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The Tea Rose-Rectanus Doctrine's Good Faith Test

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THE TEA ROSE-RECTANUS DOCTRINE’S GOOD FAITH TEST

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I. INTRODUCTION

A trademark is a word, phrase, symbol, or design that is used to identify or distinguish the source of one party’s goods from the goods of another.¹ A trademark owner can have common law rights, federal registration rights, or both to a distinctive mark.² Both common law trademarks and federally registered trademarks afford an owner protectable, exclusive rights to the use of that mark.³ Namely, the owner of the trademark may prevent others from

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1. See ANNE G. LALONDE & JEROME GILSON, *GILSON ON TRADEMARKS* § 3.02[1] (2018).

2. *Id.*

3. See *id.* § 3.02[2]; see also *Taco Cabana Int’l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1119–20 (5th Cir. 1991) (explaining that a trademark must serve as a “symbol of origin” or as an indicator of source in order to be distinctive and protectable).

using its mark.⁴

While not required for ownership, federal registration creates additional rights for trademark owners.⁵ Owning a mark protects the owner from another user registering a confusingly similar mark or using the owners mark without permission.⁶ Federal registration not only prevents infringement before it happens, but also allows an owner to bring a claim to stop infringement if it does occur.⁷ However, ownership can also be acquired through common law, hence trademarks are widely regarded as creatures of the common law, with rights independent of registration.⁸

The Tea Rose-Rectanus doctrine is a common law trademark rule that establishes the geographic reach of trademark rights.⁹ Based on two seminal United States Supreme Court cases, *Hanover Star Milling Co. v. Metcalf*¹⁰ and *United Drug Co. v. Theodore Rectanus Company*,¹¹ this doctrine addresses two different types of users: first or senior users (“senior users”) and second, subsequent, or junior users (“junior users”).¹² It allows junior users of a trademark to continue using the mark if they are operating in good faith and are geographically remote from the senior user.¹³

The United States Supreme Court defined the primary function of a trademark in *Hanover Star Milling Co.* as “identify[ing] the origin or ownership of the article to which it is affixed;” so, if a junior user operates in a remote area, it is unlikely that consumers will be confused between the two users or will attribute ownership to the wrong user.¹⁴ Actual use of a

4. LALONDE & GILSON, *supra* note 1, § 3.02[2].

5. *Id.*

6. *Id.* § 3.02[3].

7. *See id.* § 3.02[2].

8. *See id.* § 3.02[1]; *see also* *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 334 (1938).

9. *See generally* *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9th Cir. 2017) (detailing how the Tea-Rose Rectanus doctrine came to be and explaining the reasoning behind this common law rule).

10. 240 U.S. 403 (1916).

11. 248 U.S. 90 (1918).

12. *See Stone Creek, Inc.*, 875 F.3d at 436.

13. *Id.* at 436–37 (noting that the Tea Rose-Rectanus doctrine is not automatically defeated by a senior user filing for federal trademark registration, even though federal registration presumably entitles a senior user to nationwide protection of that mark).

14. *Hanover Milling Co.*, 240 U.S. at 412; *see also United Drug Co.*, 248 U.S. at 100 (“The reason for the rule does not extend to [a mark] employed simultaneously . . . 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.”); *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088, 1097 (9th Cir. 2004) (explaining that a junior user’s consumers in sufficiently different locations are unlikely to know of the senior user).

specific mark in commerce is generally the only requirement to establish protectable common law trademark rights; therefore, the Tea Rose-Rectanus doctrine allows two different non-competitive users in two geographically diverse regions to establish rights to the same mark as long as the junior user is operating in good faith.¹⁵

Circuits have come to different conclusions regarding the determination of “good faith” in accordance with this doctrine.¹⁶ The main issue is whether mere knowledge of another’s use of a specific mark is enough to destroy good faith or if that knowledge is only part of a larger good faith test that must be accompanied by an intent to benefit from the reputation of the senior user.¹⁷ The Seventh, Eighth, and Ninth Circuits hold that any knowledge of a senior user’s mark must destroy good faith.¹⁸ The Fifth and Tenth Circuits, on the other hand, hold that knowledge is only one factor that informs good faith analysis.¹⁹ This Comment will analyze the split of the Seventh, Eighth, and Ninth Circuits versus the Fifth and Tenth Circuits on good faith analysis in the Tea Rose-Rectanus doctrine. This Comment will first focus on the creation of the Tea Rose-Rectanus doctrine and its application in various circuits, then analyze different approaches to this circuit split, and offer recommendations as to how knowledge factors into the good faith determinations.

15. See *Hanover Star Milling Co.*, 240 U.S. at 412; LALONDE & GILSON, *supra* note 1, § 3.02[1].

16. *Stone Creek, Inc.*, 875 F.3d at 437 (describing the longstanding circuit split on good faith determination in the Tea Rose-Rectanus doctrine).

17. *Id.*; see *Grupo Gigante S.A. de C.V.*, 391 F.3d at 1104 (“Seeking to attract customers does not constitute bad faith . . .”).

18. See, e.g., *Stone Creek, Inc.*, 875 F.3d at 438 (holding that a junior user’s knowledge of prior use defeats any claim of good faith as a defense to trademark infringement); *Nat’l Ass’n for Healthcare Commc’ns, Inc. v. Cent. Ark. Area Agency on Aging Inc.*, 257 F.3d 732, 735 (8th Cir. 2001) (applying the same approach as the 9th and 7th Circuits, stating that the junior user “adopted the [mark] in good faith, without knowledge of [the] prior use”); *Money Store v. Harris Corp. Fin., Inc.*, 689 F.2d 666, 674–75 (7th Cir. 1982) (holding that a junior user demonstrates good faith when it uses a trademark with no knowledge that anyone else is already using the same trademark, and therefore knowledge must be enough to preclude good faith).

19. See, e.g., *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) (citing *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 726 (5th Cir. 1954)) (stating that 5th Circuit precedent does not conform with the majority view, holding that knowledge of use also requires an “intent to benefit from the reputation or good will of the [senior user]” and that knowledge is not always inconsistent with good faith); *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990) (citing *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1485 (8th Cir. 1987)) (internal citations omitted) (“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.”).

II. TEA ROSE-RECTANUS DOCTRINE: CREATION AND APPLICATION

Both common law rights and federal registration rights make a mark distinctive and protectable.²⁰ These rights establish a senior user who has rights to the mark and may exercise those rights over any subsequent junior user.²¹ Registration is not necessary for ownership, but adds to common law rights based on an intent to use the mark in interstate commerce.²² Actual use identifying a good's source distinguishes it from similar goods and is generally the only basis for ownership under common law.²³

The Tea Rose-Rectanus doctrine, sometimes simply referred to as "innocent local use," is a rule controlling common law ownership and actual use of the same trademark by different senior and junior users as long as they are geographically diverse from each other.²⁴ Generally, the first senior party to use a specific trademark has rights to that mark over any subsequent, junior user of that mark, or any trademark that is confusingly similar to that mark.²⁵ Courts have applied a multi-factor test to determine if the Tea Rose-Rectanus doctrine applies: a junior user has priority for the trademark if he uses the mark in (1) good faith; (2) a distinct geographic territory that is remote from the territory where the senior user is using the mark; and (3) a territory where the junior user of the mark will not be easily confused with the senior user of the mark.²⁶

A senior user has priority of use in the specific geographic area in which it operates, but that does not necessarily mean that it also has priority of use in other areas.²⁷ The Ninth Circuit best explained this scope:

20. See *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1119–20 (5th Cir. 1991).

21. See *Stone Creek, Inc.*, 875 F.3d at 436–37.

22. See *LALONDE & GILSON*, *supra* note 1, § 3.02[3].

23. *Id.* § 3.02[3][iv][D] (citing *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)) ("The right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his . . . [o]wnership of a trademark in the United States is quite simply based on actual use of that mark in United States commerce.").

24. See *Stone Creek, Inc.*, 875 F.3d at 436 ("[C]ommon-law trademark rights extend only to the territory where a mark is known and recognized, so a later [junior] user may sometimes acquire rights in pockets geographically remote from the first [senior] user's territory.").

25. *LALONDE & GILSON*, *supra* note 1, § 3.02[3][c][v].

26. *Id.*; see *Stone Creek, Inc.*, 875 F.3d at 436.

27. See *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088, 1096 (9th Cir. 2004); see also *Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 271 (4th Cir. 2003) (explaining that the "good-faith remote user defense" is an exception to the common law rule that a senior user has superior rights to its mark over any other user).

Under this rule, already established common law rights are carved out of the registrant's scope of protection. In other words, the geographic scope of the senior user's rights in a registered trademark looks like Swiss cheese: it stretches throughout the United States with holes cut out where others acquired common-law rights prior to the registration.²⁸

This Swiss cheese analogy is easy to visualize when discussing how a user could develop a trademark that is either identical to, or confusingly similar to, another trademark already in use in a completely remote location.²⁹ If the geographic location of the junior user is sufficiently distinct and remote from the location of the senior user, it is possible the junior user has no knowledge of the senior user.³⁰ Circuits differ as to how much weight this knowledge has and whether it should preclude good faith.³¹

Much of the Tea Rose-Rectanus doctrine is codified in the Lanham Act, the federal statute governing trademarks and service marks.³² It defines a trademark as a word, logo, or other device that identifies the source of a product and distinguishes it from competitors.³³ If a trademark is considered valid and protectable, infringement occurs when another's use can cause confusion or mistake, or deceive consumers.³⁴

The Lanham Act only discusses federal trademark registration but is still used to protect unregistered marks.³⁵ In *Two Pesos, Inc. v. Taco Cabana, Inc.*,³⁶ the United States Supreme Court stated that the same principles

28. *Stone Creek, Inc.*, 875 F.3d at 436 (citations omitted).

29. See *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 (1988) (Brennan, J., concurring in part and dissenting in part); see also *Stone Creek, Inc.*, 875 F.3d at 436 (citing 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:31 (4th ed. 2017)).

30. See *K Mart Corp.*, 486 U.S. at 314–15 (Brennan, J., concurring in part and dissenting in part); *Stone Creek, Inc.*, 875 F.3d at 436 (“Under this rule, already-established common-law rights are carved out of the registrant’s scope of protection.”). But see *Stone Creek, Inc.*, 875 F.3d at 433–34 (explaining that two parties operating in different geographical areas may still sell goods in converging market channels, evidenced by Stone Creek using its website to participate in a market outside of its specific geographic area).

31. *Stone Creek, Inc.*, 875 F.3d at 437 (describing the longstanding circuit split on good faith determination).

32. See generally Lanham Act (Trademark Act of 1946), 15 U.S.C. § 1051 (2018) (codifying an owner’s trademark rights).

33. *Id.* § 1127.

34. See *id.* § 1125(a).

35. See LALONDE & GILSON, *supra* note 1, § 3.02[1][ii]; see also 15 U.S.C. § 1125(a) (prohibiting use in commerce of “any word, term, name, symbol, or device . . . [that] is likely to cause confusion . . . 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.”).

36. 505 U.S. 763 (1992).

qualifying a mark for registration apply when deciding whether an unregistered mark is protected by common law.³⁷

Specific sections of the Lanham Act make it clear that a junior user's knowledge of a senior user is the most important part of a good faith determination.³⁸ For instance, Section 1115 requires a junior user's mark to be "adopted *without knowledge* of the registrant's prior use," meaning that the Tea Rose-Rectanus doctrine applies based on knowledge.³⁹

Similarly, Section 1057 states that federal registration of a mark is evidence of ownership and grants the right to use that mark in commerce.⁴⁰ Later users are assumed to have knowledge of a mark that has been federally registered because a listing on the federal register serves as constructive notice to any junior user of a mark.⁴¹ Being listed on the federal register is constructive notice that confers "a right of priority, nationwide in effect . . . against any other [user]."⁴²

a. Creating the Tea Rose-Rectanus Doctrine

One of the seminal United States Supreme Court cases that established the Tea Rose-Rectanus doctrine is *Hanover Star Milling Co.*, which is widely known as the Tea Rose case.⁴³ Hanover Star Milling Company ("Hanover Star"), an Illinois flour manufacturer, brought this action to stop another

37. *Id.* at 768 ("[I]t is common ground that § 43(a) [§ 1125 of the Lanham Act] protects unregistered trademarks and that the general principles qualifying a mark for registration . . . are for the most part applicable in determining whether an unregistered mark is entitled to protection . . ."). *But see* LALONDE & GILSON, *supra* note 1, § 3.02[2][a][i] (stating that the definition of trademarks from § 1127 does not strictly apply to every case, since the Lanham Act does not specifically refer to unregistered marks as such).

38. *See* Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 439 (9th Cir. 2017).

39. *Id.* (citing Lanham Act, 15 U.S.C. § 1115(b)(5)).

40. *Id.* (citing Lanham Act, 15 U.S.C. § 1057(b)) ("A certificate of registration of a mark . . . shall be prima facie evidence of the validity . . . of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark.").

41. *Id.* (citing Lanham Act, 15 U.S.C. §§ 1057(c), 1072) ("Registration of a mark on the principal register . . . shall be constructive notice of the registrant's claim of ownership."); *see also* Value House v. Phillips Mercantile Co., 523 F.2d 424, 429 (10th Cir. 1975) ("[T]he constructive notice provision of § 1702 has eliminated the defense of a subsequent user that he had adopted the mark in his area in good faith and with lack of knowledge.").

42. Lanham Act, 15 U.S.C. § 1057(c).

43. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 403, 406–08 (1916) (explaining that the same parties had two separate cases in different circuits with the same facts but with different outcomes, which prompted the United States Supreme Court to hear the cases together and address both in one opinion).

manufacturer from selling flour under the name “Tea Rose.”⁴⁴ Hanover Star had been selling under this name for over twenty-seven years and had associated distinctive markings with the Tea Rose brand.⁴⁵ This brand was well known as the only flour advertised and sold under this name in Alabama, Georgia, and Florida; therefore, the reputation of Hanover Star was strongly tied to the reputation of Tea Rose flour.⁴⁶

Another flour manufacturer based out of Ohio, the Allen & Wheeler Company (“Allen & Wheeler”), had also adopted the words “Tea Rose” as a trademark as early as 1872 and was using markings very similar to Hanover Star’s markings.⁴⁷ These were also used in Allen & Wheeler’s advertising, but the company could not show which markets it regularly reached.⁴⁸ Allen & Wheeler could not prove the time, place, or circumstances that it used the markings in advertisements in Alabama or any surrounding states but could definitively prove that it did not actually sell any flour in these areas.⁴⁹

Hanover Star, however, showed that it independently began using the name “Tea Rose” for its flour in Alabama, Mississippi, Georgia, and Florida in 1885.⁵⁰ Hanover Star adopted this mark in good faith and without knowledge or notice that Allen & Wheeler was also using the mark, and the parties could not show that there was any competition between their products.⁵¹

In this case, the U.S. Supreme Court explained that if the junior user uses the same mark on similar goods, it implies that its goods are of the senior user’s production.⁵² Consumers might be confused into buying from the junior user while believing they are buying from the senior user, causing the junior user to benefit from the senior user’s reputation and consumer base

44. *Id.* at 406–07.

45. *Id.* at 406 (stating that Hanover Star began using the mark in 1885 and describing the distinctive markings as the words “Tea Rose” printed with three roses on various sacks and barrels).

46. *Id.* (describing the different ways in which the distinct mark was used throughout these states); *see also id.* at 410 (stating that Hanover Star was widely known in the area as the “Tea Rose company” and its mill was widely known as the “Tea Rose mill”); LALONDE & GILSON, *supra* note 1, § 3.02[2][c][iv] (explaining that a junior user’s innocent remote use argument will lose credibility if a mark is well known and already associated with the senior user).

47. *Hanover Star Milling Co.*, 240 U.S. at 406–07.

48. *Id.* at 409 (explaining that Allen & Wheeler only sold 75 barrels in Cincinnati, 100 barrels in Pittsburgh, and 100 barrels in Boston in the 1870’s).

49. *Id.* at 409.

50. *Id.* at 410.

51. *Id.* (explaining that there was never proof of competition between the parties because neither party advertised or sold its flour in the same territory).

52. *Id.* at 412.

while also depriving the senior user of profits to which it was originally entitled.⁵³ This creates unfair competition based on trademark infringement.⁵⁴

The Court decided that if the two users are competing in the same market and if there is a high risk of confusion, the prior application decides who is the rightful user, but this does not apply if there is no overlap in competing markets.⁵⁵ In this case, the defendants were using the mark in a completely different region and did not know of the plaintiffs' prior use.⁵⁶ Because of this, the defendants could not unfairly benefit from the plaintiffs' reputation and must have been acting in good faith.⁵⁷ This case created the first and most debated prong of the Tea Rose-Rectanus doctrine: the requirement that a junior user's trademark rights rely upon good faith usage.⁵⁸

The other seminal United States Supreme Court case of the Tea Rose-Rectanus doctrine is *United Drug Co. v. Theodore Rectanus Co.*⁵⁹ This case involves a Massachusetts woman, Ellen M. Regis, who began manufacturing and selling a medicine called "Rex" in 1877, then registered a trademark for it in 1898 and sold her product throughout New England.⁶⁰ United Drug Company ("United Drug") then bought the trademark rights from Regis and began manufacturing and selling the drugs in its chain of drug stores, "Rexall remedies."⁶¹ United Drug began selling this drug in its four stores in Louisville, Kentucky, in 1911.⁶²

In 1883, meanwhile, a Kentucky man represented by Theodore Rectanus Company ("Rectanus") began selling a different drug — also called "Rex"

53. *Id.* (clarifying that courts allow for redress in cases of trademark infringement because parties have a valuable interest in the good will of their business and adopt trademarks in order to maintain or extend that good will).

54. *Id.* at 413 (citing to *Elgin Watch Co. v. Ill. Watch Co.*, 179 U.S. 665, 674 (1900)) (stating that business's strong reliance on good will causes common law trademark cases to be considered a part of the broader field of unfair competition law); see LALONDE & GILSON, *supra* note 1, § 3.02[3][a][ii] (explaining that while the Lanham Act does not give requirements for unregistered trademarks to be valid, they are still protected under law).

55. *Hanover Star Milling Co.*, 240 U.S. at 415 (citing *Columbia Mill Co. v. Alcorn*, 150 U.S. 460, 464 (1893)).

56. *Id.* at 409–11.

57. See *id.* at 410–11 (considering that the defendant and the plaintiff were selling in different regions).

58. See LALONDE & GILSON, *supra* note 1, § 3.02 [3][c][v].

59. 248 U.S. 90 (1918).

60. *Id.* at 94 (describing that the name "Rex" was used on boxes, packaging, and advertising in regular use of a common law mark).

61. *Id.*

62. *Id.*

— throughout the Louisville area.⁶³ Before United Drug's 1912 expansion, neither company knew of the other's use of the mark.⁶⁴

When United Drug sued Rectanus for trademark infringement and unfair competition, the United States Supreme Court held that a trademark owner cannot have territorial rights for a mark where the owner does not do business.⁶⁵ If the mark is being used in good faith in a completely different geographic area, the senior user does not automatically have ownership rights in that area if it does not conduct business there.⁶⁶ Even though United Drug owned the mark first, Rectanus developed and began using the mark in good faith, with no knowledge of the other user.⁶⁷ United Drug primarily used the mark in New England and later expanded into Kentucky, while Rectanus used the mark independently in Kentucky for some time.⁶⁸ Therefore, Rectanus was allowed to keep using the mark in good faith.⁶⁹ This case established the second and third prongs of the Tea Rose-Rectanus doctrine, which differentiate a junior user's distinct and remote geographic territory from the territory where the senior user is using the mark.⁷⁰

b. Circuits A: Seventh, Eighth, and Ninth Circuits

The Seventh, Eighth, and Ninth Circuits, on one side of the Tea Rose-Rectanus doctrine's circuit split, all hold that simple knowledge of another's use of a trademark is enough to preclude good faith.⁷¹ These circuits believe that a junior user with knowledge of a senior user's mark could not

63. *Id.* (explaining briefly that the two medicines in question had different purposes: United Drug's Rex treated dyspepsia, while Rectanus's Rex was considered a blood purifier).

64. *See id.* at 94–95 (explaining that Rectanus spent a considerable amount building its brand in Louisville and the surrounding areas, “so that — except for [United Drug's] prior adoption of the word in Massachusetts, of which he was entirely ignorant — [Rectanus] was entitled to use the word as [its] trademark.”).

65. *Id.* at 95–96 (stating that this action was based on allegations of unfair competition, justified only by trademark infringement); *id.* at 97–98 (“The owner of a trademark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly.”) (citations omitted).

66. *Id.*

67. *Id.* at 98–100.

68. *See id.* at 98–99.

69. *Id.* at 100.

70. *Id.* at 101.

71. *See, e.g.,* *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 438 (9th Cir. 2017); *Nat'l Ass'n for Healthcare Commc'ns, Inc. v. Cent. Ark. Area Agency on Aging Inc.*, 257 F.3d 732, 735 (8th Cir. 2001); *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 674–75 (7th Cir. 1982).

coincidentally choose the same mark.⁷² The junior user must be aware that its actions negatively impact the senior user, since the junior user is knowingly, if not intentionally, capitalizing on the senior user's goodwill and potentially blocking the senior user from expanding its business into a new area.⁷³ These circuits state that simple knowledge, without any additional proof of intent, is enough to show that the junior user has acted in bad faith.⁷⁴

A 2017 Ninth Circuit case, *Stone Creek, Inc. v. Omnia Italian Design, Inc.*,⁷⁵ is the most recent case holding that knowledge is enough to preclude good faith.⁷⁶ Omnia Italian Design, Inc. ("Omnia") was a leather furniture manufacturer that admitted to infringing on a trademark owned by its ex-business partner, Stone Creek, Inc. ("Stone Creek").⁷⁷ Stone Creek was also a manufacturer that sold furniture through five showrooms in Phoenix, Arizona.⁷⁸ In 1990, Stone Creek created and started using its own logo, which it trademarked in 1992, but did not federally register until 2012.⁷⁹

Omnia and Stone Creek became business partners in 2003, working under an agreement that Omnia would manufacture furniture branded with the Stone Creek mark and Stone Creek would then sell that furniture.⁸⁰ Omnia's unauthorized use was mainly on furniture manufactured for Bon-Ton Stores, Inc. ("Bon-Ton"), which sold Omnia's Stone Creek-labeled furniture to consumers throughout the Midwest.⁸¹ Bon-Ton wanted to make Omnia its only leather furniture supplier but asked Omnia to design a label that sounded "more American."⁸² When Bon-Ton chose the label "Stone Creek," Omnia recreated Stone Creek's logo directly from its company materials and used the mark on many different internal supplies.⁸³ Omnia also designed

72. *Stone Creek, Inc.*, 875 F.3d at 439 (citing MCCARTHY, *supra* note 29, § 26.12).

73. *Id.* ("[A] user like Omnia knows that its actions come directly at the expense of the senior user, potentially blocking the senior user from entering into the new market . . . the junior user acted in bad faith, which 'serves as evidence that the senior user's mark, at least in reputation, has extended to the new area.'") (citing *Developments in the Law Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 859 (1955) and MCCARTHY, *supra* note 29, § 26.12).

74. *See id.*

75. 875 F.3d 426 (9th Cir. 2017).

76. *Id.* at 439.

77. *Id.* at 429.

78. *Id.*

79. *Id.* at 430 (stating that it waited twenty years to register its trademark and describing the mark as "a red oval circling the words 'Stone Creek' for various types of furniture").

80. *Id.*

81. *Id.* at 430.

82. *Id.*

83. *Id.*

warranty cards with the Stone Creek mark and used these items to sell furniture in Bon-Ton's galleries and online.⁸⁴ During this time, Stone Creek applied for, and received, a federal trademark registration.⁸⁵

The Ninth Circuit held that because Omnia clearly knew that the mark belonged to Stone Creek and continued to use it, Omnia was not acting in good faith and could not invoke the Tea Rose-Rectanus doctrine as a defense.⁸⁶ The Ninth Circuit argued that joining the Seventh and Eighth Circuits in this split was the more appropriate holding, as it created a knowledge standard that better conforms with the statutory language in the Lanham Act.⁸⁷ The Ninth Circuit also held that the Tea Rose-Rectanus doctrine did not apply because Omnia was a "non-innocent remote user who acquired no common law trademark rights."⁸⁸ Omnia even admitted that it adopted Stone Creek's trademark when it had indisputable knowledge of Stone Creek's use of the mark, confirming that Omnia was not operating in good faith under the Seventh and Eighth Circuits' rationale.⁸⁹

c. Circuits B: Fifth and Tenth Circuits

The other perspective on this circuit split is that of the Fifth and Tenth Circuits, which hold that knowledge is simply one element informing good faith, rather than an element that automatically excludes good faith.⁹⁰ These circuits recognize that a junior user's knowledge of another senior user's mark can undoubtedly support a finding of bad faith.⁹¹ However, the circuits held that knowledge should not prevent further inquiry into whether the junior user acted in bad faith with the intent to benefit from the reputation or goodwill of the senior user.⁹²

The more recent of these cases, *C.P. Interests, Inc. v. California Pools*,

84. *Id.* at 430–31.

85. *Id.* at 430.

86. *Id.* at 438 (citing *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 (1988)) (holding that knowledge of prior use defeats any claim of good faith).

87. *Id.* at 439.

88. *Id.*

89. *Id.*

90. See, e.g., *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) ("[M]ere knowledge of defendant's use of the mark does not defeat good faith, though it is a factor you may consider . . ."); *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990).

91. *GTE Corp.*, 904 F.2d at 541 (holding that knowledge of a mark and intent to compete with that mark is not equivalent to the intent to mislead or confuse consumers); see also *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 726 (5th Cir. 1954) (noting that knowingly using another's mark does not necessarily equate to bad faith).

92. See *GTE Corp.*, 904 F.2d at 541 ("[M]ere knowledge should not foreclose further inquiry."); *El Chico, Inc.*, 214 F.2d at 726.

Inc.,⁹³ held in 2001 that mere knowledge of the senior user's mark does not defeat good faith but may be considered an important factor in determining good faith.⁹⁴ This case involved a senior user, California Pools, which was established and began using the mark "California Pools" in 1952, and a junior user, C.P. Interests, which began using the mark "California Pool Repair & Service Company" in 1961.⁹⁵ C.P. Interests was a Texas corporation that primarily worked in pool service and repair, while California Pools was a California corporation that primarily worked in pool and spa construction.⁹⁶ California Pools was interested in expanding to Houston, Texas, in 1997, at which time it discovered that C.P. Interests had been independently using the same name.⁹⁷

California Pools informed C.P. Interests of its intent to expand into the Houston market, requesting that C.P. Interests stop using the mark.⁹⁸ The court, however, held that C.P. Interests was a remote junior user of the mark and had attained the right to use it.⁹⁹ In contrast with the Seventh, Eighth, and Ninth Circuits, the Fifth Circuit justified this holding by stating that knowledge is not the only important consideration.¹⁰⁰ The Fifth Circuit refused to join the majority view, arguing that good faith determination should be done through a two-factor test, with knowledge of use and intent to benefit going hand in hand.¹⁰¹

Similarly, *GTE Corp. v. Williams*¹⁰² is a 1990 Tenth Circuit case involving a senior user, General Telephone Corporation ("GTE"), formed in 1935 and a junior user, David Williams, who formed "General Telephone" in 1974.¹⁰³ GTE received federal registration in 1982 and then brought this suit, but the court found Williams was a good faith junior user.¹⁰⁴ Williams was granted

93. 238 F.3d at 690.

94. *Id.* at 700 (explaining the concept of good faith and defining the doctrine as when "a senior user has exclusive rights to a distinctive mark anywhere it was known prior to the adoption of the junior user and has enforceable rights against any junior user who adopted the mark with knowledge of its senior use." (citing *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 295 n.4 (3d Cir. 1986)).

95. *Id.* at 692.

96. *Id.*

97. *Id.*

98. *Id.*

99. *Id.* at 692, 702.

100. *Id.* at 700.

101. *Id.* at 700–01 (citing *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 726 (5th Cir. 1954)).

102. 904 F.2d 536 (10th Cir. 1990).

103. *Id.* at 537.

104. *Id.* at 537, 542.

exclusive use in the Utah region where he operated.¹⁰⁵

The Circuit also determined that Williams did not have enough knowledge that GTE or any other entity used the name “General Telephone” as a trademark, despite admitting to having once heard of a company called “General Telephone and Electronics of California.”¹⁰⁶ GTE argued that any level of knowledge should, by itself, defeat a good faith claim, but the Tenth Circuit held that even though a junior user’s adoption of a trademark with knowledge strongly supports a finding of bad faith, knowledge still should not take away from the ultimate focus of intent to benefit.¹⁰⁷ In this case, the Tenth Circuit determined that though Williams had briefly heard of GTE, he never intended to benefit from GTE’s reputation or goodwill and was a good faith junior user.¹⁰⁸

III. ANALYZING THE DIFFERENT CIRCUITS’ APPROACHES TO THE SPLIT

The Tea Rose-Rectanus doctrine allows a junior user to have priority for a trademark over the senior user in a certain territory, as long as he uses that mark in “good faith,” the territory is remote from the senior user, and consumers would not easily confuse the two users.¹⁰⁹ Good faith is the most important and also most disputed prong of this test, since a user operating in bad faith is dispositive to a Tea Rose-Rectanus doctrine defense.¹¹⁰

The main issue on which the circuits disagree is whether simple knowledge of a senior user’s earlier use of a trademark can preclude a junior user’s good faith or if good faith must be determined through a two-factor test: knowledge of a senior user’s mark accompanied by a junior user’s intent to benefit from the reputation or goodwill of that user.¹¹¹ Circuits A

105. *Id.* at 538–39 (citing 15 U.S.C. §§ 33(b)(5), 1115(b)(5) (2012)) (justifying that Williams clearly lacked intent to confuse consumers or benefit from GTE’s reputation in Wasatch Front, Utah).

106. *Id.* at 541–42.

107. *Id.* (citing *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1485 (10th Cir. 1987)); see *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 627 (8th Cir. 1987); *Money Store v. Harris Corp. Fin., Inc.*, 689 F.2d 666, 674–75 (7th Cir. 1982) (conceding that knowledge can preclude good faith, but still holding that intent to benefit is more important).

108. *GTE Corp. v. Williams*, 904 F.2d 536, 541–42 (10th Cir. 1990).

109. LALONDE & GILSON, *supra* note 1, § 3.02[3][c][v] (articulating the Tea Rose-Rectanus doctrine’s multifactor test and emphasizing that the Lanham Act does not allow senior users to obtain injunctions against good faith junior users who are operating in good faith and in a geographically remote territory).

110. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 436 (9th Cir. 2017) (explaining that the reasoning of this case focuses mainly on good faith use, as a lack of good faith should always be dispositive in any trademark infringement case).

111. See *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) (citing *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 726 (5th Cir. 1954)); *GTE Corp.*,

(the Seventh, Eighth, and Ninth Circuits) hold that a junior user's knowledge of a senior user's previous use of a trademark automatically precludes good faith, therefore preventing the junior user from invoking the Tea Rose-Rectanus doctrine as a defense in an infringement case.¹¹² Circuits B (the Fifth and Tenth Circuits), on the other hand, have ruled that knowledge is only one element of many that can be used to determine whether a junior user is acting in good faith, rather than something that can automatically exclude good faith.¹¹³ Both groups of circuits specifically state that very similar or easily interchangeable trademarks can still be used by a junior user who has knowledge of the senior user's use without any real infringement on the senior user's mark if there is no actual confusion and no intent to deceive consumers or benefit from the reputation and goodwill of another user.¹¹⁴

a. Applying United States Supreme Court Precedent

In their various opinions, Circuits A regularly examined the Tea Rose-Rectanus doctrine's origin cases to justify why knowledge alone is enough

904 F.2d at 541 (citing *General Mills, Inc.*, 824 F.2d at 627). See generally *Stone Creek, Inc.*, 875 F.3d at 437 (providing a brief summary of the perspectives of each side of this longstanding circuit split).

112. Nat'l Ass'n for Healthcare Commc'ns v. Cent. Ark. Area Agency on Aging, Inc., 257 F.3d 732, 735 (8th Cir. 2001) (determining that junior users adopting a trademark in good faith must have done so without knowledge of prior use); *Money Store*, 689 F.2d at 674-75 (ruling that a junior user can only be operating in good faith if it uses a mark with no prior knowledge that any other party is already using the same or a confusingly similar mark); see, e.g., *Stone Creek, Inc.*, 875 F.3d at 439 (holding that any knowledge of prior use must defeat a claim of good faith, as users cannot coincidentally use a confusingly similar mark while knowing that someone is using the same).

113. *GTE Corp.*, 904 F.2d at 541 (emphasizing the importance of focusing on the intent to benefit from the good will or reputation of the senior user, rather than utilizing knowledge of use as an automatic inference of bad faith when using the Tea Rose-Rectanus doctrine as a defense against trademark infringement); see, e.g., *C.P. Interests, Inc.*, 238 F.3d at 700 (refusing to agree with the view of the majority of circuits, instead ruling that knowledge is not always inconsistent with good faith and must be accompanied by an intent to benefit from confusion with the senior user, along with any other relevant factors).

114. See *GTE Corp.*, 904 F.2d at 541 (explaining that knowledge of prior use can support an inference of bad faith) (citing *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1485 (10th Cir. 1987) and *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 927 (10th Cir. 1986)); see also *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 627 (8th Cir. 1987) (explaining that knowledge and intent to compete with the product of another user are not the same as an intent to "mislead and to cause consumer confusion"); *El Chico, Inc. v. El Chico Cade*, 214 F.2d 721, 726 (5th Cir. 1954) (explaining the minimal importance of a junior user's knowledge of another previous use of the same mark, while emphasizing the significance of intent).

to exclude a good faith claim.¹¹⁵ In *Hanover Star Milling Co.* (the “Tea Rose” case), neither the junior nor the senior user had any knowledge of the other using the same mark in another location, so the Court determined that the users could not have any intent to benefit from the other.¹¹⁶ In accordance with the reasoning in this case, any examination into intent would be inconsequential in determining good faith.¹¹⁷

Similarly, in *C.P. Interests, Inc.*, the Fifth Circuit argued that knowledge is only one factor in the larger good faith inquiry.¹¹⁸ However, when applying the reasoning from *Hanover Star Milling Co.* to the Fifth Circuit’s holding, it is clear that knowledge is the only factor that should be of any importance.¹¹⁹ In both cases, the junior and senior users were using the confusingly similar trademarks in different markets and in completely different geographic locations.¹²⁰ Each junior user also did not have any knowledge of each senior user’s previous use in either case, and the junior user was allowed to continue using the mark in both.¹²¹ Because of these similarities, the holding of *C.P. Interests, Inc.* seems to conform with the holding of *Hanover Star Milling Co.*, but the reasoning is completely different.¹²² The Fifth Circuit justifies allowing a junior user’s knowledge by stating that intent to benefit from another user’s reputation, rather than any general knowledge of another’s use, must always be the most important factor when making a good faith determination.¹²³

115. See *Stone Creek, Inc.*, 875 F.3d at 437.

116. *Id.* (recounting the Supreme Court’s reasoning in *Hanover Star*).

117. *Id.* at 437–38.

118. *C.P. Interests, Inc.*, 238 F.3d at 700.

119. Compare *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916) (reasoning that because the junior user had no knowledge of the senior user, the junior user did not commit trademark infringement), with *C.P. Interests, Inc.*, 238 F.3d at 700–01 (noting that both cases have similar facts as to knowledge and intent, with the senior and junior users in each case independently establishing common law rights to confusingly similar marks at different times and in different geographic territories).

120. See *Hanover Star Milling Co.*, 240 U.S. at 409–10; *C.P. Interests, Inc.*, 238 F.2d at 700–01 (noting that both cases come to the same conclusion of allowing each respective junior user to continue using the mark in good faith, but with two different reasonings for doing so).

121. *C.P. Interests, Inc.*, 238 F.3d at 700 (acknowledging that California Pools’s contention that many courts have held that knowledge of use is enough to defeat a good faith claim is correct, but the 5th Circuit’s past precedent specifically states that knowledge is not dispositive and that any good faith examination must consider multiple relevant factors).

122. See *id.* at 700.

123. *Id.* (citing *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 726 (5th Cir. 1954)) (stating that a junior user’s knowledge is only one factor in a comprehensive good faith determination).

However, the Supreme Court emphasizes in *Hanover Star Milling Co.* that knowledge, rather than intent, is the only meaningful factor for determining good faith by repeatedly using the phrases “good faith” and “with no knowledge or notice” together throughout the opinion.¹²⁴ The Court first mentions this connection by saying that the trademark was “adopted and used *in good faith without knowledge or notice* that the name ‘Tea Rose’ had been adopted or used [by another]”¹²⁵ The Court then continues to assert that Hanover Star was not infringing on the mark, stating that it had “adopted ‘Tea Rose’ as its mark *in perfect good faith, with no knowledge* that anybody else was using or had used those words in such a connection”¹²⁶ The Court also points out that a junior user is acting in bad faith where it “acts fraudulently or *with knowledge of* [the senior user’s] rights”¹²⁷

This phrasing is also prevalent throughout *United Drug Co.*, clearly connecting a lack of knowledge with good faith and stating that knowledge of a senior user’s mark implies bad faith.¹²⁸ By strictly applying the use of these terms and the holdings of both United States Supreme Court cases to *C.P. Interests*, it is clear that lacking knowledge of a senior user’s mark is equivalent to operating in good faith.¹²⁹ This also implies that intent to benefit is not highly determinative of good faith.¹³⁰

When reexamining *GTE Corp.* with this same analysis from *Hanover Star Milling Co.* and *United Drug Co.*, it is easy to see that this case should have come out completely different.¹³¹ The facts in *GTE Corp.* differ from the facts in *Hanover Star Milling Co.* and *C.P. Interests, Inc.* because Williams,

124. See *Hanover Star Milling Co.*, 240 U.S. at 410–20 (lacking any mention of intent to benefit).

125. *Id.* at 410 (emphasis added).

126. *Id.* at 412 (emphasis added).

127. *Id.* at 419 (emphasis added).

128. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 96, 103 (1918) (describing the companies’ uses of the trademarking as occurring “in perfect good faith, neither side having any knowledge or notice of what was being done by the other.”).

129. See *id.* at 95, 101, 103–04 (deciding that Rectanus did not have any knowledge of United Drug Company’s prior use of the “Rex” mark and thus was operating in good faith); see also *Hanover Star Milling Co.*, 240 U.S. at 410, 419 (discussing whether Hanover Star had knowledge of another’s use of the “Tea Rose” mark and determining that it did not, so it was operating in good faith and could continue using the mark).

130. See *United Drug Co.*, 248 U.S. at 101; *Hanover Star Milling Co.*, 240 U.S. at 412.

131. Compare *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990) (citing *Value House v. Phillips Mercantile Co.*, 523 F.2d 424, 431 (10th Cir. 1975)) (describing Williams as good faith user despite him admitting to having knowledge of the senior user’s mark), with *Hanover Star Milling Co.*, 240 U.S. at 409 (noting that Hanover Star was a good faith user because of the lack of knowledge).

the junior user, had actual and constructive knowledge that a senior user, GTE, was using a confusingly similar mark.¹³² The Tenth Circuit decided that GTE could not make a valid infringement claim without showing that Williams using this mark “was likely to cause consumer confusion in the market.”¹³³ The Circuit also decided that Williams adopted the mark in good faith regardless of the fact that he had actual knowledge of another user with an almost identical mark because he “did not select the mark for the purpose of benefiting from [the senior user’s] reputation and goodwill.”¹³⁴ However, applying the analysis from *Hanover Star Milling Co.* to this case, Williams should automatically be considered a bad faith user because of his knowledge that someone else, though he was not sure who, was using the same mark.¹³⁵ Similarly, applying the analysis from *United Drug Co.* to this case, Williams could not be in perfect good faith because he had “knowledge or notice of what was being done by the [senior user].”¹³⁶ Having any knowledge or notice must automatically make Williams a bad faith user.¹³⁷

The Fifth and Tenth Circuits, just like those of Circuits A, also discuss the Supreme Court’s reasoning in *Hanover Star Milling Co.* in deciding what constitutes good faith.¹³⁸ Through this analysis, the Circuits determined that if two users are independently using the same mark in good faith, a court does not need to determine if one user had knowledge of the other user’s use.¹³⁹ Circuits A focused on the strong relationship between good faith and

132. See *Hanover Star Milling Co.*, 240 U.S. at 409 (concluding that Hanover did not have actual or constructive knowledge); *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 692 (5th Cir. 2001) (highlighting that C.P. Interests only learned of California Pools, Inc. when California Pools requested that C.P. Interests stop using the name); *GTE Corp.*, 904 F.2d at 541 (admitting that Williams had knowledge of the senior user).

133. See *GTE Corp.*, 904 F.2d at 539 (explaining that even if the court assumed GTE had obtained a nationally valid registered trademark, GTE could not win any infringement litigation without proving that Williams’, or any other junior user’s, use of that mark would cause significant confusion for consumers); see also Lanham Act, 15 U.S.C. § 1114(1) (2012) (stating that a junior user is liable in a civil action if its use of a trademark is “likely to cause confusion, or to cause mistake, or to deceive”).

134. *GTE Corp.*, 904 F.2d at 541 (quoting *Value House*, 523 F.2d at 431).

135. Compare *Hanover Star Milling Co.*, 240 U.S. at 409–10 (noting that the junior user in was allowed to operate in good faith because of his lack of knowledge of the senior user’s use), with *GTE Corp.*, 904 F.2d at 541–42 (finding that the junior user in was allowed to operate in good faith despite his knowledge of the senior user’s use).

136. *United Drug Co.*, 248 U.S. at 95–96 (explaining that neither United Drug nor Rectanus could be a bad faith user because both were operating with no knowledge of the other).

137. See *id.*

138. *Id.* at 96–97; *C.P. Interests Inc. v. Cal. Pools Inc.*, 238 F.3d 690, 700 (5th Cir. 2001).

139. See *Hanover Star Milling Co.*, 240 U.S. at 415; see also *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 437–38 (9th Cir. 2017) (discussing the

knowledge, while Circuits B relied heavily on a short section in *Hanover Star Milling Co.* to resolve this issue.¹⁴⁰ Circuits B adopted the Supreme Court's explanation that courts do not necessarily need to determine which user has acquired the trademark in question first because:

[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 appears[s] that the second adopter [or junior user] has selected the mark with some design *inimical to the interests of the [senior] user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.*¹⁴¹

However, this mention of intent to benefit only occurs one time in *Hanover Star Milling Co.*, and briefly occurs one more time in *United Drug Co.* when citing to *Hanover Star Milling Co.*, but in a slightly different context.¹⁴² In both cases, the Court instead demonstrates a strong relationship between the concepts of “good faith” and “knowledge.”¹⁴³ Both cases repeatedly mention that the junior user had independently employed the same mark, and therefore must have been operating in good faith.¹⁴⁴

perspectives of circuits on the opposite side of the split). *See generally C.P. Interests Inc.*, 238 F.3d at 700 (explaining the Fifth Circuit's refusal to conform with the majority view by holding that knowledge does not always have to be inconsistent with good faith); *GTE Corp.*, 904 F.2d at 541–42 (holding that knowledge should not divert focus away from the most important prong of the Tea Rose-Rectanus doctrine, the junior user's intent to benefit).

140. *Hanover Star Milling Co.*, 240 U.S. at 415; *see, e.g., Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 438 (9th Cir. 2017); *Nat'l Ass'n for Healthcare Commc'ns, Inc. v. Cent. Ark. Area Agency on Aging Inc.*, 257 F.3d 732, 735 (8th Cir. 2001); *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 674–75 (7th Cir. 1982).

141. *Hanover Star Milling Co.*, 240 U.S. at 415 (emphasis added) (citation omitted); *see also United Drug Co.*, 248 U.S. at 101 (citing *Hanover Star Milling Co.*, 240 U.S. at 415) (explaining that Rectanus had no suggestion of sinister purpose when using United Drug's mark).

142. *United Drug Co.*, 248 U.S. at 101; *Hanover Star Milling Co.*, 240 U.S. at 415 (“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”); *see also Stone Creek, Inc.*, 875 F.3d at 438 (“The Court [in *United Drug Co.*] 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.’”) (citations omitted).

143. *See, e.g., Hanover Star Milling Co.*, 240 U.S. at 410, 419 (stating that the “trademark was adopted and used in good faith without knowledge or notice that . . . [the mark] had been adopted or used by another” and that the junior user was operating “in good faith and without notice of the [senior user's use of the same] mark”); *United Drug Co.*, 248 U.S. at 96, 103 (noting the junior user was operating “in perfect good faith, neither side having any knowledge or notice of what was being done by the other” and selected the mark “in good faith and without notice of any prior use by others”).

144. *See, e.g., Hanover Star Milling Co.*, 240 U.S. at 415 (“[W]here two parties

Both opinions also specify that the junior users in each respective case must have been operating in good faith, as the junior and senior users both did not have any knowledge or any notice of the other's use.¹⁴⁵ Applying this strong relationship to the cases in Circuits B clearly illustrates that, doctrinally speaking, knowledge must preclude good faith.¹⁴⁶ The United States Supreme Court cases concerning the Tea Rose-Rectanus doctrine have all generally emphasized the importance of knowledge in a good faith determination.¹⁴⁷

b. Applying the Lanham Act

The holding of Circuits A can also be used to apply the language in different sections of the Lanham Act to common law trademarks to discuss the importance of focusing on a junior user's knowledge.¹⁴⁸ Applying the same analysis to the cases of Circuits B illustrates the ways in which these cases should have come out differently. For instance, Section 1115 of the Lanham Act requires that a junior user's mark is adopted without knowledge of prior use, consequently allowing the Tea Rose-Rectanus doctrine to be invoked or rejected based only on knowledge.¹⁴⁹ If the Lanham Act specifically requires that a junior user must use a mark without knowledge of any other use, it follows that a good faith junior user cannot have any knowledge.¹⁵⁰

independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other"); *United Drug Co.*, 248 U.S. at 101 (citing *Hanover Star Milling Co.*, 240 U.S. at 415).

145. See *United Drug Co.*, 248 U.S. at 101; see also *Stone Creek, Inc.*, 875 F.3d at 438–39 (citing *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 n.8 (1988)) (explaining that each seminal case linked good faith with knowledge multiple times).

146. *Stone Creek, Inc.*, 875 F.3d at 438–39 (citing *Hanover Star Milling Co.*, 240 U.S. at 419; *United Drug Co.*, 248 U.S. at 103; MCCARTHY, *supra* note 29, § 26:12) (“Tying good faith to knowledge makes sense in light of the policy underlying the doctrinal framework. [The doctrine intends to] protect a junior user who unwittingly adopted the same mark and invested time and resources into building a business with that mark.”).

147. See *id.*; see also *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 (1988) (“[A] firm [or junior user] can develop a trademark that is identical to a trademark already in use [by a senior user] in a geographically distinct and remote area if the firm is unaware of the identity.”).

148. See *Stone Creek, Inc.*, 875 F.3d at 431, 437 (stating that the Lanham Act applies to both unregistered and registered trademarks, although the Act never specifically mentions unregistered trademarks by name); see also *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (explaining that the same requirements for registered trademarks to be considered protectable must also apply to all unregistered common law trademarks).

149. 15 U.S.C. § 1115(b)(5); see *Stone Creek, Inc.*, 875 F.3d at 439.

150. See *Stone Creek, Inc.*, 875 F.3d at 439.

This interpretation is extremely similar to the reasoning employed by the Supreme Court in *Hanover Star Milling Co.* and *United Drug Co.*, as previously discussed.¹⁵¹ For example, in *C.P. Interests*, the junior user, C.P. Interests, did not have any knowledge of the senior user's mark, so it would still be operating in good faith under the Lanham Act's analysis.¹⁵² In *GTE Corp.*, however, the junior user, Williams, did have actual knowledge of GTE's use of the name "General Telephone and Electronics of California."¹⁵³ Because of this, Williams could not be a good faith user under the Lanham Act.¹⁵⁴

Another relevant section of the Lanham Act, Section 1057[b], specifically states that if a senior user receives federal registration for a trademark, that user is afforded nationwide rights regardless of where the user actually used that mark.¹⁵⁵ Later users are assumed to have knowledge of a federally registered mark that is listed on the federal register, as that clearly proves the senior user's claim of ownership.¹⁵⁶ This assumption serves as constructive notice, and some courts may consider this notice enough to defeat a good faith claim.¹⁵⁷ According to this section of the Lanham Act, the Swiss cheese metaphor from *Stone Creek, Inc.* can only apply to unregistered marks used in good faith in distinct areas prior to federal registration.¹⁵⁸

Some may consider this section of the Lanham Act as negating the purpose of the Tea Rose-Rectanus doctrine by both reducing the types of cases it can apply to and prohibiting two users both operating in good faith from maintaining their common law rights.¹⁵⁹ But since the Lanham Act also

151. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916).

152. See *C.P. Interests Inc. v. Cal. Pools Inc.*, 238 F.3d 690, 692, 700 (5th Cir. 2001).

153. See *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990).

154. See *id.* at 541-42; see also 15 U.S.C. § 1115(b)(5).

155. See 15 U.S.C. § 1057(b) ("A certificate of registration of a mark . . . shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark . . ."); see also *Stone Creek, Inc.*, 875 F.3d at 439.

156. See *Stone Creek, Inc.*, 875 F.3d at 436, 439 (citing 15 U.S.C. § 1072) (stating that registering a mark on the principal register is considered constructive notice of ownership); see also Lanham Act, 15 U.S.C. § 1057(b); MCCARTHY, *supra* note 29, § 26:32.

157. See *Stone Creek, Inc.*, 875 F.3d at 439 (explaining that the Lanham Act could potentially displace the defense of the Tea Rose-Rectanus doctrine "by charging later users with knowledge of a mark listed on the federal register").

158. *Id.* at 436 (citing MCCARTHY, *supra* note 29, § 26:31) ("[T]he geographic scope of the senior user's rights in a registered trademark looks like Swiss cheese: it stretches throughout the United States with holes cut out where others acquired common-law rights prior to the registration.").

159. See *id.* at 439.

allows for concurrent use registration, some may instead consider that it supplements the doctrine by allowing two different parties who are using a mark in good faith before either party files for federal trademark registration to both continue using the mark.¹⁶⁰

In *Stone Creek, Inc.*, however, the court interpreted these sections of the Lanham Act slightly differently, specifying that if federal registration and the subsequent constructive notice occur after the good faith junior user has already been using the mark for some time, holes must be cut out of the senior owner's rights, which are stretching around the country.¹⁶¹ The court also stated that a junior user with constructive notice can still seek to use the Tea Rose-Rectanus doctrine as a defense in a trademark infringement case, but the other elements of the doctrine will then weigh more heavily to determine whether the junior user will be successful.¹⁶²

If constructive notice is considered satisfactory to defeat good faith, it is clear that actual notice must also be enough.¹⁶³ With this reasoning, neither of the junior users in *C.P. Interests* nor in *GTE Corp.* would be considered good faith junior users. *C.P. Interests* began using the trademark in 1961, but when California Pools filed for federal trademark registration in 1995, *C.P. Interests* had constructive notice of a different senior user and could not be a good faith user.¹⁶⁴ Similarly, Williams in *GTE Corp.* began using "General Telephone" trademark in 1974, but when GTE registered the same mark in 1982, Williams also had constructive notice of a senior user and could no longer be a good faith user.¹⁶⁵

c. Extent of Knowledge

The Tenth Circuit implied that a good faith determination must also consider the extent of knowledge that a junior user has about a senior user's

160. 15 U.S.C. § 1052(d) ("[I]f the [court] determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks . . . concurrent registrations may be issued to such persons when they have become entitled to use such marks . . .").

161. See *Stone Creek, Inc.*, 875 F.3d at 436 (citing 15 U.S.C. § 1115(b)(5); *Johnny Blastoff, Inc. v. LA Rams Football Co.*, 188 F.3d 427, 435 (7th Cir. 1999)) ("[T]he Lanham Act can preserve legal and equitable defenses that could have been asserted prior to registration. Under this rule, already-established common-law rights are carved out of the registrant's [usually nationwide] scope of protection.").

162. See *id.* (reasoning that because *Omnia* began using *Stone Creek*'s trademark in 2008, four years before *Stone Creek* received federal registration of that mark in 2012, *Omnia* would be able to use a Tea Rose-Rectanus defense if the other prongs applied, even though this court determined that *Omnia* was not acting in good faith at any time).

163. *Id.* at 439.

164. See *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 692, 700 (5th Cir. 2001).

165. See *GTE Corp. v. Williams*, 904 F.2d 536, 537, 541 (10th Cir. 1990).

mark.¹⁶⁶ The Circuit stated that Williams did not have enough knowledge that GTE or any other entity used the name “General Telephone” as a trademark, indicating that this was not enough to preclude good faith.¹⁶⁷ The Circuit decided this despite the fact that Williams admitted to having once heard of a company called “General Telephone and Electronics of California.”¹⁶⁸ It is not clear if Williams was aware of what market or territory GTE operated in, so it is possible that he believed he was still a good faith user.¹⁶⁹ The Circuit held that this was enough for him to be a good faith user, but this does not conform with the precedent set by the *Hanover Star Milling Co.* and *United Drug Co.* cases.¹⁷⁰

The United States Supreme Court briefly discusses extent of knowledge in *United Drug Co.* by comparing the facts to four previous Supreme Court cases about conscious trademark infringement.¹⁷¹ In each of these cases, the defendants admitted to having knowledge of the existence of a senior user’s confusingly similar mark, but for different, unrelated reasons, the junior users were still allowed to continue using their mark.¹⁷² The Court does not delve any further into this issue other than to say that proof of infringement must be very clear for a court to grant relief.¹⁷³ The Court also states that the facts in these cases are not similar enough to apply to *Hanover Star Milling Co.*, leaving the door open for this argument.¹⁷⁴

166. *Id.* at 541.

167. *Id.* (“Williams had no knowledge that GTE used or claimed to use “General Telephone” as a trade or service mark, or that any other entity used or claimed to use that mark”) (citation omitted).

168. *Id.* (finding that Williams had heard of a company named “General Telephone and Electronics of California” in the context of litigation in California when he adopted the General Telephone mark in 1974) (citation omitted).

169. *Id.*

170. *Compare GTE Corp.*, 904 F.2d at 541 (acknowledging that it is “only in unusual cases” that a junior user with knowledge can act in good faith, but still distinguishing between Williams’ admitted knowledge of “General Telephone & Electrics of California” and his lack of knowledge of use of the mark “General Telephone”), *with Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412, 419 (1916) (explaining that the junior user was acting in good faith because it did not have any knowledge at all of the senior user), *and United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101–04 (1918) (stating that both the senior and junior user acted “in perfect good faith, neither side having any knowledge or notice of what was being done by the other”).

171. *United Drug Co.*, 248 U.S. at 102–03 (citing *McLean v. Fleming*, 96 U.S. 245 (1877); *Menendez v. Holt*, 128 U.S. 514 (1888); *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19 (1900); *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42 (1900)).

172. *Id.*

173. *Id.* at 102 (analyzing these cases as proving the rule that a court ordinarily will not refuse an injunction for future protection if infringement is clear).

174. *See id.* at 103 (explaining that the facts of the four cited cases — *McLean*, *Menendez*, *Eisner*, and *Siegel-Cooper Co.* — were not similar enough to the facts of

The Tenth Circuit utilized this reasoning in *GTE Corp.*, where GTE argued that any level of knowledge should, by itself, defeat a good faith claim.¹⁷⁵ However, the Circuit still held that knowledge should not take away from the ultimate focus on intent to benefit, despite the fact that a junior user's adoption of a trademark with knowledge does, in fact, strongly support a finding of bad faith.¹⁷⁶ The Circuit stated that only some unusual cases have findings of a junior user adopting a mark both in good faith and with knowledge; however, this reasoning does not seem to conform with previous United States Supreme Court precedent.¹⁷⁷ In this case, the Circuit disregarded this precedent and still held that even though Williams had briefly heard of GTE, he never intended to benefit from GTE's reputation or goodwill.¹⁷⁸

IV. RESOLVING THE SPLIT: RECOMMENDATIONS FOR USING KNOWLEDGE IN GOOD FAITH DETERMINATIONS

Both sides of the circuit split concerning the Tea Rose-Rectanus doctrine acknowledge the importance of an objective good faith determination to award exclusive rights to a trademark.¹⁷⁹ However, the seminal cases of the

United Drug Co. to adequately compare them).

175. *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990) (“GTE argues that the level of knowledge found by the district court, by itself, should defeat a finding of good faith.”).

176. *See id.* (citing *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1485 (10th Cir. 1987); *Beer Nuts Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 927 (10th Cir. 1986) (supporting the premise that a user's adoption of a mark with knowledge of another's use can support an inference of bad faith but should not necessarily foreclose further inquiry); *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 627 (8th Cir. 1987) (“Knowledge of another's product and an intent to compete with that product is not, however, equivalent to an intent by a new entrant to a market to mislead and to cause consumer confusion.”).

177. *See, e.g., K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 n.8 (1988) (ruling that a junior user can only develop a trademark that is accidentally identical or accidentally similar to a senior user's already existing mark if the junior user is unaware of that existing mark). *But see LALONDE & GILSON, supra* note 1, § 3.02(10)(a)(ii) (explaining that if a mark is well known to consumers in a specific territory, it is highly unlikely that a junior user can be operating in good faith without knowledge of prior use).

178. *See GTE Corp.*, 904 F.2d at 541 (emphasizing that the junior user is presumed to have actual knowledge of the mark in its territory and that should force the junior user to automatically lose its credibility to establish a good faith defense, but holding that without intent to benefit, good faith may still stand).

179. *See, e.g., Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 439 (9th Cir. 2017) (holding the Tea Rose-Rectanus doctrine is not applicable where a defendant was not an innocent user acting in good faith); *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) (holding district court did not abuse its discretion in issuing an objective good faith instruction, as objective knowledge of use is a factor used by the Fifth Circuit in a good faith inquiry).

doctrine, which both clearly discuss knowledge as the only determining factor for good faith, cannot be ignored.¹⁸⁰ In *Hanover Star Milling Co.*, the United States Supreme Court specifically states that the junior user had adopted and used the disputed mark in good faith, “without knowledge or notice” that the name was used by any other party.¹⁸¹ In *United Drug Co.*, the Court awards trademark rights to the “innocent” junior user because both parties acted in “perfect good faith, with neither side having any knowledge or notice of what was being done by the other.”¹⁸²

Circuits A, or the Seventh, Eighth, and Ninth Circuits, hold that if a junior user has knowledge that a senior user is using the same trademark, that knowledge automatically precludes good faith, and the junior user cannot have any ownership rights to the mark.¹⁸³ These Circuits, relying on the seminal cases of the Tea Rose-Rectanus doctrine, have decided knowledge is the only determinative factor for a good faith junior user.¹⁸⁴ Because these Circuits rely heavily on both United States Supreme Court precedent and statutory interpretation of the Lanham Act, this perspective of the Tea Rose-Rectanus doctrine is the most beneficial in protecting the rights of all trademark owners and users.¹⁸⁵

The opposing Circuits, or the Fifth and Tenth Circuits, hold that knowledge is only one element in what should be a multi-factored test to determine good faith.¹⁸⁶ This broader test is meant to focus on the intent to benefit from the reputation or goodwill of the senior user, while reducing the importance of knowledge.¹⁸⁷ This test is also meant to protect innocent junior users who might have little knowledge but no intent, such as Williams

180. See, e.g., *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 103 (1918) (holding junior user could continue to use mark because it acted in good faith and established a local and valuable trade using the mark); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 419 (1916) (reasoning where a party used a mark in good faith without knowledge of the other’s use and built up a trade in its market, both could maintain use as the party was an innocent user).

181. *Hanover Star Milling Co.*, 240 U.S. at 410.

182. *United Drug Co.*, 248 U.S. at 95–96, 103.

183. See, e.g., *Stone Creek, Inc.*, 875 F.3d at 438; *Nat’l Ass’n for Healthcare Commc’ns, Inc. v. Cent. Ark. Area Agency on Aging Inc.*, 257 F.3d 732, 735 (8th Cir. 2001); *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 674–75 (7th Cir. 1982).

184. See, e.g., *Stone Creek, Inc.*, 875 F.3d at 438; *Nat’l Ass’n for Healthcare Commc’ns, Inc.*, 257 F.3d at 735; *Money Store*, 689 F.2d at 674–75.

185. See, e.g., *Stone Creek, Inc.*, 875 F.3d at 438; *Nat’l Ass’n for Healthcare Commc’ns, Inc.*, 257 F.3d at 735; *Money Store*, 689 F.2d at 674–75.

186. See, e.g., *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001); *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990).

187. See, e.g., *C.P. Interests, Inc.*, 238 F.3d at 700; *GTE Corp.*, 904 F.2d at 541.

in *GTE Corp.*¹⁸⁸ However, this test can also easily allow bad faith users with knowledge and malicious intent to continue unfairly benefitting at the expense of senior users, such as Omnia in *Stone Creek, Inc.*¹⁸⁹

Because of this circuit split, courts can hold trademark users to different standards depending on where in the country the user operates.¹⁹⁰ Cases with extremely similar facts are decided differently in Circuits A and Circuits B, while cases in the remaining circuits that have not decided how to determine good faith have no precedent. This split must be resolved in favor of the majority and allow knowledge to be the only determinative factor for a good faith junior user.

V. CONCLUSION

The Tea Rose-Rectanus doctrine is a trademark rule that has created an exception to the general trademark rule granting a senior user of a trademark superior rights over any subsequent users of that mark. This exception allows junior users to continue using a mark that a senior user is also using as long as the junior user is operating in good faith. The Seventh, Eighth, and Ninth Circuits have split from the Fifth and Tenth Circuits by determining that knowledge of a senior user's use always destroys good faith. The Fifth and Tenth Circuits have followed a broader good faith test by regarding knowledge as one factor in a larger good faith test. This split must be resolved in favor of the majority to protect both trademark owners and good faith users.

188. See *GTE Corp.*, 904 F.2d at 539. *But see* LALONDE & GILSON *supra* note 1, § 3.02[3][c][v] (explaining that a well-known mark in a specific territory has to be well-known by most in that territory, so it is highly unlikely that a junior user could not know that it would benefit from the reputation of that well-known mark; this is what causes the junior user to lose its credibility and lose its ability to establish a good faith defense).

189. *Stone Creek, Inc.*, 875 F.3d at 437.

190. *Id.* (explaining the existing split between circuits in different areas of the country).