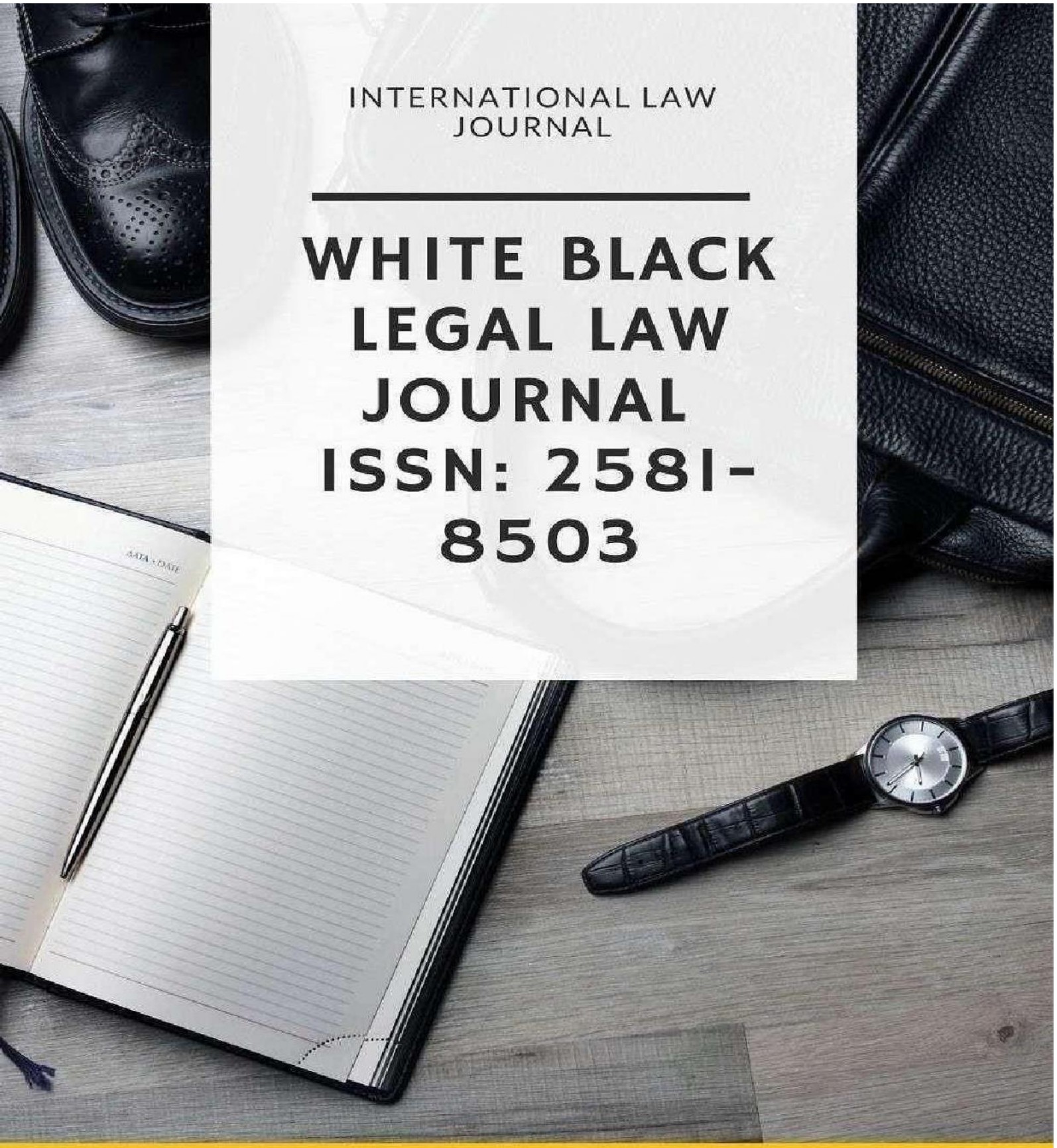


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REDEFINING EXHAUSTION: MATERIAL DIFFERENCES, AFTERMARKET MODIFICATIONS AND TRADEMARK PROTECTION

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Abstract

In this contemporary landscape, it is certain that we all are aware of the culture of thrifting and second-hand markets. But have you ever wondered that the branded scarf you've excavated from the large pile of clothes and bought in a substantially cheap price, end up in a thrift store? It is obvious that those are goods were discarded then sold by their owners to the thrift stores but there is more to it, especially when the brands are so concerned about the presentation, quality and distinctness of their trademarked goods. This underscores the continuous relevance of the doctrine of trademark exhaustion, the operation of which facilitates the circulation of genuine goods beyond their initial sale. However, its application demands, that the goods are not altered and are sold in their original condition, which is often uncertain to materialise because frequently the re-entry of such goods in the markets are accompanied by after-market modifications such as refurbishment, repackaging, re-branding and even creative customization particularly where such alterations are complemented by the evolving societal pursuits like globalisation, the goals of sustainable development, prominence of fundamental rights and creative freedom. Hence, by the virtue of the foregoing the courts are presented with a formidable legal challenge to determine the threshold at which such modifications cross into trademark infringement, alongside undertaking a multifaceted exercise to balance the legitimate interest of trademark owners, resellers and especially the consumers.

Keywords: Trademark Exhaustion, material difference, secondary markets, after-market modifications, Customization.

1. Introduction

It is well established that the encyclopedic notion of IPR is to provide a creator with the exclusive rights over his own works or inventions for fostering persistent innovation and providing a creative freedom. Concurrent to acting as leverage for the creators of the

intellectual property, this body of law has been evolving to ensure the welfare of the consumers. This is evident from the Article 7 of the TRIPS agreement,[1] which lays down the principles, namely "mutual advantage", "social and economic welfare" and "balance of rights and obligations".

The Doctrine of trademark exhaustion or the first sale most appropriately exemplifies this balance. The doctrine favours consumer interest by facilitating the free movement of goods and services in the economy. Nevertheless, this inclination towards the public interest is then counter-balanced by certain exceptions to protect the interest of the proprietors where they can challenge the further commercialisation for legitimate reasons, particularly when the condition of the goods are changed or impaired (the "legitimate reason" criteria) or when the goods are "materially different" causing confusion in the mind of consumers. [2]

In recent years, the market for repackaged, refurbished, and customized goods has been thriving more than ever. From luxury fashion products and branded electronics to repackaged pharmaceutical goods, secondary markets have expanded across diverse industries, giving rise to significant trademark-related concerns. The legal position becomes particularly contentious because the genuine trademarked goods re-enter the market in such altered forms, raising questions as to whether these modifications remain protected under the doctrine of trademark exhaustion or fall under the exception of material difference constituting trademark infringement. Different courts have undertaken different approaches as the modes of the alteration ns and modification are different and hence the nature of the confusion linked to it is different. Further, there are multiple and dynamic considerations like sustainable practices, promotion of circular economy,[3] legitimate interest of commercial sellers, exclusive rights of the owners and consumer protection, closely connected with such material alterations, that require courts to strike a careful balance among these competing interests.

This paper attempts to formulate the objective threshold for determining when post-sale alterations, specifically, rebranding, refurbishment, repackaging and customization, of genuine goods constitute a material difference sufficient to give rise to trademark infringement, while balancing the interests of trademark proprietors, legitimate resellers, and consumers.

[1] Agreement on Trade-Related Aspects of Intellectual Property Rights (adopted 15 April 1994, entered into force 1 January 1995) 1869 UNTS 299, art. 7.
[2] Sahana Simha and M.P. Ram Mohan 'Trademark Proprietors' "Moral Right" As An Exception to the Doctrine of Exhaustion of Rights in Trademarks' [2025] 14:3 American University Business Law Review 777, 783.
[3] Simon Geiregat 'Trading Repaired and Refurbished Goods: How Sustainable is EU Exhaustion of Trade Mark?' [2023] 73(4) GRUR International 287, 288.

2. Research methodology

This paper adopts a doctrinal legal research methodology, under which it will analyse the different judicial standards laid by several courts to or not to constitute trademark infringement in cases of after-market modifications, particularly repackaging, refurbishment and customization of genuine goods, thereby formulating an objective threshold for determining material differences. It also aims to address the jurisprudential and research gap relating to the customization of genuine goods by third parties, where the principles governing trademark exhaustion remain underdeveloped and fragmented. Primarily, the paper will lay its foundation by examining the concept of 'Doctrine of exhaustion" or the first-sale doctrine and its different aspects. Further, it will also explore the exceptions of this doctrine under The Indian Trademark Act, 1999, with comparative analysis of the same under different jurisdictions, especially, EU and U.S.A.

3. What is the Doctrine of Trademark Exhaustion?

The Trademark Act, 1999,[4] gives a trademark owner the exclusive right to use the trademark with respect to the goods and services for which it was registered, it also includes the right to prevent its unauthorized use as well as the right to assign, licence, and most importantly the right to sue in case of infringement. However, subsequently these rights are extinguished after the first sale due to the operation of the doctrine of trademark exhaustion. This doctrine finds statutory recognition under Section 30(3):

"(3) Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade mark by reason only of--

(a) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods; or

(b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent."[5]

According to this doctrine, the owner or the proprietor of the registered trademark loses control over its further distribution and commercial exploitation, once the good has been placed into the market by him or with his consent.[6] Hence, the basic rationale behind this doctrine is two-fold:

[4] Trade Marks Act 1999.
[5] Trade Marks Act, s 30(3).
[6] Sneha Jain 'Parallel Imports and Trademark Law' [2009] 14 Journal of Intellectual Property Rights 14.

1. The perpetual control over the downstream distribution of the goods would result in monopoly[7] which may lead to anti-competitive practices and restriction of free trade.[8] Hence, once the owner of the registered trademark has already reaped the appropriate benefit from the first authorized sale,[9] the goods should be subject to the free movement in the market and therefore devoid of any interference over its subsequent use and resale.
2. The doctrine promotes consumer welfare by facilitating the growth of secondary markets, thereby increasing consumer access to genuine goods at competitive prices while offering a wider range of choices.[10] The rising trend of what is known as "thrifting" is the most suitable exemplification of this in a nutshell.

Moreover, the operation of this doctrine is triggered only when the trademarked goods are "lawfully acquired"[11] or are placed into the market "by the consent of the proprietor".[12] In the case of *Philip Morris Products SA v. Sameer,*[13] where the Delhi High court held that the defendants were liable for trademark infringement[14] because they failed to prove whether the grey market versions of the cigarettes they were selling in India, were lawfully acquired as they merely claimed that it was purchased by them "from the unknown suppliers" and "were gifts from a friend or given by a foreign tourist". Therefore, it can be effectively inferred that the goods are only lawfully acquired from the authorised or 'selective distribution systems'[15] put in place by the proprietor or owner of the trademark.

The overarching objective of this is to preserve the image and reputation associated with the trademark by shaping favourable consumer perception. Through this system, the registered proprietor has the right to control the extent of commercialisation, restraint in pricing as well as to target the intended consumer base.[16] The doctrine of trademark exhaustion seeks to 'restrict' this distribution control system after the authorized first sale by allowing the movement of trademarked products through alternative trade channels. However the extent of this restriction is not uniform across jurisdictions.

[7] Simha and Mohan (n 2) 784.
[8] Manas 'Ensuring Fair Competition: Overcoming Barriers Posed by Trademark Protection in India' [2025] 3 IPR Journal of Maharashtra Law University Nagpur 115.
[9] Simon Geiregat, *Supplying and Reselling Digital Content: Digital Exhaustion in EU Copyright and Neighbouring Rights Law* (Edward Elgar 2022) 1-3.
[10] Jain (n 6) 15.
[11] Trade Marks Act 1999,s 30(3).
[12] Trade Marks Act 1999, s 30(3)(b).
[13] *Philip Morris Products SA v Sameer* 2014 SCC OnLine Del 1077.
[14] Trade Marks Act 1999, s 29.
[15] Cristiana De Faveri 'The Assessment of Selective Distribution System Post-Pierre Fabre' [2014] 7 GAR 163.
[16] *Faveri* (n 15) [167]-[169].

4. TYPES OF EXHAUSTION AND PARALLEL IMPORTING:

Imagine a person lawfully acquires genuine I-phones from Dubai, imports them to India and sell them in the Indian Markets at much lower price. This is known as parallel importing and the phones imported are referred to as the grey market goods as their distribution is facilitated outside the proprietor's authorised trade channels or without his consent. Now whether the sale and distribution of phones in the Indian Market would constitute trademark infringement from the point of view of the registered proprietor of trademark 'APPLE' in India or not, largely depends upon the scope territorial rights of the proprietor or the type of exhaustion adopted by the domestic country. There are three types of exhaustion which significantly defines the extent of the right exercised by the owners of the registered trademarks:

a. **National exhaustion**: under national exhaustion, when the proprietor or the owner of the registered trademark has made the first authorized sale of the trademarked good in the domestic market, his right to control the distribution of the further sale is exhausted domestically. However, he continues to have the authority to manage or restrain the sales and distribution of the said good outside the territorial jurisdiction of the country in which the trademark was registered. In addition to this, he also vests the power to curb the parallel imports of the same trademarked goods from the foreign countries as the exclusive right to control the first sale in the domestic market is conferred to him. One of the countries which have adopted the national exhaustion is USA.[17] It is also codified in Section 526 of the Tariff Act, 1930[18] which makes it illegal to import foreign-manufactured goods bearing a federally registered U.S. trademark without the written consent of the American trademark owner.

b. **Regional exhaustion**: the regional exhaustion is not limited to the territorial jurisdiction of a nation instead it functions within a regional framework. The European Economic Area (EEA) practically illustrates this kind of exhaustion.[19] This implies that an authorized first sale taking place in any part of the EEA is subject to free movement

[17] See also *Lever Brothers Co v United States* 981 F2d 1330 (DC Cir 1993); Mohit Porwal, Krupa Vyas and Kyra Sinha, 'Exhausting Control: Judicial Approaches to Trademark Exhaustion and Parallel Imports in India' (*Lexology)*<https://www.lexology.com/library/detail.aspx?g=f18712e5-702d-4963-8e8b-a42ba0bcbfff#_ftn8>accessed on 23 August 2026. Both section 526 of the Tariff Act and Section 42 of Lanham Act of US bar the unauthorized parallel imports. Subsequently, by the virtue of Lever rule, Section 42 permits the entry of grey-market goods provided that they are not 'materially different' from their USA counterpart in order to prevent consumer confusion, hence this approach can be put as 'qualified international exhaustion' rather than a strict national exhaustion model.

[18] Tariff Act 1930, s 526; Steven P Kersner and Donald S Stein 'Judicial Construction of Section 526 and the Importation of Grey Market Goods: From Total Exclusion to Unimpeded Entry' [2016] 11 NC J INT'L L 251.

[19] Regulation (EU) 2017/1001 of European Parliament and of the Council of 14 June 2017 of the European trade mark (codification) [2017] OJ L154/1, art 15.

within that established geographical region and the exclusive rights of the proprietor are thereby revoked.

c. **International Exhaustion**: this type of exhaustion treats all the markets in the world as a single unified marketplace. This suggests that if a proprietor has made the first authorized sale anywhere in the world, his right over the distribution, resale and importation of the genuine goods is exhausted. The Indian trademark regime subscribes to the principle of international exhaustion. Although, it is not explicitly enshrined in any statute but the Delhi High Court in the landmark case of *Kapil Wadhwa & Ors. v. Samsung electronics & Anr.*[20] concluded by referring to the legislative intent that the term "market" in section 30(3) refers to the international market and hence the resell of the genuine imported printers by the Appellant (Kapil Wadhwa) in the Indian Market does not constitute trademark infringement. [21]

The court in another significant ruling in the case of *Patanjali Ayurveda limited v. Masala Kings Export Pvt. Ltd. & ors.,*[22] passed an order of ad-interim injunction against the defendant (Masala King) from exporting the products manufactured by the Plaintiff (Patanjali Ayurveda limited) in the international market; however they can still sell them in the domestic market. Prima facie it appears that the said decision is contrary to the principle laid in Kapil Wadhwa case (supra) but the key consideration underlying the court decision is that the said products were altered (by tampering with the expiry date, making changes in the list of ingredients etc.) and were only meant for domestic sale, attracting the exception under Section 30(4) of the TM Act (discussed below). This consequently implies that the application of the doctrine of first sale demands that the goods remain in their original condition and not "materially altered".

5. THE EXCEPTION OF "MATERIAL DIFFERENCE"

A trademark is not merely considered as a mark used for differentiating one brand from another, rather, it is closely associated with the goodwill and reputation of a brand. The application of the doctrine of trademark exhaustion is hence not absolute and the proprietor of the registered trademark retains his right to restrain the further distribution as well as file for trademark infringement against the reseller in case the products are materially different from their initial form or condition.

[20] 2012 SCC OnLine Del 5172.
[21] *Wadhwa (*n 20) [53]-[58].
[22] P*atanjali Ayurved Limited v Masala King Exports Trading Pvt Ltd (High Court of Delhi, CS(COMM) 107/2019, 2019).*

5.1 The existence of 'Legitimate Reasons':

This exception is explicitly stipulated under Section 30(4) of the Trade Mark Act, 1999. It mirrors the principle established under Article 15 of EUTM Regulation[23] except for the fact that the exhaustion of rights is explicitly confined within the EEA. In terms of the statute:

"(4) Sub-section (3) shall not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods, has been changed or impaired after they have been put on the market."(Emphasis added.)

Even though statutory expression of "legitimate reasons"[24] seems restrictive to only changes and impairment in the conditions of goods in the secondary markets, the Indian judiciary, through a series of judgements has vigorously extended its meaning to include various factors which could mislead the consumers resulting in diminishing the value of the trademark. For instance in the *Kapil Wadhwa case*, the court explicitly iterated that the section encompass all the legitimate reasons by the virtue of which the proprietor can oppose the further dealings of the trademark.[25] This includes the differences in pricing, representation and quality control,[26] advertising and promotion.[27] In this particular case the legitimate concern of the Respondent (Samsung electronics) was the likelihood of confusion in the mind of the consumers that the respondents are answerable for the warranty and after-sale services, therefore, any defects by the Appellants in providing the same will be prove to be detrimental to the goodwill of their registered trademark.

5.2 *The Material difference test applied in the United States:*

The courts in the United States apply the test of material difference for actionability of trademark infringement claims with respect to grey market goods under the Lanham Act.[28] *This approach is more consumer centric as it accounts for every difference between the authorized and unauthorized products that create a likelihood of confusion in the mind of the consumer or affect their purchasing decision.*[29] *Precisely, the threshold for assessing the material difference is deliberately kept low so that even the subtle differences which the consumer finds relevant while making a purchase can be considered. The scope of material difference was*

[23] Reg (EU) 2017/1001, art 15.
[24] Trade Marks Act 1999, s 30(4).
[25] *Wadhwa* (n 20) [68].
[26] *Societe Des Produits Nestle* v *Casa Helvetia* 982 F2d 633 (1st Cir 1992).
[27] *Pepsi Co v Reyes* 70 F Supp 2d 1057 (1999); *Osawa & Co v B&H Photo* 589 F Supp 1163 (1984).
[28] Lanham Act 1946 (US) s 43.
[29] Simha and Mohan (n 2) 792-94.

specified in the case of Societe des Produits Nestle, S.A. v. Casa Helvetia, Inc.[30] in which the chocolate manufactured in and imported from Venezuela were held to be materially different from its domestic counter-parts and hence were excluded from the market. Such distinction includes the difference in the packaging, ingredients, quality control measures and literature. Further, other material differences which can be derived from the plethora of such cases, following the similar line of reasoning, also includes non-physical differences like warranty protection, safety warnings, labelling regulations, etc.

6. After-Market Modifications: Trademark protection or exhaustion?

With the rapid growth of secondary markets propelled by the operation of the first-sale principle, the position of the secondary goods that have undergone post-sale modifications—especially refurbishment, repackaging or rebranding and customization—remains unsettled. This is because it is an arena where the concerns of the trademark right holder collide with the interest of the consumers and functioning of circular economy. Thus, it becomes important to analyse the permitted scope of these modifications as well as to establish a threshold for determining when such difference becomes "material" enough to constitute trademark infringement.

6.1 Refurbished goods:

As the agenda of 'right to repair'[31] gains the momentum, there is a surge in the prominence of the practice of refurbishment of electronic devices like smartphones and laptops. It has been developed into a business model where the third parties acquires the used or discarded devices already placed into the market by the original manufacturers, refurbish them (by repairing, deep cleaning, etc.) and further sell them to consumers. There is plethora of cases that the courts across various jurisdictions have dealt with in order to analyse the position of the refurbished or renewed goods in the secondary markets.

One of the foundational cases where such question was addressed is, *Seagate Technology LLC v. Daichi International*, where the end-of-life HDDs bearing the registered trademark of Seagate and WD, were imported and refurbished in India and sold to the consumers in the Indian markets under the brand name of the refurbishers/resellers. The major contention of the plaintiffs (Seagate and WD) was whether the sale of refurbished goods under a different mark,

[30] *Societe des Produits Nestle (n 25).*
[31] TR Subramanya and Nidhi Saroj 'Is Right to Repair a Consumer Right in India? An Analysis of changing dimensions of Consumer Rights in India' [2023] 11 IJCLP 183.

thereby removing the mark of the original manufacturer, results in infringement or impairment, under Section 30(4). The court allowed the sale of refurbished goods; however it is contingent upon the "full disclosure" or the "whole truth" principle. Therefore, the following directions were issued by the courts in this regards:

a. The packaging of the refurbished product must clearly but not dominantly indicate its original source or manufacturers to the consumers in order to revoke any possibility of confusion as to the origin.
b. Such disclosure of the original source in the packaging must only be made by using their registered word mark not device mark (logos).
c. The packaging must clearly state that there is no manufacturer's warranty or after-sale services, as they would be provided by the reseller along with customer care details and contacts to that effect.
d. The packaging must clearly disclose that the product is "used and refurbished". This should be displayed on the front of the packaging.
e. The packaging must bear the accurate description of features and purpose of the refurbished product.
f. The seller of the refurbished products must adhere to the aforementioned conditions on promotional literature, website, e-commerce listings, brochures and manuals.[32]

Hence, the Court adopted an approach that would ultimately balance the interest of the registered trademark holder, the legitimate interest of secondary market competitors, the consumers and the society as a whole.

Further, it was clarified in the case of Western Digital Technologies Inc. and Ors. vs. Geonix International Private Limited and Ors., refurbishment or the restoration of the goods does not effectively constitute as the legitimate reason enabling the proprietor to prevent the further sale of goods, as not every change leads to negatively affect the goodwill or reputation associated with the mark. This premise is attributable to the principle of *noscitur a sociis*, which suggests that the meaning of the word "change" under section 30(4) should be interpreted in the context of the word "impairment". Refurbishment merely restores the utility or rather expands the life span of a device, and hence unless such change does not adversely or negatively affect the goodwill and reputation of the registered proprietor, it cannot, in itself, constitute a legitimate reason.[33]

[32] 2024 SCC OnLine Del 3767 [114]-[117].
[33] See *Western Digital Technologies Inc and Ors v. Geonix International Private Limited and Ors* MANU/DE/1631/2026 [43]-[45].

Moreover, such justification is also followed by the fact iterated by the US Supreme Court in the case of *Champion Spark Plug Co. vs. Sanders*[34] that, *"the sale of second hand goods is permissible as long as the original manufacturer is not identified with the inferior qualities of the product resulting from reconditioning"* (provided that it is not extensive and is merely a restoration of their original condition), which is why the sale of such goods demand full disclosure. The case further validates such sale by emphasising on the rational expectation that an average consumer has about the inferiority of the refurbished goods in comparison to the new one.[35]

Hence, while dealing with such issue involving the reconditioned goods, the primary aim is to prevent any plausibility of confusion among the consumers regarding the origin corresponding to upholding the societal pursuit of preserving resources and managing waste.

6.2 *Repackaged goods:*

It is an established principle that the exception of 'legitimate reason' is a broad genus,[36] *it not only includes change or impairment as a prerequisite for the trademark holder to halt resale of his goods, but also their repackaging which may consequently lead to consumer deception or distorts brand integrity. But it is also observed that, as general and sometimes as an essential practice, the parallel importers repackages the imported goods before introducing them into the markets of the importing country, this includes changing the literature on the package to comply with the local language, relabeling for adherence with local laws, safety regulations, etc. Conversely, as discussed above in Societe des Produits Nestle*[37] *and Patanjali Ayurveda limited,*[38] *there can also be the situation when the parallel importer or reseller fails to adhere to such standards—such as quality control measures and literature—or tamper the packaging, which would render those goods as materially different and also provide a legitimate reason for the original trademark holder to prevent its entry into the market.*

Therefore, the threshold here is to determine when such repackaging or relabeling would prejudice the public perception of the trademark and when such conduct is justified by apparent or legal necessity. If the repackaging, in any way diminishes the presentation quality or the relabeling obscures the mandatory disclosures such as expiry dates, batch or serial numbers, the registered proprietor is empowered to prevent the further sale of such products.

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[34] 331 US 125 (1947).
[35] *Seagate* (n 31) [67]; *Prestonettes Inc v Coty* 264 US 359 (1924).
[36] *Wadhwa* (n 20) [68].
[37] *Societe des Produits Nestle (n 25).*
[38] *Patanjali (n 22).*

This precaution is predominantly observed while dealing with repackaged pharmaceuticals and medical products especially in the backdrop of parallel imports or under instances where such products in bulk quantities are broken, repackaged into small packaging and sold into the market. The leading case which defines the conditions of repackaging without infringing the trademark of the registered proprietor is Bristol-Myers Squibb v. Paranova.[39] The ECJ established a 5 rule test, also known as the 'BMS conditions' which have to be cumulatively met:

a. Firstly, there has to be an objective need or necessity to change the packaging, add labelling, leaflets or other such accessories that warrants the entry of these parallel imported goods into the market without any intervention.
b. Secondly, the original condition of the product inside must not be affected due to repackaging.
c. The package must mention the identity of the person repackaging the goods as well as that of the manufacturer.
d. It should be ensured that the repackaging does not have an adverse impact on the presentation of the good and the goodwill of the trademark holder remains intact.
e. The parallel importer must give a prior notice to the original proprietor that he intends to repackage the product.

However, if the objective necessity cannot be proved, the primary and default approach of the parallel importer must be to add necessary labels on top of the original packaging. [40] Further, the introduction of the supplement for Falsified Medicine Directive (FMD)[41] has added a new layer of compliance, which mandates the attachment of a unique identifier code and an anti-tampering device[42] upon the packaging of such products. In an instance where these devices are broken by the traders to add essential accessories, they must make equivalent safety replacements.[43]

Although the BMS conditions originated primarily in the pharmaceutical sector, their

[39] *Bristol-Myers Squibb v Paranova A/S* (C-427/93) EU:C:1996:282.
[40] See Simon Geiregat (n 3) 290-92.
[41] Directive (EU) 2011/62 of the European Parliament and of the Council of 8 June 2011 amending Directive 2001/83/EC on the Community code relating to medicinal products for human use, as regards the prevention of the entry into the legal supply chain of falsified medicinal products [2011] OJ L174/74.
[42] Commission Delegated Regulation (EU) 2016/161 of 2 October 2015 supplementing Directive 2001/83/EC of the European Parliament and of the Council by laying down detailed rules for the safety features appearing on the packaging of medicinal products for human use [2015] OJ L32/1.
[43] Egen Engin-Deniz 'Falsified Medicines Directive: Follow-up on the new Anti-Tampering-Device & Co-Branding' (*CMS Law, 15 July 2021*) < https://cms.law/en/aut/legal-updates/falsified-medicines-directive-follow-up-on-the-new-anti-tampering-device-co-branding>.

underlying principles may serve as persuasive guidance in cases concerning the trade and resale of other branded goods, including but not limited to cosmetics. That being said, in a landmark US Supreme Court case of *Prestonettes, Inc. v. Coty*,[44] the court validated the conduct of the defendant (Prestonettes), who bought Coty's perfume and loose powders and sold them by repackaging them into small containers and compacts by adding binders, respectively, since the company clearly and sufficiently disclosed the modifications and the original source on the new packaging eliminating any possibility of consumer deception.

6.3 Re-branded or De-branded Goods:

The sellers or traders in the secondary market often resell the goods by removing the trademark of the original proprietor; this practice is termed as de-branding. If the conduct of removal of original trademark is followed by attaching the brand name of the reseller so as to market those goods under their name, it is called re-branding. The practice of re-branding is often associated with unfair trade practice of trademark known as reverse passing off (RPO). However, it is pertinent to note that, not every act of re-branding would attract the action for RPO; it has to be coupled with certain essential elements in order to constitute such conduct as an unfair trade practice. This position was cleared by the Delhi High Court, in the case of *Western Digital Technologies Inc. and Ors. vs. Geonix International Private Limited and Ors*.[45] The appellants (original manufacturer) alleged that the defendants are liable for RPO as they were selling the HDDs by reconditioning them and replacing the original brand name with that of their own. The court held that it is not a legally actionable claim for 2 major reasons:

a. Firstly, the right to sue or to obtain an injunction on the ground of RPO is not recognised in the Indian trademark jurisprudence. The reason attributed for this stance is that the trademark rights are exhaustive and confined within the Trademark Act, 1999. Section 27(2), of the Act envisages the action of passing off,[46] the meaning of which is clarified by the court which is when a person misrepresents his goods and services, as those of another. The judiciary cannot expand its meaning to include saving the right of action, against a person for misrepresenting goods of someone else as his own.
b. Secondly, if arguendo, the right against RPO was recognized in India, it is crucial that it fulfils the 3 elements to constitute RPO—the first being misrepresentation, by the defendant, of the goods of the plaintiff as their own; the second being the ability of a

[44] *Prestonettes Inc v Coty* 264 US 359 (1924).
[45] *Western Digital* (n 32) [7], [93]-[100].
[46] Trade Mark Act 1999, s 27(2).

consumer to identify the goods as those of the plaintiff, despite attempts to the contrary by the defendant (this likelihood of identification should be apparent at the time of the sale); and the third being misappropriation of the goodwill of plaintiff resulting in damage. There was an absence of these ingredients in the present case.

This legal stance is further refined by Professor Kur in her article (where she emphasized, in context of the sale of refurbished and reconditioned goods, that "*account must be taken of the fact that removal of the mark and its replacement by another is not motivated by the wish to pass off a product originally marketed under a different mark as one's own. Rather, it is motivated by a desire to keep a product which is still fit for its purpose 'alive', even though it no longer conforms to the original condition under which it was first marketed*".[47]

6.4 *Customized goods:*

In the present arena, the practice of customization—for both non-commercial or personal and commercial or business purpose—is gaining traction as a burgeoning trend particularly within the domain of fashion (apparels, shoes, watches, jewellery, etc.) and some other consumer goods. This reflects the increasing integration of sustainability and creative expression into contemporary consumption practices. However, its incorporation into the present scope of trademark law and its substantial number of doctrines seems a challenging legal trajectory.[48] The current legal framework generally prevents such modifications or changes by categorizing it as materially different, relying on the principles of consumer confusion (as to the original source of the goods) at the point of sale, reverse passing off and the post-market confusion, therefore the application of first sale doctrine in such instances seems dubious.

6.4.1 Important examples of Customization:

The most prominent examples of this is the release of 'Satan shoes' by Lil Nas X by customizing genuine Nike shoes,[49] followed by the suit of trademark infringement brought by Nike and also the case where Chanel sued Shiver + Duke for repurposing their buttons, bearing the interlocked CC- monogram, into jewellery pieces.[50] Both the brands claimed that such customization or modification bearing their mark leads to widespread public confusion pertaining to the source, affiliation, sponsorship or collaboration, causing infringement and

[47] Dr Annette Kur 'Sale of Repaired or Refurbished Goods: Commendable Practice or Trade Mark Infringement?' [2021] 70:3 GRUR International 228, 234.
[48] Mark A Lemley and Sari Mazzurco 'The Exclusive Right to Customize?' [2023] 103 BUL Rev 385, 390.
[49] Oscar Holland 'Lil Nas X's unofficial 'Satan' Nikes containing human blood sell out in under a minute' (*CNN style*, 29 March 2021) < https://edition.cnn.com/style/article/lil-nas-x-mschf-satan-nike-shoes>.
[50] *Chanel Inc v Shiver and Duke LLC* No 1:21-cv-01277-MKV (SDNY 29 November 2022).

dilution of their trademark. Nevertheless, both the cases ended up in the out of court settlement through the mutual agreement between the parties and consequently, this aspect of trademark law, as well as cases involving similar issues, remains unexamined by the judiciary to a larger extent.

6.4.2 Commercial and Non-Commercial Customization

Moreover, the existing case laws occupying this particular field presents a rather "narrow" view in context of its prevalence in the contemporary world, and hence furthering the interest of the trademark holders. For instance, it can be inferred from the judgment of the Swiss Supreme Court, in the case of *Rolex v. A_*,[51]that the customization of the goods (Rolex watches in the present case) alone would not constitute as a trademark infringement. What actually causes infringement is the purpose for which it is customized, i.e. whether for commercial marketing or providing personalization services to the owner of the watches which is obviously for non-commercial use. In this particular case the court emphasized upon the doctrine of trademark exhaustion to justify the personalization services provided by the company upon the request of its customers while it rejected the advertising and marketing of the pre-customized Rolex watches because the sale and marketing of modified watches using the original trademark constitute infringement for the want of consent from Rolex. Therefore, it is a general principle that any alteration or customization for non-commercial or personal uses, even if it is resold later, is usually out of scope of the trademark law (regardless of whether it is customized by a third party as long as it is for personal use) because it intervenes with neither of its objectives—source identification for consumer convenience as well as preservation of goodwill. [52]

If it were solely for material differences, then none of the goods customizes by third parties would be shielded from trademark infringement. Although non-commercial use is protected, the commercialization of modified goods has been permitted in certain cases, subject to relevant conditions. In the case of *Hamilton International Ltd. v. Vortic LLC*,[53] a US circuit court upheld the sale of the Hamilton pocket watches modified into wristwatches, even though it retained the Hamilton trademark. This was because the watchmaker made sufficient disclosure about the actual source of the watches as well as their non-affiliation to that source. The truthful indication of the source, relationship disclaimers and accurate statements about person or business modifying the goods will considerably prevent misleading the consumers and therefore likelihood of confusion. However, even after the sufficient disclosures, the

[51] *Rolex SA v A ___ SA* 4A_171/2023.
[52] Lemly and Mazzurco (n 46) 450-51.
[53] *Hamilton Int'l Ltd v Vortic LLC* 13 F4th 264 (2nd Cir 2021).

concern which still stands firm is the likelihood of post-sale confusion, which signifies that even if the purchaser may be aware, by the virtue of the required disclosures, what they are purchasing but any third person who would come across those goods may reasonably be confused about the source of that product. It is indeed a concern as the third party who views the product may form such an impression that would affect their future purchasing decision or the goodwill, exclusivity and distinctiveness associated with the original trademark.[54] Nevertheless, the post-sale confusion principle should not be applied as an automatic framework to challenge every modification or customization; rather its application should be contingent upon the actual risk of confusion (not merely in the context of transactional interaction), the consumer environment it caters to and the extent (how apparent it is) or nature of modification.

6.4.3 Customization from the Indian jurisprudential lens:

From the perspective of Indian Jurisprudence, till now the courts have not specifically dealt with the question involving customization or other similar modifications and what is the scope of these changes to constitute as a 'legitimate reason' under Section 30(4)[55] for the registered trademark proprietor to challenge them for trademark infringement. Until any decision of the court particularly dedicated to address this issue, the answer can be inferred from the existing body of judicial pronouncement touching similar subject.

It has to be noted that not every change or alteration made to customize the product would consequently be a legitimate reason to oppose the sale. As mentioned earlier, in the *Geonix case*, the word change under Section 30(4) must be construed in the light of the word impairment, as change implies wider meaning—it can be positive or negative, substantial or frugal. Hence, only when the change makes useless goods useful or it is made without any prejudice to the original proprietor of trademark with full disclosure, it will not serve as a legitimate reason to halt the sale.[56] If we take Lil Nas X's Satan shoes for example, it would indeed provide Nike a legitimate reason, according to the above elucidated principle, to stop its sale as its controversial design would cause reputational harm to Nike even though it did not authorize it.

6.4.4 The full stop of the First Sale Protection:

Further, when customization of the trademarked product results in extensive modification or

[54] See *Iconix Luxembourg Holdings SARL v Dream Pairs Europe Inc and Anr* [2025] UKSC 25; *Pernod Ricard India Private Limited & Another v Karanveer Singh Chhabra* 2025 SCC OnLine SC 1701 [40].
[55] Trade Mark Act 1999, s 30(4).
[56] *Western Digital* (n 32).

modification to such an extent that it fails to meet the original structure or quality control measures applied by the proprietor, it can no longer seek the protection of the First sale doctrine as the new configuration has resulted in a whole new product significantly different from the original. This can be practically illustrated in the case of, *Rolex v. Becker time*,[57] where the court held that the defendant's claim of "genuine" Rolex watches no longer sustains as they were embellished with diamonds, its several parts are replaced as well as the designs of the dials are altered, making it a completely different and hence a new product. Therefore, selling such watches bearing the Rolex mark, without the authorization of proprietor creates consumer confusion, leads to trademark infringement and is no longer protected by the first sale doctrine.

6.4.5 Nominative Fair use Doctrine:

More often it is claimed that the nominative use doctrine[58] can be used as a valid defence by the customizers against the claims of trademark infringement; however a careful analysis of the same limits its application in these cases. Firstly, the doctrine of Nominative fair use justifies the use of a registered trademark by a person with respect to their goods or services, to indicate that their product is compatible to form a part or accessory to that trademarked product or even when the latter is used as a component or part of the new configuration. This is also codified in Section 30(2)(d) of the Trademark Act,1999. Secondly, its application is subject to following conditions:

(a) the product or services in question must be one not readily identifiable without use of the trademark;
(b) only so much of the mark or marks may be used as is reasonably necessary to identify the product or service, like only word mark not the logo of the brand;
(c) the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.[59]

It would be futile to argue that, the trademark retained on the customs is protected by nominative use as it is reasonably necessary to identify the source, this is because, it defeats the very purpose of the normative use. Its main objective is restricted to a certain scope where third parties can freely talk about the trademark whether for depicting services, comparative advertising, reviews, parodies etc. without attracting infringement suits. However, this doesn't imply its dominant and visual representation due to the potential risk of misleading the consumers. Nevertheless, it legally justifies and protects the businesses or individuals engaged

[57] *Rolex Watch USA Inc v BeckerTime LLC* 96 F4th 715 (5th Cir 2024).
[58] Lemly and Mazzurco (n 46) 446-49.
[59] See *Government E Marketplace v Unilex Consultants & Ors* 2022 LiveLaw (Del) 365.

in providing personalization services of the pre-owned goods of the customers.

6.4.6 The 'Artistic expression' immunity:

When we talk about customization, it does not merely signifies an adornment or drawing to make a product look more visually appealing, but it is also a way of how, with the growing trend of street art and fashion, people often express themselves from what they wear, use and create. Artistic expression forms the significant facet of the basic right to expression which is why the concerns of the trademark infringement and consumer confusion arising from the customization and its subsequent commercialization are accompanied by the implication of suppression of expression. Therefore, a diligent balance of both could foster creativity and facilitate manifestation of ideas or opinions as well as the protection of trademark from dilution and infringement. As demonstrated in an extensively discussed case in our research, the *MSCHF's Satan Shoes case*,[60] the court examined whether the use of the Nike Swoosh has any artistic relevance (i.e. whether it depicts any social, political or cultural message) and if it has then it should be proved that the protected mark is not use to explicitly mislead the consumers. These are the prongs established in the USA second circuit case of *Rogers v. Grimaldi*,[61] also known as the 'Rogers Test', which is applied to assess whether an artistic works is protected by the 1st amendment or not.

If observed from the European legal perspective, Recital 21 of the EUTM Regulation[62] provides that "artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters. Furthermore, this Regulation should be applied in a way that ensures full respect for fundamental rights and freedom and in particular the freedom of expression." Therefore, it can be deduced from the foregoing that artistic expression involving the use of the trademark is permitted as long as it does not extend to take the unfair advantage by appropriating the trademark for profit or deceiving the consumers.

Although, the above protection can be used to justify such modification in an isolated basis, its scope does not extend to protect businesses whose entire model or conduct is based upon purchasing a stock of genuine trademarked products, customizing them and selling the modified pieces through large-scale commercialization or retail and distribution network, while keeping the trademark intact without any authorization from the registered proprietor. This transcends mere artistic expression and instead assumes the character of a highly

[60] *Nike Inc v MSCHF Product Studio Inc* No 1:21-cv-01679 (EDNY March 29 2021).
[61] ***Rogers v. Grimaldi*** 875 F2d 994 (2nd Cir 1989).
[62] Reg (EU) 2017/1001, recital 21.

commercialized model increasing the risk of consumer confusion by invoking a false impression of endorsement, affiliation or sponsorship and is detrimental to the distinctive character of the trademark.

7. ***CONCLUSION:***

The Trademark law resembles a living tree, whose branches continue to grow with a passage of time. In a similar manner, its legal structure has evolved through the emergence of different doctrines and principles, expanding within its inherent boundaries to address the changing needs of the society. As much as the meaning of trademark has evolved from merely a symbol for identification to a cultural and social hallmark of exclusivity and prestige of its brand, it is equally important that it also accommodate the evolving legitimate interests of society, such as globalization, free trade, sustainable development, consumer protection and even fundamental rights.

The doctrine of trademark exhaustion along with its limitation of material difference is one of the aspects which is widely deliberated upon by the court and yet enmeshed with complexities due to its multi-dimensional nature which requires different and flexible approach by the court. As it is coupled with broader socio-economic considerations, it is unfair to simply supress the after-market modifications made to goods, mechanically applying abundant doctrines that the law of trademark holds, before re-introducing in the market. Although it is not possible to develop an exhaustive checklist to establish the threshold to determine the material difference, the decision should stand at the intersection of the interest and concerns of all the stakeholders— registered proprietor, resellers, parallel importer, customizers, artists and consumers. Ultimately, the threshold for determination lays on 2 comprehensive objectives. Firstly, the bona fide intention and legitimate interest of the reseller or the person modifying the goods, which include making a non-functional thing fit for use, objective or legal necessity, communication of ides or opinions through art or any other change without prejudicing the goodwill associated with trademark. Secondly, sufficient disclosures and disclaimers put in place by the reseller or customizer to notify the consumers about the nature of change, the original source, the party effecting the modification, etc. In essence, the use of the trademark should align with honest industrial and commercial practice and its reputation or distinctiveness should not be used as a free ride to gain unfair advantage.