

COLUMNS

Authentic altered Rolex watches held to be counterfeit

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Mostly everyone knows what a counterfeit watch is. And if asked for a specific example, you may well be pointing to a \$15 "Rolex" watch being sold on a Canal Street street corner in New York.

Translating that into legalese, the foregoing scenario relates to an item made by somebody not authorized by the trademark owner, which item has an identical or virtually identical copy of the trademark on it.

However, in a recent decision in a federal case in Texas, *Rolex Watch U.S.A. Inc. v. BeckerTime LLC*, the court held that the defendant's altered *genuine* Rolex watches were counterfeits as a matter of law.

BeckerTime

Defendant BeckerTime is an online retailer specializing in buying, selling and trading pre-owned luxury timepieces.

The BeckerTime Web site states as of this writing that "[w]e have been in business since 1998 and have NEVER sold a fake watch. . . AUTHENTICITY IS GUARANTEED!"

BeckerTime refurbishes Rolex watches with both Rolex and non-Rolex parts and identifies the watches as "Genuine Rolex."

BeckerTime adds diamonds as hour markers to refinished dials a process that involves drilling holes in the dials and placing aftermarket diamonds or other stones and settings in the holes.

In the process of refurbishing the dials, BeckerTime strips them down to bare metal, and, after the refurbishing process is complete, reapplies the Rolex name.

BeckerTime has also applied aftermarket bezels not made by Rolex to Rolex watches, including bezels with added diamonds. And BeckerTime sometimes applies aftermarket bands or straps on watches that sometimes include a genuine Rolex clasp or buckle displaying Rolex's trademarks.

So, are they counterfeit?

But are the watches being sold by BeckerTime counterfeits? The answer, according to the court, and perhaps

surprising to the layman, is: yes.

Before we get to the court's decision, to understand why this is the case, you have to go through some legal history.

In 1947, the Supreme Court considered a case involving the resale of refurbished Champion sparkplugs. Champion objected, as it did not want its mark used on a product it did not make and did not have a hand in refurbishing.

The Supreme Court, however, rejected that argument. So long as it was made clear to the buyer that the items were refurbished which meant it had to be stamped right on the spark plug then there was no reason that the refurbisher could not resell the product.

But, the court went on to say, "[c]ases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words used 'or repaired' were added."

It did not take long for luxury watch companies to "imagine" such cases.

A series of legal suits, several brought by Rolex, held that because certain components of a watch a case, a dial, a bezel, a strap are so basic to its function, replacing them with a non-genuine part renders the whole watch inauthentic. And, as the watch still bears the exact same trademark, counterfeit.

So, these cases held that if someone replaces the dial on a Rolex watch with his own dial, then the new watch is no longer a genuine Rolex. Therefore, reselling it with the Rolex mark on it is counterfeiting.

Rolex is not the only one to have made such claims.

The author represented Cartier in a series of cases brought against jewelers that added diamonds to Cartier watches and then resold them.

Again, in all of these cases, the courts held that these altered watches were no longer a genuine Cartier product and, hence, counterfeit.

Rolex's position

Rolex argued that because certain components of a watch are so basic to its function, replacing them with a non-genuine part renders the whole watch inauthentic.

Additionally, Rolex explained that it has created a certain brand image and only sold products that align with that aesthetic.

Such alterations often void the brand's warranty and any post-sale service.

Rolex's complaint notes that one such watch was submitted for service, but was returned because Rolex no longer considered the watch genuine and refused to service it.

Luxury brands could all agree that having products on the market that deviate from their chosen aesthetic can cause damage. Maintaining control of the brand image is imperative.

Although BeckerTime's refurbished, altered watches still bear Rolex trademarks exactly as they appeared when the watch was new, Rolex argued that the changes are too great, and despite their Swiss origin, the watches are counterfeits.

Rolex asked the court to order BeckerTime to stop selling the watches and, additionally, for monetary damages from the sales of the infringing products.

Court's decision

Unlike the counterfeits on the street corner, the watches sold by BeckerTime were, at one point, genuine, authentic Rolex watches originating in Switzerland like any true Rolex.

Thereafter, BeckerTime refurbished, altered and resold these used "Rolex" watches to customers online.

So, again, are these watches really counterfeit Rolex watches?

According to the court the answer is, yes.

The parts BeckerTime adds to the at-issue watches do not bear any markings indicating BeckerTime is the source. The parts replaced by BeckerTime, such as the bezel, dials and bracelets are integral and necessary to the at-issue watches. The quality of the majority of BeckerTime's non-genuine Rolex replacement parts are inferior to genuine

Rolex parts.

The court held that BeckerTime infringed on Rolex's trademarks when it sold refurbished versions of the iconic luxury watches, and ordered it to cease selling any watches which infringe on Rolex's trademarks.

Alas, no award of damages

In a trademark counterfeiting case, a successful plaintiff may be entitled to recover the defendant's profits, trebled, together with attorney's fees.

In this case, the court did *not* agree that Rolex was entitled to disgorgement of profits from BeckerTime.

What was the basis for this determination? Unnecessary delay.

It was revealed that Rolex's law firm knew about BeckerTime's activities since 2010, but delayed seeking action until 2020.

Law firm employee emails from 2013 discussed BeckerTime watches, and there were efforts by the firm to obtain some of the altered timepieces, which they characterized as "junk."

Had Rolex promptly filed an action against BeckerTime upon discovering these activities, Rolex may well have recovered a substantial portion of the profits that BeckerTime received from the altered Rolex watch sales.

Due to the unexplained delay and the perceived sense of indifference or acceptance that BeckerTime could have interpreted from Rolex by that delay, Rolex lost out on a monetary payout.

TRADEMARKS PROTECT a company's reputation and goodwill. Generally, the rights a company has in its mark ends when it sells the product.

A customer can, for the most part, do what she likes resell it or alter it. But when used or altered products are resold, especially when a company makes a business of reselling such products, then the reputation of the original trademark owner is being used to sell the item.

Although items that are fundamentally altered, as a matter of law, are no longer the product of the original manufacturer, a used or altered Rolex in most consumers' minds is still a Rolex.

The lesson from the court's decision is that the altered watches are no longer Rolex products, as Rolex has no control over their quality and aesthetic. But, because of its name on the product, Rolex will be blamed for any perceived quality issues.

So, although somewhat surprisingly, what was once a genuine Rolex watch can become a counterfeit.

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