

No. _____

In the Supreme Court of the United States

SOUTHERN ILLINOIS STORM SHELTERS,
INCORPORATED, *et al.*,
Petitioners,

v.

4SEMO.COM, INCORPORATED,
a Missouri Corporation,
Respondent.

**On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Seventh Circuit**

PETITION FOR WRIT OF CERTIORARI

John L. Gilbert
Counsel of Record
Douglas D. Churovich
Timothy C. Sansone
Cody S. Hagan
SANDBERG PHOENIX
& von GONTARD P.C.
600 Washington Ave., 15th Floor
St. Louis, MO 63101
314-231-3332
314-241-7604 (Fax)
jgilbert@sandbergphoenix.com

Attorneys for Petitioners

QUESTIONS PRESENTED

In this case, the Seventh Circuit panel refused to apply the equitable six-factor test adopted by the Second, Third, and Ninth Circuits to determine common law trademark ownership rights as between a manufacturer and the manufacturer's distributor, even though a prior Seventh Circuit panel had previously recognized such test. This raises the following question:

- I. Did the Seventh Circuit panel's rejection of the equitable multi-factor test proposed by Professor McCarthy to determine common law trademark ownership as between a manufacturer and its distributor: (1) conflict with the well-justified reasoning of sister circuits that have adopted the test, (2) conflict with prior Seventh Circuit precedent, and (3) create an unjustifiable windfall to 4SEMO (the distributor) that will likely force SISS (the manufacturer) out of business?

Moreover, the Seventh Circuit panel upheld the Southern District of Illinois' objective determination that a junior user's (a manufacturer's) common law trademark use outside a senior user's (a distributor's) common law trademark territory infringed the senior user's common law trademark rights, based upon the junior user's prior knowledge of the trademark, while disregarding the equitable totality of the circumstances as considered by the Second, Fifth, Eighth, and Tenth Circuits. This raises the following question:

- II. Because a senior user's common law trademark rights do not extend beyond the geographical territory in which the senior user uses the trademark, and because mere knowledge does not *ipso facto* establish *res mensa*, should this Court adopt the Second, Fifth, Eighth, and Tenth Circuits' equitable totality of the circumstances analysis to determine whether a junior user's common law trademark use outside the senior user's common law trademark territory has no design inimical to the senior user, and therefore is lawful, when the junior user's trademark might otherwise infringe the senior user's trademark if used in the senior user's territory?

PARTIES TO THE PROCEEDING

Southern Illinois Storm Shelters, Incorporated; Ingoldsby Excavating, Inc.; and Bob Ingoldsby are petitioners here and were defendants-appellants below.

4SEMO.COM, Incorporated is respondent here and was plaintiff-appellee below.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of this Court's Rules, Petitioners Southern Illinois Storm Shelters, Incorporated and Ingoldsby Excavating, Inc. state that they have no parent companies and no publicly held corporation owns 10% or more of their stock.

STATEMENT OF RELATED PROCEEDINGS

- *4SEMO.COM INCORPORATED v. Southern Illinois Storm Shelters, Inc., et al.*, Nos. 18-1998 & 18-2095 (7th Cir.) (opinion issued and judgment entered Oct. 7, 2019).
- *4SEMO.COM INCORPORATED v. Southern Illinois Storm Shelters, Inc., et al.*, No. 3:13-cv-00297 DRH/SCW (S. Ill.) (amended memorandum and order issued March 29, 2018; final amended judgment entered May 13, 2019).

There are no additional proceedings in any court that are directly related to this case.

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PETITION FOR A WRIT OF CERTIORARI

Petitioners Southern Illinois Storm Shelters, Incorporated, Ingoldsby Excavating, Inc., and Bob Ingoldsby respectfully pray that a writ of certiorari issue to review the United States Court of Appeals for the Seventh Circuit's judgment below.

OPINIONS BELOW

The Southern District of Illinois' March 29, 2018, Amended Memorandum and Order and the corresponding May 13, 2019, Amended Judgment in a Civil Case are attached as Appendix B and Appendix C (neither document is published). The Seventh Circuit Court of Appeals' October 7, 2019, Opinion at issue here is published at 939 F.3d 905 and is reproduced as Appendix A. The Seventh Circuit Court of Appeals' Order dated November 5, 2019, denying rehearing en banc is attached as Appendix D.

JURISDICTION

Petitioners seek review of the United States Court of Appeals for the Seventh Circuit's Judgment entered on October 7, 2019. Timely petitions for rehearing and rehearing en banc were denied on November 5, 2019. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The relevant portions of the Lanham Act, including 15 U.S.C. §§ 1057, 1072, and 1127, are reproduced as Appendix E.

STATEMENT OF THE CASE

The underlying litigation revolved around the ownership and purported infringement of two common law (*i.e.*, unregistered) trademarks: LIFE SAVER STORM SHELTERS (the “Word Mark”) and a Logo comprising a Greek cross with the Word Mark embedded in the horizontal arms (collectively the “Disputed Marks”), as shown below.



4SEMO filed claims to recover damages for trademark infringement from Defendants under the Lanham Act and various state laws. After a bench trial, the United States District Court for the Southern District of Illinois held Defendants jointly and severally liable in the amount of \$17,371,003 due to trademark infringement and associated unfair competition arising from Defendants’ use of the Disputed Marks and for breach of contract in the amount of \$26,940.

A. The Parties

Southern Illinois Storm Shelters, Incorporated (“SISS”) and Ingoldsby Excavating, Inc. (“Ingoldsby Excavating”) are relatively small corporate entities in central Illinois established in the early 2000s by Robert Ingoldsby (“Bob”). SISS is in the business of designing,

manufacturing, and selling fiberglass storm shelters. These shelters are sold nationwide through a network of dealers. Ingoldsby Excavating, Inc. installs some of these shelters.

4SEMO is a home remodeling company operated by one individual who hires seasonal help as needed. In 2005, the owner of 4SEMO saw an opportunity for his company to offer an additional product/service line through sales of SISS storm shelters. Therefore, on May 5, 2005, 4SEMO entered into a Dealer Agreement with SISS, allowing 4SEMO to sell SISS storm shelters in portions of southern Missouri and northern Arkansas as an SISS distributor (4SEMO's "Distributor Territory").

B. Ownership of the Marks

Ownership of the Word Mark was hotly contested at the underlying trial. SISS agreed that 4SEMO created the Logo but consistently claimed SISS owned the Word Mark and therefore had the right to use the Logo. In support, SISS presented evidence that other SISS dealers had been using the LIFESAVER name before 4SEMO ever entered the storm shelter business. For example, SISS produced a 2002 Dealership Purchase Agreement bearing the name "Life Saver Storm Shelters" for marketing SISS shelters.

In addition to other SISS dealers using the LIFESAVER name before 4SEMO began using the mark, SISS presented evidence of its own use of the LIFESAVER name in various pieces of literature before 4SEMO became an SISS dealer. For example, SISS produced a brochure dated January 1, 2005, that

included the LIFESAVER name. Moreover, even after 4SEMO became an SISS dealer, SISS was using the LIFESAVER name and 4SEMO was aware that SISS was doing so. For instance, at trial SISS presented the Court with SISS business cards printed by 4SEMO with the name LIFESAVER on them.

Based on the above testimony and other undisputed evidence, SISS contended that when 4SEMO began using the Word Mark, SISS was allowing 4SEMO to do so and had no idea 4SEMO was claiming ownership. Therefore, SISS continued using the Word Mark, and by extension the Logo, extensively and nationwide to promote and sell SISS storm shelters, not only directly but also through a nationwide network of dealers.

C. District Court's Opinion

Nonetheless, the District Court held that 4SEMO created and became owner of both the Word Mark and Logo shortly after becoming an SISS distributor as part of a marketing campaign to sell shelters. As a result, the Court held that SISS had infringed those marks for over ten years and that SISS had breached the Dealer Agreement. The Court awarded over \$17,000,000 in damages against SISS for trademark infringement and unfair competition over that ten-year period, and also awarded 4SEMO \$26,940 in breach of contract damages.

The District Court reached this holding despite: (1) SISS' contention that it owned the Word Mark (and thus rights in the Logo); (2) over 99% of the "infringing" sales occurred *outside* SEMO's Distributor Territory; (3) no actual confusion was ever shown; (4) 4SEMO was

unaware of any of SISS' "infringing" sales for nearly ten years; (5) 4SEMO conducted no marketing or sales outside its Distributor Territory; and (6) 4SEMO's yearly combined remodeling and shelter sales averaged only \$62,275.20.

D. Appeal

On appeal, SISS does not contest the District Court's factual findings. Rather, SISS asserts the District Court and the Seventh Circuit Court of Appeals failed to apply the proper legal framework for determining trademark ownership and lawful use, and therefore erred in finding trademark infringement and unfair competition against SISS.

ARGUMENT

I. THE SEVENTH CIRCUIT’S REJECTION OF PROFESSOR McCARTHY’S MULTI-FACTOR TEST TO DETERMINE COMMON LAW TRADEMARK OWNERSHIP AS BETWEEN A MANUFACTURER AND ITS DISTRIBUTOR IS OUT OF STEP WITH THE REASONING OF SISTER CIRCUITS THAT HAVE ADOPTED THE TEST, CONFLICTS WITH PRIOR SEVENTH CIRCUIT PRECEDENT, AND HAS PROVIDED AN UNJUSTIFIABLE WINDFALL TO 4SEMO (THE DISTRIBUTOR) THAT WILL LIKELY FORCE SISS (THE MANUFACTURER) OUT OF BUSINESS.

In the proceedings below, the District Court awarded over \$17,000,000 in damages against SISS, a small family-run operation that manufactures and installs storm shelters. The District Court determined 4SEMO, a distributor of SISS storm shelters in a two-State sales territory, were the lawful owners of two common law trademarks (the Word Mark “LIFESAVER STORM SHELTERS” and the Logo that incorporates the Word Mark.¹ Therefore, the Court held SISS’

¹ The disputed Logo constitutes no more than a Greek cross with the disputed Word Mark “LIFE SAVER STORM SHELTERS” inscribed across the center of the cross. Thus, any trademark rights in the Logo are inextricably linked to and dependent upon the disputed Word Mark, which SISS claims to own. *See, e.g., Estate of Beckwith, Inc. v. Comm’r of Patents*, 252 U.S. 538, 545–546 (1920) (“The commercial impression of a trade-mark is derived from it as a whole, not from its elements separated and considered in detail”); *see also* J. Thomas McCarthy, 2 McCarthy

nationwide use of the Disputed Marks over a ten-year period constituted willful infringement.

Throughout the entire ten-year period of supposed infringement, SISS averaged approximately \$1.7 million in annual income for all its business activities. 4SEMO, on the other hand, was a one-man home renovation operation that periodically retained seasonal employees and averaged merely \$62,275.20 in yearly income for *all* of its business activities. By awarding 4SEMO a \$17 million judgment, the District Court has stripped SISS of all of its combined *income* for *ten years* and turned that income over to a one-man home renovation operation that on average earned merely 3.7% of SISS' annual income. Consequently, imposition of this award drops a mammoth, inequitable, and unjustifiable windfall into 4SEMO's lap, while pushing SISS into bankruptcy.

SISS has staunchly and repeatedly asserted ownership of the disputed Word Mark, and by extension the Logo. Nonetheless, the District Court and the Seventh Circuit below found that 4SEMO, as a distributor of SISS storm shelters, owned the Disputed Marks based upon a "first use" analysis. This simplistic analysis fails to account for a number of relevant factors. As a result, several Federal Circuits (and a prior Seventh Circuit panel) adopted an equitable and thorough analysis created by

on Trademarks & Unfair Competition § 16:11 (4th ed. 2015) ("Unlike patent law, rights in trademarks are not gained through discovery or invention of the mark, but only through actual usage.").

Professor McCarthy.² The McCarthy Test considers the manufacturer to be the presumptive trademark owner of disputed common law trademarks but also applies a number of additional factors to determine ownership. Had this test been rightfully applied, SISS would have been found to own both Disputed Marks and thereby found free from trademark infringement and attendant unfair competition.

A. This Court should acknowledge and ratify the well-reasoned holdings of the Second, Third, and Ninth Circuits, which have adopted the McCarthy Test.

With the exception of the panel below, each of the Circuits that have considered the manufacturer-distributor relationship and its impact on common law trademark ownership have acknowledged the manufacturer's presumptive ownership of a common law mark used by its distributor, and have adopted the McCarthy Test or a set of equitable circumstantial factors premised on Professor McCarthy's treatise. Two Circuit Courts, the Third and the Ninth, have expressly recognized the inequities of using the "first use test" to determine trademark ownership rights as between a manufacturer and its distributor, and have adopted the equitable McCarthy Test to overcome the

² J. Thomas McCarthy is an attorney, professor of law, and the founding director of the McCarthy Institute for Intellectual Property & Technology Law. Professor McCarthy has authored one of the leading treatises regarding intellectual property law that has been acknowledged and relied upon by courts nationwide. This Court has relied upon Professor McCarthy's treatise in at least a dozen decisions.

deficiencies of the objective “first use” test. *See Coverttech v. TVM*, 855 F.3d 163, 170-172 (3d Cir. 2017); *Sengoku v. RMC Int’l, Ltd.*, 96 F.3d 1217, 1220 (9th Cir. 1996) (adopting consolidated four-factor version of the test). The Second Circuit has also approved the Ninth Circuit’s consolidated four-factor version of the Test. *See Tecnimed SRL v. Kidz-Med, Inc.*, 763 F.Supp.2d 395, 403 (S.D.N.Y. 2011) (*aff’d*, 462 F.App’x. 31, 33 (2d Cir. 2012)). Even a prior Seventh Circuit panel recognized, if not adopted, the McCarthy Test. *TMT N. Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 884 n.4 (7th Cir. 1997) (approving the use of the McCarthy Test “where the *initial* allocation of trademark rights is in dispute”) (emphasis in original). Furthermore, multiple District Courts in various Circuits have likewise adopted and implemented the McCarthy Test. *See, e.g., Prod. Source Int’l, LLC v. Nahshin*, 112 F.Supp.3d 383, 395-97 (E.D. Va. 2015); *Tecnimed SRL v. Kidz-Med, Inc.*, 763 F.Supp.2d 395, 403 (S.D.N.Y. 2011), *aff’d*, 462 Fed.Appx. 31, 33 (2d Cir. 2012); *Ilapak Research & Dev. S.A. v. Record SpA.*, 762 F.Supp. 1318, 1322 (N.D. Ill. 1991).

Therefore, the unexplained reluctance of the Seventh Circuit panel below to fully recognize and apply the McCarthy Test already approved by a prior panel is out of step with sister Circuits and has created confusion within the Seventh Circuit itself. Thus, in accordance with Supreme Court Rule 10(a), this Court should intercede by granting this Petition and ultimately adopting the McCarthy Test.

- 1. The unique and often overlapping business relationship between a manufacturer and its distributor creates circumstances that demand close scrutiny and consideration of multiple factors in the context of common law trademark ownership between the parties.**

The ownership of common law trademarks in a manufacturer-distributor relationship is an important issue of public policy. As has always been the case, trademark law serves an important role in reducing or eliminating consumer confusion. Consumers want to know what they are purchasing, and trademarks allow consumers to comfortably assume what they are purchasing is in fact what they believe it is and from whom they believe is the source of what they are purchasing. The fundamental aspect of trademark law is to assist consumers in doing just that. Unfortunately, if ignored or overlooked, the manufacturer-distributor relationship can obfuscate the true source of goods or services and deceive the consuming public.

As convincingly articulated by the Third Circuit:

The first use test is generally proper for unregistered trademarks, taking account of the well-established common law principle of “first-in-time, first-in-right” that rewards actual and continuous use in commerce as between market competitors. See *Ford Motor Co.*, 930 F.2d at 292; 2 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 16.1 (4th

ed. 2017). *This paradigm is an imperfect fit, however, when it comes to the often exclusive and noncompetitive manufacturer-distributor relationship*, where ownership rights would inure to the benefit of the distributor in a multitude of cases based simply on the fact that the distributor, albeit at the manufacturer's direction, made the initial sale of goods bearing the mark to the public.

Coverttech, 855 F. 3d at 170 (emphasis added).

As the Third Circuit further explained, “In contrast to a single actor’s entry into the market, manufacturers and distributors typically engage in concerted action.” *Id.* Often, however, “the contracting parties may omit to make explicit provision for ownership of a mark [in the manufacturer-distributor agreement], but even so, have no expectation that a manufacturer, merely by contracting with a distributor, thereby relinquishes its ownership rights in favor of the distributor.” *Id.* at 172. *“To presume that in every case where ownership is not decided in advance, a distributor who makes the initial public sale thereby assumes the mark and the manufacturer cedes any claim to initial ownership would defy logic and common sense.”* *Id.* (emphasis added). “Thus, it cannot be that, in the absence of a contractual arrangement, the first use test automatically fills that gap. Instead, a different test accounting for the realities of the manufacturer-distributor relationship must control.” *Id.*

The Ninth Circuit wholeheartedly concurs. “Disputes over trademark ownership often arise when the mark is used on goods that are manufactured by one company, but are marketed by another pursuant to an exclusive distributorship agreement.” *Sengoku*, 96 F.3d at 1220. Two of the most common circumstances that arise in this area are: (i) the manufacturer licenses the mark to the distributor; and (ii) the distributor uses a “private label” applied by the manufacturer. *Id.* “Unfortunately, not every distribution agreement fits clearly into one of these two categories. When disputes arise between a manufacturer and distributor, courts will look first to any agreement between the parties regarding trademark rights.” *Id.* (citing with approval *Premier Dental Products v. Darby Dental Supply Co.*, 794 F.2d 850, 854 (3d Cir. 1986)); *see also* 2 McCarthy on Trademarks § 16.48 and 5 McCarthy on Trademarks § 29.8.

The Second Circuit has likewise recently approved of a District Court’s use of the McCarthy factors adopted by the Ninth Circuit in *Sengoku*. *See Tecnimed SRL v. Kidz-Med, Inc.*, 462 Fed.App’x. 31, 33 (2d Cir. 2012) (citing with approval to *Sengoku*).

Therefore, the Second, Third, and Ninth Circuits have all recognized the need to utilize Professor McCarthy’s recommended factors to ascertain the common law trademark ownership rights as between a manufacturer and its distributor (when there is no memorialization and the manufacturer is accordingly the presumed owner). The reasoning of these Circuits to adopt the McCarthy Test applies with equal force in the present case, and this Court’s approval and

adoption of the McCarthy Test will eliminate the confusion arising from the Seventh Circuit's indecision below.

2. The McCarthy Test recognizes and addresses the unique and often overlapping business relationship between a manufacturer and its distributor to establish an equitable analysis targeted at the nuances of that relationship relating to trademarks.

Taking the unique circumstances of the manufacturer-distributor relationship into consideration, Professor McCarthy articulated a well-reasoned approach to determine the ownership of a common law trademark between a manufacturer and its distributor when such ownership has not been memorialized. Under the McCarthy Test, when initial ownership between a manufacturer and its distributor is at issue and no contract exists defining such ownership, the manufacturer is the presumptive trademark owner unless the distributor rebuts that presumption using a multi-factor balancing test designed to examine the distribution agreement in effect between the parties. *Coverttech*, 855 F.3d at 171 (citing 2 McCarthy on Trademarks § 16.48 and 5 McCarthy on Trademarks § 29.8).

Of course, “[i]t is well settled that the question of ownership of a trademark as between the manufacturer of a product to which the mark is applied and the exclusive distributor of that product ... is a matter of agreement between them, and in the absence of any such agreement, there is the legal presumption

that the manufacturer is the owner of the mark.” *Audio Vertriebs–GmbH v. Kirksaeter Audiosonics, Inc.*, 196 U.S.P.Q. 453 (T.T.A.B. 1977) (identifying extensive list of T.T.A.B. cases holding this proposition) (string citation omitted). Despite the presumption in favor of the manufacturer, “a distributor may rebut the presumption.” 2 McCarthy on Trademarks § 16.48. A set of specific equitable factors must be considered to rebut this presumption. *Id.*

The six relevant factors are:

- (1) which party invented or created the mark;
- (2) which party first affixed the mark to goods sold;
- (3) which party’s name appeared on packaging and promotional materials in conjunction with the mark;
- (4) which party exercised control over the nature and quality of goods on which the mark appeared;
- (5) to which party did customers look as standing behind the goods (*e.g.*, which party received complaints for defects and made appropriate replacement or refund); and
- (6) which party paid for advertising and promotion of the trademarked product.

Coverttech, 855 F.3d at 171.

The failure of a tribunal, such as the District Court and the Seventh Circuit panel below, to recognize the presumptive ownership right of the manufacturer and consider each of the McCarthy Test factors opens the door to grossly inequitable results. Consider, for example, a situation in which a distributor creates a trademark (such as the Logo here) to identify and benefit the marketing and sale of certain goods it is

selling for the manufacturer (such as the storm shelters manufactured by SISS here). However, the express purpose of the trademark is to identify the manufacturer as the source of the goods. The distributor will, of course, be the first to use the trademark on the manufactured goods and the “first use” test would, therefore, erringly and inequitably bestow ownership of the trademark upon the distributor to the extreme detriment of the manufacturer.

Alternatively, consider the situation in which a manufacturer creates a mark for a distributor and attaches that mark to a manufactured product or product line to specifically identify the distributor as the source for that particular line of good. Simply attributing ownership to the manufacturer due to creation or first use would inequitably divest the distributor of proper ownership. The manufacturer-distributor relationship adds important wrinkles to the normal trademark ownership analysis. Accordingly, this Court should adopt the McCarthy Test to ensure these wrinkles are properly considered.

B. The Seventh Circuit’s inconsistent approach toward the McCarthy Test warrants guidance from this Court and adoption of the test.

Instead of properly applying the McCarthy Test adopted by sister Circuits and previously recognized by a Seventh Circuit panel (*TMT N. Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876 (7th Cir. 1997)), the panel below employed a bootstrap argument to dismiss the applicability of the test. In particular, the panel

commingled and conflated the District Court's findings of fact with conclusions of law. Without embracing or even truly acknowledging the prior Seventh Circuit panel's recognition of the McCarthy Test, the panel below stated that "for completeness ... Professor McCarthy's 'test' might be relevant 'where the *initial* allocation of trademark rights is in dispute.'" *4SEMO.com Inc. v. S. Ill. Storm Shelters, Inc.*, 939 F.3d 905, 911 (7th Cir. 2019) (citing *TMT N. Am., Inc.*, 124 F.3d at 884 n.4 (emphasis in original)). However, the panel declared that the District Court had already "conclusively established as a factual matter" that 4SEMO was the initial owner of the Word Mark, such that the McCarthy Test was not applicable. *4SEMO, Inc.*, 939 F.3d at 911. But trademark ownership is a legal conclusion and not a factual conclusion, and the panel's pronouncement collapsed the McCarthy Test into an objective test of initial ownership (an improper test for determining ownership between a manufacturer and a distributor).

The panel relied upon the result of its reasoning to justify that reasoning, constituting a classic and impermissible circular argument. That is, the District Court's conclusion of law that 4SEMO was the "initial" owner of the Word Mark was premised upon a "first use" analysis, and did not take into consideration the presumption of ownership benefitting SISS as the manufacturer or the McCarthy Test factors. The panel used that erroneous conclusion of law from the District Court (*i.e.*, that 4SEMO was the initial owner of the Word Mark) to conclude that determining ownership of the Word Mark using the McCarthy Test was unnecessary. Therefore, the panel essentially

concluded that since the District Court had already determined ownership of the marks there was no reason for the panel to analyze whether the underlying determination was appropriate – the exact purpose of the Seventh Circuit’s review.

Respectfully, the Seventh Circuit has been either unable or unwilling to resolve its position regarding the adoption and use of the McCarthy Test, leading to confusion and uncertainty that this Court has the power to resolve. This Court should do so.

C. The Seventh Circuit’s decision disregarding a prior panel’s recognition of the McCarthy Test has permitted a wholly inequitable windfall judgment to stand against SISS (the manufacturer) in favor of 4SEMO (the distributor).

In addition to the uncertainty and confusion stemming from the Seventh Circuit’s equivocation regarding the McCarthy Test, the panel decision has upheld the District Court’s inequitable and unwarranted foisting of a windfall upon 4SEMO, while pushing SISS into likely bankruptcy.

By failing to apply the McCarthy Test, 4SEMO (as SISS’ distributor in a two-State region) was awarded the entirety of SISS’ nationwide sales over a ten-year period, a patently unjust result. The underlying Courts, however, have failed to acknowledge the equities of this case. For example, as a distributor 4SEMO was limited to selling SISS shelters in portions of two States. SISS, on the other hand, is a manufacturer and nationwide distributor of shelters.

Nevertheless, the damages award was for the entirety of Defendants' income with no regard to the territorial limits of 4SEMO's distributorship. In reality, only \$26,940 of the \$17,371,003 damages award arose from infringing sales in the two-State 4SEMO Distributor Territory.

Further, 4SEMO was a small one-man operation primarily in the business of home renovation. The sale of storm shelters was merely a side operation and 4SEMO's gross revenues for *all* its business activities only averaged \$62,275.20 per year. Besides contractual limitations on 4SEMO's sales, 4SEMO simply did not have the operations to make \$17 million in storm shelter sales. Nevertheless, because the underlying courts applied the inequitable "first use" test to determine ownership of the Disputed Marks, 4SEMO was granted a \$17 million damages award based on SISS' nationwide operations. This damages award is more than 27 times 4SEMO's gross sales for the entire ten-year alleged infringement period. The inequities of this case demonstrate the need for uniform application of the McCarthy Test to determine common law trademark ownership as between a manufacturer and its distributor.

II. THE SEVENTH CIRCUIT'S IMPOSITION OF COMMON LAW TRADEMARK INFRINGEMENT AGAINST A JUNIOR USER (SISS) BASED UPON THE JUNIOR USER'S PRIOR KNOWLEDGE OF THE SENIOR USER'S (4SEMO'S) UNREGISTERED TRADEMARK – WHILE DISREGARDING ALL OTHER EVIDENCE OF GOOD FAITH USE – UNDERMINES THE EQUITABLE TERRITORIALITY RIGHTS ESTABLISHED IN THIS COURT'S *HANOVER STAR* AND *RECTANUS* DECISIONS, CONFLICTS WITH THE TOTALITY OF THE CIRCUMSTANCES ANALYSES ADOPTED BY SISTER CIRCUITS, AND EVISCERATES THE CONSTRUCTIVE NATIONWIDE USE PROVISIONS OF THE LANHAM ACT.

Throughout the proceedings below, SISS hotly disputed 4SEMO's claims of ownership of the Disputed Marks. Believing in good faith that it owned the rights in the Word Mark, and thus the Logo created by 4SEMO, SISS marketed and sold its storm shelters across the United States in association with the Disputed Marks via direct sales and via an assortment of other distributors. SISS does not dispute that it later became aware of 4SEMO's claims that 4SEMO created and owned the Disputed Marks before SISS began its nationwide sales efforts using those marks, but SISS firmly and rightly believed it was acting in good faith, which it was. Notably, despite the District Court's adverse findings of fact against SISS, when fully and judiciously examining the totality of the circumstances, the record firmly supports SISS' belief that it acted in

good faith—with no design inimical—and therefore without infringement or unfair competition.

The inequitable and penal result imposed on SISS by the District Court and the Seventh Circuit stems from their misreading of this Court’s *Hanover Star* and *Rectanus* decisions. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). In particular, the District Court and Seventh Circuit adopted and applied an objective junior user “prior knowledge” analysis of common law trademark rights to determine “res mensa” and a “design inimical,” rather than an appropriate and equitable totality of the circumstances analysis.

This objective junior user “prior knowledge” test considers only one discrete factor, despite the fact that determination of subjective good faith dictates the consideration of numerous factors to arrive at an equitable conclusion. As such, this objective test provides little if any deference to the equities that comprise the foundation of the Lanham Act itself.

Moreover, in light of the nearly instantaneous worldwide dissemination of knowledge readily accessible across the internet and through other forms of social media, precluding a junior user from any use of a senior user’s mark—merely because the junior user has prior knowledge of that mark—undermines the Lanham Act by essentially granting the senior user nationwide use of the mark without the requirement of review and registration by the U.S. Trademark Office. For these reasons and others, several Federal Circuits have adopted totality of the circumstances tests or

analyses when considering whether a junior user's adoption of a senior user's common law mark was in good faith.

This Court should grant certiorari and reaffirm its holdings in *Hanover Star* and *Rectanus* to require a full examination of the circumstances when considering a junior user's good faith adoption of a common law trademark confusingly similar to a senior user's common law trademark in a separate territory.

A. By disregarding the totality of the circumstances, the Seventh Circuit's objective junior user "prior knowledge" test unjustly imparts a "design inimical" finding on otherwise good faith junior users, thereby undermining the territoriality regimen carefully constructed by this Court in *Hanover Star* and *Rectanus*.

Though an objective test based solely on the "prior knowledge" of the junior user to determine the subjective good will of a junior user's adoption of a senior user's common law mark may superficially provide a simple and more expeditious determination of the junior user's good faith, that determination has little grounding in equity and can provide no assurance of clarity in the marketplace – the very provenance of trademarks. *See, e.g., In re International Flavors & Fragrances, Inc.*, 183 F.3d 1361 (Fed. Cir. 1999) ("It is well established, as noted above, that the purpose of a trademark is to distinguish goods and to identify the source of goods") (citing with approval 15 U.S.C. § 1127). Not surprisingly, this Court's decisions in

Hanover Star and *Rectanus* recognized the need for an equitable approach to the geographical reach of common law trademarks and a junior user's appurtenant rights.

Under principles of equity and consistent with the *Tea Rose-Rectanus* Doctrine, a senior user can only enforce its common law mark against a junior user in the geographic territory in which the senior user actually sells its goods or services associated with the mark, including any zone of natural expansion. Yet, the objective test applied by the Seventh Circuit here circumvents the equities of this Court's holdings, so as to sanction the determination that a junior user's *res mensa* constitutes a "design inimical" merely because the junior user has "prior knowledge" of the senior user's mark. Such an inequitable interpretation of the *Hanover Star* and *Rectanus* decisions should be barred by this Court and the objective junior user "prior knowledge" test should be put to rest.

1. The objective junior user “prior knowledge” test conflicts with this Court’s equitable precedent established in *Hanover Star* and *Rectanus* by its wholesale disregard for legitimate circumstances that should be considered when ascertaining the territorial scope of competing parties’ common law trademark rights, thereby failing to properly and equitably determine the subjective good faith of the junior user, and should therefore be rejected by this Court.

Unregistered trademark rights are premised upon and arise from principles of equity. *Hanover Star*, 240 U.S. at 411-12 (“The redress that is accorded in [unregistered/common law] trademark cases is based upon the party’s right to be protected in the good will of a trade or business”); *see also Rectanus*, 248 U.S. at 93 (addressing unregistered trademark infringement as a dispute in equity). These equitable considerations led to the *Tea Rose-Rectanus* Doctrine, which sets forth the rights as between senior and junior users of an unregistered mark in separate geographical territories. That is, a senior user’s common law trademark rights are grounded in use of that mark and only extend to the geographic territory in which the senior user sells its goods or services associated with the mark, including any area of natural expansion. This Court stated:

[S]ince 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.***

Hanover Star, 240 U.S. at 415-16 (emphasis added). This approach is supported by the Restatement of Torts:

The interest in a trade-mark or trade name is protected, under the rule stated in § 717, with reference only to territory from which he receives or, with the probable expansion of his business, may reasonably expect to receive custom in the business in which he uses his trade-mark or trade name, and in territory in which a similar designation is used for the purpose of forestalling the expansion of his business.

Restatement (First) of Torts § 7332 (1938).

This approach is logical because, “[i]f the trade-mark or trade name is unknown in a particular territory and there is no probability that it will become known there, the use of a similar designation in that territory will cause no harm to the person having the trade-mark or trade name, since it cannot lead to mistaken association with that person.” Restatement (First) of Torts § 7332 (1938) (Comment).

As between a junior user and a senior user, this Court has explained:

In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where 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.***

Hanover Star, 240 U.S. at 415 (emphasis added).

This approach is staunchly rooted in principles of equity, because a “plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark,” when (for example) “it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant’s recommendation or his reputation[,] or for any reason other than a response to the diffused appeal of the plaintiff’s symbol.” *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 206 (1942).

Simply stated, an entity’s “common law [trademark] rights are restricted to the locality where the mark is used and to the area of probable expansion.” *Spartan*

Food Sys., Inc. v. HFS Corp., 813 F.2d 1279, 1282 (4th Cir. 1987). “Accordingly, a plaintiff asserting a claim of infringement against common-law trademark ownership rights bears the burden of establishing its exclusive right to use the mark by actual use in a territory.” *Emergency One, Inc. v. American Fire Eagle Engine Co., Inc.*, 332 F.3d 264, 269 (4th Cir. 2003); see also *Glow Industries, Inc. v. Lopez*, 252 F.Supp.2d 962, 983 (C.D. Cal 2002) (the burden falls on the senior user to “demonstrate the territorial scope of its trademark use in order to establish a likelihood of success on the merits”). “A senior user must therefore show entitlement to trademark protection in a particular market by providing evidence of (1) market penetration in a particular market, (2) reputation in a particular market, or (3) a ‘zone of natural expansion’ extending into a particular market.” *MNI Management, Inc. v. Wine King, LLC*, 542 F.Supp.2d 389, 406 (D.N.J. 2008) (internal citations omitted).

Thus, pursuant to this Court’s precedent (*i.e.*, proper interpretation of the *Tea Rose-Rectanus* Doctrine) and the Restatement of Torts, a senior user should only be able to assert common law trademark rights against a junior user, including any charges of infringement, in the senior user’s geographical use territory.

Further, a junior user should be able to utilize a senior user’s common law trademark in good faith, even with prior knowledge, if such use is outside the senior user’s territory (and zone of natural expansion) and under circumstances whereby the junior user has no “design inimical” toward the senior user’s mark.

Unfortunately, the junior user “prior knowledge” test sidesteps the equitable examination required under *Hanover Star* and *Rectanus* in favor of an objective and prejudicially incomplete determination of the junior’s user’s state of mind (*res mensa*). There is no room whatsoever in the junior user “prior knowledge” test for considering any equitable factors or circumstances associated with the junior user’s adoption of the subject mark, other than the junior user’s “prior knowledge.”

The availability of nearly instantaneous dissemination of vast amounts of information (including the presence and localized use of common law trademarks) across the internet has further weakened the propriety of an objective junior user “prior knowledge” test. Admittedly, *Hanover Star* and *Rectanus* were both decided well before the advent of the internet. Nevertheless, the equitable principles in those cases are likely more relevant than ever. That is, technological advancements instantly spread the “knowledge” of the existence and use of a common law user’s trademark worldwide. A junior user will therefore almost certainly have “prior knowledge” of a senior user’s common law mark that is already in use. Thus, absent willful ignorance, “prior knowledge” essentially becomes a *fait accompli*. Nonetheless, circumstances are countless in which a junior user could in good faith adopt a senior user’s mark, even when the junior user already has “prior knowledge” of that mark.

In one such hypothetical example, a junior user plans to open a restaurant in Chicago, Illinois under the name “HEARTHSTONE” but finds that the mark

is already being used by a chain of restaurants in and around another city, such as Los Angeles, California. There is no other use of the mark anywhere near the Chicago area. There is no indication that the Los Angeles operation will expand to other regions, and in fact, the Los Angeles operation had shut down two of its six locations in the past two years. The junior user sees no potential for any legitimate likelihood of confusion in the marketplace. Nevertheless, must the junior user be precluded from using the mark simply because of “prior knowledge”? Why should the junior user’s adoption of the mark be deemed anything other than “good faith” under such circumstances? This is just one such example.

In another hypothetical example, a senior user is a distributor of certain goods it obtains from a manufacturer, but its distributor agreement with that manufacturer contractually limits the senior user’s marketing and sales of the manufacturer’s goods to a defined distributor territory. The senior user cannot sell and has not marketed or sold any goods outside its distributor territory. The senior user places the trademark “GOODSTUFF” on the goods it obtains from its manufacturer and markets and sells those goods exclusively in its distributor territory. A junior user is also a distributor of the same goods and is fully aware of the senior user’s limited distributorship territory and the senior user’s limited marketing and sales efforts that are kept within that territory. The junior user wants to sell the same goods from the same manufacturer with the “GOODSTUFF” trademark in territories *outside* the senior user’s distributor territory where the senior user cannot sell the goods, has not

marketed the goods, and has no customers. Again, must the junior user be precluded from using the mark simply because of “prior knowledge”? Should not all circumstances be considered to determine the true *res mensa* of the junior user? Why should the junior user’s adoption of the mark be deemed anything other than “good faith” under such circumstances? The junior user “prior knowledge” test precludes consideration of any of these circumstances.

Though “prior knowledge” is an important consideration that should be taken into account when determining the good faith of a junior user, it should not be determinative. “Prior knowledge of a senior user’s trade mark does not necessarily give rise to an inference of bad faith and may be consistent with good faith.” *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 964 (2d Cir. 1996) (“we look to whether the defendant adopted its mark with the intention of capitalizing on plaintiff’s reputation and goodwill and any confusion between his and the senior user’s product”); *see also C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) (approving jury instruction that “mere knowledge of defendant’s use of the mark does not defeat good faith, though it is a factor you may consider if you find that plaintiff had knowledge of the time of its first use”).

For these reasons, this Court should grant SISS’ Petition, uphold the equitable totality of the circumstances analysis of a junior user’s good faith conveyed in *Hanover* and *Rectanus*, and reject the objective junior user “prior knowledge” test.

2. The Seventh Circuit’s application of the junior user “prior knowledge” test and failure to recognize SISS’ good faith adoption of the Disputed Marks resulted in a miscarriage of justice.

In the present case, the Seventh Circuit upheld the District Court’s determination that SISS did not act in good faith when it used the Disputed Marks because it had “prior knowledge” of 4SEMO’s use of the marks. *4SEMO.com Inc.*, 939 F.3d at 912 (defining a good faith user as “one who begins using a mark with no knowledge that someone else is already using it”). But extensive evidence of good faith, entirely disregarded by the Courts below, belies that conclusion.

In particular, the record establishes that (i) over 99% of SISS’ purported “infringing” sales occurred outside 4SEMO’s contractually defined Distributor Territory; (ii) there were no instances of actual confusion, despite a protracted ten years of purported “infringement”; (iii) 4SEMO made no sales whatsoever of any storm shelters outside its contractually defined Distributor Territory; (iv) 4SEMO made no efforts whatsoever to market storm shelters outside its Distributor Territory; (v) 4SEMO presented no evidence of any loss of goodwill or injury to its reputation whatsoever due to SISS’ purported “infringement”; (vi) 4SEMO identified no lost sales whatsoever due to SISS’ purported “infringement”; (vii) SISS had a good faith belief that it acquired rights in the Word Mark years before 4SEMO claimed to have created the mark; and (viii) SISS had a good faith belief that the Logo was illegal.

Nonetheless, the Seventh Circuit ignored all of these equitable considerations and upheld the District Court’s windfall judgment in favor of 4SEMO, merely because SISS was aware of 4SEMO’s use of the Disputed Marks before SISS began its own use of the marks outside 4SEMO’s sales territory. Such a distorted and unjust result could and should be rectified by this Court’s granting of SISS’ Petition to uphold an equitable totality of the circumstances analysis of a junior user’s good faith and reject the objective junior user “prior knowledge” test.

B. The broad and nearly even split among the Circuits regarding the proper analysis of a junior user’s good faith adoption of a senior user’s common law mark makes the objective junior user “prior knowledge” test ripe for review and rejection by this Court.

“A principal purpose for which we use our certiorari jurisdiction, and the reason we granted certiorari in the present case, is to resolve conflicts among the United States courts of appeals and state courts concerning the meaning of provisions of federal law.” *Braxton v. United States*, 500 U.S. 344, 347 (1991) (citing Supreme Court Rule 10(a)). Although at times deferring to Congress to clarify certain questions, this Court has recognized that “[o]rdinarily, however, we regard the task as initially and primarily ours.” *Id.* at 348; *see also Mohamad v. Palestinian Auth.*, 566 U.S. 449, 452-53 (2012) (granting certiorari to resolve a Circuit split).

Here, as explained above, consistent with a proper and equitable interpretation of the *Tea Rose-Rectanus* Doctrine and the Restatement of Torts, a senior user should be able to assert common law trademark rights against a junior user, including any charges of infringement, only in the senior user's geographical use territory. Accordingly, a junior user should be able to utilize a senior user's common law trademark in good faith—even with “prior knowledge”—if such use is outside the senior user's territory (and natural zone of expansion) and, under the circumstances, the junior user has no “design inimical” toward the senior user's mark.

The Second, Fifth, Eighth, and Tenth Circuits have appropriately adopted equitable totality of the circumstances analyses consistent with *Hanover Star, Rectanus*, and the Restatement of Torts. See *Star Industries, Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 388 (2d Cir. 2005) (holding “in some cases even where a trademark search resulted in knowledge of the earlier mark, in the absence of additional evidence indicating an intent to promote confusion or exploit good will or reputation, this Court has found the junior user to be in good faith”); *C.P. Interests, Inc.*, 238 F.3d at 700 (5th Cir.) (approving jury instruction that “mere knowledge of defendant's use of the mark does not defeat good faith, though it is a factor you may consider if you find that plaintiff had knowledge of the time of its first use”); *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 627 (8th Cir. 1987) (stating “[k]nowledge 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”) (internal citation omitted); *John Allan Co. v. Craig Allen Co., LLC*, 540 F.3d 1133, 1140 (10th Cir. 2008) (holding a junior user acts in good faith when there is no attempt “to appropriate the [trademark] to take advantage of the senior user’s reputation or goodwill”).

On the other hand, the Third, Sixth, Seventh, and Ninth Circuits have adopted the inequitable and prejudicial objective junior user “prior knowledge” test. *See A.J. Canfield Co. v. Honickman*, 808 F.2d 291, n.4 (3d Cir. 1986) (stating “the senior user’s use of a mark in one region would not suffice to prevent a junior user from using the same mark in a region where the senior user’s goods were unknown so long as the junior user adopted the mark without knowledge of the senior user’s mark and thus in good faith”); *Allard Enterprises, Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350, 361 (6th Cir. 1998) (declaring the good faith defense only available if the junior user adopted its mark prior to registration and “without knowledge of the senior user’s prior use”); *4SEMO.com Inc.*, 939 F.3d at 912 (holding the good faith “defense shields those who unwittingly develop a mark that duplicates another, not intentional counterfeiters”); *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 437 (9th Cir. 2017) (holding “[t]here is no good faith if the junior user had knowledge of the senior user’s prior use”).

The First Circuit has examined this issue and has provided conflicting precedent. *Compare Raxton Corp. v. Anania Associates, Inc.*, 635 F.2d 924, 928-30 (1st Cir. 1980) (“Rack adopted in good faith what amounted

to a new name in Massachusetts, without notice of Rax's choice and without intention to trade upon Rax's reputation." The good faith defense is available when a junior user adopts a mark "without an intent to benefit from preexisting consumer goodwill developed by another"); *with Thrifty Rent-A-Car System, Inc. v. Thrift Cars, Inc.*, 831 F.2d 1177, 1181 (1st Cir. 1987) ("the junior user must have used the mark continuously in that location and initially in good faith without notice of an infringing mark").

Notably, in light of this Circuit split, the Fourth Circuit has opted to sit on the sidelines. *Emergency One, Inc.*, 332 F.3d at 271 ("There is a circuit split, and we will not decide our stance today").

This nearly equal split among the Circuits creates confusion and uncertainty across the country that only this Court can rectify. Accordingly, this Court should grant SISS' Petition, uphold the *Tea Rose-Rectanus* Doctrine, adopt a totality of the circumstances analysis to determine whether a junior user acted in good faith or with a "design inimical" in adopting a senior user's common law trademark, and reject the objective junior user "prior knowledge" test.

C. The objective junior user “prior knowledge” test impermissibly undermines key provisions of the Lanham Act by expanding the limited territorial scope of common law trademark rights into judicially sanctioned nationwide use, thereby eviscerating the Lanham Act’s statutory benefit of constructive nationwide use bestowed by federal registration.

As explained above, under principles of equity and consistent with the *Tea Rose-Rectanus* Doctrine, a senior user can only enforce its common law mark against a junior user in the geographic territory in which the senior user sells its goods or services associated with the mark. The objective junior user “prior knowledge” test abandons these equitable principles in favor of expediency. In addition, this test undermines one of the most significant benefits bestowed upon a trademark through federal registration under the Lanham Act: constructive nationwide use. In particular, the Lanham Act provides as follows:

(c) Application to register mark considered constructive use

Contingent on the registration of a mark on the principal register provided by this chapter, ***the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect***, on or in connection with the goods or services specified in the registration

against any other person except for a person whose mark has not been abandoned and who, prior to such filing –

- (1) has used the mark;
- (2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
- (3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 1126(d) of this title to register the mark which is pending or has resulted in registration of the mark.

15 U.S.C. § 1057 (emphasis added).

Thus, upon the successful completion of all appropriate application and registration proceedings at the U.S. Patent & Trademark Office (“USPTO”), including publication and the possible institution of an Opposition and Cancellation proceeding against the registration, and after payment of all appropriate administrative fees, a trademark that is duly registered with the USPTO is statutorily presumed to have nationwide use as of the filing date of the application for that registration. *See id.* Thus, no matter how small the actual geographic reach of a trademark’s use, once that trademark has been vetted by the USPTO, it is presumed as a matter of statutory law under the Lanham Act that the trademark has been in continual use across the entire United States as of the application filing date. *Id.*

It is well recognized that federal registration promotes substantial public policy goals, including the segregation of senior users from later, even ‘innocent’ junior users:

By providing notice to potential users of the same or a confusingly similar mark, federal registration promotes the purposes of trademark law. Registration serves as constructive notice to the public of the registrant’s ownership of the mark, *see* 15 U.S.C. § 1072, and thus prevents another user of the mark from claiming innocent misappropriation as a trademark infringement defense. *See Beatrice Foods*, 429 F.2d at 472, 166 USPQ at 435 (“[T]he constructive notice provision of § 22 of the Lanham Act (§ 15 U.S.C. 1072), takes away from future users of the mark registered the defense of innocent appropriation.”).

In re International Flavors & Fragrances, Inc., 183 F.3d 1361, 1367 (Fed. Cir. 1999).

Hence, the Lanham Act’s statutory recognition of constructive nationwide use constitutes an extremely valuable benefit to the trademark owner that was clearly intended to be, and should be, achievable only through the proper channel of federal registration.

Nevertheless, with the advent of the internet and various forms of electronic social media, vast amounts of wide-ranging and disparate information is routinely disseminated across the country, and the world, in a nearly instantaneous manner. This dissemination, of course, includes even very limited and regional

common law trademark use. The result of these advances in technology is that virtually any use of a trademark nearly anywhere in the United States, no matter how limited such use may be, can be found using even the most casual or rudimentary internet search. Moreover, such trademark use may become “known” without any intentional or directed internet search, simply from the sharing and dissemination of information through various forms of electronic social media, such as, for example, Facebook[®], Twitter[®], or Instagram[®].

Thus, due to these technological advancements, the “knowledge” of the existence and use of a common law user’s trademark will instantly spread worldwide, and vastly outstrip its geographical reach in a moment’s notice. A junior user will therefore almost certainly have “prior knowledge” of a senior user’s common law mark that is already in use if any attempt is made by the junior user to search for such use on the internet, or merely through knowledge circulated via electronic social media. Consequently, using the objective junior user “prior knowledge” test to stamp the moniker of “design inimical” on a junior user based upon nothing more than “prior knowledge” *ipso facto* grants the senior user effective nationwide use without having to first obtain federal registration under the Lanham Act.

Today’s technological advances, in and of themselves, should not result in a common law trademark gaining the benefit of nationwide geographical territorial use where no such use has been conducted or established. *Hanover Star*, 240 U.S. at 416 (holding “the mark, of itself, cannot travel to

markets where there is no article to wear the badge and no trader to offer the article”). Nevertheless, application of the objective junior user “prior knowledge” test judicially sanctions such a result, contrary to the express holdings of this Court. The objective junior user “prior knowledge” test therefore flies in the face of, if not fully eviscerates, a central component of the Lanham Act’s federal registration requirements and process. Moreover, application of the “prior knowledge” test encourages one to (as the saying goes) bury one’s head in the sand. In effect, the only guaranteed effective way to ensure a lack of “prior knowledge” is willful ignorance. Accordingly, in light of these technological changes facing all trademark users, this Court should grant SISS’ Petition and prevent judicial erosion of the Lanham Act’s constructive nationwide use provisions by denouncing the objective junior user “prior knowledge” test.

CONCLUSION

The United States Supreme Court should grant this petition for a writ of certiorari to correct these significant errors in the Seventh Circuit’s opinion. This petition is not based on a simple error the Circuit Court made in applying the law. Rather, the petition seeks certiorari based on significant circuit splits regarding the proper legal framework for determining trademark ownership and lawful use.

The petition for a writ of certiorari should be granted.

Respectfully submitted,

John L. Gilbert

Counsel of Record

Douglas D. Churovich

Timothy C. Sansone

Cody S. Hagan

SANDBERG PHOENIX & von GONTARD P.C.

600 Washington Ave., 15th Floor

St. Louis, MO 63101

314-231-3332

314-241-7604 (Fax)

jgilbert@sandbergphoenix.com

Attorneys for Petitioners