

# CONFUSION OR JUST CONTENTION? HOW LUXURY FASHION BRANDS ARE CAPITALIZING ON TRADEMARK LAW'S NOMINATIVE FAIR USE DEFENSE

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## ABSTRACT

*Much of luxury fashion's appeal—and high price tags—is derived from its perceived exclusivity. Luxury resale, a second-hand marketplace for previously owned luxury pieces, has started to break down this perception of exclusivity and make luxury fashion more accessible to the average consumer. While there has been a surge in the luxury resale market, there has also been a contemporaneous surge in trademark infringement cases brought by luxury fashion houses against numerous resellers.*

*In trademark law, the doctrine known as nominative fair use allows a user to use another's trademark to identify the trademark owner's goods and services. A nominative use "names" the owner of the mark. The nominative use of*

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*a luxury brand's trademarks is essential for luxury resellers to remain competitive and accurately advertise their products. However, recent case law exhibits how the courts are incorrectly analyzing this doctrine in the luxury resale context. The danger here is that if luxury resellers are constantly met with resistance in utilizing the nominative fair use doctrine and being found liable for trademark infringement, the demise of the luxury resale market may be near.*

*This Note argues that in order for luxury resellers to be able to market their products, the courts need to both take into account the specific needs of the luxury resale market and stay grounded in the aims of trademark law as a consumer protection doctrine. Keeping both of these considerations in mind, luxury resellers will be able to utilize the nominative fair use doctrine in a way that is both consistent with their needs in the marketplace and mitigate consumer confusion.*

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## INTRODUCTION

Just last year, Chanel claimed a \$4 million trademark victory in a battle against a luxury reseller.<sup>1</sup> The secondhand market now finds itself in a designer double-bind: unable to advertise what they sell, yet unable to sell without advertising. The secondhand luxury market is growing, but trademark law is caught in a tug-of-war between protecting brand prestige and promoting fair competition. At the heart of this battle lies nominative fair use, a doctrine designed as a safeguard for resellers, but now threatening to undermine them.

Trademark law strikes a delicate balance between protecting consumers from deception and confusion, while also protecting a trademark owner’s property rights.<sup>2</sup> The

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<sup>1</sup> Stephen J. Barrett & Gabriela Rios, *Luxury Brands Assert Intellectual Property Rights Against Resellers*, WILSON ELSER (Apr. 12, 2024), <https://www.wilsonelser.com/publications/luxury-brands-assert-intellectual-property-rights-against-resellers> [https://perma.cc/8K5F-ZZC8].

<sup>2</sup> J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:2 (5th ed. 2025).

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U.S. Senate has articulated that the purpose of the Lanham Act, which governs trademark law, is two-fold: (1) to ensure that consumers are confident they are getting the product they expect, and (2) to protect trademark owners, who invest time, energy, and money, from misappropriation by “pirates and cheats.”<sup>3</sup> While some scholars find that these two goals mesh well,<sup>4</sup> this Note thoroughly examines a pressure point known as nominative fair use.

In a trademark infringement action, likelihood of consumer confusion is the test for infringement.<sup>5</sup> However, there is a legal use of another’s trademark known as a nominative fair use, which serves as a defense to trademark infringement.

Nominative fair use is the use of another’s trademark to identify the trademark owner’s goods and services, rather than the defendant’s goods and services.<sup>6</sup> In other words, a nominative use names the real owner of the mark.<sup>7</sup> This doctrine allows a defendant to use the trademark owner’s marks so long as there is no likelihood of confusion regarding either the source of the defendant’s product or any implied affiliation or sponsorship between the trademark owner and the defendant.<sup>8</sup> The theoretical justification underlying nominative fair use seems to comport with trademark law’s primary objectives of balancing the protection of trademark producers and consumers.

For luxury resellers, nominative use of luxury brands’ trademarks is necessary to market their products. For instance, when selling a Louis Vuitton handbag, it

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<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *See infra* Part II.A.

<sup>6</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

follows logically that a luxury reseller would need to use Louis Vuitton's trademarks in their advertising and marketing, as they are selling a Louis Vuitton product. This seems like a completely legal use, but recent case law highlights the nuances and incorrect application of nominative fair use in the luxury resale context.

On February 6, 2024, the unanimous jury verdict in *Chanel v. What Goes Around Comes Around* (“*Goes Around*”) cost the defendant luxury reseller \$4 million in damages for trademark infringement, specifically highlighting the reseller's marketing and advertising practices.<sup>9</sup> The defendant asserted that their use qualified as lawful nominative fair use, but the court was unpersuaded. However, the courts are misapplying the doctrine in the luxury resale context, which has important implications. Luxury resellers are left with little guidance on how to market their products, making them vulnerable to costly trademark infringement lawsuits and the potential demise of the luxury resale market. If *Goes Around* serves as a cautionary tale,<sup>10</sup> it is that luxury brands are becoming more protective than ever over their trademarks, and courts may be treating trademark law as a producer protection doctrine.

This Note argues that while luxury resellers generally need to take precautions in their advertising practices, the courts have lost sight of what nominative fair use is meant to protect – consumer confusion. Nominative fair use is a tri-part test. The second and third factors of nominative fair use are being incorrectly applied by courts to luxury resellers, which are (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) whether the defendant's conduct, in addition to use of the plaintiff's

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<sup>9</sup> Barrett and Rios, *supra* note 1.

<sup>10</sup> *See id.*

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mark, suggests sponsorship or endorsement by the plaintiff.<sup>11</sup> This Note does not discuss the first factor of nominative fair use, which is that the product or services must be one not readily identifiable without use of the trademark<sup>12</sup>—as this factor is largely undisputed in the cases at issue. This Note challenges that for the second factor, the courts must consider the needs of the luxury resale market and online advertising practices in their analysis. For the third factor, the courts' overreliance on the presence of disclaimers is misguided without analyzing the disclaimer's effectiveness in dispelling consumer confusion or looking to the defendant's conduct and business model in its entirety.

In Part I, this Note provides a brief background on the luxury resale market. Part II lays the framework for trademark law and nominative fair use, as well as the ongoing circuit split underlying nominative fair use. Part III discusses *Goes Around* and a related case, *Chanel v. The RealReal* (“*Real Real*”). Part IV addresses the second factor of nominative fair use and presents the argument that the analysis must incorporate the needs of luxury resellers and the online marketplace. Part V addresses the third factor, and argues that in analyzing the presence of disclaimers, courts must also analyze their effectiveness—incorporating guidelines set forth by the FTC—and look to the defendant's conduct outside their use of disclaimers as well.

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<sup>11</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>12</sup> *Id.*

## I. FROM RUNWAY TO RESALE: THE RISE OF THE LUXURY SECONDHAND MARKET

Luxury resale—the buying and selling of pre-owned high-end goods—is a booming market.<sup>13</sup> Secondhand luxury goods are frequently sold by major players such as TheRealReal, Inc., ThredUp, Inc., Vestiaire Collective, and Fashionphile Group.<sup>14</sup> In 2024, the market grew to an estimated \$61 billion globally, with sales increasing by 7%—faster than sales of new luxury goods.<sup>15</sup> The market is anticipated to grow at a compound annual growth rate of around 10% during the years 2024 through 2029.<sup>16</sup> Luxury resale is enticing to consumers because it delivers value while maintaining affordability, and is perceived as a more substantiable way to shop. Consumers seek value purchases, and luxury resale provides the ideal landscape to achieve value while paying more affordable prices for luxury items.<sup>17</sup> According to TheRealReal’s 2024 Luxury

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<sup>13</sup> See Claudia D’Arpizio & Federica Levato, *Secondhand Luxury Goods: A First-Rate Strategic Opportunity*, BAIN & COMPANY (Jan. 2022), <https://www.bain.com/insights/secondhand-luxury-goods-a-first-rate-strategic-opportunity-snap-chart/> [<https://perma.cc/2VK3-32YE>].

<sup>14</sup> *Secondhand Luxury Market Outlook 2025-2029: Featuring The RealReal, ThredUp, Farfetch, Yoogi’s Closet, Vestiaire Collective, Timepiece360, The Luxury Closet, Garderobe, Fashionphile, and Inseller — ResearchAndMarkets.com*, BUSINESSWIRE (Jan. 17, 2025, 9:26 AM ET), <https://www.businesswire.com/news/home/20250117035565/en/Secondhand-Luxury-Market-Outlook-2025-2029-Featuring-The-RealReal-ThredUp-Farfetch-Yoogis-Closet-Vestiaire-Collective-Timepiece360-The-Luxury-Closet-Garderobe-Fashionphile-and-Inseller—ResearchAndMarkets.com> [<https://perma.cc/7JAD-LA5A>].

<sup>15</sup> *Id.*; Claudia D’Arpizio et al., *Luxury in Transition: Securing Future Growth*, BAIN & CO., at 18 (2025), [https://www.bain.com/globalassets/noindex/2025/bain\\_report\\_luxury\\_in\\_transition\\_securing\\_future\\_growth.pdf](https://www.bain.com/globalassets/noindex/2025/bain_report_luxury_in_transition_securing_future_growth.pdf) [<https://perma.cc/763P-9TAQ>].

<sup>16</sup> BUSINESSWIRE, *supra* note 14; D’Arpizio et al., *supra* note 15, at 18.

<sup>17</sup> D’Arpizio et al., *supra* note 15, at 18.

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Resale Report, 78% of consumers noted “value” as the number one reason they shop at TheRealReal.<sup>18</sup> At the same time, secondhand goods typically sell for less than new luxury goods.<sup>19</sup> Vestiare Collective’s 2024 Circularity Report found that across all categories of goods, price points were 33% more affordable than new luxury goods.<sup>20</sup> Furthermore, the circular nature of the luxury resale market advances sustainability efforts. Studies have shown that shopping on luxury resale websites can reduce a consumer’s environmental impact by around 90%.<sup>21</sup> Millennial and Generation Z consumers find sustainability particularly compelling: 25% of buyers report they purchased pre-owned items due to environmental concerns, rising to 35% among millennials.<sup>22</sup>

The online marketplace is also a contributory factor to the growth of the secondhand market, giving consumers the ability to shop for secondhand luxury goods on their smartphones or through online websites.<sup>23</sup> This year, it is projected that 25% of personal luxury good sales, both new and secondhand, will occur online.<sup>24</sup> Yet, few luxury retailers and brands have partnered with resellers. While

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<sup>18</sup> *2024 Resale Report*, THE REALREAL, at 19 (2024), [https://the-realreal.cdn.prismic.io/the-realreal/ZsSjqUaF0TcGJHhq\\_TRR\\_2024\\_ResaleReport-1-.pdf](https://the-realreal.cdn.prismic.io/the-realreal/ZsSjqUaF0TcGJHhq_TRR_2024_ResaleReport-1-.pdf) [<https://perma.cc/P4WR-74BF>].

<sup>19</sup> See VESTIARE COLLECTIVE, VESTIARE COLLECTIVE CIRCULARITY REPORT 2024, at 3 (2024), <https://assets.vestiairecollective.com/documents/sustainability/2024-circularity-report-us-en.pdf> [<https://perma.cc/MJS2-XB2C>].

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 23.

<sup>22</sup> DELOITTE, GLOBAL POWERS OF LUXURY GOODS 2020: THE NEW AGE OF FASHION AND LUXURY 11 (2020), <https://www.comitecolbert.com/app/uploads/2020/12/deloitte-global-luxury-goods-v4-2020.pdf> [<https://perma.cc/W6B4-9LFC>].

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

Burberry and Stella McCartney have partnered with TheRealReal to boost the luxury resale market,<sup>25</sup> a majority of luxury brands remain hesitant. In an attempt to regain control of their goods, luxury brands are invoking trademark law to limit resellers' use of their goods through their trademarks.<sup>26</sup> Part III examines two instances where Chanel exerted immense control over its goods through the avenue of trademark infringement.

## II. AN OVERVIEW OF TRADEMARK LAW AND NOMINATIVE FAIR USE

### A. *Trademark Law and Trademark Infringement*

To understand where luxury resale and trademark infringement meet, a bit of history on trademark law is essential. The Lanham Act provides the statutory framework for trademark protection in the United States.<sup>27</sup> The Lanham Act strikes a delicate balance—protecting registered trademarks while also protecting persons engaged in commerce against unfair competition.<sup>28</sup> Modern trademark law has been described by scholars as a consumer protection doctrine under the “search cost theory.”<sup>29</sup> The theoretical underpinning of the search cost theory is that consumers rely on trademarks as reliable

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<sup>25</sup> *Id.*

<sup>26</sup> Jordan Phelan, *Infringement or Identification?: Nominative Fair Use and the Resale of Luxury Goods*, 91 *FORDHAM L. REV.* 757, 765–66 (2022).

<sup>27</sup> 15 U.S.C. § 1051 (providing the requirements for trademark registration in the United States).

<sup>28</sup> 15 U.S.C. § 1127 (describing the intent of the Act, which, in part, is to protect registered marks used in commerce and prevent unfair competition).

<sup>29</sup> Robin Feldman, *Artificial Intelligence and Cracks in the Foundation of Intellectual Property*, 76 *UC L. J.* 47, 68 (2024).

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sources of information regarding the source and quality of products, which in turn reduces the costs of searching for the goods themselves.<sup>30</sup> This may indicate that in balancing the protection of trademark producers and trademark consumers, the scale has tipped towards consumers.

Trademark infringement occurs when there is a likelihood of consumer confusion as to the source of the goods and services.<sup>31</sup> Likely confusion is generally assessed by a multifactor test, looking to: the strength of the plaintiff's mark, the proximity of the parties' goods and services, the similarity of the parties' marks, evidence of actual confusion, the marketing channels used, the type of goods and degree of likely care by the purchaser, the defendant's intent in selecting the mark, and the likelihood of the businesses competing with one another.<sup>32</sup> Each circuit uses its own rendition of the likelihood of confusion test, usually applying either the *Sleekcraft*<sup>33</sup> or *Polaroid*<sup>34</sup> factors, but they are not fundamentally different. Each of the circuits have articulated that none of these factors are determinative but are meant to be weighed and balanced

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<sup>30</sup> *Id.*

<sup>31</sup> 15 U.S.C. § 1114 (providing a civil action against any person who shall "use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion[.]").

<sup>32</sup> *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979).

<sup>33</sup> *See id.*

<sup>34</sup> *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (articulating the test for likelihood of consumer confusion: "(1) the strength of the plaintiff's mark; (2) the degree of similarity between the two marks; (3) the proximity of the products; (4) the likelihood that the prior owner will bridge the gap; (5) actual confusion; (6) the defendant's good faith in adopting its own mark; (7) the quality of the defendant's product; and (8) the sophistication of the buyers").

against one another to determine if the defendant infringed on the plaintiff's trademark rights.<sup>35</sup>

### *B. Nominative Fair Use*

Although courts ordinarily apply a multi-factor likelihood-of-confusion test for trademark infringement, nominative fair use instead employs a tri-part test designed to allow use of another's trademark so long as there is no likelihood of consumer confusion.<sup>36</sup> Nominative fair use is a defense to trademark infringement. There are two types of non-infringing uses of another's mark that qualify as a fair use. The first, codified in the Lanham Act as an affirmative defense to trademark infringement, allows use of another's mark in a purely descriptive sense, often referred to as classic fair use.<sup>37</sup> The second type of fair use—and the central point of this Note—is nominative fair use. Nominative fair use is the use of another's trademark to identify the defendant's goods and services rather than the plaintiff's goods and services.<sup>38</sup> The defendant is “naming” the owner of the trademark.<sup>39</sup> This type of fair use is commonly used in comparative advertising (e.g. “Our jeans fit better than Levi's jeans”), by independent repair facilities (e.g. “We repair Rolex's”), and by independent retailers (e.g. “We carry authentic Prada sunglasses”).<sup>40</sup> Nominative fair use is not codified, it is judicially created, which has resulted in inconsistencies among the circuits.<sup>41</sup>

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<sup>35</sup> MCCARTHY, *supra* note 2, § 24:30.

<sup>36</sup> *Id.* § 23:11.

<sup>37</sup> 15 U.S.C. § 1115(b)(4).

<sup>38</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>39</sup> *Id.*

<sup>40</sup> *See id.*

<sup>41</sup> Eric W. Walker, *How Confusing! Resolving the Three-Way Circuit Split on the Nominative Fair Use Doctrine*, 56 AKRON L. REV. 147, 149 (2023).

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The elements of the nominative fair use analysis were first articulated by the Ninth Circuit in *New Kids on the Block*.<sup>42</sup> The plaintiffs, members of the musical group The New Kids on the Block, brought a trademark infringement claim against two national newspapers for using their trademarked name while conducting polls on readers favorite group member.<sup>43</sup> The court emphasized that a trademark owner cannot prevent others from accurately describing a characteristic of their goods.<sup>44</sup> The court posited that a commercial user is entitled to a nominative fair use defense so long as three requirements are met: “first, the product or services in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”<sup>45</sup> If all the elements are met, the use is considered nominative fair use and does not amount to infringement.<sup>46</sup> If some elements are left unsatisfied, the court may order the defendant to modify their use to ensure compliance.<sup>47</sup> Applied to the facts of *New Kids*, the Ninth Circuit found that the first factor was satisfied, as conducting a poll on the New Kids would not have been possible without referencing the members of the group.<sup>48</sup> The second factor was satisfied because the newspapers did not use the New Kids’ distinctive lettering

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<sup>42</sup> *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

<sup>43</sup> *Id.* at 304–05.

<sup>44</sup> *Id.* at 306.

<sup>45</sup> *New Kids on the Block*, 971 F.2d at 308; Walker, *supra* note 41 at 152.

<sup>46</sup> MODEL NINTH CIRCUIT CIVIL JURY INSTRUCTIONS § 15.25 (2024).

<sup>47</sup> *Id.*

<sup>48</sup> *New Kids on the Block*, 971 F.2d at 308.

or anything else that was more than a “reasonably necessary” use of the mark.<sup>49</sup> Lastly, the third factor was satisfied because nothing in the announcement suggested sponsorship or endorsement, either implicitly or explicitly.<sup>50</sup> The newspapers received the green light to use the New Kids’ trademark, while the Ninth Circuit constructed the nominative fair use doctrine used today.

The three-factor test created by the Ninth Circuit led other circuit courts to follow suit, but has resulted in a three-way circuit split. The Ninth Circuit replaces the likelihood of confusion analysis with the nominative fair use analysis for a trademark infringement claim. The Second Circuit adopted a similar tri-part test in *International Information Systems v. Security University*, though it treats nominative fair use as an additional analysis along with the *Polaroid* factors in the likelihood of confusion analysis.<sup>51</sup> The Third Circuit, however, considers nominative fair use an affirmative defense to trademark infringement, and may be asserted despite any likelihood of consumer confusion.<sup>52</sup> While other circuits have adopted or acknowledged an iteration of the test, none are as refined as the Ninth, Second, and Third Circuits.<sup>53</sup> The Supreme Court has yet to issue a ruling on nominative fair use, and denied certiorari on a relevant nominative fair use case.<sup>54</sup> The ongoing circuit split has resulted in conflicting and often inconsistent guidance for defendants seeking to invoke the defense.<sup>55</sup>

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<sup>49</sup> *Id.* at 308–09.

<sup>50</sup> *Id.*

<sup>51</sup> *Int’l Info. Sys. Sec. Cert. Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 165 (2d Cir. 2016).

<sup>52</sup> *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 228 (3d Cir. 2005).

<sup>53</sup> Walker, *supra* note 41, at 158.

<sup>54</sup> *Int’l Info. Sys.*, 823 F.3d at 153, *cert. denied*, 137 U.S. 624 (2017).

<sup>55</sup> *See* Walker, *supra* note 41, at 159.

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While a circuit split is lurking in the background of the nominative fair use defense, this Note focuses only on the second factor (using only so much of the mark as necessary) and the third factor (refraining from suggesting sponsorship or endorsement), which are similar among the circuits. This Note does not discuss the first factor (the product or services are not identifiable without the mark), as it is not disputed in the luxury resale cases at issue.<sup>56</sup>

**1. Factor Two: Using Only What Is  
“Reasonably Necessary” of the Mark**

The second factor of the nominative fair use test asks whether the defendant has used only so much of the plaintiff's mark as is needed to identify the product or service.<sup>57</sup> The Ninth Circuit has interpreted this to mean that no more of the mark's appearance is used than is necessary to identify the product and make the reference intelligible to the consumer.<sup>58</sup> For instance, if a particular word is the plaintiff's trademark, the defendant is found to have reasonably used it when the defendant does not use any distinctive color, logo, abbreviation, or graphic that the plaintiff uses to display the trademark.<sup>59</sup> In *New Kids*, the court found that since the defendants only used the plaintiff's name in their print newspaper rather than their logo, this qualified as a nominative use.<sup>60</sup> The court posited a hypothetical to explain this factor: “[A] soft drink competitor would be entitled to compare its product to Coca-Cola or Coke, but would not be entitled to use Coca-Cola's distinctive lettering.”<sup>61</sup>

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<sup>56</sup> See *infra*, Part IV.

<sup>57</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>58</sup> MODEL NINTH CIRCUIT CIVIL JURY INSTRUCTIONS § 15.25 (2024).

<sup>59</sup> *Id.*

<sup>60</sup> *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

<sup>61</sup> *Id.* at 308 n.7.

In *Playboy Enterprises v. Welles* (“*Playboy Enterprises*”), a former Playboy Playmate used Playboy’s trademarks on her personal website describing herself, which the Ninth Circuit held was a nominative use in some aspects.<sup>62</sup> In her headlines and banner advertisements, she only used the trademarked words and not the font or bunny symbols associated with Playboy’s trademarks, which the court held was not using more of the mark than necessary.<sup>63</sup> As for her use of “playboy” and “playmate” in her metatags,<sup>64</sup> because she did not extensively repeat the words on her website—and thus, will not be at the top of the search results—she did not use more than was necessary.<sup>65</sup> The defendant also used the marks on the wallpaper for her website,<sup>66</sup> which the court found was using more of the mark than necessary because of its repetitive, stylized nature.<sup>67</sup> In *Paccar v. TeleScan Techs., LLC*, the defendant created an online system that gave information about truck dealers and included searchable databases of truck inventories, using the plaintiff’s

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<sup>62</sup> *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 799–800 (9th Cir. 2002).

<sup>63</sup> *Id.*; see also *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 230 (3d Cir. 2005) (asking “did the defendant use plaintiff’s distinctive lettering when using the plaintiff’s mark or did the defendant, as in this case, simply use block letters to spell out plaintiffs’ names”).

<sup>64</sup> *Playboy Enters. Inc.*, 279 F.3d at 803. A metatag describes the contents of a website using keywords. For instance, if a user searches keywords in a search engine such as Google, the results will include websites with those specific metatags. See Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L. J. 507, 529 (“‘Metatags’ are HTML commands that allow web publishers to provide automated instructions to search engine robots.”).

<sup>65</sup> *Playboy Enters. Inc.*, 279 F.3d at 803.

<sup>66</sup> *Id.* at 804 (describing how the defendant, Welles used “PMOY ‘81” as an abbreviation for “Playmate of the Year 1981”).

<sup>67</sup> *Id.*

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trademarks in their domain names.<sup>68</sup> Similar to *Playboy Enterprises*, the court found that using the plaintiff's trademarks in the domain names and wallpaper of their website was using more than was reasonably necessary due to the repetition of the marks.<sup>69</sup>

In Part IV, this Note advocates that in the luxury resale context, solely using luxury brand names is not sufficient for modern advertising practices, and the analysis of the second factor should focus mainly on repetition of the trademarks.

## **2. Factor Three: Avoiding Suggestion of Sponsorship or Endorsement**

The third prong of the nominative fair use test examines whether the defendant's conduct in conjunction with the mark would lead consumers to believe the mark owner is associated with, sponsoring, or endorsing the defendant's product or service.<sup>70</sup> In an attempt to clarify this element further, the Ninth Circuit posits that sponsorship or endorsement is not suggested when the defendant does not attempt to deceive, mislead, or capitalize on consumer confusion.<sup>71</sup> Presented another way, the defendant does not appropriate the prestige of the plaintiff's product when exhibiting their own.<sup>72</sup> For a defendant seeking to invoke this doctrine, this provides little meaningful guidance.

The Third Circuit encourages lower courts to examine precisely how the defendant's words or actions—beyond merely using the mark—may suggest endorsement

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<sup>68</sup> PACCAR Inc. v. TeleScan Techs., LLC, 319 F.3d 247, 247–48 (6th Cir. 2003).

<sup>69</sup> *Id.* at 256–57.

<sup>70</sup> New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992).

<sup>71</sup> MODEL NINTH CIRCUIT CIVIL JURY INSTRUCTIONS § 15.23 (2024).

<sup>72</sup> *Id.*

or sponsorship.<sup>73</sup> This factor looks to the defendant's use *as a whole* and whether it is likely to create consumer confusion.<sup>74</sup> For instance, inquiring whether the defendant has made affirmative claims or assertions which falsely suggest some sort of connection to the plaintiff are relevant to the analysis.<sup>75</sup>

Interestingly enough, some courts have moved towards an overreliance on disclaimers to satisfy the third factor of nominative fair use. In *Playboy Enterprises*, the court found that since the defendant's site contained a disclaimer that she had no affiliation with Playboy, this element was satisfied.<sup>76</sup> In *Toyota Motor Sales, U.S.A., Inc. v. Tabari* ("Toyota"), the Ninth Circuit confirmed that while a disclaimer is not required, a defendant's use of a disclaimer is relevant to the nominative fair use analysis.<sup>77</sup> However, in the same case, when the defendant automobile broker used Lexus's name in their website domain, the court found the use fair—even if consumers initially visiting the site were confused—because a disclaimer clearly stated that they were not affiliated with Lexus.<sup>78</sup>

Disclaimers may be shifting from relevancy to requirement. Factor three is meant to hinge on the defendant's actions outside of use of the mark that might either dispel or foster an impression of association or

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<sup>73</sup> *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 231 (3d Cir. 2005).

<sup>74</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>75</sup> *Id.*

<sup>76</sup> *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 802 (9th Cir. 2002).

<sup>77</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1181–82 (9th Cir. 2010).

<sup>78</sup> *Id.* ("Reasonable consumers would arrive at the Tabaris' site agnostic as to what they would find. Once there, they would immediately see the disclaimer and would promptly be disabused of any notion that the Tabaris' website is sponsored by Toyota. Because there was no risk of confusion as to sponsorship or endorsement, the Tabaris' use of the Lexus mark was fair.")

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sponsorship with the plaintiff. However, case law post-*New Kids* exhibits that there is a shift towards solely relying on disclaimers, or a lack thereof. In Part V, this Note argues that courts' overreliance on disclaimers for the third factor without analyzing their effectiveness<sup>79</sup> is a misguided approach.

### III.     **CASE STUDY: THE INTERSECTION OF NOMINATIVE FAIR USE AND LUXURY RESALE**

In *Goes Around*, the second and third elements of nominative fair use were pivotal in the jury's adverse verdict against the defendant, finding the luxury reseller liable for trademark infringement.<sup>80</sup> *Goes Around* has unique implications for *Real Real*, a case brought by Chanel against another luxury reseller.<sup>81</sup> *Real Real* is still ongoing at the time this Note is written. In both cases, the resellers asserted that their use of Chanel's marks in their advertising were nominative and non-infringing.<sup>82</sup> In *Goes Around*, the Second Circuit found this unpersuasive, finding that the reseller's use of Chanel's marks in their advertisements and webpages and the absence of a disclaimer on their website did not satisfy the second and third factors of nominative fair use, respectively.<sup>83</sup> If this reasoning were adopted, luxury resellers would be unable

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<sup>79</sup> See FEDERAL TRADE COMMISSION, .COM DISCLOSURES: HOW TO MAKE EFFECTIVE DISCLOSURES IN DIGITAL ADVERTISING, at 6 (Mar. 2013) <https://www.ftc.gov/system/files/documents/plain-language/bus41-dot-com-disclosures-information-about-online-advertising.pdf> [<https://perma.cc/7E5Z-9VDG>].

<sup>80</sup> Final Judgment at 1, Chanel, Inc. v. WGACA, LLC, No. 1:18-cv-02253 (S.D.N.Y. Feb. 6, 2025), ECF No. 505.

<sup>81</sup> Chanel, Inc. v. RealReal, Inc., 449 F. Supp. 3d 422, 429 (S.D.N.Y. 2020).

<sup>82</sup> *Id.*; Chanel, Inc. v. WGACA, LLC, No. 18 Civ. 2253 (LLS), 2022 WL 902931, at \*1–2 (S.D.N.Y. Mar. 28, 2022).

<sup>83</sup> *WGACA*, 2022 WL 902931, at \*10–11.

to accurately advertise their products to consumers, and courts might erroneously treat any disclaimer as definitive proof that the defendant did not imply sponsorship or endorsement by the plaintiff.

*A. What Goes Around Does Come Back Around*

In 2018, the internationally recognized fashion house, Chanel, brought a trademark infringement and false association action<sup>84</sup> against the luxury reseller and defendant, What Goes Around Comes Around, under the Lanham Act.<sup>85</sup> The defendant has two retail stores in New York City, including its flagship store in SoHo, as well as a retail store in Los Angeles.<sup>86</sup> The defendant sells Chanel products on its website, in retail stores, at pop-up shows, and through other e-commerce platforms, but has no affiliation with Chanel.<sup>87</sup> Chanel asserted that the defendant improperly used Chanel's trademarks in their advertising and marketing in the following ways: retail displays displaying Chanel marks, such as the use of a Chanel No. 5 perfume bottle or Chanel-branded cake; emails to consumers using Chanel's mark in the defendant's stylized font; Chanel marks in their Facebook cover photo; the use of #WGACACHANEL in their social media posts; and Chanel marks used in non-product specific advertising.<sup>88</sup> In addition, Chanel points to the defendant's use of images and quotations from the founder, Coco Chanel, on their

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<sup>84</sup> Chanel also asserted related claims under New York state law. *See id.* at \*1.

<sup>85</sup> *Id.*

<sup>86</sup> *About Us*, WHAT GOES AROUND COMES AROUND, <https://www.whatgoesaroundnyc.com/en-us/about-wgaca.html> [<https://perma.cc/698D-5XCF>] (last visited May 8, 2025).

<sup>87</sup> *WGACA*, 2022 WL 902931, at \*2.

<sup>88</sup> *Id.* at \*4.

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website.<sup>89</sup> In response, the defendant argued that their use of Chanel's marks was a nominative and non-infringing use, and that the lawsuit was just an attempt to exert control over the secondary market.<sup>90</sup>

In its summary judgment opinion, the court, in addition to considering the *Polaroid* factors, closely examined the second and third factors of nominative fair use. Firstly, the court found that there was a genuine issue of material fact whether Chanel's marks were used more than necessary to identify Chanel products that they were reselling.<sup>91</sup> The defendant provided evidence that their use of Chanel's trademarks to identify the manufacturer of the products they sell was anomalous to their treatment of other luxury brands they sell on their website.<sup>92</sup> Furthermore, the defendant analogized to *Real Real*—to be discussed in Section (b) —but the court distinguished the defendant's conduct. In that case, Chanel presented no facts that the luxury reseller displayed Chanel's goods more prominently than other luxury brands' goods, unlike here, where the defendant's advertising and marketing practices showed ample evidence.<sup>93</sup>

As for the third factor, the court found that the defendant's marketing practices did create a suggestion of affiliation between itself and Chanel, and favored a finding of consumer confusion.<sup>94</sup> Chanel offered consumer survey evidence that found consumers perceived an affiliation between Chanel and the defendant.<sup>95</sup> The defendant asserted, in a similar fashion to the second factor, that their advertisements for Chanel are the same types of ads they

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<sup>89</sup> *Id.*

<sup>90</sup> *Id.* at \*1, \*4 (arguing Chanel engaged in anticompetitive behavior).

<sup>91</sup> *Id.* at \*10.

<sup>92</sup> *Id.*

<sup>93</sup> *WGACA*, 2022 WL 902931, at \*10.

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

have for other luxury brands. The determinative factor, however, was the defendant's lack of a disclaimer on their website. Pointing to *RealReal*, where the court found that the defendant's actions did not create an affiliation with Chanel because there was a disclaimer on their website, the court emphasized the lack thereof in *Goes Around*.<sup>96</sup> The defendant added the following disclaimer in April 2020 (after the lawsuit was already filed): "WHAT GOES AROUND COMES AROUND IS NOT AN AUTHORIZED RESELLER NOR AFFILIATED WITH ANY [sic] THE BRANDS WE SELL," but this failed to satisfy the court.<sup>97</sup> As there was no disclaimer at the time of the suit, the court found a suggestion of affiliation, and in turn, a finding of consumer confusion.<sup>98</sup>

Denying summary judgment, the case went to trial on February 6, 2024, where a jury in the Southern District of New York ruled against the luxury reseller and awarded Chanel \$4 million in damages.<sup>99</sup> The defendant filed an appeal on March 27, 2025,<sup>100</sup> and it will be telling how the Second Circuit addresses nominative fair use on appeal. How the court addressed nominative fair use in *Goes Around* affected the court's treatment of the luxury reseller in *Real Real*, and vice versa.

### **B. *Real Real Implications***

The year 2018 was a busy year for Chanel, who also brought a trademark infringement and false association action against the luxury reseller and defendant

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<sup>96</sup> *Id.*

<sup>97</sup> *Id.* at \*3.

<sup>98</sup> *Id.* at \*10.

<sup>99</sup> Special Verdict Form at 8, Chanel, Inc. v. WGACA, LLC, No. 1:18-cv-02253 (S.D.N.Y. Feb. 6, 2025), ECF No. 505.

<sup>100</sup> Notice of Appeal at 1, Chanel, Inc. v. WGACA, LLC, No. 1:18-cv-02253 (S.D.N.Y. Feb. 6, 2025), ECF No. 523, *appeal docketed*, No. 25-722 (2d Cir. Mar. 27, 2025).

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TheRealReal under the Lanham Act.<sup>101</sup> TheRealReal is a California—based retailer that specializes in luxury consignment, with storefronts in New York City, Los Angeles, and San Francisco—totaling 15 retail locations.<sup>102</sup> The defendant sells Chanel products on both its website and in its stores, acknowledging that in 2018, Chanel was one of the most popular brands they sold through consignment.<sup>103</sup> To a similar tune as *Goes Around*, Chanel is not affiliated with TheRealReal. The main point of contention in *RealReal* is the defendant's sale of counterfeit Chanel goods and their use of Chanel's marks, which is likely to cause confusion amongst consumers about the quality of Chanel's goods.<sup>104</sup> TheRealReal asserted that nominative fair use factors weigh in their favor,<sup>105</sup> and the court was inclined to agree.<sup>106</sup> As for the second factor, the court found that the defendant only used as much of Chanel's mark as necessary, as they only had one page dedicated to Chanel products where the trademarks were displayed.<sup>107</sup> The structure of their website has similar pages for nine other luxury fashion brands, and no facts suggested that they displayed Chanel goods more

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<sup>101</sup> Chanel, Inc. v. RealReal, Inc., 449 F. Supp. 3d 422, 429 (S.D.N.Y. 2020). Chanel also asserted counterfeiting, false endorsement, unfair competition, and false advertising claims under the Lanham Act, as well as several related claims under New York state and statutory law. *Id.*

<sup>102</sup> *About Us*, THE REALREAL, <https://www.therealreal.com/about> [https://perma.cc/LRG3-8XSC] (last visited May 8, 2025).

<sup>103</sup> Chanel, Inc. v. RealReal, Inc., 449 F. Supp. 3d 422, 430 (S.D.N.Y. 2020).

<sup>104</sup> *Id.* at 433.

<sup>105</sup> Memorandum of Law in Support of Defendant The RealReal, Inc.'s Motion to Dismiss at 8, Chanel, Inc. v. The RealReal, Inc., No. 1:18-cv-10626 (S.D.N.Y. Jan. 10, 2019), ECF No. 17.

<sup>106</sup> *RealReal, Inc.*, 449 F. Supp. at 439.

<sup>107</sup> *Id.* at 438–39.

prominently than the other brands' goods.<sup>108</sup> As shown in the complaint, the defendant's use of Chanel's marks were limited to photographs of the Chanel products being sold, with the word "Chanel" in the product descriptions.<sup>109</sup>

The presence of a disclaimer on TheRealReal's website led the court to determine that their actions outside of the use of Chanel marks did not imply affiliation.<sup>110</sup> The disclaimer on TheRealReal's Terms of Use reads: "[b]rands identified on [its website] are not involved in the authentication of the products being sold, and none of the brands sold assumes any responsibility for any products purchased from or through the website," and that "[b]rands sold on the [website] are not partnered or affiliated with The RealReal in any manner."<sup>111</sup> The court then distinguished the present case from *Goes Around*, explaining how that defendant's use of Chanel marks in promotional advertising, along with the lack of a disclaimer, led to an alternative finding on the second and third factors in that case.<sup>112</sup> As a result, the court granted TheRealReal's motion to dismiss on the claim for trademark infringement.<sup>113</sup> While the litigation in *Real Real* is still ongoing at the time of this Note, the court's opinion exhibits its reliance on *Goes Around* and the guidelines it

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<sup>108</sup> *Id.* at 439.

<sup>109</sup> Memorandum of Law in Support of Defendant The RealReal, Inc.'s Motion to Dismiss at 9–10, *Chanel, Inc. v. The RealReal, Inc.*, No. 1:18-cv-10626 (S.D.N.Y. Jan. 10, 2019), ECF No. 17 (arguing how, as demonstrated in Exhibit E of the Complaint, the defendant's use of Chanel's mark is limited to the products being sold and the use of the word "Chanel" in the product descriptions, which are permissible uses under the second factor).

<sup>110</sup> *RealReal, Inc.*, 449 F. Supp. at 439–40.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* at 440.

<sup>113</sup> *Id.* at 448.

set forth for nominative fair use in the luxury resale context.<sup>114</sup>

**IV. A REVAMP IS NEEDED: THE COURTS' INTERPRETATION OF "MORE THAN NECESSARY" IS INCONSISTENT WITH THE NEEDS OF THE LUXURY RESALE MARKET**

The issue with how courts interpret the second nominative fair use prong originates from the way it was presented in *New Kids*. The Ninth Circuit posited that "trademark protection does not extend to rendering newspaper articles, conversations, polls and comparative advertising impossible."<sup>115</sup> However, Judge Kozinski's Coca-Cola footnote hypothetical suggests that using a competitor's trademark in bare lettering, rather than in their distinctive lettering, would not rise to the level of using more than is reasonably necessary of the mark.<sup>116</sup> According to some scholars, this has led to an erroneous conclusion that the use of distinctive lettering or another's logo can *never* be nominative fair use.<sup>117</sup> The Ninth Circuit later even speculated in dictum that whether a defendant used more than necessary *can* be looked at in terms of font or stylization, but is not a suggestion that use of another's font and stylization *cannot* qualify as a valid nominative fair use.<sup>118</sup> This line of reasoning rings especially true in the luxury resale context.

The rationale set forth in *New Kids* as to what constitutes "more than necessary," is not applicable to luxury resale. In *New Kids*, the defendant used the

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<sup>114</sup> *Id.* at 440.

<sup>115</sup> *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

<sup>116</sup> *Id.* at 308 n.7.

<sup>117</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>118</sup> *Id.*

plaintiff's trademarked name in a print medium, where there was no need for logos.<sup>119</sup> In the luxury resale context, resellers need to communicate through a logo or distinctive lettering in order to accurately identify the products and brands they sell on their website.<sup>120</sup> Luxury fashion brands are known in large part by their logos—such as the interlocking Cs for Chanel, the interlocking Gs for Gucci, and LV for Louis Vuitton.<sup>121</sup> When consumers look at their products, they are often decorated with their logos. When resellers are selling these brands' products, they have a visual need to be able to advertise with those logos. Furthermore, the use of logos aligns with the search cost theory by saving consumers time and money, eliminating the need for them to independently identify the source of products.<sup>122</sup> When determining what a necessary use of another's trademark is, the courts need to assess what is necessary for *who they are* as a seller.

Additionally, the marketing landscape has evolved drastically in the last 30 years since *New Kids*, with an emphasis on digital marketing and online shopping.<sup>123</sup> In 2022, the Pew Research Center conducted a study that revealed 75% of U.S. adults say they use a smartphone to

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<sup>119</sup> *New Kids on the Block*, 971 F.2d at 304.

<sup>120</sup> Phelan, *supra* note 26 at 759.

<sup>121</sup> See, e.g., Emily Harper, *Coco Chanel Logo – The History, Meaning, and Evolution*, LOGO (June 15, 2023), <https://logo.com/blog/coco-chanel-logo> [<https://perma.cc/LW58-3SY5>]; Bogdan Sandu, *The Gucci Logo History, Colors, Font, and Meaning*, DESIGN YOUR WAY (Dec. 7, 2025), <https://www.designyourway.net/blog/gucci-logo/> [<https://perma.cc/D8Y7-SPKF>]; Nicole Sonnier, *The History of the Louis Vuitton Logo and the Brand*, HATCHWISE: THE HATCHWISE LEARNING CENTER, <https://www.hatchwise.com/resources/the-history-of-the-louis-vuitton-logo-and-the-brand> [<https://perma.cc/8QLK-Z5B5>] (last visited Feb. 26, 2026).

<sup>122</sup> Feldman, *supra* note 29, at 68.

<sup>123</sup> STEPHEN R. BAIRD & DRAEKE WESEMAN, *Navigating Trademark Nominative Fair-Use Issues*, in *THE IP BOOK 2020* 7-125, 7-133 (Minn. CLE 2020).

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buy items online, while 69% say the same for desktop or laptop computers.<sup>124</sup> Consumers who are shopping on their phones or tablets have precious little visual “real estate,” due to the limited screen size.<sup>125</sup> The *New Kids* rationale that using another’s logo is automatically using more than necessary is not practicable. This is especially true for luxury resellers, who have a strong online presence and whose presence is projected to trend upward.<sup>126</sup> Logos and other visual depictions are necessary in the modern advertising landscape, and luxury resellers need the flexibility to be able to use them in their business practices without fear of trademark infringement claims. Furthermore, resellers occupy a distinct and important position within the marketplace. Unlike the brands themselves, luxury resellers must clearly communicate that they offer products from numerous luxury brands, aiming to *prevent* consumer confusion. The most effective way to achieve this is by having the ability to use the trademarks associated with those brands, which includes their logos.

At the same time, declaring that nominative fair use should be decided on a case-by-case basis, as some courts and scholars have suggested,<sup>127</sup> is not sufficient for creating guidelines for luxury resellers to follow. While this factor is highly fact-intensive, the analysis should focus primarily on repetition of the mark outside of general advertising practices. This proposal is consistent with case law post-*New Kids*. In *Playboy Enterprises*, the Ninth Circuit found

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<sup>124</sup> Michelle Faverio and Monica Anderson, *For Shopping, Phones Are Common and Influencers Have Become a Factor, Especially for Young Adults*, PEW RESEARCH CENTER (Nov. 21, 2022), <https://www.pewresearch.org/short-reads/2022/11/21/for-shopping-phones-are-common-and-influencers-have-become-a-factor-especially-for-young-adults/> [https://perma.cc/WEH5-9YQL].

<sup>125</sup> BAIRD & WESEMAN, *supra* note 123, at 7-133.

<sup>126</sup> DELOITTE, *supra* note 22 and accompanying text.

<sup>127</sup> MCCARTHY, *supra* note 2, § 23:11.

that the use of Playboy's trademark on the defendant's wallpaper and watermark was more than necessary due to the repetition of the mark.<sup>128</sup> Additionally, with respect to the metatags, which the court found were not employed excessively, the court expressly noted its decision might have been different had the metatags listed the trademarked term so repeatedly that the defendant's site routinely appeared above Playboy's in searches for one of the trademarked terms.<sup>129</sup> Similarly, in *Paccar v. TeleScan*, the Sixth Circuit found that repetition of the plaintiff's marks in the main titles of the defendant's website and underlying wallpaper was using more than necessary to identify the defendant's trucks and parts.<sup>130</sup>

Applying this rationale to *Goes Around*, the use of Chanel's marks in the defendant's Facebook cover photo, the use of #WGACACHANEL in their social media posts, and the use of Coco Chanel's images in a birthday post would likely be using more than is reasonably necessary of the mark.<sup>131</sup> The commonality among these three uses is that they are both static and repetitive, akin to the wallpapers and metatags in the above-mentioned cases. However, use of Chanel's mark in their general advertising, such as in their direct-to-consumer emails, would not rise to the same level. Resellers need to be able to advertise through logos or distinctive lettering to signal to consumers that they sell a certain brand (and product) on their website. In *Real Real*, just because the defendant chose to limit use of Chanel's mark to the products being sold does not mean that there was not a legitimate business need to use

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<sup>128</sup> *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 804 (9th Cir. 2002).

<sup>129</sup> *Id.*

<sup>130</sup> *Paccar Inc. v. TeleScan Techs., LLC*, 319 F.3d 243, 256 (6th Cir. 2003).

<sup>131</sup> *Chanel, Inc. v. WGACA, LLC*, No. 18 Civ. 2253 (LLS), 2022 WL 902931, at \*10 (S.D.N.Y. Mar. 28, 2022).

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Chanel's mark in advertising in *Goes Around*.<sup>132</sup> Trademarks are meant to serve as a source identifier,<sup>133</sup> so there is a legitimate need to use them in advertising. As such, this solution strikes a delicate balance between excessive and unnecessary uses of another's trademark, and the ability to use another's trademark to accurately advertise the kinds of products being sold.

**V. DISCLAIMER: ADDING "NOT AFFILIATED" SHOULD NOT UNILATERALLY DISPROVE AFFILIATION OR SPONSORSHIP**

The courts have taken the third nominative fair use factor too far, suggesting that absent a disclaimer, there is a suggestion of sponsorship or affiliation between the trademark owner and the trademark user.<sup>134</sup> While the absence or presence of a disclaimer may be helpful in "defining the relationship" between the two parties, it is not dispositive and should not be the sole determinative factor. It is important to remember that *New Kids* and the nominative fair use doctrine do not mandate disclaimers.<sup>135</sup> The court's analysis focused solely on what the newspapers expressly said in their poll about the New Kids members—looking to the defendant's actions as a whole.<sup>136</sup> In fact, the Ninth Circuit in *Playboy Enterprises* explicitly cautioned

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<sup>132</sup> *Id.* at \*7.

<sup>133</sup> 15 U.S.C. § 1127.

<sup>134</sup> *Compare* Chanel, Inc. v. RealReal, Inc., 449 F. Supp. 3d 422, 439–40 (S.D.N.Y. 2020) (explaining how The RealReal's disclaimer that they are not affiliated or partnered with the brands on their website weighs against a finding of sponsorship or affiliation between Chanel and TheRealReal), *with* *WGACA*, 2022 WL 902931, at \*10 (emphasizing how the absence of a disclaimer on WGAGA's website suggests sponsorship or affiliation between Chanel and WGACA).

<sup>135</sup> *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 802 (9th Cir. 2002).

<sup>136</sup> *New Kids on the Block v. News Am. Pub., Inc.*, 971 F.2d 302, 308–09 (9th Cir. 1992).

that while the defendant's affirmative disclaimer underscored the lack of confusion, such a step is not a prerequisite for nominative fair use.<sup>137</sup> The court emphasized that *New Kids* sets forth no requirement that a defendant must take affirmative steps, like disclaimers, to establish fair use.<sup>138</sup>

Despite this, disclaimers are precisely what differentiated the third factor in the luxury resale cases. The *Real Real* decision leaned on the defendant's disclaimer as an assurance against confusion.<sup>139</sup> The *Goes Around* decision faulted the defendant for not disclosing lack of affiliation prior to the lawsuit.<sup>140</sup> One concern is that overreliance on disclaimers outsources the work of avoiding confusion to a fine-print notice, rather than analyzing the defendant's conduct as a whole. The courts are looking for the presence of disclaimers to shortcut their analysis. In the trademark context, if a court allows an otherwise confusing use to survive simply because of a disclaimer, there is a risk that consumers may still be confused by the defendant's other conduct. The court in *Toyota* grappled with this issue. There, the court posited that the defendant's use of Lexus's name in their domain names, even if a user was confused about any affiliation when they got to their website, their disclaimer "disabused" any notion of affiliation.<sup>141</sup> However, looking to the defendant's behavior as a whole, the presence of a disclaimer does not

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<sup>137</sup> *Playboy Enters. Inc.*, 279 F.3d at 802.

<sup>138</sup> *Id.*

<sup>139</sup> *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422, 439–40 (S.D.N.Y. 2020).

<sup>140</sup> *Chanel, Inc. v. WGACA, LLC*, No. 18 Civ. 2253 (LLS), 2022 WL 902931, at \*10 (S.D.N.Y. Mar. 28, 2022).

<sup>141</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1182 (9th Cir. 2010).

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necessarily mean that the consumer was free of confusion.<sup>142</sup>

Another issue is the effectiveness of disclaimers. Disclaimers and disclosures should ensure compliance with the FTC's prohibition on unfair or deceptive acts or practices, which covers advertising and marketing claims.<sup>143</sup> The FTC's endorsement guidelines require that disclosures of sponsorship, or lack thereof, be "clear and conspicuous."<sup>144</sup> If a disclosure is not seen or understood, it will not change the impression the consumer takes from the ad and is largely ineffective at preventing a misleading impression.<sup>145</sup> The defendant in *Goes Around* now has a disclaimer on its website footer stating "[w]hat Goes Around Comes Around LLC is an independent reseller and is not affiliated with any of the brands we sell[,]"<sup>146</sup> but this alone would not have cured the possible confusion. Perhaps not fully, at least, especially if consumers' attention is focused on over excessive uses of Chanel's trademark such as the #WGACACHANEL hashtag on social media and uses of Coco Chanel's images on their website, rather than the disclaimer in the footer.<sup>147</sup> The defendant in *Real Real*

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<sup>142</sup> *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 231 (3d Cir. 2005) (advising the lower court on remand to look at what the defendant did or did not say to dispel any suggestions of sponsorship or affiliation, as well as whether the disclaimer on the defendant's website effectively negated suggestions of sponsorship or affiliation).

<sup>143</sup> FEDERAL TRADE COMMISSION, *supra* note 79, at 2.

<sup>144</sup> *Id.* at 3.

<sup>145</sup> *Id.* at 6.

<sup>146</sup> WHAT GOES AROUND COMES AROUND, <https://www.whatgoesaroundnyc.com/en-> [<https://perma.cc/LAN5-T3MW>] (last visited Feb. 26, 2026).

<sup>147</sup> *See* FEDERAL TRADE COMMISSION, *supra* note 79, at 6. ("Disclosures must be communicated effectively so that consumers are likely to notice and understand them in connection with the representations that the disclosures modify."); *See id.* app. at A-4 ("Advertisers should take into consideration the variety of devices and

has a disclaimer in their Terms of Service, which the court deemed sufficient, but is more inconspicuous according to the FTC.<sup>148</sup> The FTC has cautioned advertisers to assume that consumers do not read an entire website or online screen, and that scrolling increases the risk that consumers will miss a disclosure.<sup>149</sup> The courts have overlooked these considerations in their reliance on disclaimers, neglecting the overarching goal of preventing consumer confusion. Disclaimers serve as a proxy to mitigate such confusion; therefore, courts must evaluate the effectiveness of the disclaimer to determine whether it truly has the capacity to dispel consumer misunderstanding.

While FTC enforcement actions and the Lanham Act do not textually reference each other, they share foundational concerns centered on two key principles: (1) consumer protection, and (2) the likelihood of altering consumer behavior.<sup>150</sup> The FTC Act encompasses claims for unfair or deceptive advertising,<sup>151</sup> while the Lanham Act encompasses claims such as trademark infringement,

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platforms that consumers can use to view their ads and ensure that necessary disclosures are clear and conspicuous on any device or platform that is capable of displaying their message.”)

<sup>148</sup> *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422, 439–40 (S.D.N.Y. 2020).

<sup>149</sup> FEDERAL TRADE COMMISSION, *supra* note 79, at 6.

<sup>150</sup> *Compare* MCCARTHY, *supra* note 2, §27:35 (articulating how the plaintiff in a false advertising claim under the Lanham Act must make some showing that the defendant’s misrepresentation was “material” that it would have some effect on consumers’ purchasing decisions), *with* U.S. Fed. Trade Comm’n, *FTC Policy Statement on Deception* 1 (Oct. 14, 1983), [https://www.ftc.gov/system/files/documents/public\\_statements/410531/831014deceptionstmt.pdf](https://www.ftc.gov/system/files/documents/public_statements/410531/831014deceptionstmt.pdf) [<https://perma.cc/CXS9-ZAPK>] (describing how under Section 5 of the FTC Act for unfair or deceptive advertising, the representation that misled the consumer must be “material” in that the act or practice has a likelihood of affecting consumer’s decisions regarding a product or service).

<sup>151</sup> 15 U.S.C. § 45.

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false advertising, and unfair competition (among others).<sup>152</sup> Both regimes are concerned with truthful representations to consumers and ensuring that consumers understand what they are paying for.<sup>153</sup> Furthermore, the Supreme Court in an FTC enforcement action explicitly linked trademark infringement to deceptive advertising, finding that an infringing use of another's mark would change consumer behavior by breaking ingrained habits.<sup>154</sup> The Court articulated that in each instance, "the seller has used a misrepresentation to break down what he regards to be an annoying or irrational habit of the buying public—the preference for particular manufacturers or known brands regardless of a product's actual qualities, the prejudice against reprocessed goods, and the desire for verification of a product claim."<sup>155</sup> In both trademark law and deceptive advertising, "the seller reasons that when the habit is broken the buyer will be satisfied with the performance of the product he receives, [y]et, a misrepresentation has been used to break the habit and . . . a misrepresentation for such an end is not permitted."<sup>156</sup> While this has been walked back since, with the standard for trademark infringement being likelihood of confusion rather than the actual breaking of ingrained consumer habits,<sup>157</sup> the underlying consensus of both regimes remains that misleading use of marks or advertising claims can distort consumer decision-making.

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<sup>152</sup> 15 U.S.C. §1114; 15 U.S.C. 1125(a)(1)(B); 15 U.S.C. 1125(a)(1)(A).

<sup>153</sup> FEDERAL TRADE COMMISSION, *supra* note 79, at i.

<sup>154</sup> Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law*, 159 U. PA. L. REV. 1305, 1351 (2011) (explaining the concept of "subjective materiality").

<sup>155</sup> *Id.*

<sup>156</sup> *Id.* at 1352.

<sup>157</sup> *Id.*

Courts should certainly continue to examine the context of a defendant's use to ensure it doesn't convey a false message of endorsement; however, they should be careful not to make a disclaimer dispositive. The ultimate question should remain: are consumers likely to be confused about sponsorship or affiliation? A disclaimer is one piece of evidence relevant to that question. Illustratively, the presence of a clear and conspicuous disclaimer weighs against likely confusion; the absence of one, in a scenario where confusion might naturally arise, weighs in favor of confusion. However, the courts must look to the defendant's behavior and business model in its entirety. For instance, The RealReal's business model itself signals to consumers that it's not an official Chanel retailer, independent of the disclaimer. As a luxury reseller that sells numerous brands, the average consumer on their website can go to their designer directory<sup>158</sup> and see a broad array of brands, akin to a consignment store. Their business model implicitly indicates it is not endorsed by each and every one of those brands.<sup>159</sup> The same rationale applies to the luxury reseller's business model in *Goes Around*.<sup>160</sup> Similarly, in *Playboy Enterprises*, the defendant's use of a long-past title on her site signaled no current affiliation.<sup>161</sup>

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<sup>158</sup> *Designers*, THE REAL REAL, <https://www.therealreal.com/designers> [https://perma.cc/2MXT-XXVP] (last visited May 8, 2025).

<sup>159</sup> *See Shop New Arrivals*, THE REAL REAL, <https://www.therealreal.com/sales/shop-new-arrivals-5753> [https://perma.cc/M3UL-BDY4] (last visited Feb. 26, 2026) ("All items are pre-owned and consigned to The RealReal. Trademarks are owned by their respective brand owners. No brand owner endorses or sponsors this ad or has any association and/or affiliation with The RealReal.")

<sup>160</sup> *See WHAT GOES AROUND COMES AROUND*, <https://www.whatgoesaroundnyc.com/en-> [https://perma.cc/LAN5-T3MW] (last visited Feb. 26, 2026) ("What Goes Around Comes Around LLC is an independent reseller and is not affiliated with any of the brands we sell.")

<sup>161</sup> *Playboy Enters, Inc. v. Welles*, 279 F.3d 796, 806 (9th Cir. 2002).

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Additionally, looking to affirmative assertions made by the defendant, as suggested by the Third Circuit, is also relevant.<sup>162</sup> These contextual elements can be as important as a formal disclaimer in dispelling consumer confusion and must be considered when analyzing the third factor of nominative fair use.

## CONCLUSION

Nominative fair use is a crucial doctrine that allows luxury resellers to use luxury brands' trademarks to identify their products. This doctrine, and the Lanham Act more generally, reflect the belief that trademark owners should not be able to control all discussion of themselves or their products.<sup>163</sup> The second and third factors of the nominative fair use test are safeguards to ensure that a defendant's use of the plaintiff's mark stays within honest referential boundaries and does not mislead consumers about source or sponsorship.

However, courts must be careful not to apply these factors in a manner that inadvertently undermines the very freedom to advertise that nominative fair use aims to protect. With respect to the second factor, the courts have policed the "necessary" use requirement too strictly—scrutinizing minutiae like fonts and stylization rather than asking plainly whether the defendant avoided excessive uses of the mark.<sup>164</sup> The proper focus is on preventing needless repetition of the mark that would go beyond identification. Additionally, the courts must take the needs of the luxury resale market and the online marketplace into account when analyzing this factor. In a fashion industry driven by logos and constrained by the limited screen space

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<sup>162</sup> MCCARTHY, *supra* note 2, § 23:11.

<sup>163</sup> Tushnet, *supra* note 154, at 1315.

<sup>164</sup> See *Playboy Enters. Inc.*, 279 F.3d at 799–800; see also *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 230 (3d Cir. 2005).

of online shopping, the use of logos becomes essential. The current trend of treating advertising and marketing uses as infringing goes too far and restricts the luxury resale market too heavily.

As for the third factor, courts have rightly emphasized the importance of not suggesting false endorsement, but many decisions now lean heavily on the presence of disclaimers to dispel sponsorship or affiliation. While disclaimers can indeed help dispel confusion, they should not be a requirement for every nominative use. Trademark law is grounded in the overall *likelihood of confusion* standard, which can be assessed by looking at all the circumstances—including, but not limited to, disclaimers. Looking at the defendant’s business model and overall conduct allows for a more accurate analysis. Additionally, the effectiveness of the disclaimers must also be assessed, incorporating principles for “clear and conspicuous” disclosures set forth by the FTC.<sup>165</sup> Thus, courts should dial back the emphasis on disclaimers, treating them as one factor among many in determining whether a nominative use implies sponsorship.

*Goes Around* and *Real Real* emphasize that a more nuanced approach that trusts consumers’ ability to understand references—aided but not solely dependent on disclaimers—and that targets truly unnecessary uses of marks (like pervasive, repetitive uses) will best serve trademark law’s dual objectives. Nominative fair use should remain a robust protection for luxury resellers; keeping factors two and three within reasonable bounds is essential to that robustness. Courts, while also preventing consumer confusion, must also ensure they do not stifle retailers’ ability to market their products. If case law continues on the trajectory seen in Chanel’s legal battle in

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<sup>165</sup> FEDERAL TRADE COMMISSION, *supra* note 79, at 3.

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*Goes Around*, trademark law might more accurately be described as a producer-protection doctrine.