

The Use of Trademarks for Resale of Refurbished Goods

By David Wolf

The desire for used equipment has spawned in the United States alone a multi-billion dollar industry featuring the sale of pre-owned, refurbished goods. Jewelry, watches, cameras, automobiles, sporting equipment, computers, machinery, medical devices, and medical, office, and restaurant equipment are but a few of the many products purchased as used equipment. Typically such products are cosmetically reconditioned or refurbished, but more serious modifications are often required to condition the product for resale.

Such used products are generally offered for sale with the original manufacturer's trademark intact. The sale of rebuilt or used products under the original manufacturer's trademark has occasionally been challenged by trademark owners, who contend that the refurbishing or reconditioning of the original product is an unacceptable infringement of their rights. Trademark owners invariably argue that trademark rights are infringed because they are no longer able to control the quality of the refurbished products involved. These contentions place the trademark owner in conflict with the party selling the refurbished or reconditioned equipment, and these claims also concern potential purchasers. However, a current case concerning reconditioned golf balls demonstrates quite clearly that there are limits to the exclusivity that a trademark owner may command.

Conflicting Interests

The trademark owner, the party selling the reconditioned product, and the used product customer, have different views and interests. The trademark owner ordinarily is interested in maintaining an absolute right to control its trademark and the quality of products sold under it. Often, however, this interest is based upon a desire to preclude resale of products so that new products must be purchased, thus preventing the prospective

used product customer from acquiring the product at a reduced cost. The party selling reconditioned items is obviously interested in the business it has developed, which, in many cases, involves millions of dollars. The product purchaser wants to buy a used article at a reduced price, believing that the product has certain qualities represented by the trademark imprinted on it.

Ruling Lands Manufacturer in the Rough

These diverging interests have resulted in periodic litigation involving a wide range of products. Most recently, the issue arose in Nitro Leisure Products, LLC v. Acushnet Company, decided August 26, 2003, by the US Court of Appeals for the Federal Circuit ("CAFC"). In this case, Acushnet sought a preliminary injunction to enjoin Nitro's sale of reconditioned Acushnet golf balls bearing the Acushnet trademark TITLEIST. Acushnet's request was denied because it failed to show the unauthorized use was likely to deceive, cause confusion, or result in mistake.

According to Acushnet, the TITLEIST PRO V1 golf balls have been the best-selling golf balls in the US since February 2001. Nitro collected all model TITLEISTs, among other brands, from a wide range of sources and sold them in two categories at discounted rates. Balls that were in good condition and needed little more than washing and re-packaging were sold as recycled TITLEIST golf balls. Acushnet does not challenge Nitro's resale of those TITLEIST-labeled balls. However, the second category included golf balls that had stains, scuffs, or blemishes. They were sold as "refurbished" TITLEIST golf balls. Nitro refurbished them by removing the base coat of paint, the clear coat layer, and the trademark and model markings, all without damaging the cover of the balls. It then repainted the

balls, added the clear coat, and re-affixed the manufacturer's trademark. Additionally, Nitro always applied the following legend directly to each refurbished ball: "USED & REFURBISHED BY SECOND CHANCE" or "USED AND REFURBISHED BY GOLFBALLSDIRECT.COM."

Second Chance and Golfballsdirect.com are trade names of Nitro. A few, but not all, of the refurbished balls also bore the NITRO trademark. Additionally, Nitro sold the balls in packages containing the following disclaimer:

ATTENTION: USED/REFURBISHED GOLF BALLS: The enclosed contents of used/refurbished golf balls are USED GOLF BALLS. Used/Refurbished golf balls are subject to performance variations from new ones. These used/refurbished balls were processed via one or more of the following steps: stripping, painting, stamping and/or clear coating in our factory. This product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer's warranty.

Acushnet challenged the sale of Nitro-refurbished product, contending that because the resulting golf ball bore no resemblance to a genuine Acushnet product in performance, quality or appearance, and that the refurbishing process altered the basic composition of



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the Acushnet golf balls, it was therefore a misnomer to identify the ball by the original trademark.

When is a Golf Ball Like a Spark Plug?

The CAFC, in a split decision, concluded that these alleged dissimilarities between the original Acushnet TITLEIST golf ball and the refurbished NITRO ball did not warrant a finding that there was likelihood of confusion. The CAFC's consideration centered on the extent to which the refurbished goods differed from the original goods and whether those differences were sufficient to conclude that Nitro's application of the TITLEIST trademark to the golf balls was misleading, and thus likely to cause confusion.

Nitro relied on *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947). In *Champion*, the US Supreme Court held it was not an infringement to resell used *Champion* spark plugs that had been repaired and reconditioned. In reaching this conclusion, the Supreme Court noted: "The trademark only gives the right to prohibit the use of it so far as to protect the owner's goodwill against the sale of another product that is his. ... When the mark is used in a way that does not deceive the public, we see no such sanctity in the word as to prevent it being used to tell the truth..." In substance, Acushnet contended the public was deceived by the very act of selling refurbished golf balls that "masked" the balls' condition and that by "masking" rather than restoring the ball to its original condition any inferior performance would be attributed to Acushnet. Acushnet also contended it was not the normal wear and tear, but rather the process of stripping and repainting (which was more than merely cosmetic) that changed the attributes of the reprocessed balls. The court rejected these contentions and held this case was not distinguishable from the *Champion* case.

Champion involved the permissible resale under the *Champion* mark of repaired spark

plugs that had been more than repaired. The plugs were also sandblasted, cleaned, and had new metal molded to the side electrodes. The court concluded the alleged inferiority of the Nitro reconditioned balls to the Acushnet new balls was irrelevant, provided Acushnet was not identified with the inferior qualities of the product resulting from the reconditioning.

Refurbisher's Game Tough to Beat

Since the court decided only a motion for preliminary injunction, Acushnet will still have the opportunity at trial or in a summary judgment proceeding to show Nitro's action is likely to cause confusion. After all, the Supreme Court in *Champion* noted "cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name even though the word 'used' or 'repaired' were added." While it is hard to imagine Acushnet will be able to establish that the actual repairs effected by Nitro were so pervasive as to require deletion of the trademark, it will have such an opportunity. It may, for example, establish by tests that a significant number of these refurbished golf balls are so damaged by Nitro's repairs that they are not "true to flight" by a significant margin or do not have other attributes normally desired in a TITLEIST golf ball. Such proofs would necessarily have to be supported by direct or survey evidence that such defects of the refurbished balls were misleading to purchasers, despite the clear caveats placed on the Nitro balls and packaging. Short of showing that customers were likely to be misled, Acushnet's efforts would be futile.

Nitro's marking of the balls and packaging was well-considered. Acushnet will have difficulty arguing that its reputation will be damaged if a defective, refurbished ball lost on a golf course is then found and used by another golfer, because every refurbished ball is clearly marked with a Nitro trademark. Further, the likelihood of the buyer of refurbished balls being misled is also

minimized by virtue of the very clear notice appearing on the package, spelling out exactly what has been done to the golf ball. The buyer or user of the refurbished golf ball has reasonable notice that it is refurbished and that it may not perform in the same fashion as an original TITLEIST. At some point, and as stated by the Supreme Court in *Champion*, "full disclosure gives the manufacturer all the protection to which he is entitled."

Some companies and industries have developed strategies to cope with competitors offering refurbished products. In the copier field, for example, companies have responded to businesses that sell refilled print cartridges by designing patentable cartridges that cannot be reused without infringing both method and product patents. In the present case, the nature of the product presents a more difficult problem for companies like Acushnet. However, if Acushnet had imprinted on its golf balls "Do not buy if sold as a reconditioned golf ball," Nitro would be faced with a dilemma. If it did not reproduce that legend on a repainted golf ball, but only the TITLEIST mark, it might expose itself to a charge of unfair competition. If Nitro left that legend on, it would be inviting customers not to buy the refurbished product.

The Nitro case and its precursors make clear there are limits to the exclusivity that a trademark owner may enjoy. Courts will tolerate the resale of labeled products that have been refurbished or rebuilt provided they have not been so extensively modified as to pose a potential source of confusion to the ultimate purchaser. Original manufacturers must come to terms with the possibility that rebuilt or reconditioned products bearing their trademarks could be sold in competition with original products. US trademark laws do not create in the trademark owner an absolute monopoly over all use. The trademark owner, both under common and statutory law, is entitled only to preclude others from acts of infringement or unfair competition.