



Second Circuit enjoins sale of colognes without UPC codes in chain drugstores

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Davidoff markets COOL WATER, a prestige brand of cologne that Davidoff only permits luxury retailers to sell. When Davidoff declined to permit CVS to sell the product, CVS obtained COOL WATER from unauthorized channels with the UPC codes removed that it then sold through its stores. Davidoff brought suit for trademark infringement, arguing that CVS's sales of COOL WATER products without UPCs ("decoded products") hinders Davidoff from guarding against counterfeits and from protecting the reputation of its brand. CVS denied that the products were counterfeit, instead arguing that removing the UPCs and selling gray market goods was not illegal. The district court preliminarily enjoined CVS from selling any Davidoff trademarked products with the UPCs removed and the Second Circuit affirmed.

The Second Circuit affirmed based on the importance of UPCs to both Davidoff's counterfeit protection program and its quality controls. CVS raised as a defense that the decoded products are gray market goods and thus genuine goods. The Second Circuit stated "[t]he fact that the goods in question may be gray-market goods does not furnish CVS with a valid defense." Rather, the injunction was justified on the basis of interference with Davidoff's trademark rights.

The Court emphasized that "in the context of gray-market goods, in comparing the trademark holder's product with the gray-market product, [courts] apply a low threshold of materiality, requiring no more than a slight difference which consumers would likely deem relevant when considering a purchase of the product." The Court further noted that Davidoff's UPCs allowed it to keep recalls of defective product small and targeted, as well as identify the source of the problem using the information embedded in the UPC, which includes the manufacturing location, date of manufacture, ingredients used and the distribution path used to bring the product to market.

Decoding product, the Court noted, would make it more difficult to detect counterfeits and result in "damage to the reputation of [Davidoff's] mark." CVS's interference with these quality control measures was sufficient to allow the Court to avoid entirely the question of whether the gray market



goods were inferior goods, reiterating that "for purposes of analyzing trademark infringement involving interference with quality control procedures, the actual quality of the goods is irrelevant; it is the control of quality that a trademark holder is entitled to maintain."

Under *Davidoff*, to obtain an injunction, a trademark holder must show that its quality control measures are established and legitimate and that the trademark holder abides by these procedures. Such a showing should encourage courts to find a material difference between authorized product and gray market product. Therefore, *Davidoff* will make it easier for trademark holders to prevent gray market sales of foreign goods, or goods intended for sale in restricted channels.

[Zino Davidoff SA v. CVS Corp., Case No. 07-2872-cv, 91 U.S.P.Q.2d 1038 \(2d Cir. 2008\).](#)

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