

# Upcycling and Intellectual Property (IP)

## Emerging Trademark Infringements in the Era of Sustainable Fashion

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The awareness of environmental issues has grown significantly in recent years, and consumers are realizing the profound impact of their choices on the planet. This enhanced consciousness extends to various aspects of our lives, including the clothes we wear. Fashion, an industry that is responsible for producing nearly 10 percent of global greenhouse gas emissions, has become a focal point for eco-conscious individuals. The environmental footprint of the fashion industry is staggering, encompassing not only emissions but also issues like water pollution, textile waste, and labor exploitation.



In response to this growing concern, new ways to “consume” fashion have emerged, offering alternatives to simply purchasing new clothes and accessories. One of the most popular and effective alternatives is upcycling. Upcycling is a sustainable approach to fashion that involves taking discarded or old clothing items and transforming them into new, stylish pieces. It represents a creative and eco-friendly way to give new life to old garments, reducing the demand for new resources and minimizing the environmental impact associated with clothing production. The rise of upcycling in the fashion industry is a welcome and significant development. It not only addresses the environmental challenges posed by the fashion industry but also encourages a shift in consumer behavior towards a more sustainable and responsible approach to fashion.

### **Does the rise of upcycling in the fashion industry pose challenges to luxury brands?**

Although upcycling brings numerous environmental advantages, it can also give rise to a range of legal concerns, particularly when the materials involved are safeguarded by trademarks, copyrights, and various other forms of intellectual property (IP).

One significant legal concern relates to the preservation of brand reputation, a matter of utmost importance, particularly for luxury brands. For instance, when an upcycled product appears to be associated with a well-known brand but falls short of meeting the quality standards expected by customers, this may well lead to a loss of trust in consumers. Moreover, luxury brands may lose their exclusivity as the increase in upcycled products in the market may transform the brand into a common fashion trend accessible to the wider public. This can result in a decline in the brand's appeal to its original higher-end clientele as well as a reduction in their number of sales.

### **First Sale Doctrine of Trademark Law**

Article 15 of Regulation (EU) 2017/1001 deals with the trademark exhaustion rule. Accordingly, following the initial authorized sale of trademarked goods, the trademark owner has no control over subsequent sales, and these subsequent sales will not constitute a trademark infringement.

It is important to note that this rule doesn't grant an absolute freedom and it is subject to certain limitations and conditions, particularly in cases where the quality or condition of the products being resold is significantly altered and are materially different which is the case for most of the upcycled products. This legal principle plays a crucial role in maintaining a balanced framework within the European Union, one that promotes both the free movement of goods and the protection of intellectual property rights.

## **First Sale Doctrine: Upcycling**

Initially, it may appear that when a trademarked product undergoes upcycling and is subsequently resold, the presumption is that the first sale is authorized, and thus, protected under the first sale doctrine. However, it is crucial to recognize that an upcycled product goes through a transformative process which fundamentally alters the nature and composition of the products involved. This transformation can encompass various changes, such as modifications in materials, design, functionality, and the product's overall purpose. Thus, the resulting upcycled product often emerges as something entirely new and unique which falls under the exception to the first sale doctrine that where the condition of the goods is changed or impaired after they have been put on the market than the rights shall not be exhausted and consequently leading to a trademark infringement.

## **No established EU case law**

It is important to note that within the context of the European Union (EU), no established case law exists that specifically addresses violations arising from the practice of upcycling. As a result, the legal landscape surrounding upcycling-related infringements remains relatively unexplored. This absence of established legal precedent underscores the need for future legal considerations and potential developments in trademark law addressing the issue of upcycling.

At present, upcyclers find themselves in a somewhat uncertain legal landscape, lacking clear guidance on the appropriate steps to mitigate the risk of trademark infringement claims against the upcycled products they sell.

According to Article 15 of the aforementioned Directive, goods which has been changed or impaired after the upcycling process will most certainly be considered as trademark infringements. Hence, the question of whether upcyclers should remove the brand's trademark from the final products remains a possibility. Nonetheless, it remains uncertain whether such an action would be legally permissible. However, supposing that this would legally be permissible, there are situations where simply removing the trademark from the final products might not suffice, as certain brands can still be easily identifiable through their design or shape without their logo being displayed on them.

The CJEU has addressed this matter in both *Portakabin*<sup>1</sup> and *Mitsubishi*<sup>2</sup>. In regard to *Portakabin*, the defendant sold mobile buildings, having removed the original mark and replacing it with their own trademark, 'Primakabin.' Similarly, in the case of *Mitsubishi*, the defendants replaced Mitsubishi's trademark on forklift trucks with their own mark. In *Portakabin*, the CJEU determined that using the 'Portakabin' mark in advertisements for products sold under the 'Primakabin' trademark violated the origin function. The same conclusion was reached in *Mitsubishi*. Furthermore, in the *Mitsubishi* case, the CJEU found that the advertising and investment functions were put in jeopardy.

These cases raise questions about the acceptability of removing a third party's trademark. While it could be argued that these cases are confined to rather specific situations and should not be considered as a general rule, they do introduce a potential risk of trademark infringement in the context of upcycling.

The key distinction in the upcycling cases lies in understanding that the removal of a trademark is not motivated by an intention to misrepresent a product originally sold under a different brand as one's own. Instead, it is driven by a desire to prolong the usefulness of a product, even if it no longer meets its original condition from its initial market introduction and foster a greater awareness for environmental sustainability.

## **Conclusion**

At present, European Union trademark law does not offer a definitive solution to enable upcycling in all scenarios. As a result, upcyclers are advised to proceed cautiously and remain attentive to any intellectual property (IP) rights. While genuine attempts to foster a more sustainable world should be encouraged it remains crucial to strike a balance among trademark owners, existing or potential competitors within secondary markets, consumers, and society at large.

1. *Portakabin Ltd, Portakabin BV v Primakabin BV* (Case C-558/08)

2. *Mitsubishi Shoji Kaisha Ltd, Mitsubishi Caterpillar Forklift Europe BV v Duma Forklifts NV, G.S. International BVBA* (Case C-129/17)