

Fashion, intellectual property (IP) & Sustainability – Best practices, interactions, and strategies.

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1. Introduction

Traditionally, fashion has utilised exclusively new resources. Recently though, companies are increasingly focused on implementing business practices aligned with a circular economy. In other words, we observe an emerging system that aims to avoid waste and where manufacture involves reusing, repairing, refurbishing, and recycling existing products.² This has been the result of addressing consumer and investor demands, as both are becoming more vocal about their environmental and sustainability expectations of the fashion industry.³

Among the current sustainability initiatives within the fashion sector, second-hand markets and upcycling are the most prevalent. Second-hand markets cover previously owned or used fashion items. Upcycling describes the process of transforming used goods and materials into new items, such as clothing made from fabric scraps or repurposed garments. These practices entail the reuse of the entire fashion item or parts thereof, either by re-selling the garment unaltered or by modifying/integrating it into a new product. The modification or integration of the garment into a new product can involve the inclusion of the logo of the (luxury) fashion brand from the reused garment into the new product.

Premium and luxury brands can play a meaningful role in supporting second-hand markets and upcycling are.⁴ Both types of brands are heavily reliant upon trademarks to monetise their innovations and investments. Trademark rights protect amongst others the image of a company and support the exclusivity and the aura of excellence associated with luxury garments. In this context, tensions arise between sustainability objectives, including reusing and sharing, and the trademark rights of premium/ luxury brands, which grant exclusivity.

Against this background, the aim of this paper is to connect second-hand luxury markets and upcycling with trademark rights and show that these two concepts can coexist and even complement each other. This paper is structured as follows: First, the paper will provide an overview of the relationship between sustainability, second-hand luxury fashion, and upcycled garments, as well as briefly discuss consumers' motivations to engage with second-hand markets/ upcycled products. Second, it will present challenges facing premium/ luxury brands

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² Bora Ly and A.W. K. Tan (Reviewing editor), 'Competitive advantage and Internationalization of a Circular Economy Model in Apparel Multinationals' (2021) 8 *Cogent Business & Management*.

³ Mariana Domingos, Vera Teixeira Vale and Silvia Faria, 'Slow Fashion Consumer Behavior: A Literature Review' (2022) 14 (19) *Sustainability* 2.

⁴ See the distinction between premium and luxury brands in Section 2a of the paper.

on the road to sustainability. Third, the paper will briefly discuss some of the non-legal mechanisms that premium and luxury brands could employ to address these challenges. Fourth, the relevance of trademark functions and the role of the exhaustion doctrine in balancing sustainability with trademark protection will be addressed. Finally, the paper will present conclusions on best practices for finding common ground between the reintegration of used garments in the economic circuit and safeguarding the trademark functions.

2. Common ground between luxury fashion and sustainability

The concepts of sustainability and luxury fashion have common traits. Luxury and premium fashion brands should not be seen as opponents of sustainability, but rather as key actors which can be relied upon to drive changes in the fashion industry. To more accurately contextualise these assertions, this section will introduce the connection between luxury and sustainability and recent changes in the garment purchasing behaviour of consumers. Finally, we will briefly highlight certain sustainability challenges and the role of intellectual property rights (IPRs) in addressing them.

2.1. Luxury and circular fashion: an introduction

Generally, the categories of brands can be divided into luxury, premium and mass-market.⁵

Luxury is a multi-faceted notion that refers not only to economic worth but includes a balanced mix of traits including innovation, heritage, superior quality, high prices, selective distribution, and storytelling.⁶ In the fashion sector, luxury brands blend product characteristics, originality, and brand image.⁷

Premium brands are situated between mass and luxury brands. Premium positioning makes a brand appear superior to others with similar characteristics in the same category. Psychologically, consumers associate the price of premium brands with quality. Luxury purchasers are generally more concerned with prestige and status, whereas premium brand buyers typically care more about functionality.⁸

In recent years, luxury and non-luxury customers have been increasingly concerned about the environmental damage caused by fashion goods. Many sustainability problems, such as material scarcity, climate change, depletion of natural resources, and waste creation, are

⁵ The mass-market is characterised by high volumes and low prices, with fashion items becoming more affordable and disposable. See P.D. Munasinghe, D.G.K. Dissanayake and A. Druckman, 'An investigation of the mass-market fashion design process' (2022) 26 *Research Journal of Textile and Apparel* 323.

⁶ Rituparna Basu and Neena Sondhi 'Online Versus Offline: Preferred Retail Choice for Premium Brand Purchase' (2021) 49 *International Journal of Retail & Distribution Management* 1447; See also Doug Briley, 'Luxury Brands vs Premium Brands', (2020). Available at <<https://warrendouglas.com/blog/premium-pov/luxury-brands-vs-premium-brands>> accessed 10 August 2023.

⁷ *ibid.*

⁸ *ibid.*

inherent to a linear use system.⁹ Such a system, typical of the fashion industry, is based on a ‘take-make-dispose’ manufacturing model.¹⁰ To avoid the waste problems associated with the linear system, a ‘circular economy’ has emerged and has attracted great attention in recent years.¹¹ The circular economy entails a closed loop where waste is recycled and minimised resource use is minimised in order to reduce environmental damage. ‘Circular fashion’¹² refers to clothing, footwear, and accessories that are designed, sourced, produced, and distributed with the intention of being used and circulated responsibly and effectively for as long as possible in their most valuable form. When such garments are no longer useful, they are returned responsibly to the biosphere.¹³

Thus, circular fashion encompasses the production, usage and post-usage phases of clothing.¹⁴ This is also reflected in the new *EU Strategy for Sustainable and Circular Textiles*, launched by the European Commission in March 2022. The strategy aims to, amongst others, ‘make textiles more durable, repairable, reusable, and recyclable, to combat fast fashion, textile waste, and the destruction of unsold textiles, and to guarantee that their manufacturing is conducted in complete compliance with social rights.’¹⁵ Considering the durability and high-quality characteristics of premium and luxury garments, and the objectives of circular fashion, it is likely that such garments are suitable candidates for reutilisation and repair. Thus, to a certain extent, sustainability and luxury share some key traits.

2.2. The significant role of consumer behaviour

Apart from the design and manufacturing processes, consumer behaviour is a significant factor to consider for achieving fashion sustainability.¹⁶ Buyers are in the process of transitioning to ‘conscious clothing consumption’, which entails purchasing garments that outlast short-term fashion trends.¹⁷ Sustainable fashion reaches environmentally conscious customers and enhances the reputation of companies in industrialised nations.¹⁸ The health and financial consequences of the COVID-19 pandemic also played a role in this change in consumer preferences. In this transition, particularly owing to their comparatively lower prices second-hand luxury garments have gained increasing popularity.¹⁹

⁹ A linear system entails that each step in the supply chain is one-directional, with a clear beginning and end-point. Inputs become outputs, which end up forming waste; See also Onilee Wilson, ‘Circular Economy in Global Apparel Supply Chains: Restructuring the Fashion System using Agent Based Approach (ABA)’ (2022) 22(5) *Journal of Systems Thinking* 2.

¹⁰ Patrizia Gazzola and others, ‘Trends In The Fashion Industry. The Perception Of Sustainability And Circular Economy: A Gender/Generation Quantitative Approach’ (2020) *Sustainability*, pg 12, 2809.

¹¹ D.G.K. Dissanayake and D. Weerasinghe, ‘Towards Circular Economy in Fashion: Review of Strategies, Barriers and Enablers’ (2022) 2(1) *Circular Economy and Sustainability* 26.

¹² Inhwa Kim, Hye Jung Jung and Yuri Lee, ‘Consumers’ Value and Risk Perceptions of Circular Fashion: Comparison between Secondhand, Upcycled, and Recycled Clothing’ (2021) 13 *Sustainability* 1208.

¹³ *ibid.*

¹⁴ Samira Iran and Ulf Schrader, ‘Collaborative Fashion Consumption And Its Environmental Effects’ (2017) 21(4) *Journal of Fashion Marketing and Management* 470, <<https://doi.org/10.1108/JFMM-09-2016-0086>> accessed 18 May 2023.

¹⁵ European Commission, ‘Green Deal: New Proposals To Make Sustainable Products The Norm And Boost Europe's Resource’ (30 March 2022). Available at <https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2013> accessed 10 August 2023.

¹⁶ Iran and Schrader (n 14) 471.

¹⁷ *ibid.*

¹⁸ Mohd Nishat Faisal, ‘Sustainable supply chains: a study of interaction among the enablers’ (2010) 16(3) *Business Process Management Journal* 508-510.

Estimates are that, following the pandemic, up to 70% of fashion consumers consider it urgent for the fashion industry to address climate change.²⁰ In addition, according to the 2022 report issued by the European Textile and Clothing Industry, ‘80% of respondents expressed a desire for clothing lasting longer on the market.’²¹ Drawing on Lyst and Google search data,²² 2020 brought a 37% rise in searches for sustainability-related keywords, with searches for ‘upcycled fashion’ growing by 42% and for ‘pre-owned’ fashion items by 45% since November 2019.²³ Even fashion brands like Balenciaga, with no history of marketing used products, are now offering second-hand items for sale on both their online and offline platforms. The above data showcases the potential significance of reselling and upcycling for achieving sustainability goals.

2.3. Consumers’ motivations to buy luxury second-hand garments

The second-hand market is generated by interactions between sellers - who consider garments to be a disposable commodity²⁴ - with purchasers - who view clothes as having a value beyond a few uses.²⁵ Both parties have certain motivations which drive them to engage in either side of the market.

In principle, consumer purchasing behaviour can be categorised into three motives: economic, hedonic and recreational, and critical.²⁶ The economic constraint might lead (some) customers who are interested in buying premium/ luxury clothing to purchase second-hand items instead.²⁷ Consumers also seek entertainment through social interactions and retail therapy, which falls under the hedonistic and recreational motives.²⁸ This category also includes the quest for uniqueness and originality, as well as the wish to acquire a certain status. Shopping for second-hand clothing appears to satisfy this latter consumer motivation since customers may feel that they are actively participating in the circular economy and its processes. Observing, as well as catering to such motivations of consumers could be an essential strategy to be adopted by luxury fashion companies for becoming more circular.

²⁰ Camino Martos Crespi, ‘A study of the internationalization strategies of the new business models in the fashion industry: second-hand, rental, subscription and interchange’ (2021) 6. Available at <<http://hdl.handle.net/11531/47049>> accessed 12 May 2023.

²¹ The survey relies draws on interviews with more than 27,000 people in the EU Member States. See Euratex, ‘Facts and Key Figures 2022’ (June 2022), 26. Available at: <https://euratex.eu/wp-content/uploads/EURATEX_FactsKey_Figures_2022rev-1.pdf> accessed 21 July 2023.

²² Sara Cavagnero, ‘Governing the fashion industry (through) intellectual property assets: systematic assessment of individual trademarks embedding sustainable claims’, (2021) 16(8) *Journal of Intellectual Property Law & Practice* 850. Available at <<https://doi.org/10.1093/jiplp/jpab059>> accessed 15 May 2023.

²³ LystInsights, ‘Conscious Fashion Report 2020’. Available at <<https://www.lyst.com/data/2020-conscious-fashion-report/>> accessed 21 July 2023.

²⁴ Marie-Cécile Cervellon, Lindsey Carey and Trine Harms, ‘Something Old, Something Used: Determinants Of Women's Purchase Of Vintage Fashion Vs Second-Hand Fashion’ (2012) 40 *International Journal of Retail & Distribution Management* 956.

²⁵ Maria Esther Medalla and others, ‘Modeling the hierarchical structure of secondhand clothing buying behavior antecedents of millennials’ (2020) 15 (4) *Journal of Modelling in Management* 1680. Available at <10.1108/JM2-08-2019-0207> accessed 10 May 2023.

²⁶ *ibid.*

²⁷ Daniel Borg, Oksana Mont and Heather Schoonover, ‘Consumer Acceptance And Value In Use-Oriented Product-Service Systems: Lessons From Swedish Consumer Goods Companies’ (2020) 12(19) *Sustainability* 4.

²⁸ Dominique Roux and Denis Guiot, ‘Measuring Second-Hand Shopping Motives, Antecedents and Consequences’ (2008) 23 *Recherche et Applications en Marketing* 63.

3. Challenges for the fashion industry on the road to sustainability

The most relevant sustainability challenges faced by luxury companies comprise three primary dimensions: social, environmental, and economic.²⁹ The social challenge corresponds to the need to protect fashion industry employees, as well as to make decisions that consider all relevant stakeholders.³⁰ The environmental concern refers to preserving the natural resources used in the production process, as well as creating substitutes for currently used raw materials.³¹ Finally, the economic challenge entails integrating sustainable practices into the strategic and operational plans of companies.³²

Sustainability challenges related to the economic dimension arise not only at the production level, but also the usage level. While clothing manufacturing has been highlighted as a cause of considerable environmental damage (e.g., greenhouse gas emissions, and water consumption), clothing usage also has a significant effect.³³ The Ellen MacArthur Foundation estimated in 2017 that 73% of yearly fibre and garment production is burned, while just 12% is recycled or used for new goods. This mismatch is linked to the significant underutilisation of apparel in middle- and high-income economies.³⁴

Considering the above-mentioned challenges, second-hand luxury markets and the upcycling of luxury garments could be two possible means of addressing them.³⁵ From the perspective of luxury companies, supporting and even engaging in second-hand markets can offer them a competitive advantage.³⁶ However, engaging in second-hand markets and upcycling do not come without obstacles since premium and luxury brands enjoy the protection of trademarks for their creations. This means that the benefits of second-hand markets and upcycling should be balanced with the interests of luxury companies in safeguarding the functions fulfilled by their trademarks.

Bearing the above in mind, it is crucial to examine the role of IPRs, and particularly, trademarks, in the evolution of the aforementioned sustainability mechanisms. The long-term growth of said mechanisms could benefit from a proper balancing of both consumers' and luxury companies' interests. Due to their ability to establish trust in the quality and origin of pre-owned garments, trademarks are expected to play a crucial role in encouraging consumers to purchase second-hand luxury garments.

4. Intellectual property protection in the fashion industry

²⁹Jacqueline Campos Franco, Dildar Hussain and Rod McColl, 'Luxury Fashion and Sustainability: Looking Good Together' (2020) 41 *Journal of Business Strategy* 55.

³⁰ *ibid.*

³¹ *ibid.*

³² *ibid.*

³³ Ellen MacArthur Foundation, 'A New Textiles Economy: Redesigning Fashion's Future' (2017) referred to in Juana Camacho-Otero, Casper Boks, and Ida Nilstad Pettersen, 'User Acceptance and Adoption of Circular Offerings in the Fashion Sector: Insights from User-Generated Online Reviews' (2019) 231 *Journal of Cleaner Production* 928.

³⁴ *ibid.*

³⁵ Franco, Hussain and McColl (n 29) 55.

³⁶ For example, MIT Sloan Management Review and the Boston Consulting Group conducted study which indicates that sustainability represents a competitive advantage for a company; See also David Kiron and others, 'The Innovation Bottom Line' *MIT Sloan Management Review* (2013) referred to in Ly and A.W.K. Tan (n 2).

One of the hallmarks of the luxury fashion industry is creative expression. Logos, patterns, shapes, and symbols are the result of substantial creative energy and financial expenditure.³⁷ In addition, luxury brands direct significant resources into cultivating their relationship with customers, so that clients ultimately associate the brand with a particular style, experience, and level of quality.³⁸ Safeguarding this intellectual capital and financial investment through IPRs not only assists luxury brands in maintaining their reputation and position in the market, but can also attract investors and foster future creativity.³⁹

The fashion industry is usually associated with a wide spectrum of IPRs such as copyrights,⁴⁰ designs,⁴¹ patents (albeit rarely)⁴² and finally, trademarks. Due to their relevance and widespread use to protect fashion brands, this paper will focus primarily on trademarks as a means to achieve fashion sustainability goals.

Trademarks constitute a brand owner's primary line of defence against rivals who illegally infringe upon their unique character.⁴³ Despite being a primarily legal notion, the significance of a trademark has expanded beyond representing a mere separation from competitors and includes a psychological component.⁴⁴ A trademark is considered the means through which (i) consumers form mental pictures, emotional connections, and positive (or negative) connotations with a brand and (ii) brand owners safeguard the intangible aspects of their brands, including image and goodwill.

Besides the above-listed benefits, the protection afforded by trademarks has the potential to incentivise premium and luxury fashion companies to invest in sustainable business models.

5. Joining the circular economy - Second-hand markets and upcycled garments

Within the retail level of the fashion value chain, circular business models commonly operate in one or more of the following categories: take-back of used items, resale of used products (second-hand), rental, repair, redesign, and use of recycled materials.⁴⁵ For the purposes of the

³⁷ Arundhati Singh, 'Louis Vuitton: In Charge Of 18,000 Intellectual Property Rights' (IIPRD, 29 June 2022). Available at <<https://www.iiprd.com/loui-vuitton-in-charge-of-18000-intellectual-property-rights/>> accessed 10 August 2023.

³⁸ Brandstock, 'Intellectual Property in the fashion industry'. Available at <<https://www.brandstock.com/intellectual-property-in-the-fashion-industry/>> accessed 10 August 2023.

³⁹ On the relevance of investors, see Peter Finnie, 'IP Considerations for Angel Investors' (4iP Council 2022). Available at <<https://www.4ipcouncil.com/features/ip-considerations-angel-investors>> accessed 10 August 2023; See also Christian Schneider, 'Intellectual Property from the Perspective Of A Venture Capitalist' (4ipcouncil 2019). Available at <<https://www.4ipcouncil.com/research/webinar-intellectual-property-perspective-venture-capitalist>> accessed 10 August 2023.

⁴⁰ For more detailed presentation of the copyright issues around the fashion industry, see European Commission, Executive Agency for Small and Medium-sized Enterprises, 'IP in the Fashion Industry' (Publications Office 2021). Available at <https://intellectual-property-helpdesk.ec.europa.eu/system/files/2021-02/EU_IP_HD_Fact_Sheet_IP-fashion-industry.pdf> accessed 11 August 2023; see also Violet Atkinson and others, 'Comparative Study of Fashion and IP: Copyright and Designs In France, Europe And Australia' (2016) 11 *Journal of Intellectual Property Law & Practice*, pg 517.

⁴¹ European Commission (n 40) 11.

⁴² *ibid* 12.

⁴³ Dima Basma, 'The Nature, Scope, and Limits of Modern Trademark Protection: A Luxury Fashion Industry Perspective' (University of Manchester 2016) 80. Available at <https://pure.manchester.ac.uk/ws/portalfiles/portal/54583181/FULL_TEXT.PDF> accessed 10 August 2023

⁴⁴ European Commission (n 42) 10.

⁴⁵ Emelie Hultberg and Rudrajeet Pal, 'Lessons On Business Model Scalability For Circular Economy In The Fashion Retail Value Chain: Towards A Conceptual Model' (2021) 28 *Sustainable Production and Consumption* 687.

present article, the focus is on the resale of used products and redesign (in the form of upcycling),⁴⁶ each of which will be referred to as: goods resold as they are (in the second-hand market) and upcycled/ modified goods.

5.1. Unmodified fashion goods and the second-hand market

5.1.1. Introduction to the second-hand luxury fashion market.

Second-hand shopping entails the acquisition of previously owned and (generally) used goods,⁴⁷ irrespective of the age of the product.⁴⁸ Prices of these second-hand garments are typically lower than brand new ones in luxury boutiques.⁴⁹ The price, accessibility and the extension afforded to the product lifecycle are the main differences between second-hand and new luxury garments.⁵⁰ For instance, on the platform 'Vestiaire Collective', a digital marketplace which links sellers of pre-owned luxury items and potential buyers,⁵¹ prices of second-hand luxury items were between 30% and 70% lower than the price of the same products purchased new in 2019.⁵²

In terms of environmental impact, the energy required to gather, sort, and resell used garments is 10 to 20 times less than that needed to manufacture a new item.⁵³ Regarding socio-economic benefits, some estimates suggest that on average, 20 to 35 jobs are created for every 1000 tonnes of textiles that are collected and reused. (re-use encompasses second-hand selling).⁵⁴

From the perspective of fashion brands, involvement in the reselling of pre-owned garments offers the possibility to strengthen relationships with existing customers and reach new market segments through various reselling platforms for used items.⁵⁵ Thus, selling luxury items on the second-hand market can introduce new customers to the respective brand.⁵⁶ In addition, an established second-hand market could generate a larger market for fashion brands because

⁴⁶ Redesigning is one of the most important steps in the upcycling process and entails adding value to used products.

⁴⁷ Nyiesha Jones, 'An Evaluation of Product Descriptions and Brand Trust as influencers of Purchase Intent in a Luxury Second Hand' (2022) *Research Psychology Theses* 6. Available at <https://digitalcommons.spu.edu/rpsy_etd/7> accessed 10 May 2023; See also Linda Lisa Maria Turunen and Hanna Leipämaa-Leskinen, 'Pre-loved luxury: Identifying the meanings of second-hand luxury possessions' (2015) 24(1) *Journal of Product and Brand Management* 57.

⁴⁸ Shuai Yang, Yiping Song and Siliang Tong, 'Sustainable Retailing in the Fashion Industry: A Systematic Literature Review' (2017) 9(7) *Sustainability* 1266.

⁴⁹ There are also exceptions to this rule. They refer to luxury goods acquired for investment purposes which include limited edition items. For example, certain models of Chanel bags and the Birkin Kelly bag are examples of luxury products which have a higher reselling price on the secondary market compared to the primary market.

⁵⁰ Cervellon, Carey and Harms (n 24) 956.

⁵¹ 'Change the Future of Fashion: One In, One Out' (Vestiaire Collective, 2023). Available at: <<https://www.vestiairecollective.com/journal/our-sustainability-manifesto/>> accessed 11 August 2023.

⁵² Linda Lisa Maria Turunen, Marie-Cecile Cervellon and Lindsey Drylie Carey, 'Selling Second-Hand Luxury: Empowerment and Enactment Of Social Roles' (2020) 116 *Journal of Business Research* 474.

⁵³ Kerli Kant Hvass, 'Business Model Innovation through Second Hand Retailing' (2008) 57 *The Journal of Corporate Citizenship* 14.

⁵⁴ European Commission, 'Sustainable and Circular Textiles by 2030' (2022). Available at <https://ec.europa.eu/commission/presscorner/detail/en/fs_22_2017> accessed 11 August 2023.

⁵⁵ Hvass (n 53) 13.

⁵⁶ Turunen and Leipämaa-Leskinen (n 47).

consumers are more likely to make purchases if they know they can resell their garments in the future.⁵⁷

Despite the impact it could have on new product sales, second-hand reselling lends luxury items an image of durability, boosting their resale value and eventually enhancing the garments' overall value.⁵⁸ Moreover, luxury brands are often connected with endurance and heritage, suggesting that 'luxury brands do not merely sway with the latest fashion fads, but focus on adapting traditions to create products that will last, maintaining the brand's heritage into the future'.⁵⁹ Thus, the value of deeper luxury extends beyond the price of a transaction. These characteristics render premium and luxury items suitable candidates for reselling, as they have the potential to be resold many times.

5.2. Modified fashion goods - Upcycling

Upcycling is not a new phenomenon. In the past, repairing clothes and/ or repurposing them was sometimes more common than buying new ones. Dapper Dan, an African-American fashion designer,⁶⁰ employed upcycling methods before the term was coined. Dapper Dan redesigned customers' Gucci and Louis Vuitton clothing and, despite being sued for these practices back in the 1990s, the designer is now revered by the fashion world, with luxury brands seeking formal partnerships with him.⁶¹

Upcycling was initially adopted by small fashion brands and independent designers.⁶² Recently however, luxury brands have begun to embrace sustainability-related practices. They are doing this not only by endorsing or contributing to second-hand markets, but also in earlier stages of the production process by using the materials already available from previous collections.⁶³ For instance, in 2019, Virgil Abloh designed and presented the Louis Vuitton Trainer, a collection of sneakers that combined streetwear and luxury. During the presentation of the 2021 collection, Louis Vuitton showed a unique line of sneakers crafted with used materials from their previous sneaker collection of 2019.⁶⁴ With similar intentions, Levi's encourages their customers to hold on to their products for a little longer. During the last two years, the brand has been focusing on opening tailor shops, where customers can get clothing customised, altered or repaired.⁶⁵

⁵⁷ Caylee Phillips, 'A NoNo from CoCo: The Contentious Relationship between Luxury Brands and Resale' 24(2) *SMU Science and Technology Law Review* 472; See also Hsunchi Chu and Shuling Liao, 'Buying while expecting to sell: The Economic Psychology Of Online Resale' (2010) 63(9/10) *Journal of Business Research* 1073.

⁵⁸ Aurélie Kessous and Pierre Valette-Florence, 'From Prada to Nada: Consumers And Their Luxury Products: A Contrast Between Second-Hand And First-Hand Luxury Products' (2019) 102 *Journal of Business Research* 313.

⁵⁹ Jem Bendell and Anthony Kleantous, 'Deeper Luxury' (WWF-UK 2007) 29. Available at https://assets.wwf.org.uk/downloads/luxury_report.pdf accessed 15 May 2023.

⁶⁰ 'Dapper Dan of Harlem' (Business of Fashion). Available at <https://www.businessoffashion.com/community/people/dapper-dan> accessed 10 March 2023.

⁶¹ 'An Upcycling Renaissance' (NeoCha, 2021). Available at <https://neocha.com/magazine/an-upcycling-renaissance/> accessed 10 March 2023.

⁶² Etiql, 'Our Vision'. Available at <https://etiql.com/pages/our-vision#longevity> accessed 10 March 2023.

⁶³ *ibid.*

⁶⁴ 'Louis Vuitton's new sustainable sneakers' (Nss magazine, 2021). Available at <https://www.nssmag.com/en/fashion/25379/louis-vuitton-trainer-upcycling> accessed 10 March 2023.

⁶⁵ Levi's, 'The Levi's® Tailor Shop'. Available at https://www.levi.com/US/en_US/features/tailor-shop accessed 10 March 2023.

These are just several initiatives that illustrate the internalisation of sustainability objectives into fashion brands' core values. Upcycling is transitioning from a new trend in the fashion industry into an established segment of high-end/ luxury brands' business models.

Akin to some of the motivations connected to second-hand clothes, upcycled garments can satisfy the need for uniqueness even more so, as such items are essentially one-of-a-kind.⁶⁶

6. Connecting IPRs (trademarks) with second-hand and upcycled garments

6.1. Sustainability, knockoffs, and counterfeits.

Fast fashion has been on the rise for the last decade.⁶⁷ This model pushed forward the so-called 'democratisation' of fashion by offering consumers access to luxury knockoffs, meaning items that resemble the original but are not exact duplicates.⁶⁸

Counterfeit garments are also increasingly widespread and available nowadays, especially as a result of the rise in e-commerce channels.⁶⁹ A counterfeit product is an unauthorised imitation of a branded product (i.e., a product bearing a trademark) offered on the market. Counterfeit products imitate a material or symbolic value that can be presented and communicated to other consumers.⁷⁰ They are usually sold at a lower price than the genuine product. A variety of products can be counterfeited and some of the most often encountered examples are luxury items such as designer clothes, jewellery, watches, and shoes.⁷¹

Unlike counterfeits, selling knockoffs is, in principle, legal, as the copyist manufactures a similar garment, but under its own trademark.⁷² However, when compared to counterfeits, knockoffs are similarly harmful to the original premium/ luxury brand. Both undermine the exclusivity aura of the brand and have the potential to confuse customers.⁷³ Moreover, some consumers willingly purchase counterfeit products, particularly when price pressures are high

⁶⁶ Hyun Jung Park and Li Min Lin, 'Exploring Attitude–Behavior Gap in Sustainable Consumption: Comparison of Recycled and Upcycled Fashion Products' (2020) *117 Journal of Business Research* 623, 624.

⁶⁷ The term refers to fashion which is manufactured in a cheap manner and is readily available. Fast fashion means that retailers can swiftly bring catwalk designs to stores to meet the rapidly changing demand for different styles; See also Rachel Bick, Erika Halsey and Christiane C. Ekenga, 'The Global Environmental Injustice of Fast Fashion' (2018) *17 Environmental Health* 4.

⁶⁸ Danielle Sciarretta, 'What Can Luxury Brands Do To Protect Brand Value in the Age of Social Media and Counterfeit Culture?' (2022) 9. Available at https://scholarship.shu.edu/cgi/viewcontent.cgi?article=2280&context=student_scholarship accessed 17 May 2023.

⁶⁹ The notion of counterfeit refers to items which are manufactured with the aim to copy the original garments, including the trademarks of the latter. For more details regarding counterfeit items, see Section 5.2.1. below.

⁷⁰ See Article 2 (5) of Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 for the legal definition of counterfeit goods.

⁷¹ Martin Eisend, Patrick Hartmann and Vanessa Apaolaza, 'Who Buys Counterfeit Luxury Brands? A Meta-Analytic Synthesis of Consumers in Developing and Developed Markets' (2017) *25(4) Journal of International Marketing* 91.

⁷² Tina Martin, 'Fashion Law Needs Custom Tailored Protection for Designs' (2019) *48(3) University of Baltimore Law Review* 456.

⁷³ Mark S. Rosenbaum, Mingming Cheng and IpKin Anthony Wong, 'Retail Knockoffs: Consumer Acceptance and Rejection of Inauthentic Retailers' (2016) *69(7) Journal of Business Research* 2449.

for original premium/ luxury items, but also due to the human inclination toward seeking bargains.⁷⁴

Both counterfeits and knockoffs have a negative impact on the environment and on other stakeholders' interests/ values. The popularity of knockoffs has led to a significant increase in the fashion industry's carbon footprint. In addition, the value of luxury brands has been eroded with designers even losing their incentive to create.⁷⁵ However, due to the poor product quality of the garments and the lack of creativity and originality inherent in fast fashion, a portion of consumers is starting to steer away from knockoffs in favour of supporting local brands.⁷⁶

As for counterfeits, due to their illegal nature, the manufacturing companies often have less regard for the environment, workers' conditions, or the level of pollution produced by machinery.⁷⁷ Their priority is to produce as swiftly and inexpensively as possible, even if it leads to the discharge of waste into oceans or rivers.⁷⁸ In addition, due to the unregulated environment in which their production occurs, some counterfeit items may bear safety risks. One example is the selling of counterfeit jewellery containing lead, which poses health-associated dangers.⁷⁹

The motivations of consumers to acquire either counterfeit, knockoffs, or second-hand premium/ luxury garments are overlapping to some extent. For instance, affordability and the quest for social status are motivations shared by both types of consumers. Engaging in the luxury second-hand market could satisfy some of the needs that drive them to acquire either counterfeit or knockoff garments.⁸⁰ The acquisition of second-hand luxury fashion or of upcycled garments the items seem a promising alternative to the purchasing of counterfeit and knockoff products. Additionally, resale and upcycling reduce the quantity and environmental impact of fashion waste.⁸¹

6.2. Why trademark matter for the development of second-hand fashion luxury markets

Notwithstanding its many advantages, the growth of the second-hand market also presents several challenges for IP protection. The rise in e-commerce distribution channels for pre-

⁷⁴ Klaus-Peter Wiedmann, Nadine Hennigs and Christiane Klarmann, 'Luxury Consumption in the Trade-Off Between Genuine And Counterfeit Goods: What Are the Consumers' Underlying Motives and Value-Based Drivers?' (2012) 19 *Journal of Brand Management* 91.

⁷⁵ Mark K. Brewer, 'Slow Fashion in A Fast Fashion World: Promoting Sustainability and Responsibility' (2019) 8 *Sustainability* 24.

⁷⁶ Amira Mukendi and others, 'Sustainable Fashion: Current and Future Research Directions' (2019) 54(11) *European Journal of Marketing* 2885.

⁷⁷ Rachel Jones, 'The Impact of Counterfeits On Environmental, Social and Corporate Governance Agendas' (Forbes, 2022). Available at <<https://www.forbes.com/sites/forbesbusinesscouncil/2022/05/10/the-impact-of-counterfeits-on-corporate-environmental-social-and-governance/?sh=49a96004dc21>> accessed 12 August 2023.

⁷⁸ *ibid.*

⁷⁹ Sciarretta (n 68) 14.

⁸⁰ Cesare Amatulli and others, 'Understanding Purchase Determinants of Luxury Vintage Products' (2018) 35 *Psychology & Marketing*, pg.616. Referred to in L.L.M. Turunen, M-C Cervellon and L.D. Carey, 'Selling second-hand luxury: empowerment and enactment of social roles' (2020) *Journal of Business Research*, vol. 116, pp. 474-481.

⁸¹ M.A.D. Machado and others, 'Second-hand Fashion Market: Consumer Role in Circular Economy' (2019) 23 *Journal of Fashion Marketing and Management* 382.

owned luxury items, coupled with the multiplicity of strategies designed to attract consumers to buy, adds another layer of complexity to the already pervasive phenomenon of counterfeiting.⁸² Reselling clothing garments and modified goods should not become just another excuse for counterfeiters to freeride on fashion companies' years of creative work and investment. Regardless of how fashion companies choose to engage in the second-hand market, it is imperative that their IPRs are not impacted in such a way that their businesses and sustainability initiatives are disrupted. In the transition of fashion brands to sustainable retail business models, IPRs should be given great attention. IPRs guarantee the range of choice and quality consumers expect from resold luxury/high-quality brands and thus encourage second-hand purchase.⁸³

It is also worth mentioning that some consumers acquire (pre-owned) luxury items not only as an item to be worn but also for investment purposes.⁸⁴ Some luxury brands release limited edition products, which helps to emphasise the rarity of their products. This is one instance in which consumers might consider purchasing luxury items for investment purposes, due to the conviction that their scarcity will contribute to an increase in value over time.⁸⁵ This is a strategy employed by Birkin, and also by renowned sports equipment companies, like Nike.⁸⁶ In such cases, the value of the brand is an essential factor in consumers' decision to purchase. The preservation of brands' IPRs is critical for ensuring the long-term increase in value of luxury items and for encouraging consumers to engage in either the primary or secondary premium/ luxury market.

When justifying the relevance of IPRs in the context of second-hand luxury markets, it is relevant to also consider consumers' motivations to participate in this market, as listed in Section 2 c) above. Consumers' quest for uniqueness and originality cannot be met without respecting IPRs. A failure to afford adequate protection to IPRs would risk the second-hand luxury market becoming flooded with poor-quality, similar garments.

⁸² Marsela Thanasi-Boçe, Nermain Al-Issa and Omar Ali, 'Combating Luxury Counterfeiting Through Blockchain Technology' in: S.S. Muthu (ed) *Blockchain Technologies in the Textile and Fashion Industry* (Springer, Singapore 2022).

⁸³ Brewer (n 75) 24.

⁸⁴ D-M. Davis, 'Birkins, Louis Vuitton Trunks, and Vintage Chanel: Collecting Rare Handbags Can Be a Lucrative Investment Strategy. Check Out 5 of the Most Expensive Bags Ever Sold at Auction by Christie's' (Business Insider, 2020). Available at <<https://www.businessinsider.in/thelife/news/birkins-louis-vuitton-trunks-and-vintage-chanel-collecting-rare-handbags-can-be-a-lucrative-investment-strategy-check-out-5-of-the-most-expensive-bags-ever-sold-at-auction-by-christieaposs-/slidelist/76989652.cms>> accessed 12 August 2023. For example, according to a 2017 study, the Birkin bag's value has increased by 500 per cent in the last 35 years, and according to a 2020 report by Knight Frank, an investment in this bag is more lucrative than one in stocks or gold; See also Natalie Hughes, 'The History of the Hero: The Hermès Birkin' (Harper's Bazaar, 2023). Available at <<https://www.harpersbazaar.com/uk/fashion/a43020862/hermes-birkin-bag/>> accessed 12 August 2023.

⁸⁵ Thanasi-Boçe, Al-Issa and Ali (n 82) 4.

⁸⁶ Hermès manufactures only a certain number of bags per year and they are usually sold before they are produced; See Genesis Digital, 'A Lesson From Luxury Bags: The Power Of Scarcity' (2018). Available at <<https://www.genesisdigital.co/blog/featured/luxury-bag-scarcity/>> accessed 12 August 2023.

A pair of Air Jordan IV sneakers were sold in 2016 for USD 18,500 in a New York Shop. Only 72 pairs of this model were manufactured, and they ended up selling at a price 9250% higher than the initial retail price; See Nicholas George Cassidy, 'The Effect of Scarcity Types on Consumer Preference in the High-End Sneaker Market' (2018) 5 Unpublished Honors Thesis. Appalachian State University, Boone, NC.

In order to enforce their IPRs, fashion brands might need to allocate substantial resources to litigation which may result in higher prices for consumers and lower wages for employees.⁸⁷ Thus, it is advisable for the fashion sector to incentivise more consumers to become part of the luxury second-hand market and luxury brands.

Thus, approaching second-hand markets by considering both sustainability objectives and trademark rights, contributes to the advancement of sustainability goals in the fashion sector. Promoting substantiality goals incentivises more consumers to engage with luxury second-hand markets, meanwhile protecting the IPRs of luxury brands encourages them to engage with the second-hand market, without the fear of their reputation and investments being diminished.

7. Trademarks in relation to the second-hand luxury fashion market and upcycling

7.1. Counterfeiting. Associated challenges and practical solutions

Before the advent of the internet and social media, counterfeiting was an issue with limited scope. Owing to the growing relevance of the internet and e-commerce, the amount of circulating counterfeit goods has risen.⁸⁸ The same has happened regarding counterfeiters' capacity to produce items that more closely resemble the originals.⁸⁹ The possibility to perform an accurate analysis of the images of original products and processes facilitates the manufacture of accurate reproductions of garments.⁹⁰

As counterfeits are starting to resemble the authentic products with ever greater accuracy, the task of identifying and controlling their initial sale is increasingly strenuous. In recent years, there has been an upsurge in what some refer to as 'super fakes,' 'triple-A fakes,' and 'line-for-lines,' all of which look authentic to inexperienced eyes.⁹¹ This is problematic in the context of sustainability objectives because counterfeits can be subsequently resold on luxury resale websites at prices comparable to the resale value of genuine fashion garments.⁹² Knowing that counterfeits can be resold on second-hand markets might be an additional incentive for consumers to acquire them in primary markets. Thus, considering the dangers posed by counterfeits, it is wise to prevent their proliferation.

The inferior quality of most counterfeits is contrary to one of the essential characteristics of luxury goods, namely the use of high-quality materials. This can lead to customers losing trust

⁸⁷ Brewer (n 75) 50.

⁸⁸ Trade in counterfeit and pirated goods has risen steadily in the last few years – even as overall trade volumes stagnated – and stood at 3.3% of global trade in 2019, according to a report by the OECD and the EU's Intellectual Property Office; See also Catherine Bremer, 'Trade in Fake Goods is Now 3.3% of World Trade and Rising' (OECD, 2019). Available at <<https://web-archiver.oecd.org/2019-03-19/511489-trade-in-fake-goods-is-now-33-of-world-trade-and-rising.htm>> accessed 12 August 2023.

⁸⁹ Sciarretta (n 68) 6.

⁹⁰ Laura Meraviglia, 'Technology and counterfeiting in the fashion industry: Friends or foes?' (2018) 61(3) *Business Horizons* 468.

⁹¹ Dhani Mau, 'Counterfeit Handbags Are Getting Harder And Harder To Spot' (Fashionista, 2018). Available at <<https://fashionista.com/2018/03/counterfeit-knockoff-handbags-authenticity>> accessed 12 August 2023.

⁹² Sciarretta (n 68) 14.

in both the luxury brand, but also in the reselling platform, jeopardizing the success of a business model that is important to achieving sustainability goals.⁹³

Even legitimate platforms specialising in second-hand luxury goods can, despite their declared efforts in terms of professional authentication processes, be fooled and can accidentally sell counterfeits. For example, the RealReal, a resale platform that prides itself in authenticating every product it resells, sold a fake \$3,600 Christian Dior bag to a customer in the belief the product was genuine.⁹⁴

Thus, trademark owners should gear their efforts toward tackling counterfeiters, to limit the proliferation of unauthentic items which do not reflect the values of their brands and may result in dilution or loss of trademark rights.⁹⁵ Several measures to achieve this include: (i) establishing educational campaigns aimed at informing their customer base;⁹⁶ (ii) pursuing informal enforcement mechanisms, which could entail e.g., business-to-business discussions or take-down requests; (iii) obtaining control over the resale channels of their items;⁹⁷ (iv) utilising search engines and collaborating with brand owners to deindex websites from search results in circumstances where a website is found to be engaging in unlawful behaviour;⁹⁸ (v) employing highly skilled authenticators, and (vi) concluding partnerships with third parties that sell pre-owned goods, to prevent infringements of their trademarks.⁹⁹ For instance, Vestiaire Collective has partnered with luxury brands such as Alexander McQueen and Mulberry under the 'Brand Partner' programme.¹⁰⁰ Under this initiative, brands encourage their customers to sell their pre-owned products on the Vestiaire platform, with garments being subsequently marketed under the 'Brand Partner' label.

Despite the efforts of the second-hand luxury industry to build a trustworthy and transparent experience for customers, it might be extremely difficult for second-hand luxury retailers to examine and authenticate every luxury item.¹⁰¹ In order to maximise the IP protection of their brands, high-end/ luxury second-hand resellers could resort to the implementation of blockchain technology which allows parties involved in the value chain to 'trace the origin, certify authenticity, track custody, and verify the integrity of products.'¹⁰² An example is

⁹³ Phillips (n 57) 473.

⁹⁴ Richard Kestenbaum, 'The RealReal Sold Me A \$3,600 Fake; Here's Why Counterfeits Slip Through Its Authentication Process' (Forbes, 2019). Available at <<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/?sh=7bbe3e646acb>> accessed 12 August 2023.

⁹⁵ Colleen Ganin, Mira Park and Grace Stanton, 'How Fashion Brands Can Protect Their IP in the Recommerce Market' (Bloomberg Law, 2022). Available at <<https://news.bloomberglaw.com/us-law-week/how-fashion-brands-can-protect-their-ip-in-the-recommerce-market>> accessed 12 August 2023.

⁹⁶ Sciarretta (n 68) 16.

⁹⁷ Patrick Bousquet-Chavanne, 'Why Luxury Brands Must Control Their Own Recommerce Channel' (Forbes, 2022). Available at <<https://www.forbes.com/sites/patrickbousquet-chavanne/2022/04/08/why-luxury-brands-must-control-their-own-recommerce-channel/?sh=37237ff1f266>> accessed 12 August 2023.

⁹⁸ International Trademark Association, *Addressing the Sale of Counterfeits on the Internet* (2021) 10.

⁹⁹ Ganin, Park and Stanton (n 95).

¹⁰⁰ 'Introducing Brand Partner' (Vestiaire Collective). Available at <<https://www.vestiairecollective.com/journal/introducing-brand-approved/>> accessed 12 August 2023.

¹⁰¹ Thanasi-Boçe, Al-Issa and Ali (n 82) 5.

¹⁰² Matteo Montecchi, Kirk Plangger and Michael Etter 'It's real, trust me! Establishing supply chain provenance using blockchain' (2019) 62(3) *Business Horizons* 283.

Ariane, ¹⁰³ which provides a blockchain-based solution that allows companies and consumers to ascertain the authenticity of a product. ¹⁰⁴ Another example is LVMH's Aura Blockchain Consortium which produces digital certificates of authenticity outlining sourcing and sustainability information. ¹⁰⁵

Aside from the discussed non-legal measures, legal mechanisms could be key in preventing the unauthorised and/ or harmful use of fashion brands' trademarks in the course of reselling or upcycling of garments. A lack of proper protection for such trademarks could result in the respective companies not being able to recoup their investments. This might, in turn, lower their incentives to redirect parts of their revenues toward sustainability initiatives.

7.2. The role of exhaustion and trademark infringement in the resale of pre-owned fashion items and upcycling

The rise of e-commerce presents both benefits and challenges for brand owners which strive to maintain the high-end image of their products and to offer consumers seamless shopping experiences. The challenges facing IPRs become even more thorny with the emergence of third parties active in second-hand markets and/ or employing upcycling practices. At the same time, it is important to encourage the development of business models based upon selling pre-owned luxury articles and/ or manufacturing new items using materials obtained from used high-end garments. Such business models offer significant sustainability benefits.

In this context, we explore how the limits to the exhaustion doctrine could serve as a legal tool for fashion brands to protect their trademarks against potentially damaging practices of second-hand resellers and upcyclers. Such practices could affect consumers' perception and willingness to engage with sustainable business models, by giving the impression that sustainability is a pretext for third-party companies to deceive them. A lack of proper protection for fashion brands' trademarks could result in these companies not being able to recoup their investments. This could ultimately reduce incentives to invest income in sustainability initiatives.

Trademarks are also relevant for maintaining consumers' motivations for buying second-hand items. The quest for uniqueness and originality is especially impacted by deceiving practices of third-party second-hand resellers. ¹⁰⁶ By preserving trademarks' functions and ensuring consistency between the brand's values and the products purchased, consumers may be more inclined to trust luxury second-hand markets more, thus benefiting the sustainability cause.

7.3. Exhaustion and legitimate reasons to oppose further commercialisation

¹⁰³ 'About' (Ariane). Available at <<https://www.arianee.org/about>> accessed 12 August 2023.

¹⁰⁴ 'Our Enterprise-Ready Solutions' (Ariane). Available at <<https://www.arianee.com/our-products>> accessed 12 August 2023.

¹⁰⁵ Aura Blockchain Consortium. Available at <<https://auraluxuryblockchain.com/>> accessed 12 August 2023; See also Ganin, Park and Stanton (n 95); Thanasi-Boçe, Al-Issa and Ali (n 82).

¹⁰⁶ See Section 2 c. above for the discussion regarding consumer preferences for buying second-hand.

According to article 15 (2) of the EUTMR and its counterpart, the European Trademark Directive,¹⁰⁷ the trademark owner may oppose the further commercialisation of its trademarked goods after they have been put on the market by it or with its consent where there ‘exist legitimate reasons [...], especially where the condition of the goods is changed or impaired after they have been put on the market.’ Trademark owners can oppose further commercialisation for legitimate reasons, such as changes or deterioration¹⁰⁸ of the condition of the products after they have been put on the market.¹⁰⁹

Thus, once a product has been placed on the market in the European Economic Area by the trademark owner or with its consent, the proprietor cannot object to further commercialisation of that product and cannot, implicitly, control the item’s further circulation.¹¹⁰ The main rationale is ensuring that goods can circulate freely within the internal market. Exhaustion is also an important instrument for fostering competition in ancillary markets, such as repair/maintenance,¹¹¹ and second-hand markets.

It should be noted that assessing whether the trademark owner can oppose further commercialisation requires a case-by-case analysis. When conducting this assessment, it is important to consider all trademark functions, not only the origin function. The exceptions to the exhaustion principle should not be applied only when consumers are misled regarding the origin of the trademarked product, but also when other functions are affected by the practices employed on second-hand markets or by upcyclers.

7.3.1. The standard under selective distribution criteria

It is common, and legally permitted, for premium/ luxury brands to employ selective distribution, provided they comply with certain conditions.¹¹² This strategy allows brands to maintain the luxury aura of the goods. Under a selective distribution system, brands may impose certain restrictions on their distributors to preserve the luxury aura of the goods. Were the distributors to breach the licence agreement (e.g., by selling the products in discount stores), there is no exhaustion, due to the lack of consent of the brand owner for putting the goods on the market, if the provisions of the license agreement fall under art. 25 (2) of the Trademark

¹⁰⁷ Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (recast) [2015] OJ L 336, art 15 (2).

¹⁰⁸ The change or deterioration in the condition of goods represent only examples of legitimate interest and not an exhaustive enumeration. See Judgment in *Parfums Christian Dior v Evora*, ECLI:EU:C:1997:517, para 42; Egon Engin-Deniz, ‘The Right to Oppose Further Commercialisation of Goods According to Art. 15(2) of the European Union Trade Mark Regulation – A Balance of Interests?’ (2020) 69(10) GRUR International 998 <<https://doi.org/10.1093/grurint/ikaa106>> accessed 10 June 2023.

¹⁰⁹ EUTMR, art 15 (2).

¹¹⁰ Irene Calboli, ‘Market Integration and (the Limits of) the First Sale Rule in North American and European Trademark Law’ (2011) 51 *Santa Clara L Rev* 1241, 1243 <<https://digitalcommons.law.scu.edu/lawreview/vol51/iss4/6>> accessed 9 June 2023.

¹¹¹ Apostolos Chronopoulos, ‘Exceptions to Trade Mark Exhaustion: Inalienability Rules for the Protection of Reputational Economic Value’ (2021) 43(6) E.I.P.R. 352.

¹¹² Judgment in *Copad*, C-59/08, ECLI:EU:C:2009:260, paras 28 and 29; Judgment in *Pierre Fabre Dermo-Cosmétique*, C-439/09, EU:C:2011:649, para 41; Judgment in *Coty Germany*, C-230/16, ECLI:EU:C:2017:941, para 46.

Regulation.¹¹³ Moreover, even if the brand owner consented,¹¹⁴ exhaustion would still not apply, if, considering the circumstances of the case, the resale would damage the reputation of the trademark.¹¹⁵

The legal situation is different in second-hand markets, as the condition that the trademark owner gave its consent for putting the garment on the market is usually verified. Thus, for exhaustion not to apply, brand owners could only rely on proving that there are legitimate reasons to oppose further commercialisation of the garment. The same standard against which the impairment of the luxury image is assessed within selective distribution systems would not apply to reselling garments on second-hand markets. This is because the trademark owner has already received the economic value of its investments during the first sale of the product. Thus, opposing resale of premium/ luxury garments on platforms that do not meet certain criteria should be possible only for reasons which severely damage the trademark functions.

8. Trademark functions under infringement and exhaustion provisions

The provisions of article (9) (2) a) EUTMR regarding infringement are relevant when discussing reselling and upcycling. For this article to apply, the sign used by the reseller needs to be identical with the allegedly infringed trademark and it must be used in relation to identical goods or services. According to CJEU, a sign is deemed identical to a trademark if it replicates all the elements of the trademark without any additions or changes.¹¹⁶ Alternatively, if, when regarded in its entirety, the sign displays differences that are so insignificant that an average consumer would not notice them, it is also considered identical to the trademark.¹¹⁷ With regard to the nature of the (resold or upcycled) goods or services, it must be determined whether the use of the purportedly infringing sign concerns goods or services that fall under the specifications contained in the trademark registration.¹¹⁸ For resold garments, this identity exercise should be easily verifiable, as the garments are the same as those initially sold by the trademark owner¹¹⁹ and most likely bear the initial trademark especially if they are to be sold as premium/ luxury preowned garments.

As to upcycling, even if the new upcycled garments would differ from the ones from which they originate, it is likely that the Nice classes under which the premium/ luxury company registered its trademarks are the same as the ones under which the upcycled garments would fall.¹²⁰ In addition, the approach of the courts is rather pragmatic and looks at the actual use in

¹¹³ Article 25 (2) of EUTMR (and its equivalent in the Trademark Directive) lists the aspects (e.g., quality of the goods, territory, duration) related to which a trademark owner can invoke the rights conferred by the trademark against a licensee who contravenes any provision in his licensing contract; Copad (n 112) para 51.

¹¹⁴ Due to non-fulfillment of any of the conditions of art 25 (2) of the Trademark Directive.

¹¹⁵ Copad n (112), para 59.

¹¹⁶ Judgment in LTJ Diffusion, C-291/00, ECLI:EU:C:2003:169, para 54; Justine Pila and Paul Torremans, 'Intellectual Property Law' (2nd edn, Oxford University Press 2019) 774.

¹¹⁷ Torremans, page 774 + to find the relevant paragraph in the Case C-291/00.

¹¹⁸ Pila and Torremans (n 116) 775.

¹¹⁹ Annette Kur, 'As Good as New' – Sale of Repaired or Refurbished Goods: Commendable Practice or Trade Mark Infringement? (2021) 70(3) GRUR International 231.

¹²⁰ Pila and Torremans (n 116) 775.

trade of the goods or services bearing the sign identical with the trademark.¹²¹ Thus, if, for instance, a part of a Chanel blazer bearing the double C logo is embedded into an upcycled pair of trousers, the double identity clause could be applicable, even if the new upcycled garment is not a blazer. If the new upcycled good is a bag made of soda cans, then the new product likely falls within a different category and would need to be assessed under article 9 (2) b) or c) EUTMR, requiring additional conditions for finding a trademark infringement.¹²²

One of the conditions for finding an infringement under the ‘double identity’ clause of article 9 (2) a) EUTMR is that the use ‘affected or was liable to affect the functions of the trademark, in particular its essential function of guaranteeing the origin of the goods or services to consumers’.¹²³ In addition, in *L’Oreal v Bellure*, the CJEU clarified that a breach of Article 9(1) a) EUTMR could result from harm to any of the trademark functions.¹²⁴ The infringing use referred to in article 9 (2) a) is normally in relation to a third party’s goods, but not necessarily. Infringement can also arise if the third party uses the sign in connection to the rights holder’s products, for instance in an advertising context, as long as the functions of the trademark are affected.¹²⁵ The outcome of the case concerning the resold garments would be the same irrespective of whether only the conditions of an article 9 (2) a) EUTMR are analysed or both the double identity infringement and the limits to the exhaustion principle are applied.¹²⁶ In other words, both article 9 (2) a) EUTMR and the limitations to the exhaustion doctrine rely mostly on the trademark functions, so whichever route is chosen, the outcome would be the same.

Where modified garments are concerned, the analysis steps might depend on the degree to which the garment was modified.¹²⁷ In one scenario, the garment is only repaired or refurbished, and can be deemed a changed or impaired version of the initial item. In this case, it could be assumed that the use of the trademark in relation to the modified garments affects at least the origin function, so that article 9 (2) a) EUTMR can be deemed applicable and the analysis can advance to verifying whether any limits to the exhaustion principle allow the trademark owner to oppose further commercialisation.¹²⁸ In another scenario, the original garments are modified to such an extent that they became a different clothing item. In such circumstances, the exhaustion doctrine might not be applicable, because the premise on which it relies is no longer applicable: we are not dealing with changed or impaired goods, but with a new garment.¹²⁹ Then, only the EUTMR provisions regarding infringement would need to be

¹²¹ Pila and Torremans (n 116) 775.

¹²² In this scenario of radical transformation, consumers might easily understand that a bag made of packages from different brands of chocolate, for example, does not stem from the owners of the chocolate trademarks. However, if dealing with a bag created from a single brand of cookie wrappers, consumers might be confused into falsely believing that it stems from the owner of the trademark appearing on the wrapper; See also Kur (n 119) 231; Andrea Anderson, ‘Trash or treasure’ (2009), 2. Available at <https://www.hollandhart.com/articles/trash_treasure_upcycling.pdf> accessed 8 May 2023.

¹²³ Pila and Torremans (n 116), 779.

¹²⁴ Judgment in *L’Oréal and Others*, C-487/07, ECLI:EU:C:2009:378, para 58; Sarah Wright and Kaisa Mattila, ‘Has the ECJ’s expanded list of functions widened the scope of trademark protection?’ (2014) *World Trademark Review* 80.

¹²⁵ Pila and Torremans (n 116) 779.

¹²⁶ Kur (n 119) 229.

¹²⁷ *ibid* 231.

¹²⁸ *ibid*.

¹²⁹ *ibid* 232.

verified if the new upcycled garment bears the trademark/s of the pieces from which it is created.

8.1. Environmental Objectives and Legitimate Reasons

As to the concrete role of environmental objectives, one could interpret the notion of legitimate reasons by reference to the need to balance environmental objectives of Article 37 of the European Charter of Fundamental Rights of the EU (the CFR) with the protection of property and intellectual property under Article 17 (2) of the CFR. As Senftleben notes, given the societal interest in the circular economy, the assumption should be that the reuse of garments pieces should be allowed, unless the trademark owner is able to prove a stringent necessity to oppose the commercialization of upcycled products containing its trademark.¹³⁰ However, as the author points out, limiting the trademark owner's property right is subject to a proportionality assessment under Article 52 (1) of the CFR and it is not clear whether this defense can be a solid basis offering legal certainty to upcyclers.¹³¹

9. Legitimate Reasons to Oppose Further Commercialisation

The changing or impairment of the resold garments' condition is however not the only legitimate reason which can be invoked by the trademark owner. The use of 'especially' in art. 15 (2) of the EUTMR indicates a wider understanding of 'legitimate reasons'. According to CJEU case law, there are also other situations that entitle the trademark owner to object to such further commercialisation, namely: where the reseller seriously damages the reputation of the mark, hints at a commercial link with the trademark owner, replaces the initial trademark with its own trademark ('de-branding'), or refills the goods.¹³²

9.1. Serious damage to reputation

In principle, the damage caused to the reputation of a trademark owner may constitute a reasonable ground for the trademark owner to oppose further commercialisation. The CJEU case law confirms that the owner of a trademark has a legitimate interest, related to the subject matter of the trademark right, to oppose further commercialisation if the presentation of the repackaged goods is likely to harm the reputation of the trademark.¹³³ Similarly, in its decision in *BMW v Deenik*, the Court confirmed this rationale by referring to *Dior v Evora*.¹³⁴

Another notion connected to reputational damage is that of the legitimate interests of the trademark owner. Regarding prestige products, the decision in *Dior v Evora* introduced the requirement that a reseller must refrain from acting unfairly against the legitimate interests of the trademark owner. In the case of luxury goods, a balance must be struck between protecting

¹³⁰ Martin Senftleben, 'Fashion Upcycling and Trademark Infringement – A Circular Economy/Freedom of the Arts Approach' (2023) 6 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4470873> accessed 25 June 2023.

¹³¹ Senftleben (n 130) 7.

¹³² Annette Kur and Martin Senftleben, 'European Trademark Law – A Commentary' (Oxford University Press 2017) 443.

¹³³ Judgment in *Bristol-Myers Squibb and Others v Paranova*, C-427/93, ECLI:EU:C:1996:282, para 75.

¹³⁴ Judgment in *BMW*, C-63/97, ECLI:EU:C:1999:82, para 49; Kur and Senftleben (n 132) 443.

the value of the trademark by preventing serious damage to the products' aura of luxury, whilst allowing the reseller to act according to advertising practices common in its trade sector.¹³⁵ Thus, if the use of a trademark by a reseller is customary in the field of activity in which the reseller operates, the trademark owner cannot oppose the use of the trademark, unless the use 'seriously damages' the reputation of the trademark.¹³⁶

Dior v Evora may be useful for assessing the legitimacy of trademark use by second-hand resellers or upcyclers to advertise the garments they resell or the garments used to make upcycled pieces. Thus, if customary uses are allowed in a selective distribution system despite not meeting the highest imaginable thresholds for trademark reputation, there might be even stronger arguments to allow such customary uses in relation to second-hand markets and upcycled garments.

One relevant example is the case of Time Line Watches BV, a Belgian-based watch reseller that commercialises second-hand Rolex watches.¹³⁷ Time Line was using the Rolex trademark to advertise the sale of second-hand watches (some of which were mounted by Time Line with gemstones).¹³⁸ Based on this, Rolex asserted trademark infringement. The court distinguished two types of advertisements: (i) the inclusion of the Rolex trademark among other luxury trademarks offered for sale by Time Line and (ii) the use of original photographs of Rolex watches with the Rolex trademark and a (counterfeit) Rolex glove bearing the same trademark on the social media channels of Time Line.¹³⁹

Regarding the first type of advertisement, the court found that the use of trademarks was common practice (hence, customary) in relation to reselling second-hand luxury watches and that customers would not falsely link Time Line with Rolex. This was reinforced by the fact that Time Line made it clear that it was not an authorised distributor of the watches.¹⁴⁰ As to the second use in advertising, the court found that there was no trademark exhaustion, as the counterfeit glove bearing the Rolex trademark was not first put on the market by Rolex.¹⁴¹

Another national case relevant to the idea of customary practice concerns the resale of luxury products (Sisley) bought from leftover stocks in a discount store.¹⁴² The luxury cosmetics were sold in plastic boxes with security labels. On the neighbouring shelves, there were products with red labels indicating 'Sale' and priced at two-three Euros. The plaintiff claimed that there were legitimate reasons for the non-application of exhaustion, as the luxury aura of its products was affected by the goods being sold in a discount shop. However, the Munich court stated that a 'discount-like' environment is not sufficient to cause damage to the reputation of the plaintiff.

¹³⁵ *Dior v Evora* (n 108) paras 45 and 46.

¹³⁶ *Dior v Evora* (n 108) para 49.

¹³⁷ The Bird & Bird IP Team, 'Round-Up Of Fashion-Related IP Decisions 2021' (2022) 17 (3) *Journal of Intellectual Property Law and Practice* 268 <<https://doi.org/10.1093/jiplp/jpac002>> accessed 4 June 2023.

¹³⁸ *ibid* 268.

¹³⁹ *ibid*.

¹⁴⁰ *ibid*.

¹⁴¹ *ibid*.

¹⁴² OLG München, Urteil v. 08.11.2018 – 29 U 3700/17, Vertrieb von Hautpflegeprodukten aus dem Hochpreissegment in einem 'Discounter-Umfeld' referred to in Engin-Deniz (n 108) 1002.

This is because the customers know what to expect from the discounter business model and they are also aware of the trade-offs leading such shops to offer lower prices even for luxury products.¹⁴³ The plaintiff also brought up an instance of a product sold in damaged packaging. The court considered that this was not sufficient to justify a damage to reputation and that it could be considered that it was an outlier that could not impair the perception of customers as to the luxury image of the brand.¹⁴⁴

Thus, even if a product is resold for the first time, if the customers know what to expect from the seller, there are no good reasons to oppose commercialisation. This reasoning should also be applicable for second-hand markets for premium or luxury products, assuming that purchasers are aware of the context in which such items are commercialised.

The legitimate reason of serious damage to reputation is also worth discussing in the context of luxury reselling platforms. An important part of the marketing strategy of online luxury second-hand marketplaces, such as Vestiaire Collective or The RealReal, is to offer a shopping experience that exhibits an aura of exclusivity, adapted to the specific expectations of customers in the context of online shopping (e.g., allowing them to find similar products to the ones they already bought/ viewed).¹⁴⁵ For instance, they employ authentication and quality control methods, allow the customer to tailor their online shopping experience, while also learning about customer preferences to provide them a customised experience.¹⁴⁶

In this context, it can be argued that, as a rule, reselling on such platforms should not cause serious damage to the reputation of premium/ luxury brands. Similar to the instance of the damaged package in the Sisley case, cases of counterfeit goods resold on such platforms should not justify an exception to the exhaustion principle, as they can be considered outliers. For example, Chanel sued The RealReal for reselling counterfeit Chanel bags, and requested that no other Chanel bags bearing the logo should be sold on the platform.¹⁴⁷ If appropriately addressed by implementing a stronger authentication system, these instances might be perceived by consumers as errors and might not result in the RealReal becoming associated with counterfeit products. Another manner of balancing the interests of both the trademark owners and second-hand resellers is that the latter provide the necessary disclaimers regarding the authentication process of the handbags, to exclude any contribution/ affiliation of the premium/ luxury trademark owner, in case fake products would be commercialised on the platform.¹⁴⁸

¹⁴³ *ibid.*

¹⁴⁴ *ibid.*

¹⁴⁵ Limei Hoang, 'Vestiaire Collective President Fanny Moizant: "Building Trust Is The Key To Our Success"'. Available at <<https://www.luxurydaily.com/vestiaire-collective-president-fanny-moizant-building-trust-is-the-key-to-our-success/>> accessed 6 July 2023.

¹⁴⁶ *ibid.*

¹⁴⁷ For more details about this case, see *Chanel, Inc. v. The RealReal, Inc.*, 449 F. Supp. 3d 422, 428 (S.D.N.Y. 2020); see also Phillips (n 57); Maya Westra, 'The Real Real's Fake Fakes' (2020). Available at <<http://blogs.horacemann.org/verdict/2020/05/01/the-real-reals-fake-fakes/>> accessed 5 July 2023.

¹⁴⁸ This is seemingly what the RealReal did, stating that 'Brands identified on or through the Service: (i) are not involved in the authentication of the products being sold through the Service, and (ii) do not assume responsibility for any products purchased from or through the Service. Brands sold on or through the Service are not partners or affiliates of Us in any manner.' See the RealReal, Terms of Service, <<https://www.therealreal.com/terms/>> accessed 1 July 2023.

The assumption of no serious damage to reputation could be weaker in cases where platforms offer authenticity checks only in exchange for payment from the customer. Even so, it is questionable whether legitimate reasons to generally oppose further commercialisation would exist (besides concrete instances of counterfeit items). This is because luxury brand owners are becoming business-to-business clients of these reselling platforms. Indeed, some brands have concluded partnerships with third-party reselling platforms, and these partnerships have been brought to the attention of the public. For example, Kering bought a 5% stake in Vestiaire Collective.¹⁴⁹ This provides quite a strong indication that Vestiaire Collective is at least, to some extent, aligned with the vision of Kering in terms of what luxury resale entails. This observation should apply only if counterfeit products appear accidentally alongside the reselling of authentic luxury products, and the reselling platform takes immediate and appropriate measures to eliminate counterfeits. If the resale platform turns into a marketplace dominated by counterfeits, luxury brands should have recourse to claim both trademark infringement and a limitation to the exhaustion principle with respect to the reselling of their authentic goods on such a platform. The right to such recourse is due to the serious reputational damage caused by the presentation of their goods alongside counterfeits.

Taking, for example, the online platform Vinted,¹⁵⁰ it does not offer a substantial authentication process,¹⁵¹ and its business model is such that different categories of items with differing levels of quality are listed there, without any special space or presentation granted for premium/ luxury second-hand garments. In this context, a limitation to the exhaustion principle under art. 15 (2) EUTMR might be an option for luxury brands that find their authentic items offered alongside lower quality garments, as this kind of presentation cannot be deemed customary in the luxury second-hand market, considering the robust presence of specialised luxury online resellers.

9.2. Impression of commercial connection

A legitimate reason to oppose further commercialisation may also exist if a misleading representation of the reseller's relationship with the trademark owner is created. For example, if a third-party reseller conveys an impression that it belongs to the authorised distribution network of the trademark owner or that there is an affiliation, special relationship,¹⁵² or joint sponsorship between the two¹⁵³ when no such relationships exist. This link mostly depends on the market context shaped by the practices in the relevant business sector, which is a question of fact for the national court to assess.¹⁵⁴

¹⁴⁹ 'Gucci Owner Kering Invests In Resale Platform Vestiaire Collective' (Reuters, 2021). Available at <<https://www.reuters.com/article/us-kering-vestiairecollective-idUSKCN2AT3D1>> accessed 1 July 2023.

¹⁵⁰ Excluding here the question of who is liable, the platform or the seller activating on it.

¹⁵¹ According to the Vinted website, sellers are the ones responsible for proving the authenticity of the products they list. Vinted does not intervene in this process, but can hide the item, remove it or suspend the account of users who do not properly show the authenticity of their products or list counterfeit products, respectively. For Vinted Item Authenticity Policy, see <https://www.vinted.com/help/307-what-is-vinted-s-authenticity-policy> accessed 15 July 2023.

¹⁵² BMW (n 134) para 51.

¹⁵³ Judgment in Portakabin, C-558/08, EU:C:2010:416, paras 79 and 80; Judgment in Viking Gas, C-46/10, ECLI:EU:C:2011:485, para 37; Judgment in Soda-Club (CO2) and SodaStream International, C-197/21, ECLI:EU:C:2022:834, para 43; Engin-Deniz (n 108), 1000.

¹⁵⁴ Viking Gas (n 153) para 40; See also Chronopoulos (n 111) 358.

This kind of use could impact the value of the trademark by unfairly benefiting the reseller in terms of reputation or distinctive character.¹⁵⁵ For an exception to the exhaustion doctrine to apply, the consumers need to have the false impression of an affiliation between the two parties. For instance, the CJEU found that a reseller of used BMW automobiles is allowed to use the BMW trademark in an honest and fair manner for promoting the sale of BMW cars. In this case, the BMW logo fulfils an informational purpose and is ‘necessary to guarantee the right of resale’.¹⁵⁶ The use of the BMW logo did not entail an unfair advantage for the auto vehicle reseller.¹⁵⁷ This necessity requirement is applicable only when the trademark is used for indicating the intended purpose of a good or service.¹⁵⁸

Guidelines as to how to assess and avoid the risk of commercial connection will be discussed below, in the section concerning refilling.

9.3. De-branding¹⁵⁹

One possible scenario could be that of the reseller removing the original trademark from the garments and substituting it with its own trademark, without the authorisation of the trademark owner. This situation could be encountered both in the case of second-hand markets, as well as with respect to upcycled garments. The issue of de-branding arose in the *Portakabin v Primakabin* case.¹⁶⁰ The CJEU stated that, in case of ‘de-branding’, if the manufacturer’s trademark is hidden entirely and replaced with the resellers trademark, the trademark owner has the right to prohibit the use of the trademark for advertising purposes.¹⁶¹ This was considered a legitimate reason for the trademark owner to oppose the further commercialisation of the products,¹⁶² based on harm caused to the fundamental function of the trademark, which is to guarantee the origin of the items.¹⁶³

Kur posits that the ruling in *Portakabin* could be interpreted as meaning that once a product has been put on the market under a certain trademark, anyone removing that trademark and replacing it with their own sign commits an infringement when the item is then sold in the EU.¹⁶⁴ The author criticises this conclusion by stating that ‘the use of trademarks for indicating commercial origin is transformed into a right governing the commercialisation of products once designated by the mark’. More specifically, the removal and replacement of the trademark with another might not be motivated by the desire to pass off a product originally sold under a different trademark as one’s own. Instead, it might be driven by a desire to keep a still usable product in the circuit, even when it no longer resembles its original condition. Thus, removal of the trademark might not endanger the origin function of the trademark, as it could be deemed

¹⁵⁵ BMW (n 134) para 52 referred to in Kur and Senftleben (n 132) 444.

¹⁵⁶ BMW (n 134) para 54.

¹⁵⁷ *ibid*, paras 53 and 54.

¹⁵⁸ Judgment in *Gillette Company and Gillette Group Finland*, C-228/03, ECLI:EU:C:2005:177, para 39 referred to in Kur and Senftleben (n 132) 420.

¹⁵⁹ Kur and Senftleben, (n 132) 445.

¹⁶⁰ Judgment in *Portakabin*, C-558/08, ECLI:EU:C:2010:416; see also Kur (n 119), 233.

¹⁶¹ *Portakabin* (n 153) para 86.

¹⁶² *ibid*, para 93.

¹⁶³ *ibid*, para 86.

¹⁶⁴ Kur (n 119) 233.

that the modified item no longer originates from the trademark proprietor but from the person transforming it.¹⁶⁵

This perspective strikes a fair balance between the interests of the trademark owners and those of the reseller, while also allowing space for the growth of circular business models. There is nevertheless a nuance to be made in relation to this interpretation of the CJEU case: in *Portakabin*, the issue was not solely that the defendant removed the *Portakabin* trademark and replaced it with its own sign. Rather, the crux of the issue centred around the defendant using the trademark of *Portakabin* to advertise the items bearing its own trademark.¹⁶⁶ Thus, in *Portakabin*, the Court did not prohibit the removal of trademarks and rebranding. It rather prohibited the use of the original trademark on rebranded items, as it impacted the origin function. This consideration does not impede second-hand resellers or upcyclers from engaging with branded garments, as long as they do not use, for advertisement purposes, the original trademark for creating a false impression regarding the origin of the items. Moreover, the Court restated its finding in *BMW*: the mere fact that a reseller derives an advantage from using another company's trademark for advertisements for the resale of goods bearing that trademark, which are otherwise honest and fair, and lend an aura of quality to its business does not constitute a legitimate reason for opposing exhaustion.¹⁶⁷

The CJEU in *Portakabin* even recognised the legitimacy of a reseller using the original trademark for advertising second-hand items (which bear the original trademark), alongside other second-hand goods, except in cases where the presentation or poor quality of those other items poses a substantial threat to the reputation that the proprietor succeeded in establishing for its trademark.¹⁶⁸

9.4. Refilling

In *Viking Gas*, *Kosan* argued that the refilling by *Viking Gas* of the composite bottles bearing *Kosan*'s trademark constituted trademark infringement.¹⁶⁹ One important point was that the defendant's trademark was affixed to the bottles carrying the plaintiff's trademark.¹⁷⁰ The plaintiff argued that putting the bottles on the market exhausts only the owner's or licensee's right to prohibit further commercialisation of bottles still filled with the original gas or empty but does not authorise third parties to fill those same bottles with their own gas for commercial purposes.¹⁷¹

The CJEU found that the bottles are not merely packaging for the original product; they are meant for reuse and have independent economic value. It stated that tying bottle buyers to a single gas supplier due to trademark rights would unjustifiably hinder competition.¹⁷² The sale

¹⁶⁵ *ibid.*

¹⁶⁶ *Portakabin* (n 153) para 86.

¹⁶⁷ *ibid.*, para 89 and cited case law.

¹⁶⁸ *ibid.*, para 91.

¹⁶⁹ *Viking Gas* (n 153).

¹⁷⁰ *ibid.*, para 11.

¹⁷¹ *Viking Gas* (n 153) para 20.

¹⁷² *ibid.*, para 33.

of the bottle should have exhausted the initial rights, and consumers should be able to use them freely, including exchanging or refilling them. The Court stated that the plaintiff may nevertheless object to the further commercialisation of those items if there are legitimate reasons to do so, particularly if the condition of the goods is changed or impaired after they have been placed on the market or if the defendant's use of a sign damages the reputation of the trademark or provides the false impression of a commercial link between the two companies.¹⁷³ Given the industry practice of consumers having their bottles refilled, the Court considered that there should be no reason for objecting. In addition, the fact that plaintiff's trademarks remain visible on the gas bottles, despite the defendant's labelling, allows the buyer to know the bottles were originally sold by the plaintiff and reduces the potential of connection between the two firms.

The Court thus made some relevant points regarding labelling and the legitimate reasons to oppose further commercialisation. These aspects can serve as guidelines for assessing the commercial behaviour of the upcycler and deciding whether it made the required efforts to avoid creating the impression of a commercial connection with the original trademark owner.¹⁷⁴ More specifically, the labelling of the bottles and the circumstances in which they were sold should not induce the 'average consumer who is reasonably well informed and reasonably observant and circumspect' to believe that the two companies are related or that Kosan Gas refills those bottles with its own gas.¹⁷⁵ The practices in the sector and whether consumers are used to other dealers filling gas bottles are relevant to determine if such an impression is possible.¹⁷⁶

Another relevant aspect of Kosan for upcycling and second-hand markets is highlighting the link between trademarks and the system of undistorted competition.¹⁷⁷ While the competition justification is used to explain legal protection for trademarks' origin function, in the case of *Viking Gas*, the CJEU referred to undistorted competition to restrict anti-competitive trademark enforcement.¹⁷⁸

The CJEU confirmed and built on its *Viking Gas* findings in the case of *Soda-Club (CO2) and SodaStream International*.¹⁷⁹ MySoda refills the SodaStream (refillable) bottles, which bear a label with the SodaStream registered trademarks, as well as an engraving of these trademarks. It relabels them with the MySoda trademark but keeps the SodaStream engraving on the bottle. MySoda also inserted a mention on the bottle according to which it has no connection with the original supplier of the bottle.¹⁸⁰

The CJEU reiterated that the trademark owner can oppose further commercialisation under the legitimate reason that consumers are given the false impression that there is an economic link

¹⁷³ *ibid*, para 36.

¹⁷⁴ *Senfleben* (n 130) 18.

¹⁷⁵ *Viking Gas* (n 153) para 40.

¹⁷⁶ *ibid*.

¹⁷⁷ *Viking Gas* (n 153) para 31; See also Apostolos G. Chronopoulos and Spyros M. Maniatis, 'Trademark Exhaustion and Its Interface With EU Competition Law' in Irene Calboli & Edward Lee (eds), *Research Handbook on IP Exhaustion and Parallel Imports* (Edward Elgar Publishing 2016) 12.

¹⁷⁸ *ibid*.

¹⁷⁹ Judgment in *Soda-Club (CO2) and SodaStream International*, C-197/21, ECLI:EU:C:2022:834.

¹⁸⁰ *ibid*, para 15.

between the trademark owner and the reseller.¹⁸¹ The Court continued by guiding the national court as to how it could establish that such an economic link exists. The CJEU first referred to the scope of the labelling used on the bottle. The criterion here is whether the information on the label regarding both the trademark owner and the reseller appears clearly enough so that a reasonably informed consumer will not be misled into inferring an economic link between the two companies.¹⁸² Second, the Court considered that the practices in the sector concerned are relevant for assessing whether consumers could form an erroneous impression regarding the economic link.¹⁸³ More specifically, the Court referred to the fact that consumers choosing to refill their bottles at a different company than the one they bought it from might be aware that there is no connection between the two companies.¹⁸⁴ Thirdly, the Court indicated that the fact that the bottle's original trademark remains evident despite the reseller's labelling is an important aspect, as it can rule out the possibility that the labelling modified the bottles' condition by hiding their origin.¹⁸⁵ CJEU concluded by emphasizing that the possible formation of an erroneous commercial link hinges on both the new and original labelling appearing on the product, as well as on the usual distribution practices and the level of knowledge of consumers with respect to such practices.¹⁸⁶

It is also to be noted that the Court did not touch upon the proposal made by AG Pitruzzella to apply the criteria concerning the repackaging and relabelling of pharmaceutical products set out in the case Bristol Myers Squibb to the MySoda case.¹⁸⁷ These criteria are more demanding for operators carrying out the repackaging and set out stricter conditions (e.g., the company which repackages is required to notify the trademark owner about this) for the repackaging of medicines to be legal under trademark rules.¹⁸⁸

In both Viking Gas and SodaStream cases, the CJEU shows regard for the balancing of all the relevant interests at stake: trademark owners, consumers, and competitors. By accounting for all these interests, the CJEU supports the sustainable practices which entail reselling of trademarked goods. This support benefits competitors and consumers on the one hand,¹⁸⁹ and respects the right of the trademark owner to control the first sale of its trademarked items on the other hand.

The outcomes of the above-mentioned decisions might have significant implications for premium/ luxury second-hand markets and upcycling. For instance, 'industry practice' is not a static notion. It cannot be changed from one day to the next, however, it is bound to evolve. In this context, considering that sustainability is becoming a parameter of competition between

¹⁸¹ *ibid*, para 44.

¹⁸² *ibid*, para 47.

¹⁸³ *ibid*, para 48.

¹⁸⁴ *ibid*, para 50.

¹⁸⁵ *ibid*, para 53.

¹⁸⁶ *ibid*, para 54.

¹⁸⁷ Opinion in Soda-Club (CO₂) and SodaStream International, C-197/21, ECLI:EU:C:2022:834, para 30; see also Pinset Masons, <<https://www.pinsentmasons.com/out-law/news/eugh-wiederbefuellen-von-produkten-anderer-hersteller>> accessed 21 July 2023.

¹⁸⁸ *ibid*.

¹⁸⁹ Allowing other companies than the trademark owner to refill the bottles bearing the trademark facilitates the adoption of a more sustainable behaviour on the part of consumers: they do not need to buy new bottles, but rather they can refill the initial bottle at a company which is closer to their home or which offers attractive prices, for instance.

companies, some of the practices which might currently confuse consumers and affect the image of the brand, could become more well-known by a wider category of the population and turn into the industry practice, encompassing all the safeguards needed by trademark owners (e.g., clear disclosure that there is no affiliation of the upcycler with the trademark owner). In this scenario, high-end fashion brands will not risk their reputation being tarnished.

10. Reflections and suggestions

Premium and luxury fashion brands are becoming increasingly concerned with sustainability. This article discussed how such brands can contribute to this shift, by focusing on their role in extending the lifespan of used garments. In this process, consumers' expectations and motivations are a useful lever to attract and retain them into sustainable consumption of clothing. Intellectual property rights and, especially, trademarks can be particularly useful in building consumers' trust in second-hand premium/ luxury markets. They can accelerate the transition to a circular economy by protecting the rights and incentives of both consumers and brand owners to engage in sustainable practices.

As apparent from the case law discussed, one of the essential aspects is determining how to reuse a product and turn it into a new item without confusing the average consumer and harming the functions of trademarks. It is important to balance the competing interests of protecting trademark functions whilst also allowing their use in second-hand markets and/ or upcycling. According to case law and emerging industry practices, achieving such a balance requires the prevention of damage being caused to the trademark owner by freeriding or by a false commercial link. Second-hand resellers and upcyclers should engage in labelling practices which offer complete and honest disclosure of the provenience of the resold/ upcycled pieces. Such practices should also ensure that the 'story' of the item will also be known to subsequent purchasers, in order to avoid the confusion of subsequent purchasers. Ideally, the labelling practices could turn into industry practice, by the adoption of codes of conduct, for example.

With respect to the exhaustion doctrine, depending on the stage of alteration, the identity of the product could transform it into something different from what was initially put on the market. That could mean that it would not fall under the scope of the doctrine because the doctrine's foundation is to define the boundaries of a trademark on a product that is manufactured by the trademark owner.¹⁹⁰ There are, however, limits to these legitimate reasons for avoiding exhaustion. It is likely that, in most situations, good practices of resellers/ upcyclers and the need to safeguard competition in ancillary markets will allow the growth of circular business models which rely on reusing/ repurposing of garments. One further area for research would be whether an express provision should be introduced, allowing upcyclers to use parts of luxury garments if they demonstrate good faith and no intention to free ride on the reputation of luxury

¹⁹⁰ Taina Pihlajarinne, 'Repairing and Re-Using from an Exclusive Rights Perspective: Towards Sustainable Lifespan as Part of a New Normal?' (2021) in: Ole-Andreas Rognstad and Inger Berg Ørstavik (eds.): IP and Sustainable Markets (Edward Elgar Publishing, 2021).

brand owners. This should be approached carefully, as it would entail an important limitation to the fundamental right of (intellectual) property.

There are also other non-legal routes that can be explored to balance sustainability objectives against the need to protect trademark functions. As exemplified in this article, several premium/luxury brands have already concluded partnerships with second-hand reselling online platforms.