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**FIRST SALE DOCTRINE IN E-COMMERCE TRADEMARK PROTECTION**- Amogh Nitin Shetty<sup>1</sup>**Abstract**

The First Sale Doctrine is often known as the “exhaustion doctrine,” which allows customers to resale branded items without the permission of the original rights holder. This notion encourages competition and secondary marketplaces in e-commerce. However, it has a lot of issues with trademark protection, particularly with the increase of counterfeit goods and unlicensed vendors. Recent decisions and legal interpretations have influenced its applicability, particularly in online markets. To reduce hazards, trademark holders should use modern monitoring tools and work with law enforcement and e-commerce platforms. Blockchain, metaverse, artificial intelligence and smart packaging are some of the examples of technological advancements that has the capability to improve trademark protection in e-commerce. While this concept promotes market efficiency and consumer choice, its successful application entail a complete approach that combines technology, legislation and stakeholder participation. In the rapidly changing environment of e-commerce, constant innovation and awareness will be required to protect trademarks and intellectual property rights.

**Introduction**

The First Sale Doctrine, also known as the “exhaustion doctrine,” is a legal principle that allows a buyer of a branded product to resell or distribute it without the approval of the original rights holder. This doctrine is primarily based on the idea that once a trademark owner sells or allows the sale of a certain product, their ownership of that particular product comes to an end.<sup>2</sup>The first sale approach provides a defence against trademark infringement. One of the primary advantages of the First Sale Doctrine in e-commerce is that it promotes healthy competition and secondary marketplaces which increases business opportunities. The first sale theory allows products bearing a trademark, such as a logo or brand name, to be resold after the trademark owner has sold them unless doing so would mislead or defraud buyers.

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<sup>1</sup>4<sup>th</sup> Year Law Student at DES Shri Navalmal Firodia Law College, Pune

<sup>2</sup>*Nysba*. Available at: [https://nysba.org/Sections/International/Seasonal\\_Meetings/Vietnam/Program\\_3/Eric\\_Stenshoel\\_and\\_L\\_Donald\\_Pruzman\\_materials.html](https://nysba.org/Sections/International/Seasonal_Meetings/Vietnam/Program_3/Eric_Stenshoel_and_L_Donald_Pruzman_materials.html) (Accessed: 22 February 2024).

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The US Supreme Court used the first sale doctrine to trademark law in *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924)<sup>3</sup>In the instant case, the defendant bought the plaintiff's goods, modified them, and then sold them to customers. The defendant's package packaging explicitly stated that the plaintiff's goods were included by using the plaintiff's trademarked name. The court determined that the plaintiff's trademark rights were not violated.

Further, in current times online marketplaces serve as resale hubs for branded things, providing users with a varied selection of products at various price points. This creates a complex marketplace where purchasers may choose between new and pre-owned items, increasing customer choice and reducing costs. This presents a challenge for trademark protection in e-commerce, especially given the increase in illegal sellers and counterfeit goods, which undermines customer trust and destroys business reputations.

The global reach of e-commerce makes it hard to protect trademark rights under the First Sale Doctrine as online marketplaces expand internationally, trademark owners across the globe find it increasingly difficult to monitor and manage the sale of their products. Unauthorised merchants can avoid discovery and enforcement efforts by using legal loopholes and the anonymity afforded by the Internet. As a result, trademark owners constantly battle illegal resellers and counterfeiters to maintain their market share and reputation.

To minimise the risks associated with the First Sale Doctrine in e-commerce, trademark holders must take preventive measures to protect their trademarks and intellectual property rights. This requires the use of advanced monitoring technologies to determine and detect fraudulent transactions and counterfeit products in online marketplaces. Collaboration with law enforcement and e-commerce platforms is particularly vital since it enables the faster removal of unlawful listings and punishment of counterfeiters. Educating customers about the risks of purchasing counterfeit products online and supporting the use of trustworthy distribution channels can assist in reducing demand for counterfeit goods while also protecting brand integrity.<sup>4</sup>

Artificial intelligence and machine learning algorithms can be used to analyse the massive amounts of data in order to identify patterns that help to point out fraudulent behaviour in the market. Similarly, blockchain technology has the potential to give permanent proof of product authenticity which ensures the buyer that the products they are buying are original, protecting their trust in the authenticity of online purchases. Trademark owners may protect their trademarks and retain customer trust by adopting

<sup>3</sup>*Prestonettes, inc. v. Coty*, 264 U.S. 359 (1924). *Justia Law*. Available at: <https://supreme.justia.com/cases/federal/us/264/359/> (Accessed: 22 February 2024).

<sup>4</sup>*Advisory Committee on Enforcement*. Available at:

[https://www.wipo.int/edocs/mdocs/enforcement/en/wipo\\_ace\\_16/wipo\\_ace\\_16\\_11.pdf](https://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_16/wipo_ace_16_11.pdf) (Accessed: 22 February 2024).

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technological improvements to strengthen their position in the fight against counterfeiting and illegal resale in e-commerce.<sup>5</sup>

### Overview of Trademark Law and the First Sale Doctrine

Trademark law protects the brand owner's exclusive rights to use the original owner's trademarks to identify goods and services. Under the U.S. Copyright Act's common law First Sale Doctrine, a legally purchased product protected by a trademark or copyright can be resold or circulated by the buyer without the owner's permission. Courts have repeatedly upheld that there are exceptions to the First Sale Doctrine's general application and that it is not always applicable. The quality control is an example of such an exception. Further, the courts have pronounced that in cases when a reseller disregards a company's quality controls, the First Sale Doctrine does not apply. The reasoning for this is that even if a reseller could have started with a legitimate product, the product that the final consumer receives is no longer genuine if the reseller does not handle, store and transport the goods in accordance with the brand's guidelines.

The First Sale Doctrine's impact on Amazon has grown to be a major platform for online retailers, including people and companies who sell both new and used goods. Regarding products that are branded or protected by copyright, Amazon seller's rights are largely determined by the First Sale Doctrine. Amazon merchants are permitted to lawfully resale authentic things they have acquired under the First Sale Doctrine, even if those products include branded or protected content. This implies that an Amazon seller does not need to take further consent from the copyright owner to sell authentic products they purchase from authorised distributors or resellers on the marketplace. It is crucial to remember that the concept does not provide dealers the authority to copyright or branded products or to manufacture them. It is important for vendors to guarantee that the goods they put up for sale are genuine and are acquired legally to prevent violating intellectual property rights.<sup>6</sup>

Europe has lately adopted the notion of a "digital first sale doctrine," in contrast to the United States. The exclusive right to manage the distribution of the work incorporated into a tangible product is protected by this Directive on copyright, according to the European Union's first sale doctrine. The right to restrict the resale of an item in the Community is exhausted at the first sale of the original or copies of the work

<sup>5</sup>*Artificial-intelligence-machine-learning-big-data-in-finance*. ... Available at: <https://www.oecd.org/finance/financial-markets/Artificial-intelligence-machine-learning-big-data-in-finance.pdf> (Accessed: 22 February 2024).

<sup>6</sup>*Understanding the first sale doctrine: Its impact on Amazon Sellers* AMAZON SELLERS ATTORNEY. Available at: <https://www.amazonsellers.attorney/blog/-understanding-the-first-sale-doctrine-its-impact-on-amazon-sellers-and-limitations-in-intellectual-property-cases#:~:text=The%20First%20Sale%20Doctrine%20plays,contain%20copyrighted%20or%20trademarked%20elements> . (Accessed: 22 February 2024).

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inside the Community, either by the right holder or with his approval. Regarding originals or copies sold by the right holder or with his permission outside the Community, this right shall not be waived.<sup>7</sup>

The Indian Perspective on the First Sale Doctrine is that the Delhi High Court recently ruled in the case of *Patanjali Ayurved Limited v. Masala King Exports Trading Pvt. Ltd. & Ors.*<sup>8</sup> that the first sale doctrine, which terminates the rights of the trademark owner after their products are first sold, would only apply to sales of the branded item in the same condition as to when it was originally sold. Until the next hearing date, it issued an *ex-parte ad-interim* injunction prohibiting Masala King Exports Trading Private Limited and eleven other entities from exporting goods made by Patanjali Ayurved Limited (PAL) in the foreign market. Nonetheless, the court has gave them permission to promote Plaintiff's goods domestically.

### **Opportunities and Challenges for Trademark Protection in E-commerce**

One of the primary advantages of the First Sale Doctrine in e-commerce is the promotion of healthy competition and the facilitation of secondary marketplaces. Online marketplaces serve a hub for the resale of branded products, providing consumers with access to a wide range of products at various price points. This creates a large marketplace where customers may choose from both new and pre-owned items, increasing customer choice. The First Sale Doctrine presents challenges for trademark protection in e-commerce, especially given the increase in illicit sellers and counterfeit goods. The idea allows branded products to be sold again legally in the market, but it is also exploited by unauthorised resellers and counterfeiters to promote subpar or fake products. This hinders consumer trust and harms the reputations of businesses since it is possible for buyers to accidentally purchase counterfeit items that fall short of the high standards set by the brand. The global reach of e-commerce makes it more difficult to maintain trademark rights under the First Sale Doctrine across countries. It gets harder for trademark owners to keep an eye on and regulate the distribution of their goods as online marketplaces expand internationally.<sup>9</sup>

The rise of e-commerce has significantly changed the commerce landscape and how we do trade globally, e-commerce has given businesses amazing opportunities to grow their market share and increase their visibility. The digital marketplace has made it possible for businesses to reach a global audience with their products and services by removing geographical constraints. Due to the ability to exhibit trademarks to

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<sup>7</sup>*Toward a 'Digital transfer doctrine'? the first sale doctrine ...* Available at: <https://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1193&context=nulr> (Accessed: 22 February 2024).

<sup>8</sup>*Patanjali Ayurved Limited vs masala king exports trading pvt. ltd. & ... on 4 March, 2020.* Available at: <https://indiankanoon.org/doc/97046837/> (Accessed: 22 February 2024).

<sup>9</sup>*The first sale doctrine and its benefits: Vanishing with digitisation?* *Afronomicslaw.org.* Available at: <https://www.afronomicslaw.org/2019/10/21/the-first-sale-doctrine-and-its-benefits-vanishing-with-digitisation> (Accessed: 22 February 2024).

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customers worldwide, trademark recognition benefits greatly from this global visibility, which also increases brand memory and loyalty. In the e-commerce industry, trademarks are a vital tool that companies use to set themselves apart from rivals and guarantee that their brand identity is unique and identifiable on a variety of online platforms. One major benefit that builds customer confidence and reliability is the ability to have a consistent brand image across a variety of markets. One of the main barriers to e-commerce is the global reach of the internet and the domestic application of trademark laws. As trademark law changes from country to country, businesses need to navigate a complex web of international regulations to protect their trademarks globally. It can be expensive and time-consuming for smaller firms to properly safeguard their brands in all of their target areas because of this. Cybersquatting is the practice of people registering domain names that violate trademarks, is another problem which seriously jeopardises brand reputation online by perhaps confusing customers and diverting attention away from genuine business websites.<sup>10</sup>

Businesses can utilize strong methods and techniques to safeguard their trademarks in the digital domain despite of these obstacles. A crucial first step is to proactively register trademarks in important markets and to keep an eye out for any possible infringements on internet platforms. Sophisticated IP protection tools and procedures have been established by several e-commerce platforms, enabling the brand owners to effectively report and remove counterfeit or infringing listings. In addition, companies may minimise the damage to their brand and clientele by using technology for trademark management, such as automated monitoring services, to quickly detect and resolve such infringements. E-commerce creates substantial obstacles to trademark protection even while it gives companies unmatched chances for worldwide brand exposure and growth. Owing to the dynamic nature of the digital economy, managing intellectual property needs to be done with alertness and initiative. Businesses may successfully manage the complexity of e-commerce and take advantage of its enormous development potential by understanding the distinction of trademark protection in the digital era and implementing thorough plans to secure their trademarks. Building and sustaining a strong, respected brand in the digital marketplace requires striking a balance between these potential and difficulties.

### **Consumer Behaviour and Marketplace Dynamics**

Online customer preferences and shopping behaviours have changed a lot over the period of time, particularly as a result of the COVID-19 pandemic's disruptive influence on the e-commerce industry. In this modern times customers rely on online shopping platforms, their attitudes and behaviours have

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<sup>10</sup>Admin (2024) *Cybersquatting involving trademarks and service marks*, *Wissen Research*. Available at: <https://www.wissenresearch.com/cybersquatting-involving-trademarks-and-service-marks/> (Accessed: 22 February 2024).

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shifted, influencing how they engage with companies and make purchase decisions. Convenience has become a key component of online customer views. With the availability of multiple online shopping options, people emphasise on ease when making purchase selections. They demand seamless shopping experiences, with simple access to items, quick checkout procedures, and fast, dependable shipping. According to the recent statistics, 76% of customers prioritise convenience, stressing its importance in determining purchase behaviours.

Accessibility across all platforms has become critical in shaping online customer views and habits. With the increase in use of smartphones and other mobile devices, shoppers demand a smooth transition between devices throughout their purchasing experience. This cross-device experience includes tailored suggestions, stored preferences and quick access to product information, resulting in a consistent and engaging shopping experience to all the customers.<sup>11</sup>

Omnichannel buying has become a prominent trend as customers expect businesses to be present on many channels such as websites, social media platforms and online marketplaces. This “always-on” purchasing experience allows customers to interact with companies from wherever they are, increasing ease and accessibility. Retailers who adopt an omnichannel strategy may successfully reach and connect with customers at all stages of their purchase process, resulting in increased brand loyalty and customer satisfaction. Easy payment choices are another important feature impacting online customer perceptions and habits. Consumers want a simple and convenient checkout procedure, complete with user-friendly payment gateways and a number of payment methods, including “buy now, pay later” alternatives. Streamlining the payment experience not only lowers friction in the purchase process, but it also encourages consumers to make purchasing decisions faster & better, resulting in higher conversion rates and revenue for businesses.

Fast and dependable delivery choices have become an essential component of online consumer views and purchase behaviours, with 95% of consumers saying rapid delivery is a must-have when purchasing online, merchants are forced to emphasise on shipping transparency and speed to match consumer expectations. Offering choices like two-day delivery and offering real-time tracking information boosts consumer confidence and improves their whole buying experience. The COVID-19 pandemic has accelerated the transition to online buying, as customers value safety and convenience. Lockdowns and social distancing have driven individuals to use e-commerce platforms for their everyday necessities, resulting in an increase in online transactions. This shift in consumer behaviour is predicted to have a

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<sup>11</sup>Gu, S. *et al.* (2021) *Impact of the COVID-19 pandemic on online consumer purchasing behavior*, MDPI. Available at: <https://www.mdpi.com/0718-1876/16/6/125> (Accessed: 26 February 2024).

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long-term impact, with many people enjoying the convenience and accessibility of internet purchasing even when pandemic-related restrictions relax.<sup>12</sup>

The growth of social media influencers and online reviews has had a significant impact on customer perceptions and purchase decisions. Consumers frequently rely on influencer recommendations and customer feedback to inform their purchasing decisions. The importance of social proof cannot be overstated as favourable evaluations and endorsements may dramatically influence customer choices. Brands that actively connect with influencers and promote good user-generated content may improve their reputation and credibility in the eyes of customers, resulting in increased sales and brand loyalty in the competitive e-commerce market. A multitude of factors influence online customer views and purchase behaviours. Including ease, accessibility, omnichannel shopping, simple payment methods and a quick dependable delivery. Retailers who understand and respond to these changing tastes will successfully communicate with customers, increase sales and establish long-term relationships in the competitive e-commerce market.<sup>13</sup>

### **Technological Innovations and Future Directions**

This doctrine always had a traditional approach, but as we move toward a digital era more and more technological advancements are turning the tables. Blockchain technology is one noteworthy breakthrough in recent times that provides unchangeable records of product legitimacy, transparency and ownership. By implementing blockchain technology, businesses can establish transparent supply chains that provide customers with details about the origin and path of products, building consumer confidence and preventing the spread of fake goods.<sup>14</sup>

Artificial Intelligence (AI) and machine learning are changing the space by detecting and enforcing trademark rights rigorously. AI-powered algorithms can be used to analyse massive amounts of data from social networking sites, online marketplaces and other sources in order to identify patterns that indicate fraudulent conduct. Through preventive monitoring and quick response in the case of infringement, these technologies can help trademark owners defend their rights online. Additionally, AI-driven image recognition systems may be able to detect unlawful trademark usage in online images and videos,

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<sup>12</sup>Megan Wenzl Last updated on August 14, Wenzl, M. and 14, L. updated on A. (2023) *Understanding online consumer behaviors for a better customer journey*, ShipBob. Available at: <https://www.shipbob.com/blog/online-consumer-behavior/> (Accessed: 26 February 2024).

<sup>13</sup>Chen, T. *et al.* (2022) *The impact of online reviews on consumers' purchasing decisions: Evidence from an eye-tracking study*, *Frontiers*. Available at: <https://www.frontiersin.org/journals/psychology/articles/10.3389/fpsyg.2022.865702/full> (Accessed: 26 February 2024).

<sup>14</sup>Habib, G. *et al.* (2022) *Blockchain technology: Benefits, challenges, applications, and integration of blockchain technology with cloud computing*, MDPI. Available at: <https://www.mdpi.com/1999-5903/14/11/341> (Accessed: 22 February 2024).

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enabling prompt enforcement actions against violators. Smart packaging and labelling solutions are another interesting technical advancement. Through the integration of NFC chips, QR codes and RFID tags into the packaging, these technologies enable customers to get extensive information about the product's authenticity, origin and supply chain. Customers can use their mobile phones to scan these tags to verify the product's legitimacy and ensure they are purchasing from authorised sellers. In addition to boosting customer confidence, smart packaging deters counterfeiters who try to take advantage of the anonymity of online markets.

The Metaverse is a fast-developing virtual domain where users may engage in a variety of activities which is becoming a hot topic in trademark protection discussions. Users in this digital realm may connect, communicate and conduct transactions without being limited by physical geography, emphasising the need of protecting brand identities in this ever-changing landscape. Securing trademarks is especially important in India, which has a robust cyber economy and the rise of big firms entering into the metaverse. Classifying virtual products and services inside the Metaverse provides a unique problem. The wide variety of things, such as digital collectibles, NFTs and cryptocurrencies complicates the process of determining trademark categories. This uncertainty highlights the importance of a sophisticated approach to trademark protection, which ensures that firms can successfully protect their identities in the virtual environment.<sup>15</sup>

Given the Metaverse's lack of boundaries, trademark infringement is still a big concern. Because of the lack of physical boundaries, possible infringements might occur across many regions, complicating jurisdictional issues. To address these problems, businesses need a clear and unambiguous trademark structure that is customised expressly for virtual settings, allowing them to efficiently defend their rights and protect their brand. To address these problems, firms are using proactive trademark registration techniques in the Metaverse. Multiclass trademark registrations and extending real-world trademarks into the virtual domain are critical steps toward ensuring full brand protection. Companies that build a strong brand presence early in the Metaverse can lessen the danger of infringement while still maintaining the integrity of their trademarks.

Despite proactive steps, jurisdictional disputes and unlawful trademark usage continue to impede trademark protection efforts. Determining jurisdiction in cross-border infringement proceedings is a challenging issue that necessitates legal frameworks that are tailored to the Metaverse's boundaryless

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<sup>15</sup>Sakshig (2023) *Trademarks in the metaverse: Protecting your brand in the Digital Frontier*, Deppenning & Deppenning. Available at: <https://deppenning.com/blog/trademarks-in-metaverse/> (Accessed: 26 February 2024).

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nature. Robust Terms of Service agreements and proactive enforcement of intellectual property in virtual environments are critical tactics for protecting trademarks and maintaining brand identity.

In the domain of intellectual property enforcement, technological advancements in digital watermarking and fingerprinting are becoming very important & prominent. Digital watermarks are invisible labels that are added to digital media assets such as images, videos and audio files that let you keep track of who owns and distributes products. Similar to this, digital fingerprinting methods allow content providers to trace illegal copies and protect their intellectual property rights by creating unique identification for digital files depending on their content. These innovations present viable ways to stop online piracy and safeguard trademarks within the digital marketplace.<sup>16</sup>

### **Conclusion**

In conclusion, the First Sale Doctrine is a key concept in trademark law that has important implications for e-commerce and the protection of trademarks. Brand owners, online platforms and consumers have both risks and opportunities. Firstly, the First Sale Doctrine permits the legal resale of trademarked goods, which in turn promotes healthy competition and consumer interest. This ensures market efficiency and affordability because many sellers provide consumers with a variety of goods through online platforms. Furthermore, this doctrine creates secondary markets for used products that help sustainability efforts by extending product life cycles and reducing waste. These attributes of the First Sale Doctrine are consistent with the principles of free enterprise and buyer sovereignty, thereby enriching the electronic commerce experience for all stakeholders involved.

However, trademark protection in e-commerce faces substantial hurdles due to the rise of counterfeit goods and unlawful resale. Online platforms provide a certain level of freedom that allows counterfeiters to operate with impunity. This hampers company's integrity and reputation in addition to eroding consumer confidence in e-commerce as a secure and dependable place to make purchases. In addition, the worldwide scope of online marketplaces makes enforcement more difficult as it presents logistical and legal challenges for brand owners trying to stop counterfeiting due to jurisdictional restrictions and cross-border transactions.

Stakeholders need to take a holistic approach that makes use of technology, teamwork and regulatory measures in order to address these issues. Artificial intelligence and machine learning-powered

<sup>16</sup>Express Computer (2023) *Artificial Intelligence: Trademark and copyright enforcement in the Digital age*, Express Computer. Available at: <https://www.expresscomputer.in/guest-blogs/artificial-intelligence-trademark-and-copyright-enforcement-in-the-digital-age/107388/> (Accessed: 22 February 2024).

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monitoring and enforcement systems can quickly assist in locating and eliminating fake listings from internet sites. Effective collaboration among law enforcement agencies, internet platforms and brand owners is vital in order to exchange information, resources and best practices for countering counterfeiting. Further acknowledges the fact that trademark protection in e-commerce needs legislative actions like tougher enforcement of intellectual property laws and harsher punishments for counterfeiters.

There are multiple innovative technology options for improving trademark protection in e-commerce, including blockchain, smart packaging and digital watermarking. Smart packaging solutions allow consumers to use QR codes and RFID tags to confirm the authenticity of items they are buying, while blockchain technology facilitates transparent supply chains and validated products. Digital watermarking technologies offer efficient means of monitoring and safeguarding intellectual property rights in e-commerce, hence reducing the likelihood of illicit distribution and online piracy. Trademark protection in e-commerce will require constant innovation, collaboration and adjustment to shifting challenges in the future. In order to protect trademarks and intellectual property rights, stakeholders need to be proactive and watchful as technology develops and consumer tastes change. In the end, fair competition, innovation and consumer trust in the online marketplace all depend on the efficient protection of trademarks in e-commerce.<sup>17</sup>

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<sup>17</sup>Rakoto, A. (2018) *The protection of intellectual property rights in e-commerce*, SSRN. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3167687](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3167687) (Accessed: 22 February 2024).

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