

# WHAT'S INTENT GOT TO DO WITH IT? INEQUITY AND IMPRACTICALITY IN TRADEMARK TERRITORIALITY

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## I. INTRODUCTION

Imagine this scenario:<sup>1</sup> feeling under the weather, you ask a friend to recommend an urgent care facility. She suggests trying the Super Sniffle Stoppers clinic, about which she has heard good things over the years. Being the ever-diligent consumer you are, you perform a quick web search for reviews of the clinic before committing to giving the new doc a go. Lo and behold, your search reveals a recent spate of Super Sniffle Stoppers patients complaining of contracting the dreaded creeping crud after receiving care at the clinic. Not wanting the crud yourself, you naturally find a different clinic.

The Super Sniffle Stoppers clinic, experiencing a noticeable downtick in patients, investigates and discovers that a clinic bearing the same name, located two states away, recently opened. The original Super Sniffle Stoppers owners are aghast: someone has stolen their trademark!<sup>2</sup> And what is worse, the imposter clinic is churning out infected patients! Indignant, the owners march down to their local federal court and file a trademark infringement suit against the cruddy imposters. What result?

The answer to whether the latecomer infringed the original clinic's trademark could depend on a century-old common law trademark rule: the *Tea Rose-Rectanus* doctrine.<sup>3</sup> In situations involving two parties that are using a contested trademark in geographically distant areas, and in which those two parties have not federally registered their marks, the *Tea Rose-Rectanus* doctrine can provide the second user with an escape hatch from having to face any substantial scrutiny in determining whether the user infringed the trademark of the first.<sup>4</sup> So long as the second party used the contested trademark in good faith and so long as the latecomer's

1. The author thanks Joseph Levy for inspiring the framework for this example. See Joseph Michael Levy, *The Confusion of Trademark Territoriality*, 18 CHI.-KENT J. INTELL. PROP. 324, 342–43 (2019); see also *infra* Part III.A.1.

2. For purposes of this Note, “trademark” may be used interchangeably with “service mark,” a lesser used term for marks associated with services (such as those provided at an urgent care clinic).

3. The doctrine itself and its name are derived from two Supreme Court decisions: the 1916 *Tea Rose* decision and the 1918 *Rectanus* decision. See *infra* Parts II.B.1.a and II.B.1.b for a discussion of these decisions.

4. See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:2 (5th ed. 2019).

use of the mark was sufficiently remote from that of the original user, the latecomer's use of the contested mark is not trademark infringement.<sup>5</sup> So, unless our noble friends at the original Super Sniffle Stoppers can prove that Johnny-come-lately used the mark in bad faith, their infringement claim is likely to fail.

Unfortunately, the Supreme Court did not explicitly define what constitutes "good faith" under the doctrine.<sup>6</sup> Further complicating the matter, the federal appeals courts are currently split in their approaches.<sup>7</sup> On one side of the divide, a majority of the courts hold that a second user's mere knowledge of the original user's mark is sufficient to show bad faith.<sup>8</sup> On the other side, courts hold that bad faith exists only when the second user also intended to infringe the first user's trademark.<sup>9</sup> The circuits are still weighing in on the doctrine's good faith ambiguity, with the Ninth Circuit being the most recent to adopt the "knowledge" approach in *Stone Creek, Inc. v. Omnia Italian Design, Inc.*<sup>10</sup>

Trademark defendants and courts continue to invoke the *Tea Rose-Rectanus* doctrine,<sup>11</sup> and the Supreme Court recently denied certiorari in the *Stone Creek* case,<sup>12</sup> so the venerable doctrine stands to live on, at least for the near future. However, the doctrine's results appear to be at odds with modern reality. It is entirely conceivable that in 1916, two Super Sniffle Stoppers clinics could peacefully coexist in, say, Arizona and Ohio; but, as is evident from the opening scenario, geographic distance does not necessarily eliminate the possibility of trademark infringement in the twenty-first century.<sup>13</sup> And when application of the doctrine results in a finding of no infringement notwithstanding the existence of infringement's constituent elements, the doctrine results in harm to both consumers and businesses, and the primary goals of trademark law are thus frustrated.<sup>14</sup> A doctrine that once sounded in equity may now lead to inequitable results.<sup>15</sup>

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5. See *id.*; see also *infra* Part II.B.1.

6. See MCCARTHY, *supra* note 4, § 26:8; see also *infra* Part II.C.

7. *Current Circuit Splits*, 14 SETON HALL CIRC. REV. 279, 288 (2018).

8. MCCARTHY, *supra* note 4, § 26:9; see also *infra* Part II.C.1.

9. MCCARTHY, *supra* note 4, § 26:10; see also *infra* Part II.C.2.

10. See *Stone Creek v. Omnia Italian Design, Inc.*, 875 F.3d 426, 437 (2017) ("[T]he better view is that there is no good faith if the junior user had knowledge of the senior user's prior use").

11. See Kimberly Miller, Case Note, *The Tea Rose/Rectanus Doctrine Is Alive and Well: A Case Note*, 19 J. CONTEMP. LEGAL ISSUES 35 (2010).

12. *Omnia Italian Design, Inc. v. Stone Creek, Inc.*, 138 S. Ct. 1984 (2018).

13. See *infra* Part III.A.1.

14. See *infra* Part II.A.

15. See *infra* Part III.A.2.

This Note contends that, unless and until the Supreme Court decides to revise or eliminate the doctrine altogether, courts can mitigate the potentially unjust results of its modern application by following the knowledge approach. Part II discusses the nature of trademark rights in the U.S., the territoriality doctrines, and the arguments for both sides of the “good faith” split. Next, Part III.A sets forth an argument against the doctrine of trademark territoriality in view of modern economic conditions. Part III.A then argues that, short of a complete overhaul, the knowledge approach can better achieve the *Tea Rose-Rectanus* doctrine’s equitable goals by limiting the instances in which the doctrine’s protections are available to an infringement defendant. Part III.B follows with a discussion of how an intent requirement is incompatible with any test for trademark infringement and concludes with an argument that the more onerous intent approach is not necessary to protect the interests of a trademark defendant.

## II. BACKGROUND

### *A. Trademark Rights, Goals, and Enforcement*

#### *1. The Nature of U.S. Trademark Rights*

A trademark is any “designation . . . that is distinctive of a person’s goods or services and that is used in a manner that identifies those goods or services and distinguishes them from the goods or services of others.”<sup>16</sup> Trademark rights are an intangible form of property rights in intellectual property,<sup>17</sup> including the right of sale, the right of licensing, and the right to invoke government enforcement.<sup>18</sup> The most essential trademark right, as with other forms of property, is the right to exclude.<sup>19</sup> With trademarks, the right to exclude means that a trademark owner has the right of exclusive use of its trademark.<sup>20</sup> These rights make trademarks valuable business assets.<sup>21</sup>

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16. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (AM. LAW INST. 2019) [hereinafter RESTATEMENT].

17. MCCARTHY, *supra* note 4, § 2:10 (quoting *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916)) (“[T]rademarks and the right to their exclusive use are of course to be classed among property rights . . .”).

18. MCCARTHY, *supra* note 4, § 2:10.

19. *Id.* § 30:1.

20. *Id.* § 2:10 (citing *Application of Deister Concentrator Co.*, 289 F.2d 496, 501 n.5 (C.C.P.A. 1961)) (“To say one has a ‘trademark’ implies ownership and ownership implies the right to exclude others.”).

21. *Id.* (noting that some famous trademarks are valued to be worth billions of dollars).

Trademark rights, however, are not rights “in gross or at large.”<sup>22</sup> Rather, trademark rights extend only to the particular business in which a trademark owner uses the mark.<sup>23</sup> A trademark owner derives its rights in a mark out of such use;<sup>24</sup> mere adoption of a mark without corresponding use in the market is insufficient to create trademark rights.<sup>25</sup> Furthermore, trademark rights are not rights in absolute perpetuity—a trademark owner can lose its right in a mark by not using the mark.<sup>26</sup> Accordingly, a trademark right does not confer a monopoly upon its owner to exclude all use of a mark by others.<sup>27</sup> Rather, the right to exclude another’s use of a trademark extends only so far as that use is likely to cause consumer confusion with the trademark owner’s own use.<sup>28</sup>

In 1946, Congress passed the Lanham Act,<sup>29</sup> in which many common law trademark rules are codified.<sup>30</sup> The act also provides a federal remedy for trademark infringement<sup>31</sup> and provides for a federal

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22. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (rejecting a comparison of trademark rights to patents and copyrights).

23. *Id.* (“There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.”). See also RESTATEMENT, *supra* note 16, § 18 (defining trademark use as when a mark “is displayed or otherwise made known to prospective purchasers in the ordinary course of business in a manner that associates the [mark] with the goods, services, or business of the user . . .”).

24. *United Drug*, 248 U.S. at 97 (“[T]he right to a particular mark grows out of its use . . .”).

25. *Id.* (“[T]he right to a particular mark grows [not out of] its mere adoption.”).

26. MCCARTHY, *supra* note 4, § 17:9. Such a loss in rights is known as “abandonment,” which the Restatement (Third) of Unfair Competition defines as occurring when “the party asserting rights in the [mark] has ceased to use the [mark] with an intent not to resume use . . .” RESTATEMENT, *supra* note 16, § 30.

27. *United Drug*, 248 U.S. at 98 (“[A] trade-mark confers no monopoly whatever . . .”).

28. See *infra* Part II.A.3.

29. Lanham Act, 15 U.S.C. §§ 1051–1141 (2018).

30. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (“[T]he purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection.”); see also MCCARTHY, *supra* note 4, § 5:2 (discussing the development of the common law of trademarks).

31. Section 32(1) of the Lanham Act provides a remedy for infringement of federally registered trademarks:

Any person who shall, without the consent of the registrant—

- (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

trademark register.<sup>32</sup> Federal registration confers certain important substantive and procedural rights upon registrants.<sup>33</sup> Federal registration, however, does not create trademark rights.<sup>34</sup> Instead, “[i]t is marketplace use of a designation to identify and distinguish a source that creates trademark rights.”<sup>35</sup> Resultantly, the Lanham Act does not supersede the common law, meaning federal and common law trademark rights exist concurrently.<sup>36</sup> An important result of this is that a junior user’s federal registration of a mark does not destroy the common law rights of a senior, unregistered user.<sup>37</sup>

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(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Lanham Act § 32(1), 15 U.S.C. § 1114(1). A remedy for infringement of unregistered marks is found in Lanham Act § 43(a):

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Lanham Act § 43(a), 15 U.S.C. § 1125(a); *see also* MCCARTHY, *supra* note 4, § 5:4 (discussing how § 43(a) federalized state common law infringement actions).

32. *See* 87 C.J.S. *Trademarks, Tradenames, and Unfair Competition* § 197 (2019).

33. *See generally* ANNE GILSON LALONDE, *GILSON ON TRADEMARKS* § 4.01 (103d rev. ed. 2019) [hereinafter *GILSON*] (discussing the benefits of federal trademark registration).

34. MCCARTHY, *supra* note 4, § 19:3 (quoting *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017)) (“Federal law does not create trademarks.”); *see also* MCCARTHY, *supra* note 4, § 19:1.75 (discussing and comparing the United States’ use-based registration from that of most other countries, in which use is not a prerequisite for acquiring trademark rights).

35. MCCARTHY, *supra* note 4, § 19:3.

36. *See id.* § 19:3 (discussing the ways in which federal and common law trademark rights coexist).

37. *Id.* § 19:3 (“The non-registered rights of a senior user continue and are not trumped by the later federal registration of a junior user.”); *see also id.* § 16:18 (discussing the priority of trademark rights in general). In this Note, the terms “senior user” and “junior user” refer respectively to the first user and a subsequent user of a

## 2. Policy Goals and Economic Functions

By protecting trademarks, trademark law advances two primary policy goals: (1) protecting a trademark owner's trademark rights (a business-oriented goal); and (2) protecting consumers from marketplace confusion (a consumer-oriented goal).<sup>38</sup> The interplay of these policy goals results in certain economic efficiencies for both businesses and consumers.<sup>39</sup>

Trademark law serves business interests by protecting a business's valuable rights in its trademark.<sup>40</sup> Key to this protection is the concept of goodwill.<sup>41</sup> A product's goodwill derives from "consumer willingness to purchase and repurchase" that product because of its reputation in the marketplace.<sup>42</sup> Trademarks are the tangible representations of goodwill, and the two are inseparable from one another.<sup>43</sup> Accordingly, the value of a trademark depends largely on the value of its associated goodwill,<sup>44</sup> which itself can represent a significant portion of a business's overall value.<sup>45</sup> Trademark infringement deprives a business of this goodwill;<sup>46</sup>

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trademark as measured temporally, regardless of any other distinctions between each party's use, including geographical.

38. *Id.* § 2:2. Professor McCarthy noted scholarly disagreements with this bifurcated view of trademark policy. *Id.* § 2:1.

39. *Id.* § 2:3. Professor McCarthy noted that these goals do not always mesh well and provided anti-dilution laws as an example of where the law furthers only a business goal. *Id.* § 2:2.

40. *Id.* § 2:2. (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 n.15, (1992) (Stevens, J., concurring)) ("[W]here the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.")

41. MCCARTHY, *supra* note 4, § 2:15 (citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916)).

42. GILSON, *supra* note 33, § 1.03. Gilson stated:

Trademarks function through advertising to create a market for products, and consumers are induced to try a product through the created appeal of the advertised mark. . . . [R]ecognition of a trademark on a product may recall a previously-formed regard for the product that is favorable, unfavorable or neutral. . . . If the mental associations evoked by the trademark are favorable, the trademark has come to symbolize the good will of its owner by encouraging repeated purchases by the consumer.

*Id.*

43. See MCCARTHY, *supra* note 4, § 2:15 ("Good will and its tangible symbol, a trademark, are inseparable.")

44. *Id.* § 2:20.

45. *Id.* § 2:19 (describing goodwill as the value of a business in excess of its measurable assets). Professor McCarthy noted that trademarks and their associated goodwill can be valued in the billions, such as "APPLE" and "GOOGLE." *Id.* § 2:10.

46. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982).

trademark law, by providing remedies for infringement, gives businesses the means to protect their valuable trademarks against such deprivation.<sup>47</sup>

As source identifiers, trademarks protect consumers from marketplace confusion and deception by allowing consumers to distinguish between the makers of similar products.<sup>48</sup> By allowing consumers to distinguish product sources, trademarks give consumers confidence that the products they purchase are of the expected make and quality.<sup>49</sup> Trademark infringement deprives consumers of this ability.<sup>50</sup> Consumers therefore benefit both when businesses enforce their trademark rights and when they avoid adopting infringing marks in the first instance.<sup>51</sup> Moreover, consumer confusion is at the heart of infringement liability, which illustrates trademark law's strong consumer protection goals.<sup>52</sup>

The consumer-oriented goals of trademark law relate closely to its business-oriented goals,<sup>53</sup> and the interplay between the two functions provides certain economic efficiencies.<sup>54</sup> One economic efficiency of trademarks is the reduction of consumer "search costs."<sup>55</sup> Professor McCarthy<sup>56</sup> defined search costs as "the costs of finding a level of quality and price that the consumer desires, according to his or her

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47. See *supra* Part II.A.3.

48. See GILSON, *supra* note 33, § 1.03 ("A trademark identifies the products of the trademark owner and is the means by which consumers distinguish those products from the products of others.").

49. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 n.15 (1992) (Stevens, J., concurring) (quoting S. REP. NO. 1333, at 3 (1946)).

50. *Inwood Labs.*, 456 U.S. at 854 n.14 (noting that infringement "deprives consumers of their ability to distinguish among the goods of competing manufacturers").

51. See GILSON, *supra* note 33, § 1.03 ("Where junior users [choose] marks that differ from those of senior users, consumers gain because those product sources are clearly separate. When mark owners enforce their rights, the public will not be fooled into purchasing goods they do not want by junior users' confusingly similar marks.").

52. See *infra* Part II.A.3.

53. See GILSON, *supra* note 33, § 1.03 (discussing the connection between trademark law's consumer and business functions).

54. See MCCARTHY, *supra* note 4, § 2:3.

55. See MCCARTHY, *supra* note 4, § 2:5 ("[T]rademarks reduce the customer's cost of acquiring information about products and services. Information, and the time required to acquire it, are not costless. . . . No busy working person in a developed society has hours to spend agonizing anew over every single purchase at the supermarket or elsewhere.").

56. Professor J. Thomas McCarthy is a leading academic authority on trademark law, and his trademark treatise *McCarthy on Trademarks and Unfair Competition* was cited in more than 5,000 judicial decisions. *J Thomas McCarthy*, IP HALL FAME, [https://www.iphalloffame.com/j\\_thomas\\_mccarthy/](https://www.iphalloffame.com/j_thomas_mccarthy/) [[http://web.archive.org/web/20200405174512/https://www.iphalloffame.com/j\\_thomas\\_mccarthy/](http://web.archive.org/web/20200405174512/https://www.iphalloffame.com/j_thomas_mccarthy/)] (last visited Feb. 25, 2020).

individual tastes.”<sup>57</sup> Trademarks reduce these costs by allowing consumers to quickly differentiate between products they desire and products they do not.<sup>58</sup> Such consumer distinctions, made possible by trademarks, affect a product’s reputation, which in turn affects the goodwill associated with the trademark.<sup>59</sup>

This circular relationship between source identification, reputation, and goodwill creates another economic efficiency: quality encouragement.<sup>60</sup> By attributing product quality to a particular source, trademarks incentivize businesses to invest in and maintain good and consistent product quality to protect their reputations (and in turn, their goodwill).<sup>61</sup> Consumers, of course, benefit from this by having more quality products available in the marketplace.<sup>62</sup> Taken together, trademark law’s goals and their resultant economic efficiencies have the overall effect of promoting a more competitive and effective marketplace.<sup>63</sup>

### *3. Trademark Enforcement: Infringement, the Likelihood of Confusion, and Remedies*

The Lanham Act’s Sections 32(1) and 43(a) provide remedies for infringement of registered and unregistered marks, respectively.<sup>64</sup> The standard of liability for trademark infringement under those provisions is the “likelihood of confusion,” which turns on whether the contested trademarks are likely to confuse consumers as to the source of the

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57. MCCARTHY, *supra* note 4, § 2:5.

58. See GILSON, *supra* note 33, § 1.03 (noting that trademarks permit “the selection of products or services that are desired and avoiding those that are not”).

59. See GILSON, *supra* note 33, § 1.03 (“A trademark cannot be an indicator of a certain quality unless it signifies one particular source to the consumer. Nor can it be a symbol of good will or an effective method of advertising unless it has built up a reputation associated with a specific source.”).

60. See MCCARTHY, *supra* note 4, § 2:4.

61. *Id.* (“Without marks, a seller’s mistakes or low quality products would be untraceable to their source. Therefore, trademarks create an incentive to keep up a good reputation for a predictable quality of goods.”).

62. See *id.* (“[T]rademarked goods and services of uniformly poor quality soon disappear from the market. . . . The generally high uniformity of quality that exists [in the market] may itself be the result of the use of brands and trademarks.”).

63. See *id.* § 2:14 (discussing trademarks as an essential element of a competitive marketplace); see also *Top Tobacco, L.P. v. N. Atl. Operating Co.*, 509 F.3d 380, 381 (7th Cir. 2007) (summarizing the importance of trademarks’ economic functions by stating that “[w]ithout a way to know who makes what, reputations cannot be created and evaluated, and the process of competition will be less effective.”).

64. Lanham Act §§ 32(1), 43(a), 15 U.S.C. §§ 1114(1), 1125(a) (2018); see also *supra* note 16 and accompanying text.

products on which those marks are used.<sup>65</sup> An infringement plaintiff is not required to plead actual confusion or actual injury when making a prima facie case of infringement;<sup>66</sup> the likelihood of confusion in the marketplace and its resulting harm to a trademark's value is the presumed injury.<sup>67</sup> By placing consumer confusion at the center of liability, the infringement standard supports the goals and functions of trademark law.<sup>68</sup>

Federal and state courts employ a multi-factor test when analyzing whether a junior user's<sup>69</sup> trademark has caused a likelihood of consumer confusion.<sup>70</sup> Although the various courts' tests differ in wording, they are largely similar in application, and each works to answer the same likelihood of confusion question.<sup>71</sup> None of the different tests' factors are

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65. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) ("It is, of course, also undisputed that liability under § 43(a) requires proof of the likelihood of confusion."). The Restatement (Third) of Unfair Competition elaborates on the likelihood of confusion standard:

One is subject to liability for infringement of another's trademark [if] in identifying the actor's business or in marketing the actor's goods or services the actor uses a designation that causes a likelihood of confusion: (a) that the actor's business is the business of the other or is associated or otherwise connected with the other; or (b) that the goods or services marketed by the actor are produced, sponsored, certified, or approved by the other; or (c) that the goods or services marketed by the other are produced, sponsored, certified, or approved by the actor.

RESTATEMENT, *supra* note 16, § 20.

66. See *McCARTHY*, *supra* note 4, § 23:1 ("[I]t is not necessary for plaintiff to plead or prove actual damage or injury in order to state a prima facie case of infringement. Injunctive relief does not require that injury be pleaded or proven.").

67. *Id.* ("In effect, injury to the trademark owner is presumed because damage is inherent in trademark infringement [and] injury presumed to flow from a likelihood of confusion over source . . .").

68. See *Groeneveld Transp. Efficiency, Inc. v. Lubecore Int'l, Inc.*, 730 F.3d 494, 512–13 (6th Cir. 2013) (discussing how the likelihood of confusion requirement "is designed to promote informational integrity in the marketplace").

69. See *supra* note 37 and accompanying text for an explanation of the senior/junior user dichotomy.

70. *GILSON*, *supra* note 33, § 5.01 ("[T]here is fundamental agreement that the basic test in federal and state trademark cases is whether confusion is likely.").

71. See *McCARTHY*, *supra* note 4, § 23:1. As an example, the following are the factors of the Second Circuit's influential *Polaroid* test:

(1) strength of the plaintiff's mark; (2) similarity of the marks; (3) proximity of the products in the marketplace; (4) likelihood that the plaintiff will bridge the gap between the products (enter a market related to that in which the defendant sells its product); (5) evidence of actual confusion; (6) the defendant's bad faith; (7) quality of the defendant's product; and (8) sophistication of the relevant consumer group.

alone dispositive; the importance of any particular factor depends largely on the specific facts of the case before the court.<sup>72</sup> Likewise, although certain factors tend to carry more weight, courts generally will apply an *ad hoc*, fact-dependent balancing of the factors.<sup>73</sup>

Once a trademark owner has proven that the junior user's use of its mark is likely to cause consumer confusion, a number of remedies may be available.<sup>74</sup> The primary trademark right is the right to exclude, and it follows that the standard remedy for trademark infringement is a permanent injunction enjoining the infringer from further using the mark.<sup>75</sup> Without an injunction, the infringing activity could continue and perpetuate its harms to consumers and to the trademark owner.<sup>76</sup> Monetary damages may also be available at the discretion of the court.<sup>77</sup> One possible measure of monetary damages is an award of the defendant's profits, aimed at compensating the trademark owner for lost sales resulting from the infringement.<sup>78</sup> Another possible monetary remedy is an award of actual damages that the plaintiff proves to have resulted from the infringement.<sup>79</sup> Attorney's fees may also be available in "exceptional cases."<sup>80</sup>

### *B. The Doctrine of Trademark Territoriality*

#### *1. Common Law Territoriality: The Tea Rose-Rectanus Doctrine*

The general common law rule of territoriality holds that trademark rights are limited to the geographic territory in which a mark is used.<sup>81</sup> This doctrine, known as the *Tea Rose-Rectanus* doctrine, comes from

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ALTMAN & POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADE & MONOPOLIES § 21:10 (4th ed. 2019) [hereinafter CALLMANN] (citing *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

72. See CALLMANN, *supra* note 71, § 21:11 (discussing the non-dispositive, fact-intensive nature of the likelihood of confusion and the balancing that courts perform when considering the likelihood of confusion factors).

73. See *id.*

74. See generally MCCARTHY, *supra* note 4, at Ch. 30.

75. *Id.* § 30:1 ("A permanent injunction is the usual and normal remedy once trademark infringement has been found in a final judgment.").

76. See *id.*

77. See generally *id.* at Ch. 30, Part III.

78. See *id.* § 30:59.

79. See *id.* § 30:72.

80. Lanham Act § 35(a), 15 U.S.C. § 1117(a) (2018) ("The court in exceptional cases may award reasonable attorney's fees to the prevailing party.").

81. 74 AM. JUR. 2D *Trademarks and Tradenames* § 11 (2019).

two early twentieth-century Supreme Court cases: The *Tea Rose*<sup>82</sup> case and the *Rectanus*<sup>83</sup> case.<sup>84</sup> Professor McCarthy summarized the doctrine as follows:

(1) The territorial scope of an unregistered mark is limited to the territory in which the mark is known and recognized by those in the defined group of potential customers. (2) The national senior user of an unregistered mark cannot stop the use of a territorially “remote” good faith national junior user who was first to use the mark in that territory.<sup>85</sup>

A defendant can assert the doctrine as a defense against a charge of trademark infringement.<sup>86</sup> Per Professor McCarthy, the majority of courts require a junior user to prove that: (1) its use was in “good faith;” and (2) its use was in a “remote area.”<sup>87</sup> Though used as a defense, the doctrine essentially determines which user has priority of trademark rights in a given area, and thus whether an infringement has occurred at all, rather than providing a defendant with an excuse for infringement.<sup>88</sup>

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82. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916). This case involved a tea rose trademark for flour, hence the common designation of this case as the “Tea Rose” case.

83. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

84. MCCARTHY, *supra* note 4, § 26:2.

85. *Id.*

86. *Id.* § 26:4 (“The good faith junior user Tea Rose-Rectanus argument is an affirmative defense which must be pled as such under the Federal Rules.”).

87. *Id.* Professor McCarthy went on to discuss the meaning of “remote use”:

“Remote use” has nothing necessarily to do with geographic distance. A “remote” territory is one where, at the critical date of the junior user’s first use, the senior user’s mark was not known by customers in that territory, such that no one would have been confused as to source. As the Court stated in *Rectanus*, the markets are “remote” if “the mark means one thing in one market, an entirely different thing in another.” The “remoteness” enquiry is therefore an issue of the territorial dimension of likelihood of confusion.

*Id.* The “good faith” requirement is a point of contention among the courts and is the subject of this Note. See *infra* Part II.C.

88. See GILSON, *supra* note 33, § 5.16 (“[T]he Tea Rose-Rectanus doctrine . . . holds that the common law rights of a senior user expanding into a remote market are subordinate to trademark rights in that market that had already been acquired in good faith by a junior user.”); see also MCCARTHY, *supra* note 4, § 26:4 (“When the national senior user tries to enter the remote area, its rights must give way to the rights built up in good faith by a local user.”); see also CALLMANN, *supra* note 71, § 20:34 (“Under common-law rules, mark rights are created by use and exist only where the mark is used. Priority, therefore, is decided geographic area by geographic area.”). See also *infra* Part III.B.1 for a discussion of how the nature of this equitable defense relates to the argument against the intent approach.

Accordingly, a result of the successful assertion of the doctrine is the mutual exclusion of each party's right to its mark in each other's established territory.<sup>89</sup> A discussion of the *Tea Rose* and *Rectanus* decisions and the Supreme Court's reasoning follows.<sup>90</sup>

*a. The Tea Rose Decision*

The *Tea Rose* decision consolidated two related trademark infringement cases.<sup>91</sup> In the first case, the Hanover Star Milling Company ("Hanover"), an Illinois-based flour manufacturer, brought a federal action against Metcalf, an Alabama citizen and merchant, for alleged infringement of Hanover's "Tea Rose" mark trademark in Alabama.<sup>92</sup> Hanover claimed that it had sold its flour under the "Tea Rose" in Alabama before Metcalf began selling "Tea Rose" branded flour there as an agent for another Illinois company, Steelville Milling Company ("Steelville").<sup>93</sup> Metcalf denied Hanover's right to the exclusive use of the "Tea Rose" mark, asserting that Steelville's use of the "Tea Rose" mark predated Hanover's.<sup>94</sup> Metcalf further asserted that an Ohio company, Allen & Wheeler Company, and its predecessor (together, "Wheeler") had also used the "Tea Rose" mark on flour earlier than Hanover.<sup>95</sup> The second of the consolidated cases concerned Wheeler's infringement claim against Hanover based on this prior use.<sup>96</sup>

The Court summarized the proven territorial and temporal extents of each party's use of the "Tea Rose" mark.<sup>97</sup> Wheeler claimed sales of its "Tea Rose" branded flour throughout the United States continuously since 1872,<sup>98</sup> but it had provided evidence sufficient to prove only sporadic sales in Ohio, Pennsylvania, and Massachusetts.<sup>99</sup> Hanover proved that it adopted the "Tea Rose" mark in 1885, and that, beginning in 1904, it had extensive sales in Alabama and in portions of Mississippi,

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89. MCCARTHY, *supra* note 4, § 26:3 ("Each user of the contested mark may have its own exclusive areas of trademark use. Neither can enter the market area of the other.").

90. *See infra* Parts II.B.1.a and II.B.1.b.

91. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 405 (1916).

92. *Id.*

93. *Id.* at 406.

94. *Id.* at 407.

95. *Id.* at 406–07.

96. *Id.* at 407–08.

97. *Id.* at 410–11.

98. *Id.* at 407.

99. *Id.* at 409 ("[T]here is a remarkable absence of particular statements as to time, place, or circumstances; in short, no showing whatever as to the extent of the use or the markets reached.").

Georgia, and Florida.<sup>100</sup> Significantly, the Court found that Wheeler had not shown its use of the mark in Alabama or nearby states and that the two companies had never competed in any territory under the “Tea Rose” brand.<sup>101</sup> As for Steelville and Metcalf, the Court noted that the former appeared to have used the “Tea Rose” mark since 1895 in “Illinois, Tennessee, Mississippi, Louisiana, and Arkansas,”<sup>102</sup> and that the latter commenced selling that flour in Alabama shortly before Hanover’s lawsuit in 1912.<sup>103</sup>

The Court first considered the lower court’s proposition that rights in a particular trademark extend only so far as the geographical territory in which the mark is used.<sup>104</sup> The Court noted the primary principles that trademark rights flow from use of a mark, not mere adoption, and that trademarks are “merely a protection for the good will, and not the subject of property except in connection with an existing business.”<sup>105</sup> The Court next stated the established rule that where similar marks compete in the same market, the right of exclusive use belongs with the first user.<sup>106</sup> The Court described the opposite situation in a statement important to the formation of the *Tea Rose-Rectanus* doctrine:

[W]here two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant; unless, at least, it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.<sup>107</sup>

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100. *Id.* at 410.

101. *Id.* at 409–10 (“There is nothing to show any present or former competition in Tea Rose flour between the latter company and the Allen & Wheeler firm or corporation, or that either party has even advertised that brand of flour in territory covered by the activities of the other.”).

102. *Id.* at 421.

103. *Id.* at 406.

104. *Id.* at 412 (“The court held in effect that the right to protection in the exclusive use of a trademark extends only to those markets where the trader’s goods have become known and identified by his use of the mark.”).

105. *Id.* at 413–14; *see also supra* Part II.A.1.

106. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916) (noting that “the exclusive right to the use of a trademark is founded on priority of appropriation,” and that “[i]n the ordinary case of parties competing under the same mark in the same market . . . prior appropriation settles the question”).

107. *Id.*

The Court, quoting the lower court's holding, synthesized these rules of derivation of rights and priority of rights into a rule of trademark territoriality:

Since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.<sup>108</sup>

Applying this rule, the Court held in favor of Hanover against Wheeler's infringement claim. Because Wheeler had not used its mark in Alabama, he could claim no right to exclusive use in that territory.<sup>109</sup> The Court then held in favor of Hanover over Metcalf, similarly finding that Steelville had not established use of the "Tea Rose" mark in Alabama,<sup>110</sup> and therefore Metcalf intended to deceive consumers about the source of the Steelville flour.<sup>111</sup> To hold otherwise, declared Justice Pitney, would allow the senior, remote user to usurp the local goodwill of the junior user, which he strongly condemned as a "complete perversion of the proper theory of trademark rights."<sup>112</sup>

#### *b. The Rectanus Decision*

The second opinion from which the *Tea Rose-Rectanus* doctrine developed, *Rectanus*, came down two years after the *Tea Rose* decision.<sup>113</sup> *Rectanus* dealt with two purveyors of medicinal preparations, both of which had concurrently used the trademark "Rex" on their respective wares in different regions of the country.<sup>114</sup> The senior user, United Drug Co., and its predecessors (together, "United Drug"), had used the "Rex" mark in Massachusetts and other states since 1877.<sup>115</sup> The

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108. *Id.* at 416 (quoting *Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513, 519 (7th Cir. 1913), *aff'd sub nom.*, 240 U.S. at 403) (internal quotation marks omitted).

109. *Hanover*, 240 U.S. at 419–20.

110. *Id.* at 422 (finding the evidence insufficient to prove Steelville as "first use or as to extensive, continuous, or exclusive use of the Tea Rose brand" and that the evidence supports Hanover's "right to be protected at least against unfair competition at the hands of the Steelville Company or of Metcalf as its representative").

111. *Id.* at 422–24.

112. *Id.* at 420.

113. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

114. *Id.* at 94–95.

115. *Id.*

junior user, Theodore Rectanus Co., and its predecessors (together, “Rectanus”), began using the “Rex” mark in Kentucky in 1883.<sup>116</sup> In 1911, United Drug began using the “Rex” mark in Kentucky and subsequently sought an injunction against Rectanus’s use of the mark based on its own prior use.<sup>117</sup> In reciting the facts, the Court noted in particular that Kentucky consumers had come to associate the “Rex” mark with Rectanus’s wares and that both parties had made their long concurrent use of the mark in good faith and without knowledge of the other’s use.<sup>118</sup>

The Court dismissed United Drug’s contention that a senior user is, by virtue of its diligent efforts to extend its business, entitled to enjoin a junior user’s use of a mark once the senior user moves into its territory.<sup>119</sup> The Court reasoned that a trademark right does not confer an unlimited monopoly on the use of a mark,<sup>120</sup> and, like the *Tea Rose* Court, noted that a trademark does not exist “except in connection with an existing business.”<sup>121</sup> The Court next continued its analysis of priority of rights for remotely-used marks that it first considered in the *Tea Rose* decision. The Court stated that it “would be a perversion of the rule of priority” to apply it to trademarks used in remote markets “in our broadly extended country” because of the harm that the application of the rule could cause to an innocent junior user who had acted in good faith.<sup>122</sup> Moreover, the Court noted that in addition to not extending into remote markets absent actual use, trademark rights do not extend into remote

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116. *Id.*

117. *Id.*

118. *Id.* at 94–96.

119. *Id.* at 97–98 (“The asserted doctrine is based upon the fundamental error of supposing that a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy.”).

120. *See supra* Part II.A.1.

121. *United Drug*, 248 U.S. at 97.

122. *Id.* at 100–01. The Court explained:

The reason for the [general priority] rule does not extend to a case where the same trade-mark happens to be employed simultaneously by two manufacturers in different markets separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another. It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one state, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented from using it, with consequent injury to his trade and good will, at the instance of one who theretofore had employed the same mark, but only in other and remote jurisdictions, upon the ground that its first employment happened to antedate that of the first-mentioned trader.

*Id.*

markets where the senior user desires to use its mark but has not yet done so.<sup>123</sup> The Court closed its analysis by quoting language from the *Tea Rose* decision, thus reaffirming its holding in that case.<sup>124</sup>

The Court found that the facts of the case paralleled those of the *Tea Rose* case and held in favor of Rectanus.<sup>125</sup> In so holding, the Court highlighted that Rectanus had adopted the “Rex” mark without knowledge of United Drug’s prior remote use and also noted that Rectanus did not have “a sinister purpose” in adopting the mark.<sup>126</sup> Lastly, the Court recognized the resources Rectanus expended to build up the value of its “Rex” mark.<sup>127</sup> Consequently, the Court held that United Drug was estopped from enjoining Rectanus’s use.<sup>128</sup>

## 2. *The Lanham Act and Other Considerations*

The Lanham Act has a number of territoriality provisions, of which perhaps the most important is Section 22’s constructive notice provision.<sup>129</sup> Section 22 provides that “[r]egistration of a mark on the principal register . . . shall be constructive notice of the registrant’s claim of ownership thereof,” in essence conferring knowledge of a registered mark on all would-be adopters of that mark.<sup>130</sup> This provides the owner

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123. *Id.* at 98. The Court concluded:

It results that the adoption of a trade-mark does not, at least in the absence of some valid legislation enacted for the purpose, project the right of protection in advance of the extension of the trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade.

*Id.* By conditioning its statement with the phrase “at least in the absence of some valid legislation enacted for the purpose,” the Court left open the possibility for legislation to supersede its holding. *Id.* Congress ultimately superseded the holding in part with the 1946 Lanham Act. *See infra* Part II.B.2.

124. *United Drug*, 248 U.S. at 101.

125. *Id.* at 103–04.

126. *Id.* at 101–03.

127. *Id.* at 103 (“[B]y the expenditure of money and effort [Rectanus built] up a local but valuable trade under [the mark] in Louisville and vicinity before petitioner entered that field, [so] petitioner is estopped to set up their continued use of the mark in that territory . . .”).

128. *Id.* at 103. McCarthy suggested that the Court appeared to be troubled that its decision would allow both parties to continue using the “Rex” mark in Kentucky, but it was unable to enjoin United Drug’s use because Rectanus had not requested an injunction. MCCARTHY, *supra* note 4, § 26:2.

129. *See* GILSON, *supra* note 33, § 4.02 (quoting *Quality-Courts United, Inc. v. Quality Courts, Inc.*, 140 F. Supp. 341, 347 n.5 (C.D. Pa. 1956)) (alteration in original) (“Constructive notice has been termed ‘the greatest single advantage of a principal [register] registration.’”). *See also* MCCARTHY, *supra* note 4, at Ch. 26 Part II for a discussion of this provision and other Lanham Act territoriality concerns.

130. Lanham Act § 22, 15 U.S.C. § 1072 (2018).

of a federal trademark registration with superior nationwide rights, regardless of the territory in which it actually uses the mark.<sup>131</sup> This provision effectively eliminates the availability of the *Tea Rose-Rectanus* defense when the asserted senior mark is a registered mark because a junior user can no longer claim “innocence, good faith, or lack of knowledge of the registered mark.”<sup>132</sup>

A registered mark’s constructive notice benefits are not without limitation.<sup>133</sup> First, neither application for nor registration of a trademark will trump the common law rights of a senior unregistered user,<sup>134</sup> although the extent of the senior unregistered user’s geographic territory, if not nationwide, becomes frozen upon the junior user’s registration.<sup>135</sup> Another statutory exception exists for a so-called “intermediate junior user,” which acts something like a *Tea Rose-Rectanus* defense against a senior registered user.<sup>136</sup> Section 33(b)(5) provides that if a junior user (1) adopts and continuously uses a mark in a remote area after a senior user’s prior use; (2) before the date of the senior user’s application or registration;<sup>137</sup> and (3) without knowledge of the senior user’s prior use, the junior user may be entitled to continue using the mark.<sup>138</sup> The junior

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131. MCCARTHY, *supra* note 4, § 26:31.

132. GILSON, *supra* note 33, § 4.02; *see also* MCCARTHY, *supra* note 4, § 26:32 (quoting *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 362 (2d Cir. 1959)) (“[B]y eliminating the defense of good faith and lack of knowledge, § [22] affords nationwide protection to registered marks, regardless of the areas in which the registrant actually uses the mark.”).

133. *See* MCCARTHY, *supra* note 4, § 26:31; *see also* GILSON, *supra* note 33, § 4.02.

134. MCCARTHY, *supra* note 4, § 26:31 (citing Lanham Act § 15, 15 U.S.C. § 1065). Section 15 protects senior unregistered users by providing that:

[E]xcept to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the owner to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable.

Lanham Act § 15, 15 U.S.C. § 1065.

135. MCCARTHY, *supra* note 4, § 26:40 (“[T]he senior user’s zone is frozen as of the date of registration to another because registration creates constructive notice which ends the possibility of good faith expansion.”).

136. *See generally id.* §§ 26:43–26:45 (discussing the Lanham Act’s intermediate junior user defense).

137. For applications filed after 1989, the intermediate junior user’s first use must predate the application date, rather than the registration date, due to the addition of a “constructive use” provision to the Lanham Act. *See id.* § 26:44 n.12.

138. Lanham Act § 33(b)(5), 15 U.S.C. 1115(b)(5). Professor McCarthy listed the elements of the defense as follows:

user, however, cannot expand its use beyond its proven geographic area of use.<sup>139</sup>

Case law provides another limitation to a federal registrant's territorial rights.<sup>140</sup> The Second Circuit's influential, long-established *Dawn Donut* rule allows a junior user to continue its geographically remote use in territory where the senior user is neither using nor likely to use its mark.<sup>141</sup> Once the senior user establishes an intent to move into the junior user's territory, however, the senior user may assert its trademark rights against the junior user.<sup>142</sup> The rule rests on the premise that without the consumer confusion attendant to actual marketplace competition, there is no basis for the remedy of an injunction;<sup>143</sup> rather, it

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To establish the § 33(b)(5) limited area defense, defendant (intermediate junior user) must prove (1) that its (or its assignor's) original adoption and first use of the mark was in a "remote" area; without knowledge of plaintiff's prior use or was otherwise in "good faith"; (2) that it can trace use or title back to a date of original adoption and use prior to the date of plaintiff's federal application or registration; (3) that its use has been continuous in area X since that time; and (4) the extent of trade area X either at the time plaintiff's federal registration issued or at the time of a post-1989 application.

MCCARTHY, *supra* note 4, § 26:44.

139. MCCARTHY, *supra* note 4, § 26:44. In a helpful summary of this complicated defense, Professor McCarthy provided the following example:

This limited area exception to incontestability is applicable in the following factual situation (in chronological order):

1. Orange Co. uses the mark in area A.
2. Blue Inc., without knowledge of Orange's prior use, uses the mark in area X.
3. Orange Co. obtains a federal registration resulting from an application filed before November 16, 1989, or files an application after November 16, 1989, which matures into a registration.
4. Orange Co. shows a likelihood of entry into area X and sues to enjoin Blue's use of the mark.

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If defendant proves these elements, [the] court may permit defendant to continue use in area X concurrent with the registrant's use elsewhere in the United States. In that event, area X will remain defendant's exclusive area for use of the mark. The registrant may be enjoined from use of the mark in area X and defendant may be enjoined from use of the mark in all other areas of the United States.

MCCARTHY, *supra* note 4, at § 26:44.

140. *See generally id.* §§ 26:33–26:36 (discussing the *Dawn Donut* rule).

141. *See id.* § 26:33 (citing *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959)).

142. *Id.* (quoting *Dawn Donut*, 267 F.2d at 365) (“[B]ecause of the effect we have attributed to the constructive notice provision of the Lanham Act, the plaintiff may later, upon a proper showing of an intent to use the mark at the retail level in defendant's market area, be entitled to enjoin defendant's use of the mark.”).

143. MCCARTHY, *supra* note 4, § 26:33.

is the senior user's actual use of or intention to use its mark in the junior user's territory that creates the requisite likelihood of confusion from which an injunction may rightly issue.<sup>144</sup> A majority of the circuit courts follow this rule, though recent decisions suggest that some jurisdictions may be reconsidering it in light of modern economic conditions.<sup>145</sup>

Another court doctrine that could affect the territorial scope of trademark rights is the "natural zone of expansion."<sup>146</sup> Based on a negative reading of a statement in the *Tea Rose* decision,<sup>147</sup> the rule grants a senior unregistered user territorial leeway under the *Tea Rose-Rectanus* doctrine by allowing it to assert its rights into a proven "natural zone of expansion" beyond the markets of its actual use.<sup>148</sup> The doctrine is not applicable in contests where a registered mark is involved,<sup>149</sup> and courts have largely rejected it.<sup>150</sup> Some courts do recognize the rule, however, so trademark owners should not completely discount its relevance.<sup>151</sup>

### 3. *The Continued Relevance of Common Law Territoriality*

Though the Lanham Act includes territoriality provisions,<sup>152</sup> it did not replace the common law rules, and as a result, the century-old *Tea*

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144. *Id.*

145. See Jessica Amber Drew, Note, *Death of Dawn Donut: The Demise of Concurrent Trademarks*, 2007 U. ILL. J.L. TECH. & POL'Y 145 (2007) (first citing Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047 (6th Cir. 1999); then citing Members First Fed. Credit Union v. Members 1st Fed. Credit Union, 54 F. Supp. 2d 393 (M.D. Pa. 1999)); see also MCCARTHY, *supra* note 4, § 26:33 (citing *CarMax*, 165 F.3d at 1047) (discussing the Sixth Circuit's rationales for rejecting an application of *Dawn Donut*).

146. See CALLMANN, *supra* note 71, § 20:35.

147. See *id.* Callman quoted the *Tea Rose* case, which provided:

In the Hanover case, the Supreme Court stated that it was "not dealing with a case where the junior appropriation of a trademark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and need pass no judgment upon such a case."

*Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 420 (1916).

148. See MCCARTHY, *supra* note 4, § 26:20.

149. CALLMANN, *supra* note 71, § 20:35.

150. See MCCARTHY, *supra* note 4, § 26:23. The Restatement (Third) of Unfair Competition completely rejects the doctrine: "The rule stated in this Section does not recognize a claim to priority based solely on a right to natural expansion." RESTATEMENT, *supra* note 16, § 19 cmt. c.

151. See CALLMANN, *supra* note 71, § 20:35 (first citing *J. A. Dougherty's Sons, Inc., Distillers, v. Kasko Distillers Prods. Corp.*, 35 F. Supp. 561 (E.D. Pa. 1940); then citing *Emergency One, Inc. v. American Fire Eagle Engine Co., Inc.*, 332 F.3d 264 (4th Cir. 2003)).

152. See *infra* Part II.B.2.

*Rose-Rectanus* doctrine is still good law.<sup>153</sup> This is true even when an unregistered plaintiff seeks a statutory remedy for infringement under Section 43 of the Lanham Act.<sup>154</sup> And despite a system of federal registration that confers significant benefits upon registrants,<sup>155</sup> there are still numerous businesses that do not register their marks.<sup>156</sup> Moreover, the Supreme Court declined an opportunity to revisit the doctrine when it denied certiorari in the *Stone Creek* case (discussed below in Part II.C.1).<sup>157</sup> Consequently, infringement defendants continue to invoke the doctrine,<sup>158</sup> and an unregistered trademark owner would be wise to be cognizant of its implications.

### C. The Circuit Split over “Good Faith”

Despite the *Tea Rose-Rectanus* doctrine’s century-old existence, courts have long disagreed on the meaning of “good faith” under the doctrine.<sup>159</sup> The dispute results from ambiguity in the *Tea Rose* and *Rectanus* decisions.<sup>160</sup> There is language in the decisions that supports the approach of inferring a junior user’s bad faith from its prior knowledge of the senior user’s mark, while other language in the decisions seems to suggest that bad faith requires something more than mere knowledge.<sup>161</sup> A majority of the circuit courts have adopted the strict “knowledge only” view, while a minority require intent as the

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153. See MCCARTHY, *supra* note 4, § 26:2 (quoting *Spartan Food Systems, Inc. v. HFS Corp.*, 813 F.2d 1279, 1282 (4th Cir. 1987)) (“Although *Hanover Milling* and *United Drug* were decided before passage of the Lanham Act, their common law exposition of trademark rights applies today.”).

154. See MCCARTHY, *supra* note 4, § 26:4 (“The *Tea Rose-Rectanus* doctrine has been consistently followed as the common law rule regarding territorial rights in trademarks. The same rule is followed when Lanham Act § 43(a) is used as the vehicle to assert common law rights in federal court.”).

155. See *supra* Part II.A.1.

156. See *Levy*, *supra* note 1 at 350–52 (discussing the lack of federal registration typical in the restaurant industry).

157. *Omnia Italian Design, Inc. v. Stone Creek, Inc.*, 138 S. Ct. 1984 (2018).

158. See, e.g., *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9th Cir. 2017), *cert. denied*, 138 S. Ct. 1984, which is discussed *infra* Part II.C.1.

159. See CALLMANN, *supra* note 71, § 20:34; see also MCCARTHY, *supra* note 4, §§ 26:8–26:10.

160. See MCCARTHY, *supra* note 4, § 26:8; see also Roy Tabibi, Comment, “*Good Faith*” Trademark Infringement: The Ninth Circuit’s Approach to the *Tea Rose-Rectanus* Doctrine, 60 B.C. L. REV. II.-65, II.-66 (2019) (first citing *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 104 (1918); then citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 410 (1916)) (“The Supreme Court has provided little guidance in determining what constitutes ‘good faith’ for purposes of the *Tea Rose-Rectanus* doctrine, which has led to conflict within the courts.”).

161. See MCCARTHY, *supra* note 4, § 26:8.

“something more” needed for a finding of bad faith.<sup>162</sup> A discussion of the two approaches follows.<sup>163</sup>

### *1. The Knowledge Approach*

Courts adhering to the knowledge approach find that a junior user has acted in bad faith when it adopts a mark with knowledge of a senior user’s prior use, thus rendering it unable to enjoy the *Tea Rose-Rectanus* doctrine’s protection.<sup>164</sup> The Ninth Circuit is the most recent court to adopt this view.<sup>165</sup> In *Stone Creek*, the accused infringer (Omnia) was an ex-business partner of the accuser (Stone Creek).<sup>166</sup> About a decade after Stone Creek established rights in the “Stone Creek” mark, the parties entered into an agreement by which Stone Creek would buy furniture from Omnia, which Stone Creek was to brand with its own trademark. Stone Creek later discovered that Omnia had been using the “Stone Creek” mark on competing furniture. Stone Creek sued for infringement, and Omnia asserted the *Tea Rose-Rectanus* doctrine as a defense.<sup>167</sup> The court held that Omnia was not entitled to the defense because of its prior knowledge of Stone Creek’s mark and, thus, adopted the knowledge approach.<sup>168</sup>

In adopting the knowledge approach, the Ninth Circuit first performed a reading of the *Tea Rose* and *Rectanus* decisions.<sup>169</sup> The court called attention to language in the *Tea Rose* decision that emphasized a junior user’s knowledge at the time it adopted a mark.<sup>170</sup> The court also found that the *Tea Rose* decision concentrated on knowledge in its discussion concerning the ramifications of allowing remote extension of trademark rights.<sup>171</sup> The court then turned to the

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162. Katharine Hunziker, Note, *The Good Faith, the Bad Faith and the Ugly*, 100 J. PAT. & TRADEMARK OFF. SOC’Y 671, 673–74 (2019).

163. See *infra* Parts II.C.1 and II.C.2.

164. See Hunziker, *supra* note 162, at 673.

165. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9th Cir. 2017), *cert. denied*, 138 S. Ct. 1984 (2018).

166. *Id.* at 429.

167. *Id.* at 429–30.

168. *Id.* at 437.

169. *Id.* (“The varying descriptions of good faith in the leading Supreme Court cases have spawned a circuit split, and our circuit has not yet weighed in. . . . [T]he better view is that there is no good faith if the junior user had knowledge of the senior user’s prior use.”).

170. *Id.* (quoting *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 410 (1916)) (alteration in original) (“The Court in *Tea Rose* states that the junior user ‘adopted and used [the trademark] in good faith without knowledge or notice that the name Tea Rose had been adopted or used . . . by anybody else.’”).

171. *Id.* The Ninth Circuit quoted *Hanover*:

*Rectanus* decision, where it found more language focused on knowledge in the Court's description of an "innocent" junior user.<sup>172</sup> The Ninth Circuit identified further support for its reading of the *Tea Rose* and *Rectanus* decisions in a statement Justice Brennan made in a 1988 concurring opinion: "[A] firm can develop a trademark that is identical to a trademark already in use in a geographically distinct and remote area if the firm is unaware of the identity."<sup>173</sup> The court concluded by listing other jurisdictions that share its reading of the doctrine.<sup>174</sup>

The Ninth Circuit next quickly dismissed the intent approach. Per the court, the intent approach relies solely on the "design inimical to the interests of the [senior] user" language from the *Tea Rose* decision.<sup>175</sup> The court found that this "brief reference" alluding to a looser good faith standard "does not override the [decisions'] central focus on knowledge" because that language is not repeated in *Tea Rose*, and *Rectanus* also has only limited references to the notion.<sup>176</sup> More important, the court reasoned, are the numerous references to knowledge in those decisions.<sup>177</sup>

The Ninth Circuit then found that the policy goals of the *Tea Rose-Rectanus* doctrine support the knowledge approach.<sup>178</sup> The court stated

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Under the circumstances that are here presented, to permit the [senior user] to use the mark in Alabama, to the exclusion of the [junior user], would take the trade and good will of the latter company—built up at much expense and without notice of the former's rights—and confer it upon the former, to the complete perversion of the proper theory of trademark rights.

*Id.* (quoting *Hanover*, 240 U.S. at 420 (1916)) (alteration in original).

172. *Id.* at 437–38 (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 103 (1918)) ("The same focus on notice emerges in *Rectanus*, which grants protection for an 'innocent' junior user who has 'hit upon' the same mark and avers that the parties acted 'in perfect good faith; neither side having any knowledge or notice of what was being done by the other.'").

173. *Id.* at 438 (quoting *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 n.8, (1988) (Brennan, J., concurring in part and dissenting in part)).

174. *Id.* (first citing *The Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 674 (7th Cir. 1982); then citing *Nat'l Ass'n for Healthcare Commc'ns, Inc. v. Cent. Arkansas Area Agency on Aging, Inc.*, 257 F.3d 732, 735 (8th Cir. 2001); and then citing *Woman's World Shops Inc. v. Lane Bryant Inc.*, 5 U.S.P.Q.2d 1985, 1988 (T.T.A.B. 1988)).

175. *Id.* (quoting *Hanover*, 240 U.S. at 415 (1916)).

176. *Id.* The Ninth Circuit noted:

[I]t is not without significance that "design inimical" does not appear anywhere else in the opinion. The Court in *Rectanus* repeats the "design inimical" language as a direct quote of the language from the *Tea Rose* case and mentions offhand that the junior user did not have a "sinister purpose."

*Id.*

177. *Id.* (providing language from the *Tea Rose* and *Rectanus* decisions that focused on knowledge).

178. *Id.* at 438–39.

that the doctrine protects an unwitting junior user's investment in a mark.<sup>179</sup> But when a junior user "has not serendipitously chosen the same mark and independently built up its own brand," it has adopted its mark in bad faith "at the expense of the senior user, potentially blocking the senior user from entering into the new market."<sup>180</sup> The court further reasoned that the junior user's knowledge is evidence that the senior user's mark has extended its reputation to the junior user's territory.<sup>181</sup>

Lastly, the Ninth Circuit's analysis found that the knowledge approach is in harmony with the Lanham Act's statutory territoriality provisions.<sup>182</sup> The court noted that the Lanham Act's intermediate junior user defense (its *Tea Rose-Rectanus* parallel provision)<sup>183</sup> specifically requires that the junior user's mark "was adopted without knowledge" of the senior user's mark.<sup>184</sup> Moreover, because the Lanham Act provides that constructive notice defeats good faith, "it follows that actual notice should be enough too."<sup>185</sup>

Commentators supporting the knowledge approach generally agree with the *Stone Creek* court's reasoning.<sup>186</sup> For example, Tabibi agreed with the Ninth Circuit that knowledge is indicative of the senior user having a reputation in the junior user's market and that a junior user's awareness of the earlier mark suggests the junior user's purpose was to block the senior user from entering its market.<sup>187</sup> Another commentator, Riella, concurred with *Stone Creek's* textual analysis.<sup>188</sup> Riella also advanced an argument in support of the knowledge approach based on the stark differences between the early twentieth-century economy and today's economy.<sup>189</sup>

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179. *Id.*

180. *Id.* at 439.

181. *Id.* (first citing *Developments in the Law Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 859 (1955); then citing MCCARTHY, *supra* note 4, § 26:12).

182. *Id.*

183. *See supra* Part II.B.2.

184. *Stone Creek*, 875 F.3d at 439 (quoting Lanham Act § 32(b)(5), 15 U.S.C. § 1115(b)(5) (2018)).

185. *Id.* (citing Lanham Act § 22, 15 U.S.C. § 1072); *see also supra* Part II.B.2.

186. *See generally* Tabibi, *supra* note 160; *see also generally* Dominic Riella, Note, *Good Faith Concurrent Trademark Use: How the Ninth Circuit Took a Step in the Right Direction for Broad Protection in a Digital Time*, 72 SMU L. REV. 327 (2019).

187. *See* Tabibi, *supra* note 160, at II.-79 (citing MCCARTHY, *supra* note 4, § 26:12).

188. *See* Riella, *supra* note 186, at 330.

189. *See id.* at 330–33. *See also infra* Part III.A.1 for further discussion of this topic.

## 2. *The Intent Approach*

A minority of courts do not follow the strict knowledge approach and instead treat knowledge as an important, but non-determinative factor in the good faith inquiry.<sup>190</sup> Those courts will also look at whether the junior user acted with the intent to infringe the senior user's trademark rights before finding the defendant acted in bad faith.<sup>191</sup> The Tenth Circuit's 1990 *GTE Corp. v. Williams* decision is representative of this intent approach.<sup>192</sup> That case involved a dispute over the mark "General Telephone" used in connection with telephone services.<sup>193</sup> The senior user (GTE) began using its mark as early as 1935, while the junior user (Williams) had used the mark since 1974 in a Utah locality.<sup>194</sup> At no time did GTE use its mark in Utah or adjacent areas.<sup>195</sup> Despite Williams' prior knowledge of GTE's existence, the Tenth Circuit found that because Williams' use of the mark was in good faith and was sufficiently remote, he was entitled to the *Tea Rose-Rectanus* doctrine's protection.<sup>196</sup>

The Tenth Circuit considered the good faith question in view of GTE's contention that Williams' prior knowledge precluded a finding of good faith.<sup>197</sup> After acknowledging authority from other jurisdictions in support of the knowledge approach, the court concluded that intent is also required for a finding of bad faith:

While a subsequent user's adoption of a mark with knowledge of another's use can certainly support an inference of bad faith, mere knowledge should not foreclose further inquiry. The ultimate focus is on whether the second user had the intent to benefit from the reputation or goodwill of the first user.<sup>198</sup>

Without further analysis, the Tenth Circuit supported its conclusion by citing to authority suggesting an intent requirement.<sup>199</sup> The court

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190. MCCARTHY, *supra* note 4, § 26:10.

191. *See id.*

192. *See generally* GTE Corp. v. Williams, 904 F.2d 536 (10th Cir. 1990).

193. *Id.* at 537.

194. *Id.*

195. *Id.* at 542.

196. *Id.* at 541–42.

197. *Id.* at 541.

198. *Id.* (citations omitted).

199. *Id.* For example, the Tenth Circuit quoted the following language from a 1987 Eighth Circuit decision: "Knowledge of another's product and an intent to compete with that product is not, however, equivalent to an intent . . . to mislead and to cause consumer confusion." General Mills, Inc. v. Kellogg Co., 824 F.2d 622, 627 (8th Cir. 1987). That

tempered its conclusion, however, by surmising that it would be only in unusual cases where a defendant with prior knowledge acted in good faith.<sup>200</sup>

In an article responding to the Ninth Circuit's *Stone Creek* opinion, Hunziker advocated for the intent approach.<sup>201</sup> She argued that given the advent of the internet, a knowledge only requirement is too easily satisfied and will render the remoteness factor moot.<sup>202</sup> First, Hunziker contended that a proper reading of the *Tea Rose* and *Rectanus* decisions favors the intent approach.<sup>203</sup> This interpretation relies on the "design inimical to the interests of the first user" language of the *Tea Rose* decision and the "sinister purpose" language from the *Rectanus* decision.<sup>204</sup> She also advanced an argument that the intent approach better serves trademark law's goal of protecting both consumers and trademark owners.<sup>205</sup> With this argument, she contended that when the senior user has not established a local reputation, there are no rights to protect, and a junior user's knowing use cannot confuse or deceive consumers. Therefore, intent implies the necessary local reputation element, whereas because of the internet, mere knowledge cannot.<sup>206</sup>

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opinion did not consider good faith within the *Tea Rose-Rectanus* context, but rather within the likelihood of confusion context. The Eighth Circuit adopted the knowledge approach of the *Tea Rose-Rectanus* doctrine in a 2001 decision. *Nat'l Ass'n for Healthcare Commc'ns, Inc. v. Cent. Arkansas Area Agency on Aging, Inc.*, 257 F.3d 732, 735 (8th Cir. 2001).

200. *GTE Corp.*, 904 F.2d at 541.

201. *See generally* Hunziker, *supra* note 162.

202. *Id.* at 696.

203. *See id.* at 680–83.

204. *See id.* at 681–82 (first quoting *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916); then quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101 (1918)) (concluding from the text of the cases that "knowledge without the requisite intent is not the correct interpretation of the Supreme Court's words. Rather, the fact that the defendant lacked knowledge of the plaintiff's use of the mark seems to have been a factor in determining that he did not intend to harm the plaintiff."); *but see supra* Part II.C.1 (discussing a textual analysis in favor of the knowledge approach).

205. *See* Hunziker, *supra* note 162, at 683–86; *see also supra* Part II.A.2.

206. *See* Hunziker, *supra* note 162. Hunziker summarized this argument as follows:

Under the knowledge only approach, the consumer confusion and reputation are not important until the marks expand until the concurrent uses clash. Regardless of whether consumers are likely to be confused by the junior user's mark or whether the junior user will receive the misdirected benefits of the senior user's reputation are not relevant until the point of litigation. The knowledge plus intent standard better accomplishes the goals of trademark law by taking into account the circumstances in which consumer confusion and misdirected benefits would occur without also expanding the rights of unregistered trademarks too far.

*Id.* at 686.

Hunziker continued by considering the distinctions between the Lanham Act and the *Tea Rose-Rectanus* doctrine and argued that the knowledge approach would improperly extend the nationwide trademark rights enjoyed by registered users to unregistered users.<sup>207</sup> She found further support for the intent approach in the treatment of good faith in other trademark contexts, including the likelihood of confusion analysis, the descriptive fair use defense, anti-cybersquatting legislation, and the territorial rights of foreign trademarks.<sup>208</sup> In each context, Hunziker argued, bad faith requires more than mere knowledge of a senior user.<sup>209</sup> Lastly, she argued that it is an impractical contradiction to deny a junior user the protections of the *Tea Rose-Rectanus* defense for performing a search prior to adopting a mark, while at the same time, subjecting that user to possible punishment for failing to perform a search.<sup>210</sup>

Thus, an age-old and ongoing doctrine has carried with it an age-old and ongoing disagreement. But the continued application of the doctrine comes with more problems than simply a circuit split, as the doctrine appears to be no longer compatible with the goals of trademark law in modern times.<sup>211</sup> Nevertheless, the courts that have adopted the knowledge approach are better able to achieve those goals in today's climate. In addition to the sound reasoning those courts and commentators have advanced in support of the knowledge approach, this Note finds additional support for that approach. By accepting knowledge as the superior bad faith proxy, courts can more effectively balance the equitable demands of the *Tea Rose-Rectanus* doctrine<sup>212</sup> and reduce their improper reliance on intent in determining infringement liability.<sup>213</sup>

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207. See Hunziker, *supra* note 162, at 686–89; see also *supra* Part II.B.2.

208. See Hunziker, *supra* note 162, at 689–93. But see *infra* Part III.B.1 for a discussion of why intent should play no part in a determination of infringement liability in the first instance.

209. See Hunziker, *supra* note 162, at 693.

210. See *id.* at 693–95 (arguing that there is a clash between the knowledge approach and the duty to search). Hunziker also argued that encouraging trademark searching is good policy, but the knowledge approach discourages parties from conducting searches. *Id.* at 693.

211. See *infra* Part III.A.1.

212. See *infra* Parts III.A.2 and III.B.2.

213. See *infra* Part III.B.1.

## III. ANALYSIS

*A. The Knowledge Approach Is Necessary to Achieve an Equitable Result in the Modern Economy and Better Aligns the Persistent Tea Rose-Rectanus Doctrine with Modern Economic Conditions**1. The Argument Against Trademark Territoriality in the Modern Economy*

The economic conditions contemporaneous with the *Tea Rose* and *Rectanus* decisions were vastly different from those of today's economy.<sup>214</sup> The United States has undergone an extensive economic expansion from the time the *Tea Rose* decision came down in 1916 through modern times.<sup>215</sup> Technological advances have played a significant role in this expansion,<sup>216</sup> including developments in communications and transportation.<sup>217</sup> Today's cellular and internet technologies are a far cry from those of the 1916 telephone.<sup>218</sup> Moreover, at the time of *Tea Rose*, the first radio broadcast in the United States was still four years away; today, national and international broadcasts flow constantly from radio, television, satellite, cellular, and internet sources.<sup>219</sup> Likewise, transportation in 1916 was much more restricted: automobiles were in their infancy,<sup>220</sup> interstate roadway systems were nonexistent,<sup>221</sup> and viable passenger air travel was years away.<sup>222</sup> One

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214. See generally U.S. CENSUS BUREAU, STATISTICAL ABSTRACT OF THE UNITED STATES: 1999 § 31 (1999).

215. See *id.* at 881 (providing gross domestic product statistics for the U.S. from 1929 through 1998).

216. Andrea O'Sullivan, *How Technology Affects Economic Growth*, MERCATUS CTR. GEO. MASON U.: THE BRIDGE (Apr. 11, 2019) <https://www.mercatus.org/bridge/commentary/how-technology-affects-economic-growth> [<http://web.archive.org/web/20200405174956/https://www.mercatus.org/bridge/commentary/how-technology-affects-economic-growth>] (discussing economist Robert Solow's estimate that technological change accounts for nearly ninety percent of the United States' economic output).

217. See *History of Communication*, WIKIPEDIA, [https://en.wikipedia.org/wiki/History\\_of\\_communication](https://en.wikipedia.org/wiki/History_of_communication) [[http://web.archive.org/web/20200405175046/https://en.wikipedia.org/wiki/History\\_of\\_communication](http://web.archive.org/web/20200405175046/https://en.wikipedia.org/wiki/History_of_communication)] (last updated Jan. 15, 2020).

218. *Id.*

219. *Id.*

220. See *Car*, WIKIPEDIA, <https://en.wikipedia.org/wiki/Car> [<http://web.archive.org/web/20200405175135/https://en.wikipedia.org/wiki/Car>] (last updated Jan. 26, 2020).

221. Mary Bellis, *History of Roads in America and First Federal Highway*, THOUGHTCO, <https://www.thoughtco.com/history-of-american-roads-4077442>

effect of these advancing technologies has been the “shrinking” of the world.<sup>223</sup> Information, including advertising and marketing, has a wider reach today, goods flow more freely across the nation, and people travel cross-country with relative ease.<sup>224</sup>

Commentators have argued that our “shrunkened” modern world calls for reconsideration of the *Tea Rose-Rectanus* doctrine.<sup>225</sup> A common thread to these arguments is two-fold: the possibility of businesses expanding geographically, along with consumers’ mobility and access to information, are greater now than when the doctrine took root.<sup>226</sup> The ever-increasing ability of businesses to make their products more widely visible and available, combined with consumers’ growing ability to access those products, has blurred traditional, territorially-restricted market boundaries.<sup>227</sup> This blurring has steadily weakened the doctrine’s inherent assumption that geographic distance reduces the likelihood of confusion between two similar marks.<sup>228</sup> The advent of the internet has significantly amplified this effect and added a host of new issues to the question of trademark territoriality.<sup>229</sup> The result is that today, consumers in geographically distant markets are more likely to be confused by two similar marks than when the doctrine was born,<sup>230</sup> and businesses

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[<http://web.archive.org/web/20200405175224/https://www.thoughtco.com/history-of-american-roads-4077442>] (last updated July 3, 2019).

222. See *The Birth of Commercial Aviation*, BIRTH AVIATION (Dec. 12, 2014), <http://www.birthofaviation.org/birth-of-commercial-aviation/>

[<http://web.archive.org/web/20200405175304/http://www.birthofaviation.org/birth-of-commercial-aviation/>].

223. See Anonymous, *Shrinking World Theory and Blockchain*, MEDIUM (Jan. 29, 2018), <https://medium.com/@icography.team/shrinking-world-theory-and-blockchain-bea65e0cad48>

[<http://web.archive.org/web/20200405175402/https://medium.com/@icography.team/shrinking-world-theory-and-blockchain-bea65e0cad48>] (describing the shrinking world theory); see also Kelly Brown, *Our Shrinking World*, U. OR.: THE INFO. UMBRELLA (Apr. 15, 2014), <https://aimblog.uoregon.edu/2014/04/15/our-shrinking-world/>

[<http://web.archive.org/web/20200405175456/https://aimblog.uoregon.edu/2014/04/15/our-shrinking-world/>] (discussing the effect of advances in communications and transportation technologies on the shrinking world theory).

224. See Brown, *supra* note 223.

225. See, e.g., Levy, *supra* note 1 (proposing changes to the analysis of territoriality in trademark infringement cases).

226. See, e.g., Riella, *supra* note 186, at 330–31 (citing Anne Gilson LaLonde & Jerome Gilson, *Proving Ownership Online . . . and Keeping It: The Internet’s Impact on Trademark Use and Coexistence*, 104 TRADEMARK REP. 1275, 1296 (2014)).

227. See LaLonde & Gilson, *supra* note 226, at 1297.

228. See *id.* at 1305–06.

229. See generally Jeffrey R. Peterson, Comment, *What’s the Use? Establishing Mark Rights in the Modern Economy*, 5 HOUS. BUS. & TAX L.J. 450 (2005).

230. See Levy, *supra* note 1, at 362–63.

consequently have a greater need to protect their interests in territorial expansion.

One proposal to address the problems arising from the modern application of the *Tea Rose-Rectanus* doctrine is that courts should simply rely on the likelihood of confusion analysis.<sup>231</sup> Proponents of this idea argue that the likelihood of confusion test is a better test for infringement, even in geographically remote contexts.<sup>232</sup> The problem with the doctrine today is that it completely separates the questions of consumer confusion and territorial remoteness.<sup>233</sup> So long as the junior user's use is in good faith, the territorial test will permit such use to continue, regardless of consumer confusion.<sup>234</sup> Consumer confusion, however, is paramount in trademark law.<sup>235</sup> A doctrine that severs consumer confusion's role from infringement analysis by solely focusing on the business interests of the junior user is inconsistent with the purposes of trademark law.<sup>236</sup>

Levy provided an example of the problem by describing how online Yelp reviews can affect geographically distant restaurants.<sup>237</sup> It is possible, he argued, that a low rating for a restaurant in Seattle could affect whether a restaurant-goer chooses to dine at an identically-named restaurant in Portland.<sup>238</sup> If a court decides that there is no infringement based solely on geographic distance, the Portland consumer's interest in a variety of restaurant options and the Portland restaurant's investment in its mark both succumb without consideration.<sup>239</sup> Relying instead on the holistic likelihood of confusion analysis would give fair consideration to the interests of all parties involved while still allowing for an equitable outcome for the junior user where warranted.<sup>240</sup>

## *2. The Knowledge Approach Better Balances the Equities of the Tea Rose-Rectanus Doctrine in View of Modern Economic Conditions*

Notwithstanding the calls for its demise, the *Tea Rose-Rectanus* doctrine is still good law and, thus, dictates the framework for the

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231. *See generally id.*

232. *Id.* at 352–63.

233. *Id.* at 325–26.

234. *Id.* at 342.

235. *See supra* Part II.A.3.

236. *See supra* Part II.A.2.

237. *See Levy, supra* note 1, at 342–43.

238. *Id.*

239. *Id.*

240. *See infra* part III.B.2.

analysis of trademark contests between geographically remote users.<sup>241</sup> Despite the doctrine's persistence, following the knowledge approach can reduce the possibility of a conflict between the doctrine's results and the goals of trademark law.<sup>242</sup> The doctrine's equitable nature suggests that it can best balance the interests of all parties when knowledge stands in as the proxy for bad faith.<sup>243</sup>

There is an equitable balance inherent to the concept of trademark territoriality.<sup>244</sup> On one side, when a senior user's business grows, it may find itself blocked from new markets by junior users of its mark.<sup>245</sup> Inefficiency and unfairness can result if the senior user is required to utilize a new mark in those territories.<sup>246</sup> On the other side, a junior user acting in good faith may expend years of time, effort, and money in building its brand.<sup>247</sup> Again, inefficiency and unfairness can result if the junior user is required to cease using its mark.<sup>248</sup> Both the *Tea Rose* and *Rectanus* decisions recognized this equitable balance<sup>249</sup> but framed the issue in a way that suggests a stronger focus on the interests of the junior user.<sup>250</sup> Consequently, courts are typically more sympathetic to the interests of a junior user, which artificially tilts the doctrine's equitable balancing.<sup>251</sup>

The economic environment at the time of the *Tea Rose* and *Rectanus* decisions may have warranted such tilted scales.<sup>252</sup> As discussed,

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241. See *supra* Part II.B.1.c.

242. See *supra* Part III.A.1.

243. See David S. Welkowitz, *The Problem of Concurrent Use of Trademarks: An Old/New Proposal*, 28 U. RICHMOND L. REV. 315, 315–27 (1994) (discussing the equitable nature of the *Tea Rose-Rectanus* doctrine).

244. *Id.* at 315. See also Thomas F. Cotter, *Owning What Doesn't Exist, Where It Doesn't Exist: Rethinking Two Doctrines from the Common Law of Trademarks*, 1995 U. ILL. L. REV. 487, 541 (noting that trademark territoriality serves to balance the interests of senior users and junior users).

245. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 439 (9th Cir. 2017) (noting that a remote junior user might block a senior user from entering its market).

246. Welkowitz, *supra* note 243, at 315.

247. *Id.*

248. *Id.*

249. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916) (noting that a senior user may have an interest in extending its trade into new markets); see also *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101 (1918) (noting that allowing a senior user to assert its mark in a “wholly remote” territory would deprive the remote junior user of the “benefit of the good will resulting from his long-continued use of the mark . . . and his substantial expenditures in building up his trade” in that remote territory).

250. See Welkowitz, *supra* note 243, at 321.

251. See *id.* at 316 (“Courts have been sympathetic to the fairness argument of the geographically remote junior user.”).

252. See *supra* Part III.A.1.

however, advances in transportation and communications following these early twentieth-century decisions have eroded the basis for assuming that similar trademarks cannot confuse geographically remote consumers.<sup>253</sup> Furthermore, the increasing interests of businesses to expand geographically call for courts to give greater consideration to protecting their abilities to do so.<sup>254</sup> As the relevancy of territoriality continues to wane and the *Tea Rose-Rectamus* doctrine trends toward obsolescence, courts should consistently apply the doctrine in a way that better balances the interests of all parties involved. Short of discarding it altogether, courts can place junior and senior users on a more equal analytical footing by limiting the instances in which a junior user is entitled to the doctrine's protections. With a limited application of the doctrine, courts will be able to apply the more equitably-balanced likelihood of confusion test without the albatross of a territory-only test hanging over their infringement analyses.<sup>255</sup>

The knowledge approach can provide such a limitation to the doctrine. First, for any "state of mind" analysis, knowledge is an easier standard to meet: intent requires not only that the actor had knowledge of what he was doing (adopting a mark that another is already using), but also that the actor had the objective of perpetrating a wrong (infringing the prior user's mark).<sup>256</sup> The knowledge approach, by requiring a senior user to establish only a junior user's knowledge without the difficult-to-prove prong of intent, thus eases the ability of a senior user to defeat an assertion of the *Tea Rose-Rectamus* defense.<sup>257</sup> It logically follows that the knowledge approach thereby enlarges the group of defendants to which the doctrine cannot apply, effectively limiting its protections to only the least culpable junior users—those who were truly unaware of the senior user's mark. An intent-based approach, conversely, makes the doctrine more widely available to junior users, as the rigorous intent requirement renders the defense more difficult to defeat. An intent requirement therefore constrains the ability of courts to conduct the more

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253. See *supra* Part III.A.1.

254. See *supra* Part III.A.1.

255. See *supra* Part III.A.1 for a discussion of how the likelihood of confusion test better serves infringement analysis than the *Tea Rose-Rectamus* doctrine's territory-only test.

256. See 21 AM. JUR. 2D *Criminal Law* § 114 (2019) (discussing intent in the context of a criminal act).

257. See 57A AM. JUR. 2D *Neglect* § 261 (2019) (discussing the difficulty of proving an intent to do wrong in the context of determining willful misconduct from mere negligence).

balanced likelihood of confusion analysis necessary in today's economic environment.<sup>258</sup>

Moreover, the modern economy not only suggests that the *Tea Rose-Rectanus* doctrine should be limited in application,<sup>259</sup> but it also assists the knowledge approach in achieving that limitation. The reach of the internet, coupled with a highly mobile populace, increases the opportunity for a person to know of a geographically remote trademark.<sup>260</sup> Accordingly, the more likely people are to be aware of a mark, the less likely the doctrine will be available under a knowledge standard. This increased opportunity for knowledge can consequently limit the pool of junior users to which the doctrine applies, in turn further freeing courts to apply the more holistic likelihood of confusion test.<sup>261</sup>

Advocating for the intent approach, Hunziker argued that the ease of meeting the knowledge standard due to the internet's reach essentially renders the doctrine of territoriality obsolete.<sup>262</sup> The danger in this, Hunziker contended, is that removing the territorial barriers to common law trademark rights would needlessly overextend those rights in contradiction of the goals of trademark law.<sup>263</sup> But, as this Note has discussed, it is the very ease with which people are now able to gain knowledge of geographically remote marks itself that supports the need for the knowledge approach to the territoriality problem—the more likely that consumers will be aware of a remote mark, the more likely consumer confusion becomes.<sup>264</sup> And as the ability of businesses to expand increases, it becomes more imperative to consider the interests of senior users in remote use contests.<sup>265</sup> The likelihood of confusion test accomplishes this more effectively than the mechanical application of a territorial test under a rigorous intent-based standard.<sup>266</sup> Additionally, the likelihood of confusion test provides for the proper consideration of any

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258. See *supra* Part III.A.1.

259. See *supra* Part III.A.1.

260. See *supra* Part III.A.1 for a discussion of the effect of advancing technology on the availability of information. This effect also supports the notion that a junior user's knowledge of a remote mark stands as a surrogate of consumer knowledge in the junior user's territory; the result of the inference is the possibility for those consumers to be confused, rendering intent moot. MCCARTHY, *supra* note 4, § 26:12.

261. See *supra* Part III.A.1.

262. See Hunziker, *supra* note 162, at 696.

263. *Id.* at 683–86 (arguing that the knowledge approach does not protect consumers until the point of a geographic expansion that may never happen and arguing that a senior user has no goodwill to protect in a remote junior user's territory).

264. See *supra* Part III.A.1.

265. See *supra* Part III.A.1.

266. See *supra* Part III.A.1.

inequities the possible overextension of a senior user's trademark rights might impose upon a junior user.<sup>267</sup>

Modern economic conditions have changed the trademark landscape. Technological advances have shrunk the world and undermined the assumptions and rationales behind the *Tea Rose-Rectanus* doctrine's territoriality analysis. Until the Supreme Court decides to eliminate the doctrine altogether, limiting its application can alleviate its inequitable results and incompatibility with the modern economy. By adopting the knowledge approach to the doctrine, courts can better balance the equities between all parties involved.

*B. Intent Has No Proper Role in Trademark Infringement and Is Not Necessary to Meet the Tea Rose-Rectanus Doctrine's Equitable Demands*

*1. Intent and Infringement: Strict Liability, Consumer Perception, and the Likelihood of Confusion*

An infringer's intent to deceive was once a predicate element of a trademark infringement claim.<sup>268</sup> Over time, as the focus of trademark law turned from punishment of wrongdoing to consumer protection, intent's once-prominent role in the infringement context subsided.<sup>269</sup> Nonetheless, consideration of a defendant's intent persists in infringement cases despite its clear inapplicability to the threshold question of whether consumers are likely to be confused.<sup>270</sup> As such, commentators have called for courts to remove the question of an accused infringer's intent from the overall likelihood of confusion analysis.<sup>271</sup> Though often framed as a defense to an infringement charge, the *Tea Rose-Rectanus* doctrine's actual function is to determine whether an infringement occurred at all.<sup>272</sup> Because both tests are determinative of infringement liability in the first instance, many of the arguments

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267. See *infra* Part III.B.2.

268. MCCARTHY, *supra* note 4, § 23:104.

269. *Id.*

270. *Id.* § 23:124. Professor McCarthy surmised that the continued judicial consideration of intent is because "human judges (and juries) are more comfortable finding infringement . . . by the business person who intended to confuse consumers than [by] the business person who negligently or innocently blundered into the exact same behavior." *Id.*

271. See, e.g., Thomas L. Casagrande, *A Verdict for Your Thoughts? Why an Accused Trademark Infringer's Intent Has No Place in Likelihood of Confusion Analysis*, 101 TRADEMARK REP. 1447 (2011); Alfred C. Yen, *Intent and Trademark Infringement*, 57 ARIZ. L. REV. 713 (2015).

272. See *supra* Part II.B.1.

against the use of intent in the likelihood of confusion analysis also provide sound bases for keeping the question of intent out of the territoriality doctrine.

The trademark infringement cause of action is one of strict liability.<sup>273</sup> Once infringement occurs, that breach of the infringed party's rights has caused harm and a showing of intent is not necessary.<sup>274</sup> The reasoning behind this lies in the modern basis for trademark rights and infringement liability: consumer perception.<sup>275</sup> Consumer perception of a trademark, resulting from use of a mark in the marketplace, defines the scope of the holder's rights in that mark.<sup>276</sup> When infringement taints that all-important perception with confusion, harm results to both the consumer and the rights holder.<sup>277</sup> Whether the infringer intended those harms is of no consequence.<sup>278</sup> Allowing the infringing acts to continue on grounds of the infringer's innocent intent would perpetuate the harms to the public and the senior user.<sup>279</sup> Such ongoing harms do not square with the goals of trademark law.<sup>280</sup>

Therefore, intent's role in determining trademark infringement is improper; the relevant state of mind is that of the consumer, not of the infringer.<sup>281</sup> Nonetheless, intent still often plays an overblown role in the likelihood of confusion analysis.<sup>282</sup> Casagrande noted that while this treatment of intent is consistent, the courts are inconsistent in how intent should shape that analysis.<sup>283</sup> He cataloged the spectrum of the courts' myriad treatments of intent's effect on the likelihood of confusion: it is a presumption thereof (Second Circuit); it creates an inference thereof

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273. See *Taubman Co. v. Webfeats*, 319 F.3d 770, 775 (6th Cir. 2003) (“[T]he proper inquiry is not one of intent . . . [i]n that sense, the Lanham Act is a strict liability statute.”). Per Professor McCarthy, “injunctive relief is largely a matter of strict liability.” MCCARTHY, *supra* note 4, § 30:58.

274. See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1152 n.6 (7th Cir. 1992) (“Sellers bear strict liability for violations of the Lanham Act.”). Strict liability exists as well in other intellectual property infringement tests that focus on consumer confusion, such as design patent infringement. See also Casagrande, *supra* note 271, at 1463–64.

275. See MCCARTHY, *supra* note 4, § 23:124.

276. See *supra* Part II.A.1.

277. See MCCARTHY, *supra* note 4, § 23:106; see also *supra* Part II.A.2.

278. See MCCARTHY, *supra* note 4, § 23:106 (quoting *V. J. Doyle Plumbing Co., Inc. v. Doyle*, 584 P.2d 594 (Ariz. Ct. App. 1978) (“Both the first user and the public may be as readily wounded by the ostrich as the fox.”)).

279. MCCARTHY, *supra* note 4, § 30:1.

280. See *supra* Part II.A.2.

281. See *Taubman Co. v. Webfeats*, 319 F.3d 770, 775 (6th Cir. 2003); MCCARTHY, *supra* note 4, § 23:124.

282. Casagrande, *supra* note 271, at 1451–53.

283. See *id.* at 1452–53.

(Fifth Circuit); it allows an assumption thereof (Ninth Circuit); it is stronger evidence thereof than other factors (Seventh Circuit); and, it is merely a factor for consideration thereof (the Ninth Circuit again).<sup>284</sup> As discussed, however, intent has no relevance to the issue of whether consumers are likely to be confused.<sup>285</sup>

The irrelevancy of intent in determining infringement is all the more problematic in light of the courts' treatment of the issue.<sup>286</sup> While there is empirical evidence that a showing of "intent is inevitably highly influential" to the courts,<sup>287</sup> there is no evidence that supports the assumption that consumer confusion is inevitable when an infringer intends to confuse.<sup>288</sup> Such heavy and unwarranted reliance on intent hinders the inquiry into actual consumer perception and thereby subverts the goal of preventing consumer confusion.<sup>289</sup>

These criticisms are applicable to the question of whether intent is relevant to the territoriality analysis. The *Tea Rose-Rectanus* doctrine predicates geographically remote infringement on the junior user's state of mind.<sup>290</sup> But unlike with the likelihood of confusion tests, in which state of mind is an improperly heavy factor, application of the *Tea Rose-Rectanus* doctrine instead makes intent the *only* factor apart from simple geographic distance. Such complete reliance on state of mind renders the interests of consumers and senior users irrelevant<sup>291</sup> and thereby subverts the goals of trademark law.<sup>292</sup> The knowledge approach limits the pool of defendants to whom the *Tea Rose-Rectanus* defense is available and, as a result, allows for consideration of the question of likelihood of confusion in a greater number of remote-use cases.<sup>293</sup>

Furthermore, heavy reliance on a junior user's subjective intent increases the unpredictability and costs of trademark litigation.<sup>294</sup> A junior user's intent is usually not discernable until after commencement

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284. *Id.* (citing *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 258 (2d Cir. 1987); then citing *Am. Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F. 3d 321, 332 (5th Cir. 2008); and then citing *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004); and then citing *Eli Lilly & Co. v. Nat. Answers, Inc.*, 233 F.3d 456, 465 (7th Cir. 2000); and then citing *Rodeo Collection, Ltd. v. W. Seventh*, 812 F.2d 1215, 1219 (9th Cir. 1987)).

285. Casagrande, *supra* note 271, at 1455–68.

286. *See id.* at 1471–75.

287. *Id.* at 1472.

288. *Id.* at 1460.

289. *Id.* at 1472. *See also supra* Part II.A.2.

290. *See supra* Part III.A.1.

291. *See supra* Part III.A.1.

292. *See supra* Part II.A.2.

293. *See supra* Part III.A.2.

294. Casagrande, *supra* note 271, at 1469–71.

of a lawsuit and costly discovery.<sup>295</sup> This clouds the ability of potential litigants to make predictions prior to suit and, thus, decreases the opportunity for the parties to negotiate a resolution prior to incurring the extensive costs of litigation.<sup>296</sup> Parallel concerns follow for applying the intent approach rather than the knowledge approach in the territoriality context because the burden of showing intent is more onerous than the burden of showing knowledge.<sup>297</sup> Therefore, proving the intent required to defeat the *Tea Rose-Rectanus* defense could have costly ramifications for remote-use cases, similar to those associated with proving intent in a likelihood of confusion analysis.

The knowledge approach can alleviate pre-suit unpredictability in another way. Relying on a lack of knowledge as a defense may be a poor strategy; per Professor McCarthy, judges often “are not amused” by and can be reluctant to believe a junior user’s denial of knowledge.<sup>298</sup> It may be better, he argued, for a defendant to simply concede knowledge and argue that it is irrelevant because the contested marks are not likely to cause consumer confusion.<sup>299</sup> But when defendants can assert a lack of intent to infringe, there is no need to rely on such a shaky defense strategy. As such, the knowledge approach could increase pre-suit predictability; without the ability to argue their client’s lack of intent, a plaintiff may more readily predict that a savvy defense attorney would not assert the lack of knowledge required for the *Tea Rose-Rectanus* defense.

Casagrande, in arguing against the use of intent, ultimately concluded that courts should limit the consideration of intent to certain equitable issues.<sup>300</sup> The equitable concerns to which intent rightly applies include: (1) awards of disgorgement of profits attributable to infringement; (2) assertions of laches or acquiescence; (3) enhancements of damages awards; and (4) awards of attorney’s fees.<sup>301</sup> In these situations, the use of intent differs from its use in the likelihood of confusion test because each of these equitable matters are separate from the determination of liability.<sup>302</sup> Instead, they either excuse liability (such as with laches), or they determine the availability of a remedy (such as

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295. *Id.*

296. *Id.*

297. *Id.* See also *supra* Part III.A.2.

298. MCCARTHY, *supra* note 4, § 23:124 (cataloging examples of judges’ reactions to claims of lack of knowledge).

299. *Id.*

300. Casagrande, *supra* note 271, at 1472–73.

301. *Id.*

302. *Id.*

with disgorgement).<sup>303</sup> Similar to the likelihood of confusion test, the *Tea Rose-Rectanus* doctrine goes directly to the question of whether there is liability at all, rather than excusing liability.<sup>304</sup> Therefore, though the *Tea Rose-Rectanus* doctrine sounds in equity and defendants assert it as a defense to a claim of trademark infringement,<sup>305</sup> it does not warrant the same treatment of intent that is appropriate for other equitable matters.

## *2. The Likelihood of Confusion Test Provides Sufficient Protections of Junior Users' Interests*

Despite the clear irrelevance of intent to determinations of infringement,<sup>306</sup> the equitable nature of the *Tea Rose-Rectanus* doctrine requires courts to make some assessment of a defendant's state of mind to determine whether the doctrine should apply.<sup>307</sup> To balance the doctrine's call for equity with trademark law's goal of eliminating consumer confusion (rather than punishing an infringer's wrongdoing), courts should be careful not to overinflate the importance of state of mind when applying the doctrine.<sup>308</sup> Courts can achieve the proper balance between these competing interests by following the more restrictive knowledge approach to the doctrine.<sup>309</sup> Furthermore, the more permissive intent approach is not necessary to protect the equitable interests of a junior user. The following discussion will show how the likelihood of confusion test is sufficient to this end.

Hunziker argued that the knowledge approach unduly expands the rights of unregistered marks and, thus, allows the rights of a senior user to encroach upon those of a remote junior user.<sup>310</sup> However, contrary to this argument, a more restrictive application of the *Tea Rose-Rectanus* doctrine does not provide for the unlimited expansion of a senior user's rights. This is because the courts' current likelihood of confusion tests sufficiently consider the interests of junior users, even in instances of remote use.<sup>311</sup> At a base level, the likelihood of confusion tests are inherently neutral to the interests of the parties because they focus

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303. *Id.*

304. *See supra* Part II.B.1.

305. *See supra* Part II.B.1.

306. *See supra* Part III.B.1.

307. *See* 27A AM. JUR. 2D *Equity* § 19 (2020) (discussing the clean hands doctrine as a concept fundamental to equity).

308. *See supra* Part III.B.1.

309. *See supra* Part III.A.

310. *See* Hunziker, *supra* note 162, at 686–88.

311. *See* Levy, *supra* note 1, at 354–56. *See also supra* notes 70–73 and accompanying text for a discussion of the multifactor likelihood of confusion tests in general.

instead on the relevant consumers.<sup>312</sup> And embedded in the tests is the possibility of considering territorial concerns, thereby eliminating the need for a separate, permissive territoriality test to protect junior remote users.<sup>313</sup>

In his article, Levy discussed how the interaction between territoriality and the likelihood of confusion obviates the need for two separate liability tests.<sup>314</sup> The idea of confusion is inherent to the concept of trademark territoriality; a junior user's claim of territorial rights over a senior user is no different than a claim that there is no likelihood that the junior user's remote use would confuse consumers local to the senior user's territory.<sup>315</sup> Because the two claims are interchangeable, there is no need for two tests.<sup>316</sup> Moreover, the existence of two separate tests allows for contradictory results: where remote use satisfies the requirements of a territoriality test notwithstanding the likelihood of consumer confusion, the result is an illogical finding of no infringement.<sup>317</sup>

Levy argued that the likelihood of confusion tests adequately incorporate geographical distance into the analysis of trademark infringement.<sup>318</sup> First, three likelihood of confusion factors address the remoteness issue of the senior user's "zone of penetration."<sup>319</sup> The "marketing channels, advertising channels, and evidence of actual confusion" factors take into consideration "where the product is sold, advertised, and recognized by consumers," each of which are part of determining whether the senior user's products or reputation have penetrated the junior user's market.<sup>320</sup> Second, the "bridging the gap" factor is useful for analyzing the senior user's "zone of expansion"<sup>321</sup> and the potential for consumer awareness.<sup>322</sup> Despite its traditional reference

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312. See MCCARTHY, *supra* note 4, § 23:1. See also *supra* Part II.A.3.

313. See Levy, *supra* note 1, at 354–56.

314. *Id.*

315. *Id.* at 334.

316. *Id.* at 354–56.

317. *Id.* at 334 (“[B]ecause territorial rights are entirely premised on a lack of confusion, it is nonsensical to claim that consumers in an area are likely to confuse a senior and junior users’ marks, and also conclude that the senior user has no territorial rights there.”). See also *supra* Part III.A.1 for a discussion of the increased dangers of these contradictory results in modern times.

318. See Levy, *supra* note 1, at 354–56.

319. *Id.* A trademark’s “zone of penetration” refers to “all geographical regions where the mark is merely recognized, regardless of whether the mark holder has made actual use there.” *Id.* at 328–29.

320. *Id.* at 354–56.

321. See *supra* Part II.B.2.

322. See Levy, *supra* note 1, at 356.

to whether a senior user is likely to enter a new product market, “bridging the gap” can easily apply to geographic markets as well.<sup>323</sup>

Lastly, the knowledge approach is irrelevant to, and does not “punish” a junior user for, taking the important step of performing a search prior to adopting a trademark.<sup>324</sup> In addition to helping a business avoid the possibility of a court imposing enhanced damages for failing to perform a search,<sup>325</sup> a search can warn a business of the potential for a trademark conflict in the first instance and, thus, help avoid the possibility of costly litigation with potentially disastrous results.<sup>326</sup> Once a search has revealed a potential conflict, a business that nonetheless chooses to adopt the conflicting mark accepts the risk of realizing that potential conflict and its concomitant unpredictability and costs.<sup>327</sup> Requiring a showing of intent to defeat an assertion of the *Tea Rose-Rectanus* doctrine does nothing to mitigate that risk.

Perhaps more problematic, especially for businesses with plans to expand, is that even if a junior user is able to successfully assert the *Tea Rose-Rectanus* defense, it may nonetheless result in geographic restrictions on the junior user’s future use of the contested mark.<sup>328</sup> Therefore, even with the more permissive intent approach, the soundest strategy may be to simply select a different mark when a trademark search has revealed a potential conflict.

Given these considerations, the knowledge approach to the *Tea Rose-Rectanus* doctrine is the superior of the two approaches. For one, utilizing the more restrictive knowledge standard can reduce the instances of the territoriality test being determinative of infringement, and thus, it can reduce the instances of state of mind improperly deciding liability.<sup>329</sup> And by eliminating the requirement of making an onerous showing of intent, the knowledge approach, in turn, can reduce the unpredictability and expense of litigating remote use trademark

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323. *Id.* (“If one believes that territorial expansion ought to be accounted for, then courts need to only slightly alter the factor [so that it] can be used to look at future market expansion or geographic expansion.”).

324. See Timothy B. McCormack, *Trademarks for Everyone*, THE ADVOCATE (Idaho), Aug. 2008, at 31. See also *supra* Part II.C.2 for a discussion of Hunziker’s argument.

325. See Hunziker, *supra* note 162, at 693–94 (discussing the potential for a court to impose enhanced damages for failure to search); see also generally Shane E. Greenberg, *The Crucial Step of Performing a Full Trademark Search Prior to Use*, 4 INTELL. PROP. L. BULL. 15 (1999) (discussing early developments of a potential duty to search).

326. See McCormack, *supra* note 324 (warning of the ramifications of failing to perform a trademark search).

327. See Greenberg, *supra* note 325, at 16–17 (noting the importance of an attorney’s advice regarding the results of a trademark search); see also discussion *supra* Part III.B.1.

328. See *supra* Part II.B.1.

329. See discussion *supra* Part III.B.1.

contests.<sup>330</sup> The knowledge approach also frees courts to apply the more appropriate likelihood of confusion test in a greater number of remote-use trademark contests,<sup>331</sup> thereby reducing the number of instances of unjust or nonsensical results made possible by two separate tests of liability. Finally, courts do not need the intent approach to protect the interests of junior remote users because considerations for those interests, including geographic considerations, already exist in the likelihood of confusion tests.

#### IV. CONCLUSION

The world has undergone great changes since the early twentieth century. The century-old *Tea Rose-Rectanus* doctrine, however, has not, and it is now showing its age. The modern economy has eroded the doctrine's supporting assumptions and rationales, making it increasingly possible that the continued application of the doctrine will produce more and more inequitable or nonsensical results. Limiting the doctrine's application can alleviate these inequities until such time, if at all, that the Supreme Court revisits it.

Following the knowledge approach to the doctrine can provide that necessary limitation. By reducing the availability of the doctrine to trademark defendants, the knowledge approach allows courts more opportunities to simply rely on the more holistic likelihood of confusion analysis, which considers the interests of all stakeholders when determining infringement. And the knowledge approach reduces the instances in which infringement liability improperly depends upon the accused infringer's state of mind. Resultantly, applying the doctrine with the knowledge approach better balances the *Tea Rose-Rectanus* doctrine's equities between all parties in a trademark dispute, while simultaneously better meeting the goals of trademark law by protecting both businesses and consumers alike.

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330. See discussion *supra* Part III.B.1.

331. See *supra* Part III.A.2.