

# Trademark Rights Based on Common Law or Federal Registration

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## I. Introduction.

This article analyzes trademark<sup>[1]</sup> rights depending on: (1) whether a user<sup>[2]</sup> is relying on common-law rights or a federal trademark registration,<sup>[3]</sup> (2) the effective date on which a user's rights began, and (3) the geographical scope of the use. Before considering specific examples, two foundational concepts of trademark rights are first discussed: (a) intrastate versus interstate use of a trademark, and (b) the natural zone of expansion.

## II. Intrastate Versus Interstate Use of a Mark.

In the U.S. all trademark rights stem from use in commerce. "Commerce" is either intrastate or interstate. "Intrastate" commerce is conducted solely within one state and does not impact interstate commerce. A single restaurant serving people only within a single state may be considered intrastate commerce. A mark used in intrastate commerce can support common-law rights (or a state registration *in the state where the mark is being used*). "Interstate" commerce is commerce between multiple states, a state and a foreign country, or commerce within a state that affects interstate commerce. Use in interstate commerce can support common-law rights, and is *required* to support a federal registration.

## III. The Natural Zone of Expansion.

The natural zone of expansion applies to all marks, whether common-law or federally-registered. The natural zone of expansion applies to: (1) expanded goods/services that a user would reasonably be expected to offer, and/or (2) an expanded geographical area that a user would reasonably be expected to enter. Some factors for determining the natural zone of expansion are set forth below.

### A. Factors for Determining the Goods/Services Natural Zone of Expansion.

- (a) Are the expanded goods/services a departure from the user's existing business? For example, do they require new technologies, different employee skill sets, or trade channels?
- (b) Are the types of customers the same or different for the expanded goods/services?
- (c) Do other businesses offering the user's current goods/services offer the expanded goods/services?

### B. Factors for Determining the Geographical Natural Zone of Expansion.

- (a) How great is the distance from the user's present geographical territory to the edge of the alleged zone of geographical expansion?
- (b) Does the user already have a large or small zone of use of the mark?
- (c) Is the mark already associated with the user in the alleged zone of geographical expansion?
- (d) What is the history of the user's past geographical expansion?

Depending on the facts, a user may have a significant, or no, natural zone of expansion.

[1] As used herein, "trademark" means trademark and service mark.

[2] For the purposes of this article a "user" is the trademark owner and not a licensee.

[3] There is also state trademark registration, which can enhance common-law rights, varies by state, and is not discussed in detail here.

## IV. Common-Law Trademark Rights.

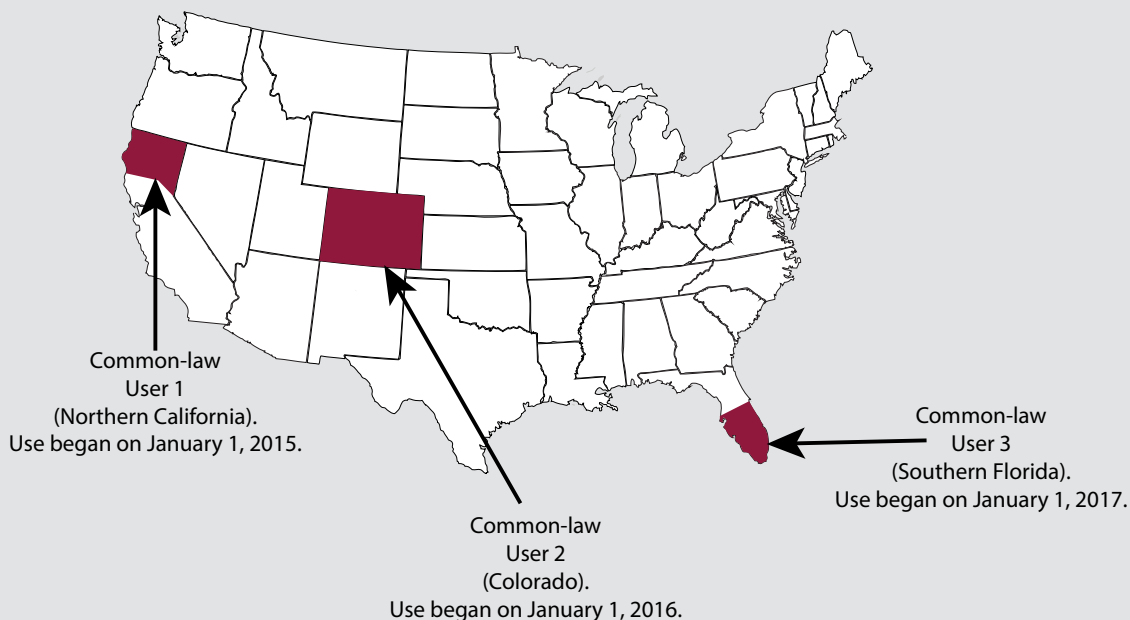
### A. When Do Common-Law Rights Begin?

Common-law trademark rights begin when a mark is used in connection with goods/services provided in intrastate or interstate commerce. Subject to exceptions, some of which are discussed in the examples herein, common-law rights are coextensive with: (a) the goods/services with which a mark is used, (b) the geographical area in which a mark is used, plus (c) any natural zone of expansion.

### B. An Example of Rights Granted by Common Law.

If a common-law user is the first to use a mark (such a user is called the “senior user”) within a given geographical area, which may be as small as a few square blocks or as large as the entire U.S., the senior user has rights superior to junior users that: (1) use the same or a confusingly similar mark as the senior user, (2) provide the same or confusingly similar goods/services as the senior user, and (3) are within the same geographical area as the senior user, or within any natural zone of expansion of the senior user.

A junior user may use the same mark on the same goods/services *outside of* the senior user’s geographical area (plus any natural zone of expansion of the senior user), and can then be the senior user in its respective geographical area, *if* the junior user adopted the mark without knowledge of the senior user. Example:



These three common-law users<sup>[4]</sup> can coexist as long as: (1) User 2 and User 3 each adopted the mark without knowledge of senior User 1, (2) User 3 adopted the mark without knowledge of senior User 2,<sup>[5]</sup> and (3) there is no overlap among relevant consumers such that there is a likelihood of confusion. Each of User 1, User 2, and User 3 would be the senior

[4] In all of the specific examples herein, assume that each user is using the same mark for the same goods/services.

[5] User 3 may not assert User 1’s senior rights as a defense to User 2’s rights, because User 3 lacks standing to do so. A user may not assert the rights of an unrelated third party.

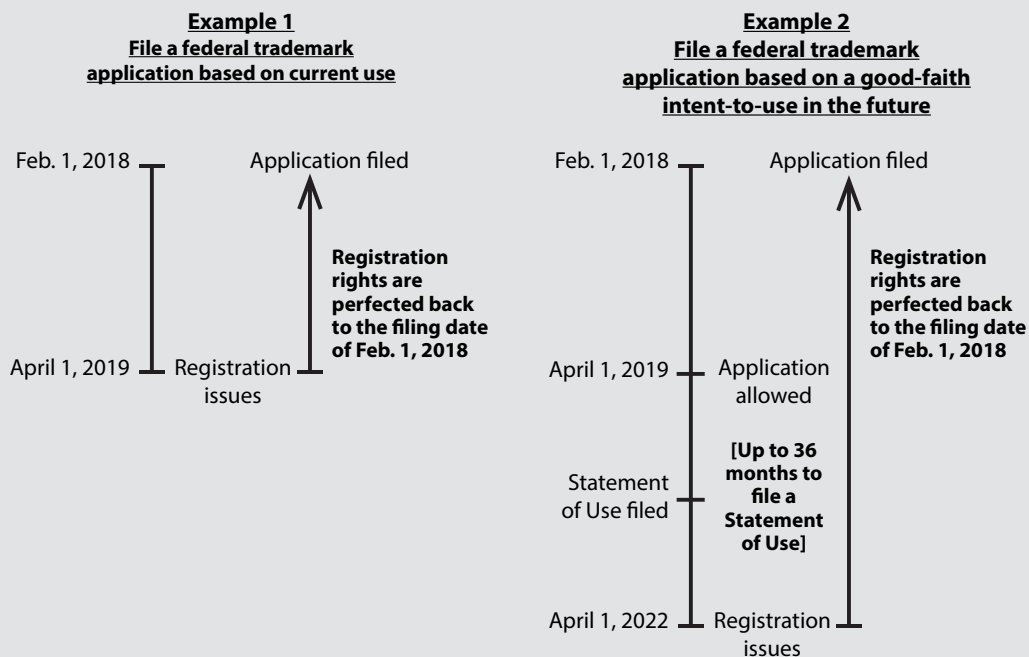
user in its respective geographical area. If one user moved into another’s area, it would be an infringer. For example, even if the most senior user in this scenario, which is User 1 in Northern California, expanded into User 2’s or User 3’s area, User 1 would be the junior user in that area and would be an infringer.

If the nature of the business is such that there is consumer confusion even though there is no geographical overlap (e.g., consumers primarily purchase the goods/services online), junior User 2 and User 3, even though in a geographically remote areas, would infringe senior User 1’s rights.

## V. Rights for Federally-Registered Marks.

### A. When Do Rights for Federally-Registered Marks Begin?

The rights conferred by federal registration are perfected to the filing date of the application that matured into the federal registration. There are two primary filing bases for an application for federal registration: (a) current use in interstate commerce, and (b) a good-faith intent-to-use the mark in interstate commerce in the future.<sup>[6]</sup> Below are examples of obtaining a federal registration from an application based on current use, and an application based on intent to use:



[6] In contrast, an application for a state trademark registration must be based on actual use in commerce. There is no intent-to-use state trademark application.

In Examples 1 and 2, each application is filed on February 2, 2018. In Example 1 the registration issues on April 1, 2019, and in Example 2 the registration issues on April 1, 2022. *But, the rights conferred by federal registration begin on the same effective date for each, which is their February 2, 2018 application filing date.*

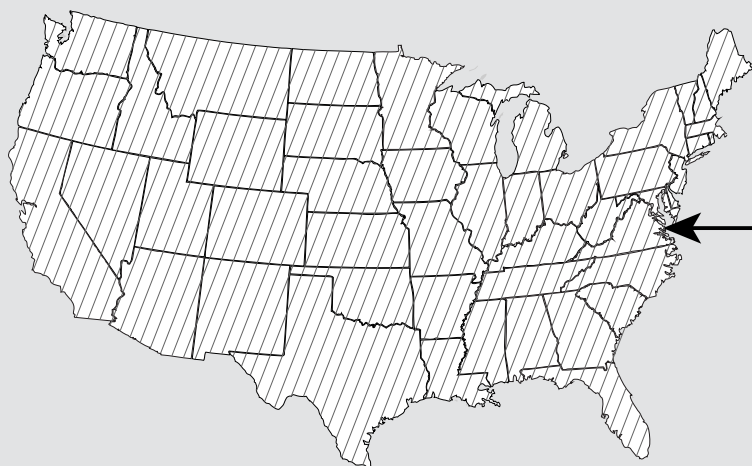
**B. Some Benefits Conferred by Federal Registration.**

A federal trademark registration confers many benefits not available at common law, including that it: (1) provides constructive notice of the registration as of the filing date of the application, which eliminates any allegation of good-faith adoption of the mark after the application filing date (15 U.S.C. §§ 1057, 1072), (2) creates a presumption of the mark’s (i) validity, and (ii) the owner’s nationwide,<sup>[7]</sup> exclusive right to use the mark (U.S.C. 15 U.S.C. § 1057), (3) can become incontestable, in which case the presumptions in preceding subparagraph (2) become conclusive evidence subject to some exceptions, such as the registration being obtained by fraud or the mark being functional or generic (15 U.S.C. § 1115(b)), and (4) permits you to legally use the ® symbol with your mark. 15 U.S.C. § 1111.

**C. Examples of Rights Conferred by Federal Registration.**

**(1) Example 1: Rights for a First-Filed Federal Registration With No Prior Common-Law Uses.<sup>[8]</sup>**

The owner of a federally-registered mark (a “Federal Registrant”) is presumptively entitled to the exclusive nationwide right to use the mark shown in the registration for the goods/services listed in the registration. If there is no user (or other application for federal registration) that predates the filing date of the application for federal registration, the Federal Registrant has presumptive nationwide rights in the registered mark. Example:



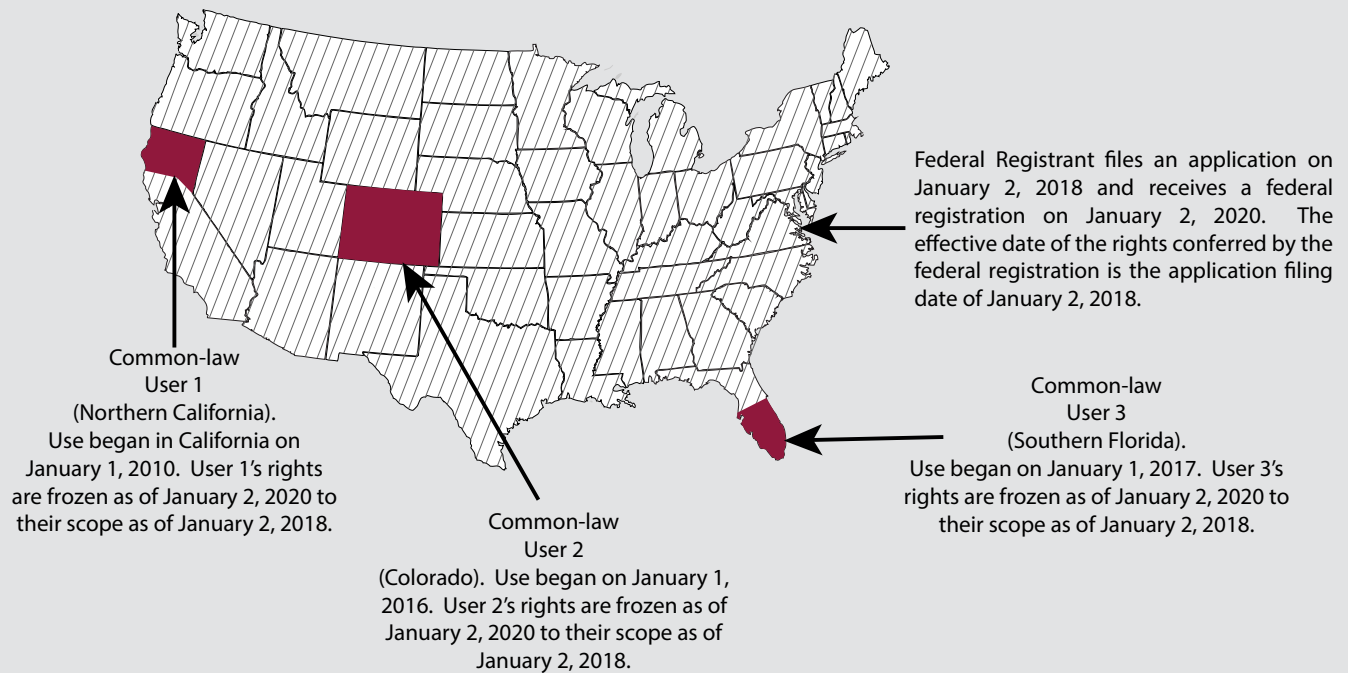
Federal Registrant that filed an application for federal registration before any common-law uses or other filings for federal registration. Upon grant of the federal registration, the Federal Registrant has presumptive nationwide rights for the mark and the goods/services in the federal registration as of the filing date of the application that matured into the federal registration.

**(2) Example 2: There Are Common-Law Uses that Predate an Application for Federal Registration.**

Common-law uses that: (1) predate the filing date of an application for federal registration, and (2) occurred without knowledge of an earlier use or intent-to-use by the Federal Registrant, continue to have rights coextensive with their geographical scope of use and goods/services, plus any natural zone of expansion. Once the federal registration issues these common-law rights are “frozen” as of the application filing date for the federal registration. Example:

[7] A federal registration also covers the U.S. territories and possessions of Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands.

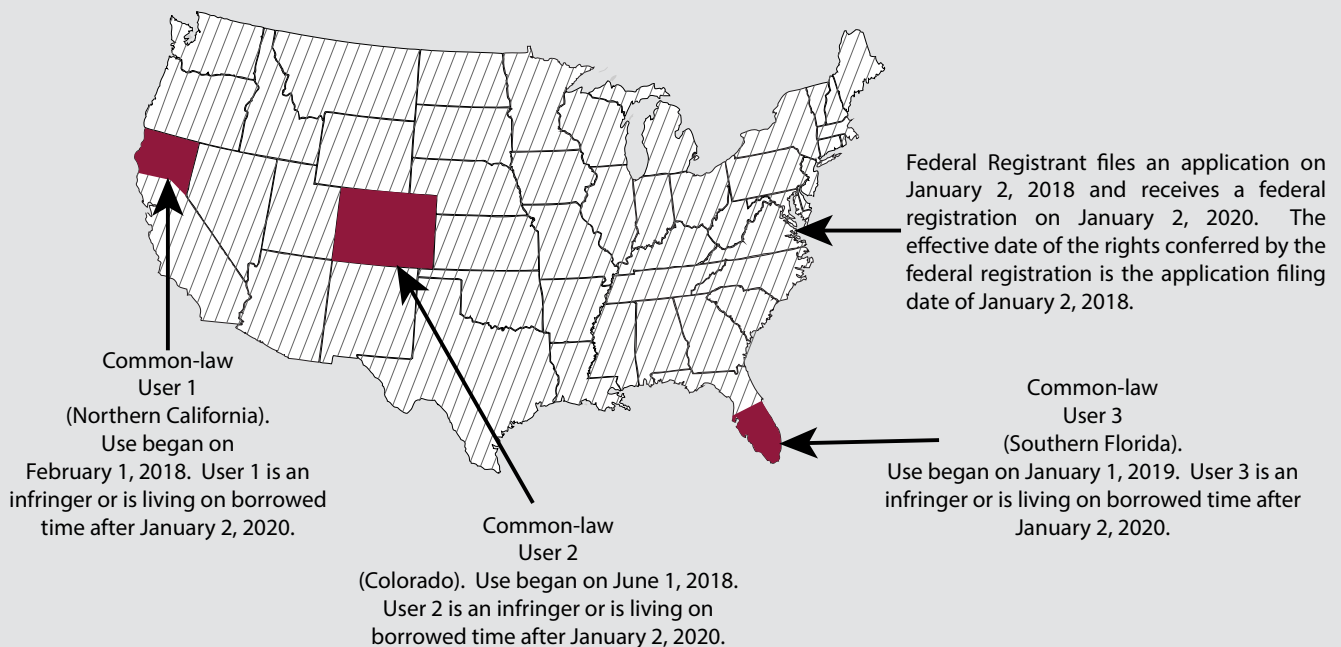
[8] Each of the examples in this section include common-law uses coupled with a state registration.



If User 1, User 2, or User 3 expands its use (which includes any natural zone of expansion) after the Federal Registrant's filing date of January 2, 2018, that use can be enjoined by the Federal Registrant. So, the common-law user can be pushed back into the space it occupied on January 2, 2018.

**(3) Example 3: Common-Law Uses That Post Date a Federal Registration Are Either Infringing or Living on Borrowed Time.**

Any use of a mark that begins *after* the filing date of an application that matures into a federal registration can be completely enjoined *once*: (1) the federal registration is granted, and (2) there is consumer overlap such that there is a likelihood of confusion. Example:



Because the rights conferred by the federal registration are perfected back to the application filing date of January 2, 2018, they effectively predate each of later common-law Users 1, 2, and 3. Consequently, each of Users 1, 2, and 3 can be enjoined by the Federal Registrant: (1) after the federal registration issues on January 2, 2020, and (2) if there is consumer overlap sufficient to create a likelihood of confusion. The question then becomes whether use by any of junior Users 1, 2, or 3 is sufficient to create a likelihood of confusion. A junior common-law user may be using the Federal Registrant's mark, but there is no infringement if the Federal Registrant's actual use and the junior common-law user's use are geographically remote such that relevant consumers are not likely to be confused.<sup>[9]</sup> Once there is consumer overlap such that there is a likelihood of confusion, the Federal Registrant can *completely enjoin* a junior common-law user, even if the junior common-law user has used its mark for decades.

## **VI. Conclusion.**

Each mechanism to protect trademark rights in the United States requires use of a mark in commerce in connection with providing goods or services. If your mark is important, federal registration provides the most comprehensive protection. Best to file an intent-to-use federal application once you select a mark because your rights are ultimately perfected back to the application filing date, even if the registration issues years later. If you have a complex priority conflict, carefully sort out priority using current case law and a seasoned attorney.

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[9] As previously discussed, the nature of the business may be such that there is a likelihood of consumer confusion even if the respective uses are geographically remote.



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