

The logo for Astrachan Gunst Thomas features a stylized, swirling blue graphic to the left of the firm's name. The name "astrachan gunst thomas" is written in a lowercase, sans-serif font, with "astrachan" and "thomas" in a darker blue and "gunst" in a lighter blue.

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TM and the Diamond-Studded Watches

By: Jim Astrachan

My buddy was in the process of starting a new business, he told me while we sat in the stadium and watched the Orioles beat the Yankees a few weeks back. He was buying very expensive wrist watches in New York from luxury king-pins Cartier, Van Cleef & Arpels, Bulgari and Piaget. Each of these brands has its own retail store and my bud was buying their expensive goodies at full retail price. "Sounds like a good business plan," I sarcastically commented. "Are you waiting for the world's supply of luxury time pieces to dry up so you can sell your stash for more than you paid?" He just smiled one of those all knowing smiles, chewed on his hot dog and eyed the game.

Two hot dogs and a beer later he turned my way and patiently, as if explaining to a six year old why leaves grow on a tree, walked me through his plan. "Everyone," he said, "wants something the next guy doesn't have. Something unique; something different." He told me he had made arrangements with a jeweler to whom he would deliver these new watches. The jeweler would embed the watches with diamonds and other jewels – on the cases and on the precious metal bands. "It costs me \$3,000 on average to add diamonds to a watch that cost me \$7,000. But then, I can sell that watch to auction houses and jewelry stores for \$15,000; they in turn will sell the watch for \$22,000 or more. I make money and so do my customers. The ultimate buyer gets a one of a kind Cartier or Piaget watch that none of his friends have."

"This new business idea is even dumber than the 'corner the world's expensive watch market' deal I first thought my bud was involved in," I said to myself as I sipped my overpriced beer. "Look chum, your new business is illegal, and you will get sued by some of the biggest names in the jewelry business if you don't stop," I said between bites of my hotdog.

I explained that normally under the federal Lanham Act a trademark infringement plaintiff must establish that the defendant used its mark in commerce without consent and that the use is likely to cause confusion as to origin or affiliation. In the case of the altered and resold wrist watches, the plaintiffs would be Cartier,

Piaget and the other brands my friend resold, and they would have no trouble establishing to the satisfaction of any court that my friend used their trademark in commerce without permission. "Therefore," I said, "the only real issue left for a court to address is whether or not your adding diamonds to a Cartier watch would create a likelihood of confusion in the minds of an appreciable number of consumers."

"Confusion as to what?" he asked. "Confusion as to whether Cartier, or Van Cleef & Arpel, or any other maker of the watches you buy is the source of the diamond studded watches you sell," I quipped. "Look chum, the question becomes whether a buyer of one of your altered watches thinks it came that way from the Swiss factory where it was first built, or whether the diamonds were added along the way. My guess is buyers will think the jewels are OEM."

Usually, the courts will analyze one variation or another of the Polaroid factors – strength of the mark, similarity of products; similarity of marks; quality of defendant's products; sophistication of the buyer and the like to determine whether a likelihood of confusion exists. But, an analysis of these factors is not necessary to determine likelihood of confusion if a court determines that a defendant is selling counterfeit merchandise.

"Counterfeit merchandise," my friend screamed. The third base umpire turned and shot us an disapproving scowl and spit his chewing gum onto the ground. "Look," I said, "Cartier has already been to court on issues like yours and has established that a product is considered counterfeit if it contains an original mark and that the product is likely to deceive the public as to its origin." "Hey Ump," I yelled. "Pick up your gum!"

I explained that in the Cartier case the court focused on the fact that the Cartier watches being sold did not have any sort of disclaimer or notice that the jewels were not original with Cartier and that they were added by a jeweler who has no Cartier association. "I got it," said my friend. "All I have to do is place a hang tag or adhesive label on the watch and I don't violate the Lanham Act because the buyer will be alerted that the diamond were after market add-ons." "No. Your plan does nothing for a second or third buyer who never sees that tag or label," I said.

I told my friend that not only could his company be held liable for these acts of unfair competition, so could he as a responsible corporate officer. He turned a sickly shade of green, but I couldn't tell if it was our little conversation or the ballpark hot dogs. One thing was certain, however; these hot dogs were getting to be nearly as expensive as his watches.

James B. Astrachan is the author of The Law of Advertising, published by Matthew Bender-Lexis/Nexis.