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# Upcycling: brands buckle up for a new fashion trend

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**Reusing zips, buttons and logos from designer brands to create new clothing is a hit with consumers but it's a risky business, find Beatrice Martinet and Natalie Bize of Sideman & Bancroft.**

With consumers' growing environmental consciousness and desire for a more sustainable fashion industry, the idea of offering a "second-life" to pre-worn clothing has garnered tremendous success. A quick search on Etsy or a scroll through Instagram quickly reveals boutique after boutique offering "upcycled" jewellery and accessories incorporating pieces from prominent luxury brands.

These pieces generally include buttons, zippers, and other hardware from designer clothing and bags reworked into jewellery pieces, luxury bags cut into strips to create watch bands and wristlet keychains, and dust bags being added as patches to denim jackets and other clothing items.

According to *Vogue*, upcycling is the biggest fashion trend of 2021.

Despite the valid, socially conscious reasons spurring the growth of the upcycling movement, it is hard to deny that another likely reason for the flourishing trend is the allure of the appearance of luxury fashion at non-luxury prices.

Not surprisingly, some rights holders have grown concerned about these unauthorised uses of their trademarks. The trend is potentially damaging to the image of their brand and simply denies the brand owner the opportunity to control the distribution of their goods. The question arises: where should the line be drawn between the freedom to compete in the open market and “riding on the coattails” of prominent brands who have expended significant resources to establish recognition of their logos?

In this article, we will discuss the unique set of legal issues upcycling introduces, particularly when it comes to brands protecting their own trademark rights, and review how courts in the US and in Europe have interpreted the different interests at stake, in order to offer guidelines to brands, large and small, to limit legal risks.

## The US perspective

Under the US first sale doctrine, a trademark owner cannot prevent a purchaser from reselling genuine, unmodified goods bearing its trademarks. There are, however, a number of limitations to the first sale doctrine that curb its reach.

Most notably, the reseller’s use of the mark cannot confuse or deceive the consumer as to whether a relationship exists between the reseller and the trademark owner. Because upcycled goods typically feature prominent placement of highly recognisable trademarks, avoiding such confusion would be a difficult task.

## Potential issues arising from upcycled products

**Post-sale confusion**

**Dilution of brand**

Post-sale confusion can be very harmful to a brand owner. In the event that the products do not live up to the quality standards that consumers have come to expect of the trademark owner’s brand, consumers may mistakenly lose trust in the brand, thinking that its quality has diminished. Additionally, for many luxury brands, part of the allure is a certain level of exclusivity that comes with higher-end price tags. However, when the market is flooded with pieces that, to the general public, appear to come from the brand, this exclusive image can quickly begin to fade into an easily accessible fashion trend, curtailing the appeal of the brand to higher-end consumers.

**Diversion of sales**

Lastly, in addition to potential reputational harm to the trademark owner’s brand, in some cases these products could hinder sales by the trademark owner, as many upcycled accessories look very similar to genuine luxury goods. In light of the issues above, some right holders have begun taking these issues to the courts in an attempt to preserve their rights and protect their brands.

# Recent cases

On February 12, 2021, Chanel filed a complaint (*Chanel v Shiver and Duke, et al*) against a Georgiabased company, Shiver + Duke, which, according to its website, offers jewellery that is “repurposed from 100% Authentic designer buttons and given new life into Shiver + Duke designs”.

Chanel alleges that, despite the steps Shiver + Duke has taken in an attempt to mitigate confusion between the source of the jewellery (including the addition of disclaimers on packaging), it is merely profiting off of the goodwill of the Chanel brand and has not done enough to prevent consumer confusion.

Chanel is not the only brand to have brought such concerns to the court and, in fact, this is not even Chanel’s first foray to the court to address this issue.

In 2013, Chanel filed a complaint in the US District Court for the Southern District of New York against a jewellery company, Button Jewelry by Val Colbert, which offered jewellery items created from repurposed genuine Chanel buttons. The case (*Chanel v Beth Val Colbert Greenberg et al*), however, appears to have quietly settled outside of court, offering little instruction to brands navigating similar issues.

More recently, in May 2020, Rolex successfully reached a settlement with upcycling company La Californienne, obtaining judgment in its favour in the District Court of the Central District of California. La Californienne sold colourfully customised authentic Rolex watches. This result left La Californienne unable to use any of the Rolex trademarks on either the advertising for its products or on the watches themselves. (*Rolex Watch USA v Reference Watch d/b/a La Californienne*).

# The EU perspective

In Europe, the doctrine of exhaustion of trademark rights, as stated in article 7(1) of the Trade Mark Directive, provides that: “the trademark right shall not entitle the proprietor {of a trademark} to prohibit its use in relation to goods which have been put on the market in a contracting party under that trademark by the proprietor or with his consent”.

In other words, once a product has been sold by the right holder (or with their consent) in the EU market, the right holder cannot oppose further sales of this product, including if the product has already been used.

The Court of Justice of the European Union (CJEU) has regularly affirmed this rule, notably in its landmark decisions *Zino Davidoff* and *Sebago*. (*Zino Davidoff v AL & G Imports, Levi Strauss & Co v Tesco Stores and Levi Strauss & Co and Levis Strauss v Costco UK*).

Like the US first sale doctrine, this provision seems to authorise anyone who has legitimately acquired a branded product in the EU to resell it in that territory.

However, paragraph 2 of this section provides that: “Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”

In keeping with the broad protection usually conferred to right holders in Europe, the notion of legitimate reasons has been interpreted fairly broadly by EU case law, notably where the goods have been either damaged, repackaged, transformed or simply sold in conditions that might be perceived as damageable to the image of the brand.

"Trademark owners may be encouraged to learn that, in both the US and the EU, they appear to hold the legal upper hand."

Most famously, in its decision C-337/95 (*Christian Dior*), the CJEU held that the proprietor of a trademark may oppose the use of the trademark by a reseller who habitually markets similar articles when "the use of the trademark for this purpose seriously damages the reputation of the trademark". This decision has been interpreted as giving trademark holders pretty broad rights to control the distribution of their goods, particularly in the luxury industry. This is especially true when the goods are transformed or damaged, as both these circumstances are specifically defined as "legitimate motives" allowing a right holder to prevent the sale of their goods under article 7(2) of the directive.

For instance, in a decision issued on October 4, 2011, France's Court of Cassation held a company liable for re-selling genuine Chanel perfumes merely based on the conditions in which the products were sold.

Specifically, the court found that: "The simplicity of the premises, the minimalist presentation conditions of the products surrounded by boxes containing other articles in bulk and the means of poor quality advertising {were} incompatible with the image of Chanel luxury products and in themselves undermine the fame of the Chanel brand."

A similar decision (*Chanel v Ouest*-SCS) was given by the French Court of Appeal of Rennes last year, confirming the French courts' tendency to give priority to trademark rights over free trade or fair use doctrine. As the above decisions show, upcycling luxury goods will likely almost always present some legal challenges in the EU.

## Takeaway for brands

As the trend of upcycling continues to grow, trademark owners may be encouraged to learn that, in both the US and the EU, they appear to hold the legal upper hand if they seek to stop others from selling upcycled items featuring their marks.

Consequently, brands who are profiting off of the creation of upcycled items featuring others' logos should be advised to be wary and to consider speaking with an attorney about possible ways to mitigate risks associated with their business model.

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