, Second Life,²³⁷ emerged. It featured an exclusive pre-owned Chanel 49 piece

230. Williams, *supra* note 5.

231. *Kering Leads \$216 Million Funding Round for French Resale Platform Vestiaire Collective*, FASHION L. (Mar. 1, 2021), <https://www.thefashionlaw.com/gucci-owner-kering-leads-216-million-funding-for-french-resale-platform-vestiaire-collective/> [<https://perma.cc/47PN-UEWL>].

232. *See* Diderich & Theodosi, *supra* note 101 (where Chanel declared “we will stay away from that secondhand market.”).

233. WILLIAM SHAKESPEARE, *HAMLET* act 3, sc. 2, l. 215.

234. Press Release, Farfetch, Chanel and Farfetch Sign Exclusive Innovative Partnership (Feb. 19, 2018), <https://aboutfarfetch.com/news/press-releases/chanel-and-farfetch/> [<https://perma.cc/GE9N-6P57>].

235. White & Denis, *supra* note 162. Indeed, while several European news sources picked up the story, few, if any, US news outlets reported it as my research (didn’t) reveal. Indeed, the acquisition became publicly known after discovery in the *Chanel v. WGACA* case yielded documents disclosing the deal. Note also that in November 2020, Richemont and Alibaba too invested in Farfetch. *See A Running Timeline of Fashion and Luxury Mergers, Acquisitions, and Investments*, FASHION L. (Sept. 28, 2021), <https://www.thefashionlaw.com/a-running-timeline-of-fashion-and-luxury-mergers-acquisitions/> [<https://perma.cc/63HB-28W5>].

236. *See generally* What Goes Around Comes Around Complaint, *supra* note 206; *see generally* Chanel Complaint, *supra* note 1.

237. *See* Godfrey Deeny, *Chanel Panning to Roll Out its Farfetch Augmented Retail Experience Project in New Stores*, FASHION NETWORK (Jan. 30, 2020), <https://us.fashionnetwork.com>

“treasure trove”²³⁸ collection from an acclaimed client, as well as certified “Pre-Owned Chanel” clothing on Farfetch’s retail site.²³⁹ While documents revealed that Chanel sent Farfetch a cease and desist letter in November 2018 detailing similar allegations (even though the alleged purchase closed in February 2018),²⁴⁰ Chanel opted not to pursue any legal action against Farfetch.²⁴¹ However, Chanel’s seemingly selective involvement in resale—whether by action, omission, or both—and through purchasing a stake in Farfetch further evidences that even the upper echelon of luxury brands, and those perhaps more resistant to resale, recognize the need for resale involvement and perhaps have overlooked the unintended consequences in how they choose to do it.²⁴²

D. Luxury Brands Resale Involvement Effectively Adds Resale Authentication Rights to the Trademark Bundle, Eliciting Unintended

/news/Chanel-planning-to-roll-out-its-farfetch-augmented-retail-experience-project-in-new-stores,1181543.html [https://perma.cc/WVR5-GBUB].

238. Glendinning, *supra* note 162. Indeed, many of the pieces are rare collectibles from the French design house, and include pieces worn by the house’s muses, including Ines de la Fressange, Yasmin Le Bon, and Claudia Schiffer. *Id.*

239. See *Pre-Owned Chanel for Women*, FARFETCH, <https://www.farfetch.com/shopping/women/designer-chanel-pre-owned/items.aspx> [https://perma.cc/R5SV-D83D].

240. See First Am. Answer, at 36, Chanel, Inc. v. The RealReal, Inc., 449 F. Supp. 3d 422, No. 1:18-CV-10626 (S.D.N.Y., filed Feb. 25, 2021).

241. See Sharon Edelson, *The RealReal Cites Antitrust Concerns in Counterclaim to Chanel Lawsuit*, FORBES (Feb. 1, 2021, 4:02 PM), <https://www.forbes.com/sites/sharonedelson/2021/02/01/the-realreal-cites-antitrust-concerns-in-counterclaim-to-chanel-lawsuit/> [https://perma.cc/569M-3QRH]. Indeed, Chanel stated that in lieu of pursuing its claims against Farfetch, “[g]iven the existing relationship between Farfetch and Chanel, we will pick up the contents of the letter with Chanel directly.” Letter from Karen L. Dunn, Attorney Representing Defendant The RealReal, to The Hon. Gabriel W. Gorenstein, U.S. Dist. Ct. Judge for the S.D.N.Y. (Oct. 30, 2020) [https://perma.cc/ECS8-A3VM].

242. See *The RealReal Files Anti-Competition Counterclaims Against Chanel in Ongoing Legal Battle*, FASHION L. (Feb. 26, 2021), <https://thefashionlaw.com/with-court-approval-the-realreal-files-anti-competition-counterclaims-against-chanel-in-ongoing-legal-battle/> [https://perma.cc/5J2E-PBK9] (“Chanel’s alleged decision to file this case [against TRR]—and others like it—’as a means to push [TRR] and other competitors out of the market’ because it views them as a threat to its ability to maintain a monopoly in the market for ‘top tier investment grade handbags.’”).

Consequences that Contravene Trademark Law

Despite their need to ensure brand survival through the preservation of brand exclusivity, luxury brands' attempts to gain control over their marked goods in resale may ultimately do more harm than good. Though patently innocuous in theory, luxury partnerships with resellers in practice constitute back door entries to resale gate-keeping roles, whereby luxury brands are afforded opportunities to exercise authentication rights and control over which marked goods enter resale. The same concern arises when considering luxury's "ownership" in third-party resale. When luxury brands purchase minority ownership shares in third-party resellers, luxury brands acquire opportunities to exert influence over resale, and not just over which marked goods enter resale, but which channels they enter. To preserve brand exclusivity or police infringement, luxury brands sue resellers, as in the case of Chanel against WGACA and TRR, challenging their ability—or anyone other than the brand's ability—to authenticate their branded goods.²⁴³ Naturally, the practical effect of this undermines any non-brand authentication, rendering it a counterfeit in the brands' eyes.²⁴⁴ From this flows the unintended consequences that effectively prevent consumers from alienating their goods as they see fit.²⁴⁵ Not only do luxury's words and actions abridge the Lanham Act's clear durational boundaries set by the first sale doctrine, but they also contravene the Lanham Act's legislative intent.

Indeed, the Lanham Act's drafters specifically contemplated and ultimately rejected draft language that afforded mark holders control over their goods in resale for fear of the implications elicited by what seemingly lies at the core of Chanel's declarations: creating a monopoly by conferring durationally limitless, exclusive rights to enforce one's mark.²⁴⁶ Unfortunately for Chanel, the choice to pursue WGACA and TRR to the exclusion of Farfetch—a company in which it owns a minority stake—bolsters TRR's

243. See, e.g., Chanel Complaint, *supra* note 1, at 13 ("Only Chanel itself can know what is genuine Chanel.").

244. See, e.g., *id.* at 12–13.

245. "The rights associated with . . . ownership offer assurances of autonomy, persistence, and simplicity. If consumers are not treated as the owners of [what]they purchase, but . . . are subject to changing whims of the [IP] holders who can restrict otherwise lawful uses or deny access altogether, more consumers will simply opt out." Aaron Perzanowski & Jason Schultz, *Reconciling Intellectual and Personal Property*, 90 NOTRE DAME L. REV. 1211, 1221–22 (2015) (discussing copyright and the first sale doctrine).

246. See *supra*, note 78.

allegations and critics' assertions that Chanel seeks to de-legitimize and curtail third-party resale in favor its own exclusively owned and controlled resale channels, perhaps unintentionally.²⁴⁷

With the recent veil of antitrust scrutiny shrouding business enterprise's expansion plans and operations,²⁴⁸ luxury brand mark holders' continued resale trajectory in this regard can—and has—shone the “bad” monopoly and antitrust spotlight on luxury brands' resale based, brand protection activities. Indeed, TRR lodged those very accusations against Chanel as a result of its selective litigation strategies and allegedly anti-competitive behavior.²⁴⁹ While their involvement in resale is inevitable, luxury brands need to alter their approach to resale and their means of engagement therewith through alternative business approaches. Moreover, they should consider lobbying for legislative and legal measures that will afford brands

247. Note that Farfetch designates its used Chanel items on resale as authorized “Pre-Owned Chanel”—a term Chanel argued constituted trademark infringement in its lawsuit against WGACA when WGACA used such terms on its website. See, e.g., *Pre-Owned Chanel Bags for Women*, *supra* note 239.

248. See *Amazon, Apple at the Center of Italian Antitrust Probe for Allegedly Preventing Unauthorized Parties from Reselling Products*, FASHION L. (July 23, 2020), <https://thefashionlaw.com/amazon-apple-are-at-the-center-of-italian-antitrust-probe-for-allegedly-preventing-unauthorized-parties-from-reselling-products/> [<https://perma.cc/NM9N-D2LM>]; see also Kait Bologaro, *Amazon 'Abuse of Dominance' Concerns Trigger Probe in Canada*, BLOOMBERG (Aug. 14, 2020, 8:10 AM), <https://www.bloomberg.com/news/articles/2020-08-14/canada-competition-bureau-probes-amazon-for-abuse-of-dominance-kdudbgwl?srnd=technology-vp> [<https://perma.cc/2GPE-SCPA>]; see also Cheng Leng, Keith Zhai & David Kirton, *Exclusive: China Preparing an Antitrust Investigation into Google - Sources*, REUTERS (Sept. 30, 2020, 2:33 AM), <https://www.reuters.com/article/us-google-china-huawei-tech-exclusive/exclusive-china-preparing-an-antitrust-investigation-into-google-sources-idUSKBN26L1OH> [<https://perma.cc/2ZFS-N9EP>]; see also *EU Seeks New Powers to Penalize Tech Giants: FT*, REUTERS (Sept. 19, 2020, 9:50 PM), <https://www.reuters.com/article/us-eu-tech-breton/eu-seeks-new-powers-to-penalize-tech-giants-ft-idUSKCN26B062> [<https://perma.cc/WVC7-7HLV>] (discussing the EU's interest in arming itself with powers to penalize big technology companies, which would force their dismantling or the sale of some of their European operations if their market dominance threatens the interests of customers and smaller rivals).

249. See, e.g., First Am. Answer, at 28–32, 34–36, *Chanel, Inc. v. The RealReal, Inc.*, 449 F. Supp. 3d 422, No. 1:18-CV-10626 (S.D.N.Y., filed Feb. 25, 2021) (where TRR alleges, in support of its unclean hands affirmative defense, that Chanel engaged in monopolistic, anti-competitive behavior by: (1) tortiously interfering with TRR's third-party contracts; (2) tortiously interfering with TRR's advertising in third-party fashion publications; and (3) refraining from suing Farfetch, a company in which Chanel owns a minority stake, for identical conduct and advertising Chanel accuses both WGACA and TRR of in respective suits Chanel instituted against them). As noted, the case has been stayed, per joint stipulation in favor of mediation. See generally *Joint Stipulation and Order, Chanel, Inc. v. The RealReal, Inc.*, 449 F. Supp. 3d 422, No. 1:18-CV-10626 (S.D.N.Y., filed Apr. 5, 2021).

more strategic and effective recourse against counterfeiters and positioning to better protect themselves and their market in the face of future Lanham Act challenges.

V. THE RESALE LUXURY MARKET SHOULD ADOPT LEGISLATIVE, LEGAL AND BUSINESS SOLUTIONS TO WITHSTAND LUXURY BRANDS' CHALLENGES

A. *Luxury Resellers Must Advocate for a Safe Harbor Amendment to the Lanham Act*

To better reflect resellers' investment in authentication processes and infrastructure and the current state of trademark law itself, resellers must advocate for a safe harbor amendment to the Lanham Act. Because business reputations²⁵⁰ and success hinge on the authenticity of the goods they sell,²⁵¹ luxury brands and resellers alike know the immense toll counterfeiting's rampant proliferation in tandem with e-commercial growth and expansion has taken. Also, because today's counterfeits' quality rivals those of authentic luxury goods, even a trained eye can be deceived—and sometimes even the luxury brand itself.²⁵² These factors prompted modern resellers to wholly integrate robust authentication programs replete with highly trained in-house authenticators²⁵³ who stay abreast of developments by re-evaluating and re-developing²⁵⁴ their multi-point inspection protocols and techniques.

250. See *How We Look at Authentication*, FASHIONPHILE, <https://www.fashionphile.com/authenticity/page> [<https://perma.cc/7CAR-BT6F>]; see also Danielle Peluso, *Vestiaire Collective Review*, HONEST BRAND REVIEWS. (Feb. 14, 2021), <https://www.honestbrandreviews.com/reviews/vestiaire-collective-review/> [<https://perma.cc/6HAR-JYGS>] (declaring “[a]uthenticity guaranteed”); see also *Authenticity Guarantee*, WHAT GOES AROUND COMES AROUND, <https://www.whatgoesaroundnyc.com/authenticity-guarantee.html> [<https://perma.cc/9K4S-Q7SD>] (“Authenticity Guaranteed”).

251. See Clifford, *supra* note 180.

252. With the “proliferation of ‘superfakes’—counterfeit bags so high in quality that they look real even to professionals—it’s increasingly possible for knockoffs to slip through the cracks. . . . It’s even possible for an authentic bag to be deemed inauthentic, and for customers to unwittingly purchase fakes from even the most seemingly trustworthy sources.” Dhani Mau, *Can Technology Keep Fake Handbags Out of the Marketplace?*, FASHIONISTA (June 6, 2019), <https://fashionista.com/2019/06/entropy-luxury-handbag-authentication> [<https://perma.cc/XN5M-AW2K>].

253. See, e.g., McCall, *supra* note 188; see also *How We Look at Authentication*, *supra* note 250.

254. Indeed, TRR reported that as a result of evolving counterfeiting technologies and methodologies, their processes are constantly too evolving in response, allowing them to stay

Resellers such as Vestiaire,²⁵⁵ Fashionphile,²⁵⁶ WGACA,²⁵⁷ and TRR²⁵⁸ boldly guarantee the authenticity of the goods they resell as a result of their programs and the authentication determinations they render. With recent valuations in the billions,²⁵⁹ it serves everyone's best interest—resellers, consumers and the luxury brands alike—to get it right, lest they be tried in the court of public opinion²⁶⁰ and often in a court of law. As such, resellers acting in good faith by undertaking the authentication efforts should not be subjected to strict liability and its penalties or prosecution because it seems counterintuitive to subject those who undertake good faith authentication efforts to the same standard as those who flagrantly disregard or knowingly introduce counterfeits into commerce. Given that “super fakes” deceive even luxury brands,²⁶¹ the law should afford resellers safe harbor when or if a counterfeit slips through the cracks.

Additionally, affording a safe harbor provision also reflects current trends in trademark law whereby liability is premised on intent and not strict

abreast and even get ahead of counterfeiters by employing AI technology. *See* Clifford, *supra* note 180.

255. *See Meet Our Authentication Experts*, VESTIAIRE COLLECTIVE (May 5, 2017), <https://us.vestiairecollective.com/journal/meet-our-authentication-experts/> [<https://archive.is/eLIN6>].

256. *See How We Look at Authentication*, *supra* note 250.

257. *See* WHAT GOES AROUND COMES AROUND, <https://www.whatgoesaroundnyc.com/> [<https://perma.cc/A2ST-CX39>].

258. *See What Is The RealReal's Authentication Process?*, THE REALREAL (Feb. 18, 2021, 7:35 AM), <https://therealreal.zendesk.com/hc/en-us/articles/360000084107-What-is-The-RealReal-s-authentication-process-> [<https://perma.cc/CG74-5MD4>].

259. *See* Romain Dillet, *Vestiaire Collective Raises \$216 Million for its Second-Hand Fashion Platform*, TECHCRUNCH (Mar. 2, 2021, 7:47 AM), <https://techcrunch.com/2021/03/02/vestiaire-collective-raises-216-million-for-its-second-hand-fashion-platform/> [<https://perma.cc/L9XT-9L82>].

260. *See, e.g.*, Richard Kestenbaum, *The RealReal Sold Me a \$3,600 Fake; Here's Why Counterfeits Slip Through Its Authentication Process*, FORBES (Oct. 23, 2019, 7:05 AM), <https://www.forbes.com/sites/richardkestenbaum/2019/10/23/if-fake-bags-are-being-sold-on-the-realreal-how-can-the-resale-business-ever-succeed/> [<https://perma.cc/JPK3-LGSN>].

261. *See* Mau, *supra* note 126.

liability.²⁶² The two most recent amendments to the Lanham Act, namely the FDTA and ACPA, premise liability on finding willful intent to trade on the owner's reputation or to cause dilution of the mark²⁶³ or in "bad faith," which "shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful,"²⁶⁴ respectively. Even in the Trademark Counterfeiting Act of 1984, Congress effectively designed a safe harbor provision first by evaluating whether the defendant (1) "'intentionally' trafficked in particular goods or services; and [2] 'knowingly' used a counterfeit mark in connection with those goods and services," where "intentional" requires proof that "the defendant trafficked in the goods or services in question, deliberately, or 'on purpose.'"²⁶⁵ Congress' language relative to previous enactments reflects an evolved perspective and enhanced understanding that liability should be conditioned only where evidence of bad faith exists in creating a safe harbor precluding liability where good faith is demonstrated.²⁶⁶

B. Resellers Should Lobby for a Trademark Counterpart to the Digital Millennium Copyright Act

Resellers can further protect themselves by lobbying²⁶⁷ for a trademark counterpart to the Digital Millennium Copyright Act ("DMCA"). The

262. See *Innovation Ventures, LLC, v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 156 (E.D.N.Y. 2016).

263. FTDA, 15 U.S.C. § 1125(c)(2); ACPA, 15 U.S.C. § 1125(d)(1)(A); see also 15 U.S.C. § 1125(d)(1)(B)(i) for a list of factors the court considers in determining whether bad faith underlies the party's action.

264. 15 U.S.C. § 1125(d)(1)(B)(ii).

265. 130 CONG. REC. H12076-77, 12076 (daily ed. Oct. 10, 1984) (statement on trademark counterfeiting legislation); see 18 U.S.C. § 2320(a). Note that the Trademark Counterfeiting Act of 1984's safe harbor provision did not confer immunity from prosecution under the Lanham Act as the latter remains a strict liability. 130 CONG. REC. H12076-77, 12077 (daily ed. Oct. 10, 1984) (statement on trademark counterfeiting legislation) (Indeed, a Lanham Act amendment affording a safe harbor provisions in cases evidencing good faith would better align the statutes' application and purview).

266. See 130 CONG. REC. H12076-77, 12077 (daily ed. Oct. 10, 1984) (statement on trademark counterfeiting legislation).

267. To affect desired change, the fashion industry overall needs a stronger and larger lobby presence in Washington. In 2019, with a team of 40 lobbyists, LVMH, Kering, and PVH together spent a total of \$320 thousand on lobbying efforts directed at counterfeiting and trade regulations.

DMCA amended the Copyright Act to enhance copyright owners' protection as a result of increasing online infringement and counterfeiting; and address "the legal uncertainty facing the nascent internet industry resulting from online services providers' potential legal liability for copyright infringement that occurred on their services."²⁶⁸ Most significantly, it afforded legal certainty *vis a vis* safe harbors for online service providers "in exchange for cooperating with copyright owners to expeditiously remove infringing content if the online services providers promptly notified offenders and removed infringing materials."²⁶⁹

Like copyright holders, trademark holders should similarly be afforded protection. The internet has facilitated counterfeiting's exponential growth at a previously unprecedented rate, and whose quality now rivals those of authentic luxury goods. With "super fakes"²⁷⁰ that deceive even the experts, offering counterfeit goods for sale is becoming more commonplace and harder to detect or differentiate—unlike in copyright cases, where ascertaining the infringement is quite definitive.²⁷¹ Affording resellers acting in good faith a safe harbor ensures consistent application of the law, levels the playing field across intellectual property disciplines, and promotes judicial economy.

C. Resellers Must Push to Codify the First Sale Doctrine in a

This pales in comparison to the tech lobby: that same year, Facebook alone spent over \$20 million on lobbying in Washington and the Big Four, namely Google, Facebook, Apple, and Amazon, spent \$55 million with a team of over 238 lobbyists. Fashion needs a seat at the table not only to have its interests represented and to advocate for policy and legislative change, but also to weigh in on tech, trade, and environmental policy (among others). See Kellie Eli, *Political Contributions: Fashion's Heavy Hitters Support Candidates With Cash*, WWD (Oct. 6, 2020), <https://wwd.com/business-news/government-trade/political-contributions-fashion-designers-executives-candidate-contributions-1234619501/> [<https://perma.cc/4T38-FTAX>]; see also Cecilia Kang & Kenneth P. Vogel, *Tech Giants Amass a Lobbying Army for an Epic Washington Battle*, N.Y. TIMES (June 5, 2019), <https://www.nytimes.com/2019/06/05/us/politics/amazon-apple-facebook-google-lobbying.html> [<https://perma.cc/P4VM-VFAQ>]; see also Ruff, *supra* note 125.

268. *The Digital Millennium Copyright Act*, U.S. COPYRIGHT OFF., <https://www.copyright.gov/dmca/> [<https://perma.cc/7STV-YAY9>].

269. *Id.*; see 17 U.S.C. § 512; see also Sloane, *supra* note 102, at 1207.

270. Mau, *supra* note 126.

271. See generally *Copyright in General*, U.S. COPYRIGHT OFF., <https://www.copyright.gov/help/faq/faq-general.html> [<https://perma.cc/T872-CNSJ>]; see generally *Trademark, Patent, or Copyright*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/trademarks/basics/trademark-patent-copyright#> [<https://perma.cc/V3BJ-SSCF>].

Provision of the Lanham Act

Finally, codifying the first sale doctrine in a Lanham Act amendment will further insulate resellers from infringement suits. Unlike copyright law, the first sale doctrine as applied to trademark law is one of judicial construct.²⁷² Courts apply the doctrine differently; while some courts regard it as an affirmative defense, others regard it as an element of a plaintiffs' claim.²⁷³ Without a consistent means of application, the law remains riddled with jurisdictional inconsistencies, which promote forum shopping and confusion for those who bear the burden of proof.²⁷⁴ Codification would not only eradicate such inconsistencies but better cement the doctrine in trademark law.

D. Resellers' Implementation of Various Business Solutions Can Further Protect Them Against Infringement Allegations and Lawsuits

In addition to legislative amendments, there are various business solutions resellers should consider going forward. First, resellers should develop their own proprietary authentication technology to distinguish counterfeits from authentic luxury. In the current supply chain, luxury brands typically rely on quality, craftsmanship, and country or origin as sourcing criteria.²⁷⁵ Their knowledge and understanding of the materials are superficial and high level, premised on the touch and feel of buttery leathers, the rigor of the canvas, general composition and hue of the dyes, the striations in the hides, and durability of the thread and hardware.²⁷⁶

272. See 17 U.S.C. § 109 (codifying the first sale doctrine in the Copyright Act of 1976); 15 U.S.C. § 1 (where there is no mention of the first sale doctrine); see also Gilson, *supra* note 36, at 233–34 (reiterating that the first sale doctrine/defense in trademark law is judicially created and interpreted).

273. See Kurtis A. Kemper, *Construction and Application of "First Sale Doctrine" in Trademark Law*, 71 A.L.R. FED. 2D 1, 6 (2013).

274. See generally Mark Moller, *The Checks and Balances of Forum Shopping*, 1 STAN. J. OF COMPLEX LITIG. 107 (2012).

275. See 6 'Must Have' Features That Make Luxury Brands So Special, SO, <https://www.socreative.co.uk/how-to-create-a-luxury-brand/> [<https://perma.cc/2YED-TZ98>].

276. See generally Federico Caniato et al., *Supply Chain Management in the Luxury Industry: A First Classification of Companies and Their Strategies*, 120 INT'L J. PROD. ECONS. 1 (2009);

As such, so long as the look and feel of the materials resemble those of the authentic versions, “super fakes” can pass muster to the untrained, and even trained, authenticator eye.²⁷⁷ This is why resellers, like Fashionphile, are utilizing X-ray technology to inspect jewelry, handbag hardware, and other luxury goods and developing their own patented technologically astute, high resolution, proprietary mechanisms to ascertain the precise molecular composition of the hardware, threading, and/or leather dyes used by a luxury brand in its products.²⁷⁸ Such technology could readily and infallibly distinguish counterfeits from genuine goods thereby thwarting a luxury brand authentication challenge and potentially arming the reseller with more detailed knowledge about the luxury product than the luxury brand itself possesses. Though expensive and a time-intensive endeavor, its benefits would bolster authenticity determinations, efficiency, and eliminate any chance for error, especially in high-risk cases.

Second, and alternatively, like in the art world, resellers could outsource their authentication to third-party authenticators, as a cost-saving measure and means of limiting overall liability.²⁷⁹ Companies like Entrupy²⁸⁰ partner with high-end retailers and brands alike offering both 99.1% effective authentication technology and 100% money back guarantees to consignors if they err in authenticating a product.²⁸¹ Although this process is expensive, companies with large volumes of goods at high risk of counterfeiting could utilize an outside service to shift liability and better protect

see generally Lara Phillips, *Where is Gucci Made?*, BEVOIR, <https://bevoir.com/where-is-gucci-made/> [<https://perma.cc/2Q3L-RE3Q>].

277. See generally Mccall, *supra* note 188.

278. *Id.*

279. See generally *Authenticating and Attributing Art: What You Need to Know*, *supra* note 180.

280. Entrupy is a digital, AI based authentication service, touting “state-of-the-art authentication solutions” allowing users to “[e]asily authenticate anywhere, anytime with [its] mobile device and app.” ENTRUPY, <https://www.entrupy.com> [<https://perma.cc/PHB8-V7GG>].

281. *Id.*; *Pricing*, ENTRUPY, <https://www.entrupy.com/plans-pricing/> [<https://perma.cc/2X4Y-7ENE>] (charging just under \$6,500 per year for up to 480 authentications, for a per unit price of \$13.54/authentication, and offering flexible billing for large enterprises with detailed billing).

resellers from what would otherwise subject them to substantial damages and negative public scrutiny.²⁸²

Third, should luxury brands be willing, resellers could partner via independent contractor agreements or licensing arrangements with luxury brand-trained, certified authenticators. Brands tend to believe they know their products best,²⁸³ so training and then licensing/contracting out brand-trained and approved authenticators may assuage brands' consistency concerns and eradicate any potential liability that a non-luxury brand specific authenticator's error or oversight could otherwise yield. Moreover, the creation of a network similar to Amazon's Brand Registry program²⁸⁴ would allow resellers access to mark holder information to align and enhance their authentication processes while facilitating counterfeits' identification even before they enter commerce.

VI. LUXURY BRAND MARK HOLDERS CAN PROTECT THEMSELVES BY ADVOCATING FOR LEGISLATIVE/LEGAL MEASURES AND STRATEGIC BUSINESS INITIATIVES

A. Luxury Brand Mark Holders Must Advocate for Legislative Amendments Affording Them Litigation Free Policing Rights

Like resellers, luxury brand trademark holders would also benefit from a respective trademark counterpart to the DMCA. As the DMCA amended the Copyright Right Act to afford copyright owners the power to remove infringing content online without the need for litigation,²⁸⁵ a similar right should be extended to trademark holders. Affording mark holders similar rights would not only ensure consistency across intellectual property law, but also afford trademark holders' recourse without incurring the hassle or expense of litigation to protect their marks. It would also facilitate swifter action and spare judicial resources. Finally, it heeds public policy by

282. This is what third party authentication sites advocate. *See, e.g.*, ENTRUPY, *supra* note 280.

283. *See, e.g.*, Chanel Complaint, *supra* note 1, at 11 ("Only Chanel itself can know what is genuine Chanel.").

284. *See Build and Protect Your Brand*, *supra* note 115 (which allows registered brands to manage their brand/product data and facilitate reporting of counterfeiting and also employs tracking technology to pre-emptively prevent suspected counterfeiters from even publishing on their platform.).

285. *See* 17 U.S.C. § 512; *see also The Digital Millennium Copyright Act*, U.S. COPYRIGHT OFF., <https://www.copyright.gov/dmca/> [<https://perma.cc/7STV-YAY9>].

reinforcing trademark law's original intent and further legitimizes trademark law not simply as copyright and patent law's ugly stepsibling by leveling the playing field between the disciplines.

B. Luxury Brands Should Promulgate Qualitative and Quantitative Industry Standards Governing Authentication, Who Can Authenticate and Authenticator Accreditation

Chanel's declaration reflects deeply rooted concerns with industry-wide implications as to what qualifies as proper brand authentication and, more importantly, who is qualified to authenticate on behalf of a luxury brand. One way to address these uncertainties is for luxury brands to standardize the definition of "authentication" and delineate qualifications authenticators must possess. Using the Federal Rule of Evidence's definition of an "expert"²⁸⁶ and the proposed New York Senate Bill S.1229A²⁸⁷ as templates, luxury brands can develop brand specific definitions for who is qualified to authenticate their goods based on objective identifiable benchmarks,²⁸⁸ leaving only the factual basis for the expert's opinion for debate—at least until fail-safe, technology-based authentication tools become common-place.

Similarly, luxury brands should consider creating an authentication licensing and/or accreditation body like those for other professions, such as state bar associations or state medical licensing divisions, to oversee and

286. See FED. R. EVID. 703.

287. Senate Bill S1229A, which sought to amend the New York Arts and Culture law, defined "authenticator" as "a person or entity recognized in the visual arts community as having expertise regarding the artist or work of fine art with respect to whom such person or entity renders an opinion in good faith as to the authenticity, attribution, or authorship of a work of fine art." Authenticator' shall include, but not be limited to, authors of catalogues raisonne [sic] or other scholarly texts in which an opinion as to the authenticity, attribution or authorship of the work of fine art is expressed or implied. 'Authenticator' shall not include a person that has a financial interest in the work of fine art for which such an opinion is rendered or in any transaction concerning such work of fine art for which the opinion is rendered, other than to be compensated for services such person or entity engaged in to provide an opinion as to the authenticity, attribution or authorship." S. 1229A, 238th Leg., Reg. Sess. (N.Y. 2016) (enacted).

288. Like the Model Rules of Professional Conduct, for instance, where benchmarks are established for states to then enact their own state-specific rules, "Model Rules of Authentication" could establish industry minimum thresholds from which brands could develop articulable brand specific standards. See MODEL RULES OF PRO. CONDUCT, Table of Contents, (AM. BAR ASS'N 2020).

regulate authenticator's education and training prior to allowing an authenticator to work for a particular brand or a third-party authenticator. As luxury brands enjoy the tangible and intangible (including sizeable financial) benefits to their coveted stature, they too must bear the burdens²⁸⁹ in establishing, managing and funding the creation and operation of such a body. Not only could this serve as a revenue driver for luxury brands, but it would ensure consistent and expected standards across companies.

C. Proposed Business Solutions for Luxury Brands Involve Embracing and Partnering with Resale in Recognizing the Opportunities It Affords and Their Common Enemy in Counterfeiters

Fundamental to luxury brands' future success is their reckoning with resale. Valued at \$24 billion in 2020 and expected to double in value by 2023, luxury resale is predicted to grow three times faster than the luxury market itself.²⁹⁰ Luxury brands cannot afford to sit on the sidelines—or worse, get ejected from the game—because of their attempts, whether actual or perceived, to continue to promote exclusivity in the ways it traditionally has.²⁹¹ As younger generations engage in the resale and the sustainable fashion movement, which have democratized luxury's accessibility,²⁹² exclusive

289. See *Chanel, Inc. v. The RealReal, Inc.*, 449 F. Supp. 3d 422, 441 (S.D.N.Y. 2020).

290. Helen Siwak, *The Rise of Pre-Owned Luxury Fashion Marks Shift Amid Sustainability Movement*, RETAIL INSIDER (Mar. 9, 2020), <https://retail-insider.com/retail-insider/2020/03/the-rise-of-pre-owned-luxury-fashion-marks-shift-amid-sustainability-movement/> [https://perma.cc/NJ9K-YND2]; *Secondhand Fashion Market Is Expected to Be More Than Double the Size of Fast Fashion by 2030*, FASHION L. (June 23, 2021), <https://www.thefashionlaw.com/already-displacing-fast-fashion-secondhand-fashion-to-grow-into-a-77-billion-market-by-2026/> [https://perma.cc/39UB-7HGJ]; see also *2020 Resale Report*, *supra* note 144.

291. Chanel recently increased its prices for the third time in a span of three years. *Chanel Boosts Prices Again, Sending Price Tags Up by 15 Percent or More for Certain Bags*, FASHION L. (July 1, 2021), <https://www.thefashionlaw.com/chanel-boosts-prices-again-sending-price-tags-up-by-15-percent-or-more-for-certain-bags/> [https://perma.cc/JLU5-8WUJ]. While many attribute the increases in price to the brands' attempt to recoup losses following COVID, others believe the brand is looking to enhance its exclusivity. See Kaitlyn McInnis, *The Real Reason Louis Vuitton and Chanel are raising their prices?*, S. CHINA MORNING POST (Apr. 6, 2021, 5:00 AM), <https://www.scmp.com/magazines/style/luxury/article/3127998/real-reason-louis-vuitton-and-chanel-are-raising-their> [https://perma.cc/M5QE-K2ZT].

292. See Adina-Laura Achim, *What Happens When Luxury Becomes Too Accessible*, JING DAILY (Mar. 12, 2020), <https://jingdaily.com/what-happens-when-luxury-becomes-too-accessible/> [https://perma.cc/KVG6-GWK8] (discussing how accessibility—and not exclusivity—should drive modern luxury).

brands' strategies may ultimately alienate their future consumer base.²⁹³ The future of luxury arguably rests not in more exclusivity but in more accessibility—and embracing resale is a means by which luxury brands' could achieve it.²⁹⁴

To achieve this goal, luxury brands should consider adopting the following business strategies: (1) hiring brand specific authenticators; (2) partner with third parties to combat counterfeiting; and (3) partner in the development of authentication technology.

First, luxury brands should consider training brand-specific authenticators who could work as independent contractors via authentication licensing agreements to resellers or others in need of luxury authentication, subject to narrowly drafted non-disclosure agreements. For luxury brands slow to warm to resale, or even those wholly reticent to the idea, it offers a means of assuaging their authentication concerns to ensure their brand specific protocols are met without meddling in or controlling resellers' business. This is an especially viable option given that at this point it would be "unusual"²⁹⁵ for luxury brands to have wholly integrated resale into their existing business infrastructure. Indeed, bringing resale into luxury's business fold and infrastructure would require significant planning and would be a significant financial and strategic business undertaking²⁹⁶ that would take years in the making. However, even if luxury does ultimately bring resale in-house, outsourcing trained brand specific authenticators will ensure consistency across the resale markets for independent third-party resellers.

293. *Id.* ("But today's 'fashion for all' mentality is killing exclusivity and creating an over-exposed world where luxury's appealing symbolic assets are beginning to disappear.").

294. *Id.*

295. Chitrakorn, *supra* note 228 (explaining that luxury brands remain skeptical because they fear opening luxury owned resale shops will "take up too much market share of selling new products.").

296. *Id.* ("To create your own offering requires a reasonable amount of investment and logistics. It's one of the reasons why some luxury brands are undertaking tests in the form of partnerships with existing secondhand players. . . . One of the greatest challenges is how to run this model in a way that's economically sustainable.").

Second, heeding the lead of two notable Italian designers, namely Ferragamo²⁹⁷ and Valentino,²⁹⁸ other luxury brands should partner—not sue—third-party platforms and resellers in fighting counterfeiters for two reasons. First, all parties share a common enemy in counterfeiters and counterfeiting, and second, with pooled resources, technology, and data,²⁹⁹ they can coordinate legal efforts to more effectively target counterfeiters while promoting judicial economy and preserving resources, as Gucci and Facebook recently have.³⁰⁰

Lastly, luxury brands should continue to invest and partner together in the development and shared use of blockchain technology.³⁰¹ Blockchain

297. See generally *Timeline*, SALVATORE FERRAGAMO, https://www.ferragamo.com/shop/us/en/sf/stories/timeline#group1890s_1898 [<https://perma.cc/F6Y6-37SF>] (Salvatore Ferragamo founded his eponymous brand of the same name in Florence in and around 1930, after first learning about shoe design from Hollywood films after having moved to California with his family. Headquartered in Florence, the label is known for being one of the first sustainable shoe companies, along with its leather ware and infamous bow-stacked heel shoe, the Vara.).

298. See generally *MAISON VALENTINO*, <https://www.valentino.com/en-us/world-of-valentino/maison> [<https://archive.is/9jdwj>].

299. See *How to Use Data to Build a Better Brand*, BUS. OF FASHION (Apr. 21, 2021), <https://www.businessoffashion.com/videos/technology/how-to-use-data-to-build-a-better-brand> [<https://perma.cc/UFW3-2TGM>] (Partnering with resale can afford luxury brands invaluable insight into brand resale data. This data can assist luxury with design strategies in understanding which styles are highly counterfeited and help guide their future manufacturing and business strategies.).

300. See *Facebook, Inc. v. Kokhtenko*, No. 4:21-cv-03036, 2021 WL 3373211, at *1 (N.D. Cal. Aug. 3, 2021) (Gucci and Facebook partnered and filed a lawsuit against an international online counterfeit business operator who created and operated multiple accounts across both Facebook and Instagram to sell counterfeit goods. Facebook alleged breach of contract arising out of violations of Facebook and Instagram's terms, while Gucci contends the operator infringed on Gucci's intellectual property rights, including trademark counterfeiting and unfair competition); see also *Luisa Zargani & Adriana Lee, Gucci, Facebook File Joint Lawsuit in Counterfeit Fight*, WWD (Apr. 27, 2021, 12:01 AM), <https://wwd.com/business-news/legal/gucci-facebook-file-joint-lawsuit-counterfeit-fight-1234810544/> [<https://archive.ph/qaLNE>].

301. See *What is Blockchain?*, EUROMONEY, <https://www.euromoney.com/learning/blockchain-explained/what-is-blockchain> [<https://perma.cc/3KAB-6LWR>] (Blockchain offers resale and brands alike transparency in readily enabling authentication by examining a particular good's history, from manufacturing through first sale, and down the stream of commerce because it guarantees the proper handoff of third-party goods and final product labeling. Blockchain can also track the progression of assets, record the information, and show previous asset records.); see also *How Blockchain is Paving the Way for Greater Transparency and Sustainability Within the Fashion Industry*, FASHION UNITED (July 19, 2021), <https://fashionunited.uk/news/business/how-blockchain-is-paving-the-way-for-greater-transparency-sustainability-within-the-fashion-industry/2021011953031> [perma.cc/LT3C-2QSA]; see, e.g., *Blockchain in Retail Fashion & Luxury*, CONSENSYS, <https://consensys.net/blockchain-use-cases/retail-fashion-and-luxury/> [<https://>

technology is a digital technology asset designed to prevent hacking, tampering with or adulterating the supply chain for any material or product that utilizes it.³⁰² It is comprised of “a digital ledger of transactions that is duplicated and distributed across the entire network of computer systems on the blockchain.”³⁰³ “Each block in the chain contains a number of transactions, and every time a new transaction occurs on the blockchain, a record of that transaction is added to every participant’s ledger.”³⁰⁴ In fashion, this technology is used to trace the supply chain of materials, ownership and in order to ascertain source and identification for trademark/authentication purposes.³⁰⁵

Luxury brands, such as Louis Vuitton, have developed their own proprietary blockchain entitled Aura³⁰⁶ that the brand hopes the luxury goods industry will adopt and utilize.³⁰⁷ As of late, Louis Vuitton announced a partnership with Cartier and Prada in the Aura Blockchain Consortium.³⁰⁸ Adopting a common blockchain technology will guarantee the authenticity of any good simply by examining the good’s embedded data, which will reveal everything about the good’s history from the moment the good is

perma.cc/5KTZ-XT5P] (explaining how blockchain promotes transparency and sustainability in the good’s supply chain and guarantees as to a product’s authenticity).

302. See *What is Blockchain?*, *supra* note 302; see also *How Blockchain is Paving the Way for Greater Transparency and Sustainability in the Fashion Industry*, FASHION UNITED (July 29, 2021), <https://fashionunited.uk/news/business/how-blockchain-is-paving-the-way-for-greater-transparency-sustainability-within-the-fashion-industry/2021011953031> [https://perma.cc/8WJN-AW39].

303. *What is Blockchain?*, *supra* note 301.

304. *Id.*

305. *Id.*; see also Florine Eppe Beauloye, *Luxury Resale: How Blockchain Helps Fight Counterfeit and Improve Traceability*, LUXE DIGIT., <https://luxe.digital/business/digital-luxury-trends/luxury-resale-blockchain/> [https://perma.cc/PR8G-KKJ7]; *How Blockchain is Paving the Way for Greater Transparency and Sustainability in the Fashion Industry*, *supra* note 302.

306. See Wanguba Muriuki, *Louis Vuitton Sets Sight on an AURA Blockchain Launch*, COIN SPEAKER (Mar. 27, 2019, 1:38 PM), <https://www.coinspeaker.com/louis-vuittons-aura-blockchain/> [https://perma.cc/VB8Q-ZRDG].

307. *Id.*

308. See Elizabeth Paton, *LVMH, Richemont and Prada Unite Behind a Blockchain Consortium*, N.Y. TIMES (Apr. 20, 2021), <https://www.nytimes.com/2021/04/20/business/lvmh-richemont-prada-blockchain.html> [https://perma.cc/GH7T-2TC8].

sourced, through manufacturing, and down the stream of commerce.³⁰⁹ Moreover, the adoption of blockchain across the luxury goods industry could finally provide an industry standard for authentication which would not only facilitate authentication, but more readily distinguish super fakes from authentic goods merely by examining the embedded data.³¹⁰ Collaborating with resellers to drive and develop a shared solution not only heeds the “traceability, sustainability and authenticity” goals both resellers and luxury brands share,³¹¹ but the ensuing benefit could further streamline the industry through technological policing of super-fakes by consumers, brands, law enforcement, and customs and border patrol alike.

VII. CONCLUSION

Whether prompted by the mainstream adoption of sustainability as a result of the environmental crisis or because shopping second-hand is the new fashion trend, every single retailer and luxury brand must reckon with resale. Not only will resale inevitably become “an assumed part of the shopping experience,”³¹² but consumers are demanding it as reflected by the unparalleled growth of the resale industry. However, the consequence of lightning speed growth is often the law’s inability to keep pace. While many luxury brands grapple with the “problem” of resale and attempt to manage the “problem” by taking matters into their own hands, they have done so in ways that push the boundaries of the law past the point of no return. Fearing that resale will siphon away luxury goods’ consumer base, devalue their respective brands and market value, and undermine their global reputation in being too accessible and thus not scarce, luxury brands have lost sight of the fact that luxury itself created the resale market. Indeed, the hand-crafted, durable, high quality, legacy products, with tightly controlled distribution, are the coveted products at the heart of the booming luxury resale market.

309. See Muriuki, *supra* note 306.

310. See *LVMH Partners with Other Major Luxury Companies on Aura, the First Global Luxury Blockchain*, LVMH (Apr. 20, 2021), <https://www.lvmh.com/news-documents/news/lvmh-partners-with-other-major-luxury-companies-on-aura-the-first-global-luxury-blockchain/> [https://perma.cc/P8VP-U7J7].

311. *Id.*

312. Eliza Brooke, *How a Booming Resale Business Could Lead the Future of Sustainable Fashion*, REFINERY 29 (Sept. 30, 2019, 8:25 AM), <https://www.refinery29.com/en-us/2019/09/8356152/resale-sustainable-market> [https://perma.cc/62AD-R4VS].

Ironically, the more luxury brands resist resale, the more brands may devalue themselves—especially in consumers’ eyes.³¹³

The growth of resale and proliferation of counterfeiting necessitated luxury brands’ involvement in resale, but the unintended consequences of too heavily relying on trademark law as a means of policing counterfeits effectively undermines those efforts. Instead, luxury brands and resellers must advocate for legal and legislative change and implement alternate business strategies facilitating resale engagement without triggering monopoly scrutiny. Resellers and luxury brands could equally benefit from a trademark counterpart to the DMCA. A trademark specific DMCA-like statute could afford resellers safe harbor for their good faith authentication efforts. Moreover, a statute could also afford luxury brands direct rights of action so they could police counterfeits without instituting litigation. These benefits would promote judicial economy in reducing unnecessary litigation in already clogged courts and allow the respective parties to target the real enemy in counterfeiters. Resellers should also lobby to codify the first sale doctrine to ensure consistent interpretation of the doctrine across jurisdictions. For consistency, luxury brands’ should consider creating luxury brand authentication licensing and accreditation bodies along with promulgating industry standards to enforce such standards industry wide. This would reduce debate, confusion, and litigation.

Finally, business solutions grounded in mutually beneficial strategic approaches will facilitate collaboration between luxury brands and resellers instead of luxury brands’ usurpation of the commercial resale stream. By working together with resellers, luxury brands can walk the walk and talk the sustainability talk in ways that are as outwardly consistent as they are strategic because the court of public opinion often carries more weight in our social media driven world than those of the law if they opt otherwise. Besides, in a consumer driven society where the court of public opinion is often unforgiving, aligning with sustainability will solidify luxury brands’ place in

313. This may explain why as of April 5, 2021, Chanel and The RealReal agreed to a three month litigation stay in lieu of mediation, as luxury fashion enthusiasts have grown more critical of luxury brands’ approach to resale and third-party resellers. Joint Stipulation & Ord., *supra* note 1; see, e.g., *The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, *supra* note 163; Marie Sina, *Secondhand Gucci: Luxury Labels’ Future Is in Shoppers’ Closets*, DW (Mar. 16, 2021), <https://www.dw.com/en/second-hand-fashion-market-gucci-alexander-mcqueen-hermes-chanel/a-56840485> [<https://perma.cc/EW4L-M5P4>]; Becca Risa Luna, *Chanel Sues Luxury Resellers TheRealReal and What Goes Around Comes Around for Selling Counterfeits*, COFFEE & HANDBAGS (Nov. 19, 2018), <https://coffeeandhandbags.com/2018/11/19/chanel-sues-luxury-resellers-the-real-real-and-what-goes-around-comes-around-for-selling-counterfeits/> [<https://perma.cc/7RZ8-4ZL3>].

the minds and pocketbooks of future luxury clients. Moreover, in doing so, luxury brands can save face with—instead of alienating—the very consumer base luxury needs to ensure its longevity. After all, luxury brands lest not risk unintentionally adding sticks to the trademark bundle.