

## First Sale Doctrine Applies to Component Parts Manufactured by Licensed Third Parties.

**Bluetooth Sig Inc. v. FCA US LLC, No. 21-35561 (9th Cir. April 6, 2022)**

By: Robyn Bowland & Daniel Zhang | April 11, 2022

In a trademark infringement dispute between Bluetooth and Fiat Chrysler Automobiles (“FCA”), the Ninth Circuit vacated the District Court for the Western District of Washington’s order granting partial summary judgment that the first sale doctrine did not apply to the Bluetooth’s trademark claims. Instead, the Ninth Circuit found that the first sale doctrine applies to component parts embedded in a new, downstream product and remanded the district court’s grant for further proceedings.

The case arose out of FCA’s use of Bluetooth’s trademarks and logos on FCA’s websites and in-vehicle displays called “head units.” FCA’s use of the marks extended across its Fiat, Chrysler, Dodge, Jeep, and Ram brands. Generally, rightful users of the Bluetooth marks must join Bluetooth’s “Special Interest Group” (“SIG”), where members of the SIG are required to (1) execute licensing agreements, (2) submit declarations of compliance, and (3) pay royalties. Here, FCA bought head units, which bore Bluetooth’s marks, manufactured by SIG-approved third parties. Bluetooth then brought trademark claims against FCA, and FCA raised numerous defenses, including the first sale doctrine. On cross-motions for summary judgment, The District Court rejected the first sale defense, reasoning that FCA’s conduct went beyond “stocking, displaying, and reselling a producer’s product,” which precedent has found does not constitute infringing behavior.

Under the first sale doctrine, “with certain well-defined exceptions, the right of a producer to control the distribution of its trademarked product does not extend beyond the first sale of the product.” Indeed, a producer or registrant’s trademark rights are “exhausted as to a given item upon the first authorized sale of that item.” The Ninth Circuit found that the District Court’s reading of the first sale doctrine was too “narrow.” While the District Court cited to *Sebastian Int’l. v. Longs Drug Stores Corp.*, claiming that FCA did more than just “stock, display, and resell a producer’s product,” the Ninth Circuit found that *Sebastian* did not actually articulate the outer bounds of the applicability of first sale doctrine. Instead, the Ninth Circuit found FCA’s activities to be more akin to a 1924 Supreme Court case *Prestonettes, Inc. v. Coty*, in which a cosmetics manufacturer that purchased a trademark-protected powder, “subject[ed] it to pressure, add[ed] a binder to give it coherence and s[old] the compact in a metal case.” Accordingly, the Ninth Circuit found that where a vehicle manufacturer purchases a component part bearing registered marks from a licensed manufacturer, and incorporates it into a new, downstream product, the first sale doctrine applies and can be a viable defense to claims of trademark infringement.

Notwithstanding the win in the Ninth Circuit, FCA is not paired with Bluetooth quite yet. Because the first sale doctrine is “generally focused on the likelihood of confusion among consumers,” a key issue remaining to decide whether FCA’s defense will be successful is “whether FCA had adequately disclosed its relationship with, and qualification to use, Bluetooth technology.” On remand, the district court will decide the “fact-intensive” issue.