

# DEATH OF *DAWN DONUT*: THE DEMISE OF CONCURRENT TRADEMARKS

By Jessica Amber Drew\*

## I. INTRODUCTION

Although trademarks are all around us, most consumers take them for granted. As such, many of us are unaware of how we use trademarks every day to make decisions. When a consumer reaches for a box of “Tropicana” brand orange juice instead of one of the other brands sitting on the grocery store shelf, he or she is making an informed consumer decision. The “Tropicana” trademark on the box sends a variety of signals to consumers, including this: the company they associate with the “Tropicana” mark actually made the product. The mark also signals that the juice is consistent with that company’s demonstrated standards of quality. The mark may even signal that Tropicana orange juice is of such high quality that it warrants a premium price. Though subtle, the factual, subliminal, and psychological impacts of a trademark reduce ambiguity in the marketplace and improve the clarity of consumer decisions.

Society has decided that trademarks bring value to commercial transactions and as such it is good public policy to provide mark owners protection for their marks. These marks,<sup>1</sup> indicating the origin of goods and services, are provided trademark rights so that consumers can rely on the expectation of form, quality and performance.<sup>2</sup> In the United States, trademarks enjoy both federal protection and common law protection.<sup>3</sup> However, these rights are tempered by other public policy concerns, most notably, allowing the good faith, fair, and concurrent use of the marks by other parties.<sup>4</sup> The rights to good faith fair use, reflecting these policy compromises,

---

\* J.D., University of Illinois College of Law; B.S., DePauw University.

1. “Trademarks” are loosely defined. A wide range of icons can indicate the source or origin of goods and services. Words, names, symbols, devices, or combinations of those elements can receive trademark protection. The Lanham Act specifically recognizes trademarks, service marks, certification marks, and collective marks. Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1052-54 (2000). For the purposes of this paper, said marks will hereinafter be referred to collectively as trademarks.

2. PETER B. MAGGS & ROGER E. SCHECHTER, TRADEMARK AND UNFAIR COMPETITION LAW 26 (6th ed. 2002).

3. See *infra* Part II.A and notes 48-54 (addressing the overlap in legal regimes). Preemption issues are beyond the scope of this paper.

4. See, e.g., Lanham Act, 15 U.S.C. § 1115(b)(5) (good faith requirement); Lanham Act, 15 U.S.C. § 1052(d) (concurrent use).

have been further expanded through rulings in landmark cases.<sup>5</sup>

Unlike copyrights or patents, trademark rights are not specifically identified for protection in the language of the Constitution.<sup>6</sup> Instead, qualifying trademarks are granted federal protection under the Lanham Act,<sup>7</sup> usually resulting in the owner's nationwide right to exclude all others from using the mark.<sup>8</sup> The Lanham Act attempts to avoid overreaching on the part of rightholders by providing good faith use exceptions to liability for infringement of traditional trademark rights.<sup>9</sup> It explicitly allows similar trademarks to receive concurrent protection if the owners adopted their marks in good faith without knowledge of each other's use.<sup>10</sup> The permission is couched in terms of limitations on the exclusive rights of a registered user (senior user) against others (junior users).<sup>11</sup> The language of the statute indicates that so long as the junior user adopted the mark in good faith without knowledge of the senior user's use, prior to the senior user's successful registration of the mark, the junior user avoids liability for infringement.<sup>12</sup> Courts, however, have taken this concept one step further, interpreting the law to protect marks used in separate, geographically limited<sup>13</sup> locations regardless of whether the senior user had registered a mark prior to the junior user's use of the mark.<sup>14</sup> In essence, this interpretation seeks to restrict the rights of the good faith junior user only when there is actual marketplace conflict between the marks.<sup>15</sup>

The leading case regarding concurrent trademarks and their owners' respective rights is the Second Circuit decision in *Dawn Donut Company, Inc. v. Hart's Food Stores, Inc.*<sup>16</sup> The case illustrates the nuances and complexities involved in balancing the parties' rights and has been adopted by most jurisdictions nationwide.<sup>17</sup> However, almost 50 years later, evolving case law

---

5. *E.g.*, *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 360 (2d Cir. 1959).

6. U.S. CONST. art. III, § 8, cl. 8 (referred to as the "IP Clause", granting patent and copyright rights).

7. Lanham Act, 15 U.S.C. §§ 1052-54. If one qualifies for registration of a federal trademark (ownership, distinctiveness, not deceptive, scandalous, or disparaging, not functional), there are many benefits. *Id.* §§ 1114-17.

8. *Id.* §§ 1114-17.

9. *See, e.g., id.* §§ 1114(2)-(3), 1115 (listing exceptions to infringement, defenses).

10. Lanham Act, 15 U.S.C. § 1115(b)(5). *See, e.g.*, *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980); *Members First Federal Credit Union v. Members 1st Federal Credit Union*, 54 F. Supp. 2d 393 (M.D. Pa. 1999).

11. *Lanham Act*, 15 U.S.C. § 1115(a) (exclusive right subject to defenses listed in (b)); *see id.* § 1115(b)(5) (one such defense).

12. *Id.* § 1115(b)(5). The junior user was restricted to its area of trade where its continued prior use of the mark is proved. *Id.*

13. Not to be confused with the statutory limitation regarding trademarks that can be classified as primarily geographically descriptive, or worse, geographically deceptively misdescriptive. *Id.* §§ 1052(e)-(f). The latter two kinds of marks actually refer to geographical terms or areas and may be misunderstood to indicate that the goods came from that particular area. The author uses the term "geographical" only to indicate how the nationwide "pie" can be and is divided between concurrent mark owners rather than applying a strict "first in time" rule.

14. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 360-62 (2d Cir. 1959).

15. *See, e.g.*, *Nat'l Ass'n for Healthcare Commc'ns v. Cent. Ark. Area Agency on Aging*, 257 F.3d 732, 735-738 (8th Cir. 2001) (listing consistent earlier case law).

16. 267 F.2d at 360.

17. *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1056-57 (6th Cir. 1999) (citing cases

and the dawning of the Internet era is sounding the death knell for “The *Dawn Donut Rule*”.

## II. BACKGROUND

The *Dawn Donut* rule validated the concept of geographically distinct markets and the innocent second user of a mark.<sup>18</sup> In 1959 (when *Dawn Donut* was decided), that ruling had reasonable validity. Cost, cumbersome communications, reliance on currency-based transactions and the relative difficulty of transportation limited the consumer’s choice of locations in which to pursue commercial activity. Fast, secure, and reliable nationwide communication was not easily available. Commercial markets were often local and the exchange of currency dominated the majority of transactions.<sup>19</sup> *Dawn Donut* stood for the principle that a senior mark user could not enjoin an innocent, good faith, geographically remote second user from using a similar mark in a marketplace to which the senior user had no immediate plans for expansion.<sup>20</sup> This did not vitiate the senior mark holder’s rights, as the courts specifically said that the senior user could enjoin the junior user’s usage in the future if and when the senior user demonstrated intent to use the mark in that region.<sup>21</sup> It also did not grant excessive protection to the junior user, as the threat of the senior user “swooping in” remained.<sup>22</sup> *Dawn Donut* merely ensured that while the senior user had no plans to enter the market, the junior user was entitled to uses of the mark because the use would cause no consumer confusion.<sup>23</sup> The principle was to clarify the potential for confusion in the marketplace and define the boundaries afforded by federal registration.

However, in today’s world the plausibility of geographically isolated markets chafes against the reality of the commercial environment. We live and exercise law in commercial arenas that are often without geographical boundaries. Today credit transactions dominate over cash exchanges, and they transit local, national and international boundaries on the electronic highway at

---

consistent with *Dawn Donut* from the 3rd–6th, 8th, 9th, and 11th Circuits). The Sixth Circuit later moved away from *Dawn Donut* in *CarMax*. *Id.*

18. *Dawn Donut*, 267 F.2d at 364.

19. VISA INTERNATIONAL & GLOBAL INSIGHT, INC., THE VIRTUOUS CIRCLE: ELECTRONIC PAYMENTS AND ECONOMIC GROWTH 12 (2003), available at [http://www.corporate.visa.com/md/dl/documents/downloads/virtuouscircle\\_062303.pdf?topic=corp](http://www.corporate.visa.com/md/dl/documents/downloads/virtuouscircle_062303.pdf?topic=corp) (credit card use prior to 1984 was minimal). See also PETE LOSHIN, ELECTRONIC COMMERCE: ON-LINE ORDERING AND DIGITAL MONEY (2d ed. 1997) available at [http://www.charlesriver.com/resrcs/chapters/1886801673\\_1stChap.html](http://www.charlesriver.com/resrcs/chapters/1886801673_1stChap.html) (discussing the rise of credit transactions).

20. *Dawn Donut*, 267 F.2d at 364.

21. *Id.* at 360.

22. *Id.*

23. *Id.* Importantly, *Dawn Donut* also stands for the proposition that federal registration does not unduly burden an innocent user. *Id.* A senior mark owner does get more than the “back to your corners” result of the common law Tea Rose-Rectanus doctrine, but the junior user gets to keep its carve-out until the senior user invades. *Id.* at 362; *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918); *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 413-14 (1915).

the speed of light.<sup>24</sup> Marketplaces cover the entire nation; in practice they often cover the entire world. Today almost 70% of the population of North America has Internet access; the ability to research, shop, and buy products and services without regard to geographic location is commonplace.<sup>25</sup> One must then question the validity of the *Dawn Donut* Rule and the concepts of good faith remote user fair use exceptions to the Lanham Act that allow for geographically separate marketplaces in law.

To better understand the basis of the court's interpretation of the good faith remote user exception in *Dawn Donut*, let us first consider why the exception was granted.

### A. Trademark Protection

In contrast to constitutionally granted and nationally protected copyrights and patents, trademarks were left to the common law.<sup>26</sup> As such, they were creatures of state law and varied from state to state.<sup>27</sup> They were necessarily territorial in nature and more heavily based on avoidance of unfair competition than on property laws.<sup>28</sup> This foundation in unfair competition shapes the basic rationales behind trademark law, and avoiding consumer confusion is a key tenet.<sup>29</sup> The likelihood of consumer confusion is critical in determining what warrants trademark protection, and whether another user is infringing upon that protection.<sup>30</sup>

Another critical component to trademark law is its focus on use "in commerce" at the federal level. This limitation exists because Congress's first national trademark law was struck down as unconstitutional;<sup>31</sup> the law failed to utilize one of the constitutional regulatory powers of the legislature.<sup>32</sup> Thus in subsequent enactments Congress was careful to rely on its power to regulate interstate commerce through the Commerce Clause.<sup>33</sup> This holds true for the Trademark Act of 1946, also known as the Lanham Act.<sup>34</sup> The fundamental right to register a federal trademark is premised on its use in commerce,<sup>35</sup> as is

24. VISA INTERNATIONAL & GLOBAL INSIGHT, INC., *supra* note 20, at 12 fig.7 (graph showing nothing in 1983 and \$750 billion by 2002).

25. Internet World Stats, World Internet Usage Statistics News and Population Stats, <http://www.internetworldstats.com/stats.htm> (last visited Sept. 10, 2007).

26. MAGGS & SCHECHTER, *supra* note 2, at 26-27, 30-40.

27. *Id.* at 26-27 (discussing "dual" system of trademark law, both federal law and state common law).

28. IP rights are quasi property rights. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97-98 (1998) (noting that such rights are not really property rights but rather unfair competition rights).

29. MAGGS & SCHECHTER, *supra* note 2, at 26.

30. Lanham Act, 15 U.S.C. § 1114 (2000) (right to a trademark, infringement); *id.* § 1115 (defenses). See also Robert Nupp, *Concurrent Use of Trademarks on the Internet: Reconciling the Concept of Geographically Delimited Trademarks with the Reality Of The Internet*, 64 OHIO ST. L.J. 617, 619 n.11 (2003) (discussing likelihood of confusion and its role in concurrent trademarks).

31. David S. Welkowitz, *The Problem of Concurrent Use of Trademarks: An Old/New Proposal*, 28 U. RICH. L. REV. 315, 316 n.5 (1994) (explaining that the Statute of 1870 was struck down by the Supreme Court in "The Trade-Mark Cases" for exceeding Commerce Clause power).

32. *Id.*

33. U.S. CONST. art. I, § 8, cl. 3 ("Commerce Clause" powers).

34. Lanham Act, 15 U.S.C. § 1051(a)(1); *id.* § 1114(1)(a).

35. *Id.* § 1051(a)(1) (application for a mark).

the fundamental right to protect such marks from infringement.<sup>36</sup>

A third key concept in United States trademark law is the concept that the first party to use a mark will typically have superior rights.<sup>37</sup> Unlike the “first to register” system used in many other nations, the United States has a “first to use” system.<sup>38</sup> By default, a party who first uses a mark in commerce has superior rights and priority over all others in that marketplace.<sup>39</sup> Common law and the Lanham Act then carve out exceptions in the interest of public policy that impact that priority.<sup>40</sup> The explicit good faith exception in the Lanham Act, as well as the judicial “Good Faith Remote User Defense”<sup>41</sup> interpretations in *Dawn Donut* and other cases are such exceptions.<sup>42</sup> These trace their heritage to a similar concept existing in common law: the “Tea Rose-Rectanus Doctrine”.<sup>43</sup> The Tea Rose-Rectanus Doctrine evolved from a pair of cases; the judge of the first case coining the “remote” user concept.<sup>44</sup>

Finally, it is important to understand that common law and federal trademark protection exist side by side.<sup>45</sup> The Lanham Act gives federal protection not just to marks registered in the federal registry but to unregistered marks as well.<sup>46</sup> On the other hand, it expands these rights and gives enhanced power to those who register.<sup>47</sup> In the event of a dispute over two unregistered marks, the Act defers to state common law.<sup>48</sup> However, the Lanham Act trumps state trademark and unfair competition laws in the event that they clash.<sup>49</sup> In the majority of cases regarding concurrent trademarks, one party will have a federally registered mark, thus triggering full federal protection.<sup>50</sup>

---

36. *Id.* § 1114(1)(a) (infringement cause of action).

37. Nupp, *supra* note 30, at 636, n.106 and accompanying text (discussing Lanham Act’s priority scheme, contrasted against *United Drug* carve-outs by the Supreme Court).

38. David S. Barrett, *The Future of the Concurrent Use of Trademarks Doctrine in the Information Age*, 23 HASTINGS COMM. & ENT. L.J. 687, 688 (2001).

39. Lanham Act, 15 U.S.C. § 1051 (requirements for registration include use in commerce and freedom from any other person’s right to use the mark); *id.* § 1055 (use affecting validity and registration).

40. *See, e.g., id.* §§ 1114(2)-(3), § 1115 (exceptions to infringement, defenses). *See also* *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918); *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 413-14 (1915); *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 360 (2d Cir. 1959).

41. A review of the relevant literature does not reveal a commonly used term to refer to this general concept.

42. *See* Barrett, *supra* note 38, at 689-93 (highlighting the history of the “Concurrent Use” exceptions).

43. The “Tea Rose-Rectanus” doctrine stems from two pre-Lanham cases that evaluated the territorial nature of common law trademarks. *United Drug*, 248 U.S. at 103; *Hanover Milling*, 240 U.S. at 413-14.

44. *United Drug*, 248 U.S. at 90; *Hanover Milling*, 240 U.S. at 413-14.

45. MAGGS & SCHECHTER, *supra* note 2, at 26 (discussing “dual” system of trademark law, both federal law and state common law).

46. *Id.* at 27 (pointing out that federal registration is not mandatory for Lanham Act protection).

47. Lanham Act, 15 U.S.C. § 1115 (2000).

48. MAGGS & SCHECHTER, *supra* note 2, at 321 (“In the unlikely event that two companies started nationwide expansion without either having filed for trademark registration, common law rules would prevail.”).

49. *See, e.g.,* *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904, 907-08 (7th Cir. 1968) (holding that where one party had federal registration and the other state registration, federal rules preempted the state rules).

50. MAGGS & SCHECHTER, *supra* note 2, at 321. In the event that neither party has federal registration, state common law principles will guide, and the Tea Rose-Rectanus Doctrine would come back into play. *Id.*; *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100-02 (1918); *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 413-14 (1915)

Regardless, the common law Tea Rose-Doctrine and the federal *Dawn Donut* Rule are tightly intertwined; often referred to interchangeably in discussions of concurrent trademark issues.<sup>51</sup>

### B. Good Faith Remote User Fair Use Exception

The Lanham Act provides for various defenses against claims of infringement based on public policy including for “equitable principles.”<sup>52</sup> The act also allows a defense of good faith adoption of a mark by a party who is without knowledge of the registrant’s prior use, so long as that adoption was prior to the registrant’s right taking effect.<sup>53</sup> The *Dawn Donut* Rule exception is a much narrower exception because it impinges on the rights of a registered mark owner *after* those rights are given full effect.<sup>54</sup> This narrower exception is a prime example of the fact that trademark law is grounded in unfair competition principles more so than property rights.<sup>55</sup>

However, the underlying rationales for defenses to infringement are the same: for reasons of equity, we will not punish good-faith actors for their innocent use of a mark so long as they meet the criteria for protection. As the name suggests, these collective Good Faith Remote User rules have two requirements: 1) that the junior user adopted the mark in good faith<sup>56</sup> and 2) that his market was geographically remote from that of the senior user.<sup>57</sup> If those requirements are satisfied, the junior user should have superior rights in his own area by virtue of the defense, at least until the senior user moves in to the marketplace territory.<sup>58</sup>

Although the Good Faith Remote User concept evolved from case law in different jurisdictions, almost all jurisdictions have adopted variations of either the Tea Rose-Rectanus Doctrine and/or the *Dawn Donut* Rule.<sup>59</sup>

---

51. E.g., Barrett, *supra* note 38, at 688-93; Stephen L. Carter, The Trouble With Trademarks, 99 YALE L.J. 759, 761-62 (1990); Thomas L. Casagrande, *The “Dawn Donut Rule”*: Still Standing (Article III, That Is) Even With The Rise of the Internet, 90 TRADEMARK REP. 723, 723-24 (2000); W. Scott Creasman, *Establishing Geographic Rights In Trademarks Based On Internet Use*, 95 TRADEMARK REP. 1016, 1020 (2005); Nupp, *supra* note 30, at 620, n.18; Welkowitz, *supra* note 31, at 315 n.5; Graeme W. Austin, *The Territoriality of United States Trademark Law 4* (Arizona Legal Studies, Working Paper, Paper No. 06-20, 2006), available at <http://ssrn.com/abstract=896620> (last visited Sept. 10, 2007).

52. Lanham Act, 15 U.S.C. § 1115(b)(9) (2000).

53. *Id.* § 1115(b)(5).

54. *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 360 (2nd Cir. 1959).

55. Basic notions of fairness support the rule that a person who purchases property and obtains a recorded deed has superior claim even if the original owner subsequently sells the property to a second, good faith, purchaser. This is because the second purchaser was put on constructive notice of the first purchaser’s claim by way of the registered deed. The Good Faith Remote User exception parts ways with this concept and allows that a junior user may have rights to his territory despite being on constructive notice of the senior user’s rights, by way of the federal register. *United Drug*, 248 U.S. at 100-02; *Hanover Milling*, 240 U.S. at 413-14; *Dawn Donut*, 267 F.2d at 360.

56. *Infra* III.B (discussion of requirements of good faith).

57. See Barrett, *supra* note 38, at 689-93 (discussing establishment of territorial rights with market penetration).

58. *Dawn Donut*, 267 F.2d at 360.

59. *Members First Federal Credit Union v. Members 1st Federal Credit Union*, 54 F. Supp. 2d 393, 400 n.12 (M.D. Pa. 1999). See also *Grupo Gigante SA DE CV v. Dallo & Co.*, 391 F.3d 1088, 1093-94 (9th Cir.

## III. ANALYSIS

While the majority of jurisdictions originally gave credence to the *Dawn Donut* Rule, current case law indicates that the rule is losing its gravitas.<sup>60</sup> Furthermore, technological changes have left commentators arguing whether or not the concept of territorial trademarks is obsolete.<sup>61</sup> The Internet Age has also created an entirely new set of issues in the realm of concurrent trademarks.<sup>62</sup>

Trademark suits create an interesting situation in which a case may or may not involve a registered trademark and thus the court may or may not rely heavily on common law.<sup>63</sup> Even then, a finding of concurrent right may or may not find strength in principles of equity and various doctrines. Meanwhile, the *Dawn Donut* decision itself is a Second Circuit decision so the other Circuits are not bound by the result,<sup>64</sup> yet courts try not to overrule past judicial decision because of the importance precedent plays in our legal system. In this unique arena of trademark law however, it is much easier for the different jurisdictions to decide to follow their own variations of the major “rules” set down in other jurisdictions.<sup>65</sup> The factor-based “Likelihood of Confusion” test used in infringement determinations is a prime example. There are a variety of tests based on jurisdictional preferences, but this group of analyses reduce to very similar lists of factors to be considered, with each having its own twist.<sup>66</sup> Although the majority of jurisdictions have chosen to at least acknowledge *Dawn Donut* in the past, if not to directly follow it, they have the latitude to shift away when warranted by time and changed circumstances.

In fact, it appears that some jurisdictions are doing just that. Recent cases such as the Sixth Circuit’s *CarMax* case and the Pennsylvania *Members First* case have specifically addressed *Dawn Donut* and found it inapplicable to their situations.<sup>67</sup> Other jurisdictions have also begun to move away from *Dawn Donut*.<sup>68</sup> Commentators have noticed this shift and many have questioned the

---

2002) (adopting a territorial concept, but with an exception for famous marks); *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1056-57 (6th Cir. 1999) (citing Circuits that adopted *Dawn Donut*).

60. *CarMax*, 165 F.3d at 1056-57 (Jones, J., concurring); *Members First Federal Credit Union*, 54 F. Supp. 2d at 400-01.

61. Barrett, *supra* note 38, at 688; Casagrande, *supra* note 51, at 723-24; Creasman, *supra* note 51, at 1020; Nupp, *supra* note 30, at 621; Welkowitz, *supra* note 31, at 315 n.5; Austin, *supra* note 51, at 6.

62. For a discussion of concurrent trademark issues uniquely due to Internet website presences, see generally Creasman, *supra* note 51; Nupp, *supra* note 30.

63. *Supra* Part II.

64. *Dawn Donut Co., Inc. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 358 (2d Cir. 1959).

65. *Compare Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984) (“Pizzeria Uno” seven-factor test for likelihood of confusion) with *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961) (“Polaroid” nine-factor test for likelihood of confusion).

66. See MAGGS & SCHECTER *supra* note 2, at 279-82.

67. *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1056-57 (6th Cir. 1999) (discussed in concurrence); *Members First Federal Credit Union v. Members 1st Federal Credit Union*, 54 F.Supp.2d 393, 401 (M.D. Pa. 1999) (noting that “the court cannot decide as a matter of law that the geographic distance between the branch offices eliminates any possibility of confusion”).

68. *CarMax*, 165 F.3d at 1057; *Members First*, 54 F. Supp. 2d at 401.

role of concurrent trademarks in our increasingly Internet-based society.<sup>69</sup> Their discussions highlight the three main issues regarding whether or not the *Dawn Donut* Rule has lost its relevance. First, there is a debate over what weight should be given the “likelihood of expansion” analysis mentioned in *Dawn Donut*. Second, there is a question of whether it is possible to have a good faith junior user. Finally, there is the possibility that technology has rendered the rule moot. Together, these considerations present a need for Congress to reevaluate the state of concurrent trademarks.

#### A. *Likelihood of Expansion versus Likelihood of Confusion*

Regardless of whether a user is the senior user or the junior user, the big company or the small company, all parties benefit from clear laws. Yet the current state of trademark law with regards to concurrent trademarks seems muddled. *Dawn Donut* appears to set forth a per se rule that geographic remoteness and a lack of intent to immediately enter a market by the senior user eliminates the possibility of likelihood of confusion.<sup>70</sup> McCarthy summarizes this in his treatise on trademarks, stating that “while a senior federal registrant has superior priority, there is no likely confusion for a court to enjoin unless and until the senior user shows a likelihood of entry into the junior user’s trade territory.”<sup>71</sup>

In practice, courts seeking added clarity weigh the likelihood of expansion by the senior user as a central step in analyzing concurrent trademarks.<sup>72</sup> The question is whether this is the first step in the process, barring parties from a cause of action if it is absent, or if it is merely one of many factors to be pondered in considering a concurrent trademark case. Likelihood of confusion is the central issue in any trademark infringement suit.<sup>73</sup> Is likelihood of expansion a factor of that analysis? Or is it a separate and prerequisite analysis?

Thomas L. Casagrande posits that the *Dawn Donut* analysis is even more elemental in that it ensures that the parties have standing to bring suit.<sup>74</sup> He argues that the courts have begun to downplay the importance of the rule when they relegate it to just one of many factors.<sup>75</sup> Instead, Casagrande argues that by ensuring there is a likelihood of expansion by the senior user before hearing the concurrent mark cases, the courts ensure they are acting within their Article III powers<sup>76</sup> to hear cases and controversies as well as forcing the parties to

---

69. E.g. Barrett, *supra* note 38; Carter, *supra* note 51; Casagrande, *supra* note 51; Nupp, *supra* note 30; Welkowitz, *supra* note 31; Austin, *supra* note 51.

70. *Dawn Donut Co., Inc. v. Hart’s Food Stores, Inc.* 267 F.2d 358, 360 (2d Cir., 1959); see *CarMax*, 165 F.3d at 1056-57 (Jones, J., concurring) (discussing *Dawn Donut’s* per se rule).

71. 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §28 (2006).

72. *CarMax*, 165 F.3d at 1056.

73. Lanham Act, 15 USC § 1114 (2006) (dealing with remedies and infringement).

74. Casagrande, *supra* note 51, at 724-25.

75. *Id.*

76. U.S. CONST. art. III; Casagrande, *supra* note 51, at 725-26.

have the necessary standing to warrant an injunction.<sup>77</sup> As *Dawn Donut* acknowledges, once the senior user does decide to expand into the junior user's area, there would be standing and cause for issuing an injunction.<sup>78</sup> This is an interesting point but Casagrande, himself, points out that no court has connected *Dawn Donut* and the issue of standing.<sup>79</sup> The Sixth Circuit indicated that the pieces necessary for standing will necessarily flow from a finding of infringement.<sup>80</sup> This is consistent with the concept that if likelihood of confusion exists due to other reason, a controversy still exists even in absence of geographical marketplace overlap. Finally, it seems that the Internet and other technological advances would create the necessary overlap in geographic territories and thus create standing.<sup>81</sup>

Assuming that courts will not require likelihood of expansion as a necessary requirement for standing, the issue still remains how important the analysis is when considering the merits of concurrent trademark cases. The majority of commentator ink has been spilled arguing whether the likelihood of expansion test is its own initial step in infringement analysis, or whether it is included in the likelihood of confusion analysis.<sup>82</sup>

One commentator argues that protecting the junior user's good will outweighs potential future confusion.<sup>83</sup> This seems consistent with *Dawn Donut* and would support forcing parties to wait until actual expansion is eminent. Others point to *CarMax* and *Members First* as evidence that the tides have changed and likelihood of expansion is to be just one of many factors considered in a likelihood of confusion analysis.<sup>84</sup>

The *CarMax* court held that in its case there was no need for a likelihood of entry analysis because it was just one factor of likelihood of confusion.<sup>85</sup> Judge Jones in his concurrence acknowledged *Dawn Donut* but pointed out that a party should still be entitled to an injunction if likelihood of confusion could otherwise be established.<sup>86</sup> The *Members First* court specifically had to address the issue of the *Dawn Donut* Rule because one of the parties pointed to the rule as a reason to proceed no further into the infringement inquiry as there

---

77. Casagrande, *supra* note 51, at 727-31. Note that McCarthy indicates that the "injunctive remedy does not ripen until the registrant shows a likelihood of entry into the disputed territory." MCCARTHY, *supra* note 71, at § 26:33. Also note that standing issues would have to be addressed before substantive issues. Casagrande, *supra* note 51, at 725 (noting that plaintiff has to have standing before court can rule on claim).

78. *Dawn Donut Company, Inc. v. Hart's Food Stores, Inc.* 267 F.2d 358, 365 (2d Cir. 1959); Casagrande, *supra* note 51, at 739-40.

79. Casagrande, *supra* note 51, pt. III.

80. *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1056 (6th Cir. 1999).

81. *Infra* Part III.C.

82. See *CarMax*, 165 F.3d at 1057 (Jones, J., concurring) (analyzing the Dawn Donut rule in terms of a multi-factor test); see also *Members First*, 54 F. Supp. 2d at 402 (analyzing the Dawn Donut rule as non-dispositive, but in light of a ten factor test); cf. Casagrande, *supra* note 51, 739-40 (arguing that the Dawn Donut rule is part of an initial standing analysis).

83. Carter, *supra* note 51, at 790-92.

84. For a good discussion of likelihood of confusion as it applies to concurrent trademarks, see generally Welkowitz, *supra* note 31.

85. *CarMax*, 165 F.3d at 1056.

86. *Id.* at 1056-57.

was no intent to expand.<sup>87</sup> While the court questioned the applicability of the rule to the facts of their case, it also went on to question the distinctness of the markets especially in light of the fact both parties sold their services on the Internet.<sup>88</sup> The court stated as follows:

Thus, while the distance between the parties' branch offices may be a consideration in determining whether a likelihood of confusion exists, the court cannot decide as a matter of law that the geographic distance between the branch offices eliminates any possibility of confusion. To do so would also be to utterly disregard the evidence of actual confusion . . . .<sup>89</sup>

The geographic remoteness of marketplaces in which marks were used was thought to eliminate any likelihood of confusion between them and thus justify allowing protection of concurrent marks.<sup>90</sup> It is the existence of Internet based marketplaces that so effect this analysis. It is exactly this possibility of confusion despite geographical remoteness that lends such great weight to arguments that likelihood of expansion be considered just one factor of likelihood of confusion.

Allowing that there can be confusion even in geographically remote concurrent uses, the merits of each party's case may then be considered. This is where the good faith defense comes into play.

#### *B. The Good Faith Debate*

Even before *CarMax* and *Members First*, courts could not agree on the standard for good faith in regards to concurrent trademarks.<sup>91</sup> The majority of jurisdictions felt that proof of actual knowledge by the junior user of the senior user's mark was sufficient to destroy good faith.<sup>92</sup> A minority of jurisdictions felt that the Junior User had to have a "design inimical to the interest of the first user" to destroy good faith.<sup>93</sup> It is this "no-bad intent" minority stance that gives rise to the use of attaching the word "innocent" to the Good Faith Remote User defense. Moreover, McCarthy suggests in his treatise, "The cases concerning marks registered under the Lanham Act are uniform in assuming that the common law rule requires the junior user to prove a total lack of knowledge and that 'good faith' is destroyed by the statutory constructive notice provision . . . ."<sup>94</sup> As mentioned earlier, most concurrent trademark cases involve at least one registered mark and thus fall squarely under the Lanham Act.

This begs the question of how to treat willful ignorance, and this is where

---

87. *Members First*, 54 F. Supp. 2d at 400.

88. *Id.* at 401.

89. *Id.*

90. *Dawn Donut Company, Inc. v. Hart's Food Stores, Inc.* 267 F.2d 358 (2d Cir. 1959).

91. MCCARTHY, *supra* note 71, at § 26:9.

92. *Id.*

93. *Id.*; Barrett, *supra* note 38, at 688. See *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990) (focusing on junior user's intent to benefit from association with senior user's mark).

94. MCCARTHY, *supra* note 71, at § 26:9.

changing technology becomes a central issue. Since knowledge is so critical, clearly the cost of obtaining that knowledge must be a factor. In the era of *Dawn Donut*, it really was far more likely that truly good faith innocent users could exist. In today's world, a merchant should have the ability to execute a good faith search for competing trademarks.<sup>95</sup> Anyone with access to the Internet should be able to do a very thorough search of the trademark potential including the electronic federal registry.<sup>96</sup> That still assumes that a merchant knows enough about trademarks to know that the federal registry exists.<sup>97</sup> That seems a rather attenuated argument though since Internet searches may demonstrate that a particular mark is being used on goods or services, similar to that intended by the searcher, even if the search does not lead to the trademark registry.<sup>98</sup> The reality is that even with good faith users, the advent of the Internet has made the concept of remote market places very unlikely.

### C. Moot in the Internet Era

Not only has the Internet made it possible to instantaneously check if a mark is being used for free, it has drastically impacted the global marketplace. The world marketplace has become smaller; items traditionally purchased locally can now be bought over the Internet.<sup>99</sup> There is a new dimension to local stores, which are entering the global marketplace via the Internet. This

---

95. Current figures put North America's internet-using population at approximately 233 million people. Internet World Stats: Usage and Population Statistics, <http://www.internetworldstats.com/stats.htm> (last visited Sept. 10, 2007). The population of the United States is estimated to be 300 million people. *Id.* So although less than 100% of U.S. residents have access to the internet, most do. Arguably, nearly all U.S. residents *could* have access to the internet through public libraries or other organizations that offer free access.

96. To search the Federal Register, go to <http://www.uspto.gov/main/trademarks.htm>. The United States Patent & Trademark Office (USPTO) maintains the US federal registry of trademarks. United States Patent and Trademark Office, <http://www.uspto.gov/main/trademarks.htm> (last visited Sept. 10, 2007). Its online search engine, TESS, contains more than 4 million pending, registered and dead federal trademarks. Trademark Electronic Search System (TESS), <http://tess2.uspto.gov/bin/gate.exe?f=tess&state=gic5o2.1.1> (last visited Sept. 10, 2007).

97. The author knows of one trademark infringement case in which the junior users were not aware of a senior user's use. A group of entrepreneurial college graduates came up with the idea of running a hotdog shop out of the basement of their beloved church in Pittsburgh. The witty trio came up with the name "HotDogma" in honor of their ecclesiastical setting. They did do a limited search to see if there were any existing trademark conflicts. However, it appears they did not know they could search the Federal Register and thus did not do so. After investing time and money, the restaurant was a huge success. It was so successful that the Food Network decided to run a special on them. The students were ultimately sued for trademark infringement by a large restaurant in Florida that had already trademarked the name. In the end, the small Pittsburgh restaurant was forced to settle out of court and was required to change its name. Editorial, *Food for Thought: Hot Dog Bullies Don't Spare the Mustard*, PITT. POST-GAZETTE, Oct 31, 2006, <http://www.post-gazette.com/pg/06304/734270-192.stm>. The reader may visit the company formerly known as HotDogma at <http://hotdogmapgh.com/index.html>.

98. Using the unfortunate HotDogma situation described in the prior footnote, suppose there is another potential hotdog vendor on the west coast who is clever but untrained in the art of trademark usage. If simply searching "hotdogma" on a web search engine revealed the registered owner's website as well as links to the articles surrounding the Pittsburgh company's battle, it would be hard to argue that the searcher was not given fair notice of the existence of the senior user's mark.

99. Busy people can even buy groceries over the internet and schedule deliveries around the few minutes of spare time they can find. *See, e.g.,* Peapod: Online Grocery Shopping and Delivery, <http://www.peapod.com/> (last visited Sept. 10, 2007).

brings the discussion back to *Dawn Donut* and the issue of concurrent ownership rights in modern society.

In regard to likelihood of expansion, the broad reach of Internet marketing (not to mention mere advertising)<sup>100</sup> might make the inquiry pointless if either party has ever utilized the Internet in marketing. Similarly, likelihood of confusion analysis would have to take into consideration the wide audience that different technologies enable vendors to reach. Commentators, such as David S. Barrett, have analyzed the consequences of the Internet on the magnitude of a party's built up good will and market penetration.<sup>101</sup> Graeme W. Austin points out that even in light of these "radical changes in national and international marketing practices, the general commitment to the domestic territoriality remains important . . ."<sup>102</sup> Austin and other commentators warn of an urgency to know and understand where these rapidly changing factors leave mark owners.<sup>103</sup> Austin also warns of possible international ramifications stemming from the overlapping reach of websites beyond United States borders and the reach of the Lanham Act.<sup>104</sup> Robert Nupp discusses at length possible ways to reconcile "geographically delimited trademarks with the reality of the Internet."<sup>105</sup> He feels that it is possible to have concurrent trademarks on the Internet so long as steps are taken to decrease the likelihood of confusion.<sup>106</sup> He admits though that as things stand now, concurrent trademarks on the Internet just increase confusion.<sup>107</sup> Other commentators feel that the overlap of customers is too great to allow for concurrent rights if one party has an Internet marketplace.<sup>108</sup>

With a finite number of letter and word combinations, trademarks are already constrained. Adding to the stress is the concept of domain names and cybersquatting.<sup>109</sup> This adds an entirely new dimension to concurrent rights issues. W. Scott Creasman discusses how to establish trademark rights based on Internet use.<sup>110</sup> He focuses upon the issue of how much use and what kind of use of a mark on the Internet will establish trademark ownership rights.<sup>111</sup>

At a more fundamental level, technological advancements mean that we are a much more mobile society than that of the *Dawn Donut* era.<sup>112</sup> Even

---

100. Even domain names complicate trademark infringement issues. Nupp, *supra* note 30, at 641-43 (discussing how domain names and trademark law interrelate).

101. Barrett, *supra* note 38, at 695-98.

102. Austin, *supra* note 51, at 6.

103. *Id.* at 3. *See also* Creasman, *supra* note 51, at 1016 (noting that no court has addressed the issue of how a purely Internet-based business might create geographically specific trademark rights).

104. Austin, *supra* note 51, at 12.

105. Nupp, *supra* note 30, at 617..

106. *Id.* at 618, n.4. ("Concurrent use rights can be based upon factors other than the physical territory wherein the mark may be employed.")

107. *Id.* at 666-67.

108. MAGGS & SCHECHTER, *supra* note 2, at 316-17 (noting that if *Dawn Donut* arose today and one party sold donuts over the Internet, "the plaintiff would almost certainly have a right to an injunction, because of the overlap of customer locations").

109. *See, e.g., id.* at 543-613 (discussion of trademarks and unfair competition on the internet).

110. Creasman, *supra* note 51, at 1029-1032.

111. *Id.*

112. Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1057 (6th Cir. 1999) (noting that "[t]he

without the Internet, travelers may routinely visit marketplaces outside their local region. Compared to 1959, air travel is a commonplace enabling factor of transnational commerce.

#### IV. CONCLUSION

As Judge Jones said in *CarMax*, “it appears to me that a re-examination of precedents would be timely to determine whether the *Dawn Donut* Rule has outlived its usefulness.”<sup>113</sup> Courts are starting to shift away from a *per se* likelihood of entry analysis, choosing rather to consider it as one of many factors affecting likelihood of confusion. The fact is that merchants enjoy larger and larger geographical footprints, making the concept of territorial limitations obsolete. The ease with which prospective mark users can search for prior users vitiates claims of good faith lack of knowledge. It is in these areas that concurrent trademark issues most closely relate with the “famous mark” and trademark dilution issues that Congress has seen fit to clarify. Now would also be a good time for Congress to revisit the *Dawn Donut* Rule and the concept of concurrent trademarks.

---

Dawn Donut Rule was enunciated in 1959 . . . [e]ntering the new millennium, our society is far more mobile than it was four decades ago.”).

113. *Id.* Ironically, although the importance of *Dawn Donut* may be fading in our internet era, one blogger was still concerned enough to mention it in connection with the possible confirmation of Harriet Miers to the United States Supreme Court. The Trademark Blog: Would She Vote To Overturn Dawn Donut? [http://www.schwimmerlegal.com/2005/10/would\\_she\\_vote.html](http://www.schwimmerlegal.com/2005/10/would_she_vote.html) (Oct. 7, 2005, 16:36 EST).