

Portolano Cavallo Studio Legale

United States: 'Not For Sale': US And EU Approaches To Trademark And Copyright

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Article by Antonella Barbieri and Federica De Santis

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Introduction

On January 4 2010 the US Court of Appeals for the Ninth Circuit established that the distribution, by the copyright owner, of promotional CDs for marketing purposes involved a transfer of ownership of such CDs to the recipients, regardless of the fact that such copies were labelled 'promotional use only - not for sale', thus allowing third parties to sell on such copies without the copyright owner's consent.¹

In contrast, EU case law seems to demonstrate a stricter approach to the issue. In a case involving perfume testers, the Court of Justice of the European Union (CJEU) established that the fact that such tester bottles are labelled 'not for sale' precludes a finding that the trademark owner implicitly consented to them being put on the market (in the absence of evidence to the contrary, which it is for the national courts to assess). The CJEU considered that in such circumstances the label on the bottles clearly reflects the intention of the relevant trademark owner, and that goods bearing the label should not be sold.²

Distribution of promotional CDs

The plaintiff in the US case was UMG Recordings, a music company which produced and sent promotional CDs to music critics and radio stations for marketing purposes. UMG sued for copyright infringement when an individual who had obtained promotional CDs from various sources offered them for sale on eBay. UMG alleged that it had retained the exclusive right to distribute and sell such goods. In particular, UMG claimed that the language on the promotional CDs created a licence between UMG and the original recipients only; therefore, UMG retained title to the CDs. The CDs bore the short statement 'promotional use only - not for sale' or the following longer statement:

"This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the licence."

The Court of Appeals for the Ninth Circuit confirmed the first instance decision³ and established that UMG's distribution of the promotional CDs constituted a gift or sale (ie, a transfer of ownership) of the CDs to the recipients, rather than a licence, regardless of the text of the labels. Therefore, according to the 'first sale' doctrine, further sale of such copies was permissible without UMG's authorisation.⁴ The court reached this conclusion by evaluating UMG's method of distribution. In particular, the court noted that:

- the CDs had been sent to the recipients without prior arrangements;
- no attempt had been made to keep track of them; and
- the statement 'promotional use only - not for sale' did not purport to create a licence and even the more detailed statement did not involve a consensual licensing operation (as UMG argued), since none of the recipients had agreed to enter into a licence agreement with UMG on receipt of the CDs.

Sale of perfume testers

In the field of trademarks, the CJEU held that the supply to a third party of branded perfume testers which bore the label 'not for sale' did not exhaust the trademark owner's rights in such goods. In the CJEU's opinion, the statement 'not for sale' on the packaging meant that the trademark owner intended that the testers should not be sold.⁵

The CJEU overruled the decision of the German Federal High Court, which had held that in such circumstances a trademark owner's rights are exhausted, regardless of the prohibition against sale.⁶

The advocate general of the CJEU has recently suggested that a trademark owner does not give implied consent to testers being put on the market if the goods are marked 'not for sale' and are supplied without charge to the trademark owner's authorised distributors. In such circumstances, the trademark owner may still have discretion to decide whether such products should be on the market or whether their sale should be prohibited.⁷

The EU approach to the 'not for sale' label on products, even as applied to perfumes, seems slightly stricter than the US position. The basis of this viewpoint lies in the CJEU's statement that the 'not for sale' label:

*"[which] clearly reflects the intention of the trademark owner that the goods bearing it should not be sold, constitutes, in itself and in the absence of evidence to the contrary, a decisive factor precluding a finding that the owner consented a putting on the market."*⁸ (emphasis added)

However, the cases share some similarities. The CJEU held that even if the 'not for sale' label reflects the trademark owner's intention not to sell such products, the specific circumstances of each case may provide evidence of such intention. Among such circumstances, the CJEU identified the fact that:

- a trademark owner may at any time recall the perfume testers; and
- the presentation of such goods is clearly distinguishable from that of the bottles of perfume normally made available to the intermediaries by the trademark owner.⁹

Comment

The courts have offered relatively few pronouncements on the issue of 'not for sale' labels on products. From the decisions discussed above, it seems clear that the central element demonstrating the exhaustion of the proprietor's rights is the degree of control exercised over promotional or advertising goods - for example, through the ability to request the return of the goods or otherwise to recover them. A 'not for sale' label on products may be insufficient to prevent the exhaustion of rights in the absence of evidence of the proprietor's control over promotional or advertising goods.

Footnotes

1 US Court of Appeals, 9th Cir, *UMG Recordings Inc v Troy Augusto*, January 4 2010, 08-55998.

2 *Coty Prestige Lancaster Group GmbH v. Simex Trading AG*, C-127/09, June 3 2010.

3 US District Court for the Central District of California, *UMG Recordings Inc v Troy Augusto*, June 10 2008, CV 07-03106.

4 See 17 USC Section 109(a), which states that "[t]he owner of a particular copy or phonorecord lawfully made" under the act "is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord".

5 C-127/09.

6 Decision of March 31 2009.

7 See the opinion of Advocate General Niilo Jääskinen, delivered on December 9 2010, in *L'Oréal SA, Lancôme parfums et beauté & Cie, Laboratoire Garnier & Cie, L'Oréal (UK) Limited v eBay International AG, eBay Europe SARL, eBay*

(UK) Limited, C-324/09, paragraph 67.

8 See C-127/09, paragraph 43.

9 *Id.*, paragraph 48.

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Specific Questions relating to this article should be addressed directly to the author.