

### Ninth Circuit address priority and proof for trademark litigants

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The Ninth Circuit Court of Appeals recently addressed two important issues for trademark litigants: priority and proof. In *Stone Creek, Inc v Omnia Italian Design, Inc* (862 F3d 1131 (9th Cir July 11 2017)) the court ruled that:

- a remote junior user with knowledge of a common law senior user cannot claim good-faith adoption of that mark; and
- a claim for profits from another's trademark infringement requires proof of wilful infringement.

Defendant Omnia began using the mark STONE CREEK in the Midwest after becoming aware of plaintiff Stone Creek's use of the same mark in Arizona. Stone Creek began using the mark in 1990, but did not obtain a federal trademark registration until 2012, after Omnia's first use. Stone Creek sued Omnia for trademark infringement, but lost at trial. The district court held that there was no likelihood of confusion because the parties used different marketing channels, among other factors. Stone Creek appealed.

The Ninth Circuit reversed, holding that, despite operating in different geographic areas (the parties are separated by the Rocky Mountains, the Rio Grande and the Great Plains), both parties sold online to customers in the same areas and through overlapping advertising channels.

The court also rejected Omnia's assertion of the common law *Tea Rose-Rectanus* defence, which protects the use of a mark in a remote geographic area when the use is in good faith, on the theory that a senior user's common law rights "extend only to the territory where a mark is known and recognized, so a later user may sometimes acquire rights in pockets geographically remote from the first user's territory".

The primary issue was whether Omnia's use could be in good faith if it was aware of the remote senior user's rights when Omnia began using the STONE CREEK mark. The court noted that the circuits are split on this question – some circuits have held that junior user's knowledge of senior user's prior use of a mark destroys good faith, while others have held that knowledge is a factor, but focus on whether junior users intend to benefit from the goodwill of senior users. The court held that the history and underlying policy of the *Tea Rose-Rectanus* doctrine impelled a finding that there is no good faith if the junior user has knowledge of the senior user's prior use.

Regarding the requirements for disgorgement of a defendant's profits under the Lanham Act, the Ninth Circuit held to its longstanding wilfulness requirement, despite Stone Creek's arguments. Stone Creek had urged that a 1999 amendment to the Lanham Act's remedies provision for dilution eliminated any wilfulness requirement. Since 1999, other appeals courts have variously held that wilfulness remains a prerequisite for a profits award, or that it is merely a factor to consider.

Addressing the question for the first time, the Ninth Circuit held that the 1999 amendment did not alter Ninth Circuit precedent; rather, the amendment "was intended only to correct a conspicuous drafting error in the 1996 version of the remedies provision" and remanded for a determination of wilfulness.

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