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Placing Tracking Codes on Products to Combat Unauthorized Online Sales

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In general, a person can sell another's genuine trademarked goods, under the First Sale Doctrine. However, a failure to abide by or follow a company's quality controls can give rise to trademark infringement.

According to the U.S. Court of Appeals for the Second Circuit, interfering with a company's reasonable efforts to control the quality of its trademarked products "unreasonably subjects" it to "the risk of injury to the reputation of its mark." *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238 (2d Cir. 2009).

Moreover, courts have held that the sale of another's products without the manufacturer's established quality controls constitutes a trademark violation. See, e.g. *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633 (1st Cir. 1992).

Thus, it is beneficial for businesses to implement quality control measures in order to protect themselves from unauthorized sellers. Examples of quality controls are wide-ranging. But one common way businesses can help prevent and combat online sales is placing tracking codes on their products.

Courts have specifically held that when an someone (e.g. an unauthorized seller/product diverter) scrapes off UPCs or other tracking codes, and then tries to sell the products, he or she has committed trademark infringement.

In *Davidoff & Cie, S.A. v. PLD Int'l Corp.*, 263 F.3d 1297 (11th Cir. 2001), the U.S. Court of Appeals for the Eleventh Circuit upheld a lower court's ruling, agreeing that the "obliteration" of batch codes constituted a material difference, giving rise to liability for trademark infringement.

Beyond trademark enforcement, another benefit of utilizing tracking codes is that businesses can track purchases. Upon discovery of their products being sold online without authorization, businesses can purchase products from the unauthorized sellers in hopes of identifying those sellers.

Thus, by having the codes on them, businesses can determine the sources and take any necessary action.

In sum, by placing tracking codes on products, companies can position themselves well in the event of unauthorized sales of those products. Either the products are sold with the codes (making it easy to trace the source) or the unauthorized sellers might have scraped the codes off, which can give rise to clear trademark infringement.

In the latter scenario, one who has committed willful trademark infringement can be on the hook for attorneys' fees.

Therefore, if a business can afford to do so, it should implement tracking codes and/or other quality control measures to help with enforcement efforts. Besides, a business stands to lose more if it does not attempt to control and/or monitor the distribution of its products.

For more information, contact Vorys' Illegal Online Seller Enforcement team at 877.545.6905. Read more about the practice at [services-648.html](#).