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The Territorial Scope of Trademark Rights

William Jay Gross

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The Territorial Scope of Trademark Rights

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I. INTRODUCTION

Trademarks¹ serve several valuable and interrelated business functions.² First, a trademark identifies a particular product or service with its producer or provider.³ Second, a trademark signifies that all goods sold under it are of equal, although not of necessarily high, quality.⁴ Third, a trademark serves as a valuable vehicle for advertising a product or service.⁵ These basic trademark functions benefit both businesses and consumers. Businesses benefit from the competitive advantage and, hopefully, from the increased profits that investment in a trademark creates.⁶ Similarly, consumers benefit because

1. For the purposes of this Comment, the terms "mark" and "trademark" are used to denote both trademarks and service marks. See Lanham Act § 3, 15 U.S.C. § 1053 (1988) (allowing federal registration of service marks "in the same manner and with the same effect" as trademarks).

2. For an extensive discussion of the functions of trademarks, see 1 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 2-3 (2d ed. 1984).

3. See *id.* §§ 3.2-3.

4. See *id.* § 3.4(A).

5. See *id.* § 3.5, at 115 ("A trademark is but a species of advertising, its purpose being to fix the identity of the article and the name of the producer in the minds of people who see the advertisement, so that they may afterwards use the knowledge themselves and carry it to others having like desires and needs for such article." (quoting *Northam Warren Corp. v. Universal Cosmetic Co.*, 18 F.2d 774, 774 (7th Cir. 1927))).

6. See *id.* § 2.10, at 85 (discussing how the protection of trademarks "'rest[s] on the social interest in protecting primarily . . . the businessman who has gained a strategic

trademarks both reduce the cost to the consumer of gathering information about products⁷ and encourage businesses to produce quality goods.⁸

The law of trademarks protects both consumers and businesses from trademark infringement.⁹ Businesses are protected because of the fundamental unfairness of allowing an infringing user to profit from a legitimate user's efforts.¹⁰ Moreover, when more than one product bears the same or similar trademark, consumers may confuse the products and mistakenly purchase the wrong one. Accordingly, the law of trademarks also serves to ensure that consumers will obtain the product that they actually intend to purchase.¹¹

The determination of the territorial scope of trademark rights has caused substantial confusion among the courts. Under the common law, a party acquires the right to a trademark by using it in commerce.¹² As a general rule, the first or "senior" user to sell its

advantage through building up of good will, against unfair practices by competitors who desire to poach on this good will" (quoting *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F.2d 955, 958 (2d Cir.), *cert. denied*, 320 U.S. 758 (1943)).

7. *See id.* § 2.1(B)(2). Professor McCarthy refers to this as the "reducing customer's search costs" function. He writes: "The point is that trademarks reduce the customer's cost of acquiring information about products and services. Information, and the time required to acquire it, are not costless." *Id.* § 2.1(B)(2), at 47.

8. *See id.* § 2.1(B)(1). McCarthy refers to this as the "quality encouragement function" of trademarks. He writes: "Trademarks fix responsibility. Without marks, a seller's mistakes or low quality products would be untraceable to their source. Therefore, trademarks create an incentive to keep up a good reputation for a predictable quality of goods." *Id.* § 2.1(B)(1), at 45.

9. *See S. REP. NO. 1333*, 79th Cong., 2d Sess. 3, *reprinted in* 1946 U.S. CODE CONG. SERV. 1274, 1274.

The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-mark owner.

Id.

10. *See* 1 J. MCCARTHY, *supra* note 2, § 2.11 (characterizing trademark infringement as a type of unjust enrichment).

11. *See id.* § 2.12(A), at 88 (discussing how trademark infringement "deprives consumers of their ability to distinguish among the goods of competing manufacturers" (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 n.14 (1982))).

12. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (The right to use a trademark "grows out of use, not mere adoption."); *see also* 2 J. MCCARTHY, *supra* note 2, § 16.1, at 720 ("Ownership of trademark rights in the United States is obtained by actual use of a symbol to identify the goods or services . . ."). *But see* Lanham Act § 1(b), 15 U.S.C. § 1051(b) (1988) (This Section allows certain parties, who have a "bona fide intention" to use a trademark, to obtain a federal registration regardless of whether they have actually used the mark.).

trademarked product or service within the territorial boundaries of the United States has the superior right to use the mark.¹³ In certain instances, however, a subsequent or "junior" user of the same or similar trademark may have rights that are superior to those of any other user in the same geographically limited area.¹⁴ Because trademark rights are exclusive, only one user is entitled to use a particular trademark in a given geographical area.¹⁵ Therefore, where one user possesses the valid right, any other users within that geographical area of use are infringers who can be enjoined from the continued use of that trademark.¹⁶

The test for determining trademark infringement and, therefore, a user's entitlement to an injunction is whether there exists a "likelihood of confusion" between the user's and the infringer's marks.¹⁷ If

13. *Hanover*, 240 U.S. at 415 ("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.").

14. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918). The Court noted:

It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one state, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented from using it, with consequent injury to his trade and good will, at the instance of one who theretofore had employed the same mark, but only in other and remote jurisdictions, upon the ground that its first employment happened to antedate that of the first-mentioned trader.

Id.

15. *Hanover*, 240 U.S. at 413.

16. See, e.g., *Wiener King, Inc. v. Wiener King Corp.*, 192 U.S.P.Q. (BNA) 353, 356-57 (3d Cir. 1976) (granting the junior user a nationwide injunction against the senior user with the exception of the senior user's area of trademark protection), *cert. denied*, 430 U.S. 916 (1977); *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967) (holding that the senior user was entitled to an injunction in the areas in which it had established sufficient market penetration).

17. For a list of cases supporting this proposition, see 2 J. MCCARTHY, *supra* note 2, § 23.1(A), at 42-43 nn.1-2. For there to be a likelihood of confusion, there must be a "probability" of confusion between the legitimate user's and the infringing user's marks. *Id.* § 23.1(C), at 45. This requires more than a mere "possibility" of confusion, *id.*, but less than proof of "actual" confusion, *id.* § 23.2(A), at 50.

The inquiry into what constitutes trademark infringement is actually a three-step process. First, it must be determined whether there is a likelihood of confusion between the trademarks with respect to any similarity of appearance, phonetic quality, meaning, or context in which the trademarks appear. See generally 2 J. MCCARTHY, *supra* note 2, §§ 23.3-10, .18.

Second, it must be determined that there is a likelihood of confusion with respect to the kind of products, services, or businesses involved. For example, where the products, services, or businesses are in direct competition, the senior user is presumptively entitled to protection from the junior user's appropriation. See *Playboy Enters. v. Chuckleberry Publishing, Inc.*, 687 F.2d 563, 569 (2d Cir. 1982) (senior and junior users were both engaged in publishing "sex-oriented" magazines); *American Home Prods. Corp. v. Johnson Chem. Co.*, 589 F.2d 103, 107 (2d Cir. 1978) (senior and junior users were both operating in the roach trap market). On the other hand, where the products, services, or businesses are not in direct competition,

more than one user is entitled to use the same or similar trademark, the problem is to determine the territorial area in which each has rights. This inquiry into the territorial scope of trademark rights is primarily a determination of the geographical area in which there exists a likelihood of confusion between the trademarks of the legitimate user and the infringing user.¹⁸ If there is a likelihood of confusion within a particular geographical area, the party with superior rights can enjoin the other from using that trademark within that particular area.¹⁹

Historically, three theories have been used to delineate the territorial scope of protection. These theories or "zones of protection" are the zones of actual market penetration, reputation, and natural expansion. The "zone of actual market penetration" is the geographical area in which the legitimate user has made sufficient sales of its goods to create a likelihood of confusion between its product and the infringer's product.²⁰ Outside of this area of actual market penetration, it is also possible that a trademark is so well known that a likelihood of confusion is created by the continued use of the mark by more than one party. The geographical area into which the trademark's renown is carried by advertising or word of mouth is the "zone of reputation."²¹ Finally, there exists a "zone of natural expansion," a geographical area to which the courts extend trademark protection in order to allow a growing business room to further expand.²²

The courts have difficulty, however, when confronted with the problem of determining the territorial scope of each of these zones of protection. Courts do not always clearly indicate which theory they

courts will determine whether they are sufficiently related to create a likelihood of confusion. See generally 2 J. MCCARTHY, *supra* note 2, § 24.3. Courts have devised a variety of tests to measure whether the goods, services, or businesses are sufficiently related. See generally *id.* §§ 24.6-11.

Finally, even if the marks are similar in appearance and are used in connection with the same type of goods, there is an additional requirement that the trademarks be used in the same geographical area. See generally *id.* §§ 26.1-12. Therefore, assuming that the first two steps are satisfied, the third step requires a determination of the territory within which there exists a likelihood of confusion.

18. See Treece, *Security for Federally Registered Mark Owners Against Subsequent Users*, 39 GEO. WASH. L. REV. 1008, 1020 (1971).

19. See, e.g., *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 360 (2d Cir. 1959) (refusing to enjoin an infringing user because no likelihood of confusion had been proven).

20. For a more thorough discussion of the zone of actual market penetration, see *infra* Section II(B)(1).

21. For a more thorough discussion of the zone of reputation, see *infra* Section II(B)(2).

22. For a more thorough discussion of the zone of natural expansion, see *infra* Section II(B)(3).

are applying.²³ This confusion can be seen when courts use the terminology generally associated with one zone of protection in order to describe another zone. It is further reflected by the incorporation of factors that are used to measure different zones within the test for a single zone. In addition, the courts do not agree on which factors should be considered in delineating the territorial scope of trademark rights within each of these three zones.²⁴

The problems created by this confusion ultimately create a vicious circle. When past decisions do not clearly indicate which of the three zones of protection has been applied, a court is more likely to apply the wrong theory. Furthermore, when a court applies the wrong theory, it is less likely to know what factors to consider in delineating the territorial extent of trademark rights. When a court fails to consider the proper factors, it is less likely to offer clear reasons for its decision. This in turn makes it more difficult for a successor court to apply existing authority correctly to new factual situations, thereby resulting in inconsistent decisions. Completing the circle, these inconsistent decisions further distort the doctrine. As a result, courts determining the territorial extent of trademark rights must be clear on which theory of protection they are applying. To reduce this confusion, a clear set of factors must be created in order to test the extent of the various zones of protection.

Three courts have devised tests designed to measure the territorial extent of trademark rights.²⁵ Predictably, these tests confuse the three theories; each test incorporates factors that are used to measure the extent of more than one zone.²⁶ These tests have exacerbated the existing confusion because later decisions have simply applied the tests without considering the underlying reasoning. The United States Supreme Court has repeatedly denied the certiorari review needed to untangle the confusion.²⁷

Section II of this Comment outlines the basic trademark law necessary for a proper understanding of the problems involved in determining the territorial scope of trademark protection. The Section discusses the zones of protection and how they fit into the common

23. See *infra* Section III(A).

24. See *infra* Section III(B).

25. See *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir.), *cert. denied*, 474 U.S. 920 (1985); *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967); see also *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).

26. See *infra* Section III(B).

27. See, e.g., *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir.), *cert. denied*, 474 U.S. 920 (1985); *Wiener King, Inc. v. Wiener King Corp.*, 192 U.S.P.Q. (BNA) 353 (3d Cir. 1976), *cert. denied*, 430 U.S. 916 (1977).

law and statutory framework of trademark protection. Section III presents the three tests that have been devised to determine the territorial extent of trademark rights, and it explores the underlying confusion. The Section further attempts to reconcile the test factors with the existing theories of protection. Section IV argues that a distinction between the zone of actual market penetration and the zone of reputation may no longer be applicable; it then proposes factors that should be considered in delineating the territorial scope of a user's trademark rights. Finally, Section V concludes that the adoption of these proposed factors would likely decrease the confusion that is prevalent in today's trademark law and that the use of these new proposed factors would enable the courts to more easily apply the doctrine developed in prior cases to new factual situations.

II. A BACKGROUND FOR UNDERSTANDING TERRITORIAL RIGHTS

In order to understand the problems involved in determining the territorial extent of trademark rights, it is first necessary to understand the basic principles of trademark law. This Section presents the common law as a background for understanding the manner in which trademark rights are acquired. The zones of protection, including actual market penetration, reputation, and natural expansion, are also discussed. Finally, the statutory scheme of federal trademark protection is presented, and its connection to the common law is explained.

A. *The Common Law*

The threshold question for determining the territorial scope of trademark rights is whether more than one party is entitled to use the same or similar trademark. The answer to this question is derived from the common law.²⁸ Under the common law, trademark rights are acquired through actual use.²⁹ The right to use a trademark is exclusive—within any given area, there can be only one user of a particular trademark.³⁰ Accordingly, the party possessing the exclusive right to use a particular trademark may protect that right by enjoining other users from operating within its protected territory.³¹

28. This Comment focuses on the determination of the territorial scope of trademark rights under general common law principles and does not discuss the differing applications of these principles by the various states.

29. See *supra* note 12.

30. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916).

31. See *supra* note 16.

This Comment focuses on the right to an injunctive remedy. A party who is entitled to an injunction may, in certain circumstances, be able to collect damages from the infringing party. See Lanham Act §§ 32, 35, 15 U.S.C. §§ 1114, 1117 (1988).

The user of a trademark also has the right to expand into unoccupied territory and establish exclusive rights by being the first user in that territory.³² Finally, the first or "senior" user³³ generally has rights that are superior to the rights of all subsequent or "junior" users³⁴ of the same or similar trademark.³⁵ In certain instances, however, a junior user can establish rights that are superior to those rights of all other users (including the senior user) within a limited geographical area.³⁶

The test for injunctive relief is whether there exists a "likelihood of confusion" between the user's and the infringer's marks.³⁷ If a junior user makes use of a trademark that is "confusingly similar" to the senior user's trademark and this use occurs within the territory already occupied by the senior user, then the junior user can be enjoined.³⁸ Conversely, if the junior user acquires a valid common law trademark in a different geographical area and use by another within that area would create a likelihood of confusion, then the junior user can obtain an injunction.³⁹

The United States Supreme Court established the principle that more than one user can possess a valid trademark right in the same or similar trademark in the landmark cases of *Hanover Star Milling Co.*

32. See 2 J. MCCARTHY, *supra* note 2, § 26.5, at 293.

33. The "senior" user of a trademark is the first user to adopt and use a trademark within the territorial boundaries of the United States. *Id.* § 26.1, at 282.

34. The "junior" user of a trademark is the user who adopts and uses a mark after the senior user's prior use of the same or similar mark. *Id.*

35. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916).

36. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918); *Hanover*, 240 U.S. at 415, 419.

37. For a discussion of the likelihood-of-confusion standard, see *supra* notes 17-19 and accompanying text.

38. See, e.g., *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967).

39. See, e.g., *Wiener King, Inc. v. Wiener King Corp.*, 192 U.S.P.Q. (BNA) 353, 356-57 (3d Cir. 1976), *cert. denied*, 430 U.S. 916 (1977).

v. *Metcalf*⁴⁰ and *United Drug Co. v. Theodore Rectanus Co.*⁴¹ In

40. 240 U.S. 403 (1916). In *Hanover*, a dispute arose concerning various parties' rights to use the mark "Tea Rose" on their flour products. The senior user began using the mark in 1872 in the Ohio area. *Id.* at 409. By the time of the suit, the senior user had expanded its sales into Pennsylvania and Massachusetts. *Id.* Shortly after its incorporation in 1885, the junior user, without knowledge of the senior user's prior use, began using the "Tea Rose" mark on its flour product. *Id.* at 410. By the time of the action, the junior user had made sales in several southern states including Mississippi, Alabama, Georgia, and Florida. *Id.* The senior user sought, among other things, an injunction against the junior user's continued use of the "Tea Rose" trademark.

The court refused to uphold the injunctions granted by the two district courts, stating that:

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.

Id. at 415. The Court further wrote:

And when it appears, as it does, that the Hanover Company [the junior user] in good faith and without notice of the Allen & Wheeler mark [the mark of the senior user] has expended much money and effort in building up its trade in the south-eastern market, so that "Tea Rose" there means Hanover Company's flour and nothing else, the Allen & Wheeler Company is estopped to assert trade-mark infringement as to that territory.

The extent and character of that territory, and its remoteness from that in which the Allen & Wheeler mark is known, are circumstances to be considered.

Id. at 419-20.

41. 248 U.S. 90 (1918). In *Rectanus*, the Court reasserted the *Hanover* doctrine in a slightly different factual context. The *Rectanus* dispute arose over the right to use the trademark "Rex" on pharmaceutical products. The senior user first used the mark in Massachusetts in 1877. *Id.* at 94. Until shortly before the time of the action, the senior user had done little to expand its sales beyond the New England states. *Id.* at 98. The junior user, without knowledge of the senior user's prior use, adopted the mark in Louisville, Kentucky in 1883, and it confined its use of the mark to that area. *Id.* at 94-95.

This case differs from *Hanover* because the senior user in *Rectanus* had already entered the junior user's sales territory. Conversely, in *Hanover*, the senior user neither entered nor had plans to enter the junior user's market area. The Court, relying on *Hanover*, refused to enjoin the junior user:

Mrs. Regis and her firm [the senior users], having during a long period of years confined their use of the "Rex" mark to a limited territory wholly remote from that in controversy, must be held to have taken the risk that some innocent party might in the meantime hit upon the same mark, apply it to goods of similar character, and expend money and effort in building up a trade under it; and since it appears that Rectanus [the junior user] in good faith, and without notice of any prior use by others, selected and used the "Rex" mark, and by the expenditure of money and effort succeeded in building up a local but valuable trade under it in Louisville and vicinity before petitioner entered the field, so that "Rex" had come to be recognized there as the "trade signature" of Rectanus and of respondent as his successor, petitioner is estopped to set up their continued use of the mark in that territory as an infringement of the Regis trade-mark.

Id. at 103. Thus, the Court refused to enjoin the junior user. However, the Court did not

these cases, the Court set forth the principle that a "good faith" junior user of a trademark in a "remote area" could not be enjoined in that remote area by a senior user of the same or similar trademark. The two elements of "good faith"⁴² and "remoteness,"⁴³ however, were considered essential to the establishment of a common law trademark right by a junior user. This doctrine, often referred to as the *Tea-Rose/Rectanus* doctrine,⁴⁴ has not only been consistently followed,⁴⁵ but it has also been expanded to allow the junior user to enjoin the senior user.⁴⁶ The premise of the *Tea-Rose/Rectanus* doctrine is that the right to exclusive use of a trademark often depends upon relative, rather than absolute, priority of use.⁴⁷

enjoin the senior user within the junior user's market area because the junior user did not seek such relief. *Id.* at 99, 104.

42. The "good faith" element has generally been defined to mean that, at the time the junior user first employed the trademark in connection with its goods, it was "without notice or knowledge" of the senior user's prior appropriation. *See* 2 J. MCCARTHY, *supra* note 2, § 26.3.

43. The "remoteness" element has been interpreted to test whether there existed a likelihood of confusion between the marks of the senior and junior user at the time the junior user first adopted its mark. Remoteness does not necessarily require geographical distance. *Id.* § 26.1, at 288.

44. *See id.* § 26.1(B)-(D).

45. *See, e.g.,* *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967); *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).

46. *See, e.g.,* *Food Fair Stores, Inc. v. Square Deal Mkt. Co.*, 206 F.2d 482, 486 (D.C. Cir. 1953) (granting the junior user an injunction against the senior user within the junior user's market area), *cert. denied*, 346 U.S. 937 (1954).

47. This analysis presupposes that the user who claims an infringement of its trademark possesses a valid trademark. The threshold question in the determination of trademark infringement is therefore whether the alleged trademark owner has established a valid trademark. Without a trademark, there can be no infringement.

The validity of a trademark requires that "the public recognize[] [the alleged owner's] symbol as identifying his goods or services and distinguishing them from those of others." 1 J. MCCARTHY, *supra* note 2, § 15.1(A), at 657. The validity of a trademark can be demonstrated in one of two ways. Under the first alternative, the alleged owner can demonstrate that the symbol is "inherently distinctive." *Id.* For a thorough discussion of "inherently distinctive marks" as distinguished from marks that are not inherently distinctive, see *id.* § 11.

Under the second alternative, if the symbol is not "inherently distinctive," the alleged owner can demonstrate that the symbol has become distinctive by proving that the symbol has acquired a "secondary meaning." *Id.* § 15.1(A), at 657. For example, descriptive marks, geographically descriptive marks, and personal name marks are types of trademarks that require proof of secondary meaning. For a more expansive, but not quite complete categorization of the types of marks that require proof of secondary meaning, see *id.* § 7.14 (designs and symbols that are not inherently distinctive), *id.* § 7.31 (product and container shapes that are not inherently distinctive), *id.* § 8.2 (trade dress and packaging), *id.* § 9.1 (corporate, business, and professional names which are descriptive, geographically descriptive, or personal name marks), *id.* § 10.2 (titles of single literary works), *id.* § 10.3 (descriptive titles of a literary series), *id.* § 11.9 (descriptive marks), *id.* § 13.2 (personal name marks), and *id.* § 14.5 (geographically descriptive marks).

Although there does not appear to be a single, all encompassing definition of "secondary meaning," the basic test is whether the public has come to associate the trademarked good

B. *The Zones of Protection*

In determining whether more than one party is entitled to concurrent use of the same or similar trademark, a court must make a factual determination⁴⁸ of the territorial extent of a senior user's rights at the time the junior user adopted its mark.⁴⁹ Zones of protection have been devised by the courts to delineate the territorial scope of the respective users' rights. These zones are: (1) the zone of actual market penetration; (2) the zone of reputation; and (3) the zone of natural expansion. In addition, a fourth zone, delimited by state boundary lines, has been suggested.⁵⁰

1. THE ZONE OF ACTUAL MARKET PENETRATION

The zone of actual market penetration or actual market use "include[s] those areas in which the [trademarked] goods or services are sold, and usually the area in which consumers reside who customarily purchase the goods or services."⁵¹ To establish trademark rights

with a unique but anonymous source. *Id.* § 15.2(D). See generally *id.* § 15.2 (discussing various definitions of secondary meaning).

The determination of the territorial scope of these secondary meaning marks requires a slight departure from the traditional *Tea-Rose/Rectanus* analysis. See *id.* §§ 26.10-11 (discussing the territorial extent of secondary meaning marks under the common law); *id.* §§ 26.16-17 (discussing the territorial extent of secondary meaning marks under the Lanham Act). Because a mark must acquire a secondary meaning before it can qualify as a trademark, it follows that a user of a secondary meaning mark can only acquire trademark rights and the accompanying right to an injunction in those areas in which a mark has acquired a secondary meaning before the date of the junior user's first use. See, e.g., *Food Fair*, 206 F.2d at 484 (holding that the trial court did not err in finding that the senior user had failed to establish a secondary meaning for its mark in the junior user's trade area at the time the junior user first adopted its mark); *Katz Drug Co. v. Katz*, 188 F.2d 696, 700 (8th Cir. 1951) (refusing to enjoin the junior user of a secondary meaning mark where the senior user did not prove that its mark had acquired a secondary meaning in the junior user's trade area prior to the time that the junior user first used the mark).

The doctrine of the territorial scope of secondary meaning marks is in accord with the likelihood-of-confusion standard. If there exists a likelihood of confusion between the legitimate user's mark and the infringing user's mark, it follows that the public must have recognized the legitimate user's mark. See *Alexander & Coil, Geographic Rights in Trademarks and Service Marks*, 68 TRADEMARK REP. 101, 107 (1978) (stating that "[i]t is fundamental that there will be no customer confusion unless the senior user's mark is either (1) inherently distinctive, or (2) if not inherently distinctive, has acquired secondary meaning"). For a discussion of the connection between the doctrines of secondary meaning and likelihood of confusion, see 1 J. MCCARTHY, *supra* note 2, § 15.3.

48. See, e.g., *Federal Glass Co. v. Loshin*, 224 F.2d 100, 102 (2d Cir. 1955).

49. See *Hotel Sherman, Inc. v. Harlow*, 186 F. Supp. 618, 620-21 (S.D. Cal. 1960). See generally 2 J. MCCARTHY, *supra* note 2, §§ 26.1-12 (discussing the "critical date" of the junior user's first use).

50. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 426 (1916) (Holmes, J., concurring).

51. *Alexander & Coil, supra* note 47, at 104; see also Lunsford, *Geographical Scope of Registered Rights—Then and Now*, 61 TRADEMARK REP. 411, 414 (1971) (describing

in a particular area, the old common law rule only required minimal market penetration through sales of the trademarked product or service.⁵² Subsequently, however, the minimum requirement of market penetration has been raised to require a "real likelihood of confusion" between the trademarks of the legitimate user and the infringing user.⁵³ Accordingly, any test for significant market penetration is simply a method of proving a likelihood of confusion. The United States Courts of Appeals for the Eighth Circuit⁵⁴ and the Third Circuit⁵⁵ are split on the precise factors that should be considered in determining whether a party claiming trademark rights in a particular area has the required quantum of market penetration. The factors in dispute include: actual sales volume; the potential market for the trademarked product; growth of sales; passage of time since there were significant sales; and the amount of advertising.⁵⁶

2. THE ZONE OF REPUTATION

Beyond the geographical area of actual sales and the residences of customers, there is also the area into which a "mark's reputation has been carried by word of mouth and/or by advertisements."⁵⁷ This area is commonly referred to as the zone of reputation.⁵⁸ Theo-

trademark use as "wherever the goods or services bearing it are offered for sale"); Treece, *supra* note 18, at 1013 (defining location of use as "the area in which consumers reside who customarily purchase goods and services"); Comment, *The Scope of Territorial Protection of Trademarks*, 65 NW. U.L. REV. 781, 787-88 (1970).

52. See *Sweet Sixteen Co. v. Sweet "16" Shop, Inc.*, 15 F.2d 920, 925 (8th Cir. 1926) ("[W]hile there must, of course, be some user in the trade in the disputed field of trade, the quantum thereof need not be large.").

53. See *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967) ("Though the market penetration need not be large to entitle plaintiff to protection, . . . it must be significant enough to pose the real likelihood of confusion among the consumers in that area between the products of plaintiff and the products of defendants.").

54. *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967). For a thorough discussion of this case, see *infra* notes 148-56 & 171-82 and accompanying text.

55. *Natural Footwear, Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir. 1985). For a thorough discussion of this case, see *infra* notes 131-47 & 183-98 and accompanying text.

56. For a more thorough comparison of the different factors adopted by the *Sweetarts* and *Natural Footwear* courts, see *infra* notes 178-82 & 192-98 and accompanying text.

57. *Alexander & Coil*, *supra* note 47, at 105.

58. See 2 J. MCCARTHY, *supra* note 2, §§ 26.6-.7 (discussing the extent of the trademark user's reputation); Lunsford, *supra* note 51, at 414 (noting that a senior user's rights are often protected in areas "where his goods are advertised or known by reputation"); Treece, *supra* note 18, at 1014 (describing the area in which a firm's "reputation [has been] carried by advertisements and the word of mouth of consumers" as an area that is often protected from infringement); Comment, *supra* note 51, at 789 (referring to this area as the trademark owner's "zone of advertising and reputation").

An excellent example of how a user's reputation can extend the scope of its trademark rights can be found in the *Stork Club* case. *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348 (9th Cir. 1948). There, the court made clear that it was willing to enjoin an infringing user where

retically, however, trademark protection should not extend beyond the area of actual market penetration. Moreover, where trademark rights are acquired only by the use of the trademark — use requiring sales — it follows that a mark is not “used” in an area in which there have been no sales.⁵⁹

In *Hanover Star Milling Co. v. Metcalf*,⁶⁰ the United States Supreme Court realized that advertising had the potential for spreading business goodwill beyond the areas of actual market sales.⁶¹ The Court alluded to the possibility that, in certain instances, the protection of trademarks could extend beyond the zone of actual market penetration: “Into whatever markets the use of a trademark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress.”⁶²

Professor McCarthy agrees that in the modern American marketplace, the combination of extensive advertising and ambulatory customers has served to spread the reputation of many trademarked products. He noted:

Obviously, media such as national magazines, newspapers, radio, and television can indeed carry the mark thousands of miles away from the outlet where goods or services under the mark are offered for sale.

In addition, the purchasing buyer class for services such as hotels, motels, and restaurants are ambulatory and on the move back and forth across the nation. They may carry the reputation of the mark thousands of miles away from the actual outlet. . . .

the legitimate user's reputation extended into the infringer's area at the time the infringer adopted its mark.

In *Stork Club*, the senior user was the owner of a famous night club in New York City that first used the mark “Stork Club” in 1929. By the time the junior user began using the mark in 1945 in connection with a small cocktail lounge in San Francisco, the senior user had already engaged in nationwide advertising and its mark enjoyed a nationwide reputation. Although recognizing that there was no direct competition between the two users, the court enjoined the junior user. The court wrote:

[I]t was at first a debatable point whether a merchant's good will, indicated by his mark, could extend beyond such goods as he sold. . . .

“However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court.”

Id. at 354-55 (quoting *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 973-74 (2d Cir. 1928)).

59. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916) (“[T]he mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.”).

60. 240 U.S. 403 (1916).

61. *Id.* at 415. It must be remembered that in 1916 there was no “television, national magazines [or] commercial airlines transportation.” Lunsford, *supra* note 51, at 425.

62. *Hanover*, 240 U.S. at 415-16 (emphasis added).

Mail-order sales are another method of carrying the mark to areas far away from the actual sales place of a product.

The combination of national advertising and ambulatory buyers may carry the reputation of a mark into places far away from the actual outlet.⁶³

From the perspective of the likelihood-of-confusion standard, the protection of the zone of reputation is reasonable. This protection is reasonable because when the reputation of a trademark has spread and become sufficiently well known in an area outside the area of actual market penetration, there is an increased likelihood that the consuming public will confuse the infringer's product or service with that of the legitimate user.⁶⁴ Therefore, in order to protect both consumers and businesses, trademark rights should extend to this zone of reputation.

3. THE ZONE OF NATURAL EXPANSION

Another concept that has emerged in the determination of trademark territory is the zone of natural expansion. This zone is a geographical area, located outside both the zones of actual market penetration and reputation, into which a trademark owner has the potential to expand.⁶⁵ Trademark users are given protection within this area based upon the policy of granting some "breathing space" to legitimate users.⁶⁶ Courts have historically applied this doctrine only to a senior user's territory,⁶⁷ but more recently, they have extended this protection to junior users.⁶⁸

63. 2 J. MCCARTHY, *supra* note 2, § 26.6(A), at 296-97 (footnotes omitted).

64. *See, e.g.*, *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348, 356, 358 (9th Cir. 1948). For a more thorough discussion of the *Stork Club* case, see *supra* note 58.

65. 2 J. MCCARTHY, *supra* note 2, § 26.8, at 301; *see also* Alexander & Coil, *supra* note 47, at 105-06 (The area of natural or probable expansion is a "legal fiction created by judicial decisions to preserve space for future growth if expansion was reasonably foreseeable at the date of the junior user's adoption."); Lunsford, *supra* note 51, at 414 ("A senior user's rights may be protected in areas beyond his actual selling zone . . . to which the senior user can demonstrate a probable extension of his operations . . ."); Treece, *supra* note 18, at 1017 (An area of probable expansion is a "geographical area not yet penetrated by the first user at the time a local user adopted its trade symbol but which apparently will be entered by him in the foreseeable future.").

66. 2 J. MCCARTHY, *supra* note 2, § 26.8, at 301-02.

67. *See id.* §§ 26.8-9.

68. *Spartan Food Sys. v. HFS Corp.*, 813 F.2d 1279, 1283 (4th Cir. 1987) (holding that while a junior user could be entitled to a zone of natural expansion, the junior user had not proven any attempts to expand its trade area).

It must be realized, of course, that a junior user who has plans to expand into an area in which the senior user has already established a market could not obtain an injunction against the senior user for trademark infringement, absent a showing of bad faith on the part of the senior user. This is because a junior user cannot acquire rights that are superior to the senior user's rights within the senior user's area of use. *See supra* notes 12-16 & 28-47 and

The zone of natural expansion was first alluded to in *Hanover*⁶⁹ when the Court distinguished the facts of that case from "a case where the junior appropriation [sic] of a trademark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade."⁷⁰ Some courts, however, have criticized the zone of natural expansion. In addition to criticisms based upon the impreciseness of the doctrine,⁷¹ courts have attacked the zone of natural expansion as unnecessary in light of the availability of federal registration.⁷² Furthermore, courts have questioned the fairness of penalizing a good faith junior user in a remote area simply because it happens to stand in the unforeseen expansion path of the senior user.⁷³

Perhaps the major practical consideration in applying the zone of natural expansion theory is the determination of the territorial scope of this zone. Because this zone is merely a legal fiction,⁷⁴ courts are not capable of quantitatively measuring its territorial scope. The party that invokes the doctrine wants the zone to be as large as possible, but the opposing party wants it to be as small as possible. In *Weiner King, Inc. v. Wiener King Corp.*,⁷⁵ the United States Court of Customs and Patent Appeals⁷⁶ set forth several factors for courts to consider in determining the size of a user's zone of expansion. These

accompanying text. This doctrine, therefore, is only applicable to junior users in cases where there is a federal registration involved; it is only in these situations that a court may be required to adjudicate trademark rights in areas in which the trademark has not been employed either through sales or reputation. For a discussion of concurrent registrations under the Lanham Act, see *infra* notes 116-27 and accompanying text.

69. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916).

70. *Id.* at 420.

71. See *beef & brew, inc. v. Beef & Brew, Inc.*, 389 F. Supp. 179, 185 (D. Or. 1974) ("[T]he zone of expansion doctrine has a more than usually unclear place in the law of unfair competition. This is so because the doctrine is more than usually imprecise and yet very powerful.").

72. *Raxton Corp. v. Anania Assocs., Inc.*, 635 F.2d 924, 930 (1st Cir. 1980).

73. *Id.* at 930-31.

There is a possible reconciliation to this seeming unfairness. In *Katz Drug Co. v. Katz*, 89 F. Supp. 528, 534 (E.D. Mo. 1950), *aff'd*, 188 F.2d 696 (8th Cir. 1951), the district court argued that many of the cases decided under the zone of natural expansion theory had either some element of bad faith on the part of the junior user or some showing that the senior user's reputation had extended into the junior user's area. *Id.* This suggests that a separate zone of expansion theory may be unnecessary because these cases could have been decided under the traditional *Tea-Rose/Rectanus* doctrine which requires a junior user to prove both elements of good faith and remoteness in order to prove its entitlement to a trademark. For a discussion of the *Tea-Rose/Rectanus* doctrine, see *supra* notes 40-47 and accompanying text.

74. 2 J. MCCARTHY, *supra* note 2, § 26.8, at 303.

75. 615 F.2d 512 (C.C.P.A. 1980).

76. In 1982, the number of United States Courts of Appeals increased from 12 to 13 with the addition of the Federal Circuit. Simultaneously, the Court of Customs and Patent Appeals was abolished. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25; see

factors included: previous business activity, previous expansion, dominance of contiguous area, presently planned expansion, and possible market penetration by means of goods brought in from other areas.⁷⁷

4. STATE BOUNDARIES

In his concurring opinion in *Hanover Star Milling Co. v. Metcalf*, Justice Holmes proposed a fourth zone delimited by state boundary lines.⁷⁸ Justice Holmes indicated that the use of a trademark in one portion of a state created rights throughout the state. He wrote: "I do not believe that a trademark established in Chicago could be used by a competitor in some other part of Illinois on the ground that it was not known there. I think that if it is good in one part of the state, it is good in all."⁷⁹

Nevertheless, a majority of courts have rejected this theory and held that separate trade areas may exist within state boundary lines.⁸⁰ Rejection of this fourth zone seems proper in light of the fact that commercial markets are not circumscribed by state political boundaries. Professor McCarthy has noted that the "Justice Holmes dicta appears grossly unrealistic when one considers that advertising, communications and perambulating consumers show no heed to political boundaries."⁸¹

In spite of these realities, many of the courts that have rejected Justice Holmes' dicta continue to adjudicate trademark rights on a state-by-state basis.⁸² There are at least two logical explanations for this seeming contradiction. First, where a party seeking to prove its area of trademark protection categorizes its evidence, such as sales data or advertising, on a state-by-state basis, a court has no choice but

S. REP. NO. 275, 97th Cong., 2d Sess. 2, reprinted in 1982 U.S. CONG. CODE & ADMIN. NEWS 11, 12.

77. *Weiner King*, 615 F.2d at 523 (citing *In re Beatrice Foods Co.*, 429 F.2d 466, 475 (C.C.P.A. 1970)). For a more thorough discussion of these factors, see *infra* notes 211-20 and accompanying text.

78. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 426 (1916) (Holmes, J., concurring).

79. *Id.*

80. See, e.g., *Katz Drug Co. v. Katz*, 188 F.2d 696, 700 (8th Cir. 1951) (holding that two users of the tradename "Katz," using the name in connection with the operation of drug stores, were entitled to operate within the state of Missouri). But see, e.g., *Federal Glass Co. v. Loshin*, 224 F.2d 100, 102 (2d Cir. 1955) (stating that in determining the territorial extent of a tradename, "the narrowest limit that could reasonably be imposed today would be that of a state").

81. 2 J. MCCARTHY, *supra* note 2, § 26.12, at 311.

82. See, e.g., *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398 n.34 (3d Cir. 1985); *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 732 (8th Cir. 1978).

to consider the limited evidence.⁸³ Second, in certain situations, state boundaries may more accurately reflect the market area for the product because of the nature of the product and its associated channels of distribution.⁸⁴

C. *The Lanham Act*

As modern businesses expanded their operations beyond limited geographical areas and engaged in nationwide activity,⁸⁵ the common law doctrine that limited trademark protection to the areas of actual market penetration, reputation, and natural expansion became inadequate.⁸⁶ The territorial scope of trademark protection needed to be enlarged⁸⁷ in order to enable entrepreneurs to expand growing businesses without the fear that subsequent users would preempt their trademark rights. Thus, the Lanham Act⁸⁸ was passed "[t]o modernize the [older] trade-mark statutes so that they will conform to legitimate present-day business practice."⁸⁹

The Lanham Act filled this need for increased trademark protection by expanding the territorial scope of trademark protection beyond the common law zones of protection.⁹⁰ Registration⁹¹ of a trademark under the Lanham Act enables a registrant⁹² to establish

83. *Natural Footwear*, 760 F.2d at 1398 n.34.

84. *Wrist-Rocket*, 578 F.2d at 732.

85. See S. REP. NO. 1333, 79th Cong., 2d Sess. 5, reprinted in 1946 U.S. CODE CONG. SERV. 1274, 1277 (stating that "trade is no longer local, but is national").

86. See Lunsford, *supra* note 51, at 415 (In the absence of a registration, a senior user who discovers a junior user during the course of his expansion is forced into one of several undesirable options, which include: "(1) purchasing the junior user's mark, (2) proceeding at his own peril, (3) adopting a new mark, [or] (4) staying out of the territory." (footnotes omitted)).

87. See S. REP. NO. 1333, 79th Cong., 2d Sess. 4, reprinted in 1946 U.S. CODE CONG. SERV. 1274, 1276 ("[I]deas concerning trade-mark protection have changed . . . and the statutes have not kept pace with the commercial development.").

88. Ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1988)).

89. S. REP. NO. 1333, 79th Cong., 2d Sess. 5, reprinted in 1946 U.S. CODE CONG. SERV. 1274, 1276.

90. 2 J. MCCARTHY, *supra* note 2, § 26.13, at 313.

91. Lanham Act § 1(a)-(b), 15 U.S.C. § 1051(a)-(b) (1988) (providing that, pursuant to Subsection (1)(a), "[t]he owner of a trade-mark used in commerce" or pursuant to Subsection (1)(b), "[a] person who has a bona fide intention, under circumstances showing the good faith of such person," may apply to register its trademark on the principal register in the Patent and Trademark Office).

92. For the purposes of this Comment, references to "registration" and "registrant" refer to registrations or parties who have registered their marks on the principal register, as opposed to the supplemental register, of the Patent and Trademark Office. See Lanham Act §§ 23-28, 15 U.S.C. §§ 1091-96 (1988) (the provisions governing registration on the supplemental register).

Registration on the supplemental register does not confer upon the registrant many of the benefits of registration on the principal register. Section 26 of the Lanham Act provides:

trademark rights throughout either the United States or the territory specified in its registration, regardless of the registrant's area of actual use.⁹³ Through an injunction,⁹⁴ registration also enables a registrant to effectively freeze the territorial extent of a nonregistrant's trade-

"[A]pplications for and registrations on the supplemental register shall not be subject to or receive the advantages of sections 1051(b), 1052(e), 1052(f), 1057(b), 1057(c), 1062(a), 1063 to 1068, inclusive, 1072, 1115 and 1124 of this title." Lanham Act § 26, 15 U.S.C. § 1094. This includes the prima facie evidentiary presumptions of Sections 7(b) and 33(a), 15 U.S.C. §§ 1057(b), 1115(a), the constructive use provision of Section 7(c), 15 U.S.C. § 1057(c), the incontestability provisions of Sections 15 and 33(b), 15 U.S.C. §§ 1065, 1115(b), and the constructive notice provision of Section 22, 15 U.S.C. § 1072.

93. See *In re Beatrice Foods Co.*, 429 F.2d 466, 474 (C.C.P.A. 1970) (discussing a registration as having a nationwide effect); 2 J. MCCARTHY, *supra* note 2, § 26.13, at 313-14 & n.12 (discussing how registration gives a registrant nationwide protection regardless of the registrant's area of actual use).

94. Section 32 of the Lanham Act gives a registrant a civil cause of action against a trademark infringer. Section 32(1)(a) provides:

- (1) Any person who shall, without the consent of the registrant—
 (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . .

. . . .
 shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a) (1988).

Section 34 entitles the registrant to an injunctive remedy. Section 34(a) provides:

- (a) The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under section 1125(a) of this title.

Lanham Act § 34(a), 15 U.S.C. § 1116(a).

Unfortunately for the registrant, however, registration does not automatically entitle it to an injunction. Instead, the registrant must be engaged in the sale of its product such that there is a *present* likelihood of confusion between the registrant's and the infringer's products. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 364-65 (2d Cir. 1959).

In *Dawn Donut*, the plaintiff was the senior user of the trademarks "Dawn" and "Dawn Donut," which were used in connection with the retail sale of donuts. The senior user first used the mark in 1922 and registered it under the Lanham Act in 1947. *Id.* at 361-62. The junior user adopted the mark in 1951. *Id.* at 361. Accordingly, the junior user had constructive notice of the senior user's prior use and could not defend under the *Tea-Rose/Rectanus* doctrine.

By the time of the trial, the junior user was operating in a six county area that was separate from the senior user's trading area. *Id.* at 360. Even though the junior user adopted its trademark with constructive notice of the senior user's prior use, the court refused to issue an injunction. The court stated:

[I]f the use of the marks by the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets, with no likelihood that the registrant will expand his use into defendant's market, so that no public confusion is possible, then the registrant is not entitled to enjoin the junior user's use of the mark. . . .

As long as plaintiff and defendant confine their use of the mark "Dawn" in

mark rights at the time of the registration.⁹⁵ Registration further confers upon a registrant the benefit of certain evidentiary presumptions which facilitate the enforcement of trademark rights.⁹⁶

Perhaps the original Lanham Act's most significant change⁹⁷ from common law principles was the constructive notice provision of Section 22.⁹⁸ By making registration constructive notice of a registrant's prior use, the Lanham Act eliminated the "good faith and without knowledge" element of the *Tea-Rose/Rectanus* defense where a nonregistrant adopts a mark after the registration was issued.⁹⁹

Sections 7(b) and 15 give the registrant certain evidentiary presumptions that facilitate the enforcement of its statutory rights. Section 7(b) establishes that a certificate of registration is prima facie evidence of the validity of the mark, the registration, the registrant's ownership, and the registrant's exclusive right to use that mark.¹⁰⁰ These presumptions shift the burden of proof to the nonregistrant on both the issues of entitlement to a particular trademark and entitlement to a geographical area of operation.¹⁰¹ The incontestability provision of Section 15,¹⁰² which is available to a registrant who has used

connection with the retail sale of baked goods to their present separate trading areas it is clear that no public confusion is likely.

Id. at 364.

The court held, therefore, that the statutory test of "likelihood of confusion" must be met in order to grant relief to the registrant and that some judicially cognizable zone of protection must be invaded before there is such a likelihood of confusion. *Id.* at 365.

95. See 2 J. MCCARTHY, *supra* note 2, §§ 26.18(B), .19. *But see* Weiner King, Inc. v. Wiener King Corp., 615 F.2d 512, 525 (C.C.P.A. 1980) ("[W]e do not believe that a mechanical approach which always defers to the first to register comprehends all of the factors which must be taken into account . . .").

96. See *infra* notes 100-03 and accompanying text.

97. See 2 J. MCCARTHY, *supra* note 2, § 26.13(B), at 314 (describing the constructive notice provision as "perhaps the greatest single advantage of registration" (quoting D. ROBERT, THE NEW TRADE-MARK MANUAL 129 (1947))).

98. Section 22 of the Lanham Act provides: "Registration of a mark on the principal register . . . shall be constructive notice of the registrant's claim of ownership thereof." Lanham Act § 22, 15 U.S.C. § 1072 (1988).

99. See *Foxtrap, Inc. v. Foxtrap, Inc.*, 671 F.2d 636, 640 n.5 (D.C. Cir. 1982).

100. Section 7(b) of the Lanham Act provides:

A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.

Lanham Act § 7(b), 15 U.S.C. § 1057(b) (1988).

101. See, e.g., *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1399-40 & n.40 (3d Cir. 1985) (requiring the senior user to prove its area of entitlement in defending against a suit by a junior user registrant).

102. Section 15 of the Lanham Act provides:

its mark continuously for a minimum of five years after registration, further protects a registrant's rights by making these evidentiary presumptions conclusive, with certain limited exceptions.¹⁰³

More recently, the Trademark Revision Act of 1988¹⁰⁴ instituted the new constructive use concept of Section 7(c).¹⁰⁵ Under this new provision, which provides that application for registration constitutes "constructive use of a mark, conferring a right of priority, nationwide in effect," the date of the registrant's application for registration—not the date of registration—determines whether a nonregistrant can rely on the common law *Tea-Rose/Rectanus* defense.¹⁰⁶ Professor

[E]xcept to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable

Lanham Act § 15, 15 U.S.C. § 1065 (1988).

103. See Lanham Act § 33(b), 15 U.S.C. § 1115(b) (1988).

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce.

Id. Additionally, there are eight enumerated exceptions to this conclusive evidentiary presumption. See Lanham Act § 33(b)(1)-(8), 15 U.S.C. § 1115(b)(1)-(8). Only Section 33(b)(5) of the Lanham Act is relevant to this discussion. See *infra* notes 109 & 112 and accompanying text.

104. Pub. L. No. 100-667, 102 Stat. 3935 (codified as amended at 15 U.S.C. §§ 1051-1127 (1988) (effective Nov. 16, 1989)).

105. Section 7(c) of the Lanham Act now provides:

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.

Lanham Act § 7(c), 15 U.S.C. § 1057(c) (1988).

106. It appears that the new constructive use provision of Section 7(c) of the Lanham Act, 15 U.S.C. § 1057(c) (1988), operates to eliminate the "remoteness" element of the *Tea-Rose/Rectanus* defense in much the same way that the constructive notice provision of Section 22, 15 U.S.C. § 1072, operates to eliminate the "good faith" element. See S. REP. NO. 515, 100th Cong., 2d Sess. 29, reprinted in 1988 U.S. CODE CONG. & ADMIN. NEWS 5577, 5591

McCarthy explains:

This new concept of a "constructive use" date is in many ways more potent than, and in many factual situations will make moot, the effect of the "constructive notice" provision of [Lanham Act] § 22, which destroys a junior user's ability to establish the "good faith" needed to acquire an exclusive territory of use for the mark. Constructive notice triggered upon registration of the mark will still operate. But in many situations, it is the "constructive use" date of application that will govern and decide a territorial priority battle. The new [Lanham Act] § 7(c) puts the registrant "there" as if it had actually commenced a commercial level of sales nationwide as of the application date, but only for priority purposes.¹⁰⁷

Although the original Lanham Act and its subsequent amendments significantly expanded the territorial scope of a registrant's protection, Subsections 33(a)¹⁰⁸ and 33(b)(5)¹⁰⁹ incorporate the common

("Constructive use will fix a registrant's nationwide priority rights in a mark from the filing of its application for registration, whether that application is based on use or intent-to-use.")

Under the common law, if a junior user's first use is within the senior user's zone of trademark protection, the junior user's first use will not be "remote." See *supra* note 43 and accompanying text. In other words, within that geographical area, the senior user has priority except with respect to users who are more senior to him. Similarly, the constructive use provision establishes the applicant's priority throughout the United States, except with respect to users who have used their marks or who have applied to register prior to the applicant's filing. In both cases, priority within a particular geographical area eliminates the "remoteness" element of the *Tea-Rose/Rectanus* defense.

107. 2 J. MCCARTHY, *supra* note 2, § 26.13, at 91 (2d ed. Supp. 1989).

108. Section 33(a) of the Lanham Act provides:

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

Lanham Act § 33(a), 15 U.S.C. § 1115(a) (1988).

109. Section 33(b)(5) of the Lanham Act provides:

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal

law *Tea-Rose/Rectanus* defense and make a registrant's rights subject to the existing common law rights acquired by nonregistrants¹¹⁰ prior to the registrant's application for registration.¹¹¹ The incontestability provision of Section 15 and the status of a registrant as either a senior or junior user determines which of these "defenses" applies.¹¹² The impact on the territorial scope of trademark rights under the zones of

application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) or section 1062 of this title: *Provided, however*, That this defense or defect shall apply only for the area in which such continuous prior use is proved

Id. § 33(b)(5), 15 U.S.C. § 1115(b)(5).

110. See 2 J. MCCARTHY, *supra* note 2, § 26.18(D), at 331 (discussing Section 33(a) as including "the Tea Rose-Rectanus defense with its requirements of 'remoteness' and 'good faith'"); *id.* § 26.18(C) (discussing the Section 33(b)(5) defense as operating as "a kind of 'mini' Tea Rose-Rectanus defense"). For a more thorough discussion of how these provisions incorporate the common law, see *infra* note 112.

111. Before the enactment of the Trademark Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (codified as amended at 15 U.S.C. §§ 1051-1127 (1988)), defenses under Subsections 33(a) and 33(b)(5) of the Lanham Act applied to any nonregistrants who adopted their marks before a registrant's registration issued. See *Burger King, Inc. v. Hoots*, 403 F.2d 904, 906 (7th Cir. 1968) (holding that the junior user had a valid defense with respect to the area in which it operated prior to the senior user's registration, but it did not have a valid defense with respect to the areas in which it commenced operations after the senior user's registration).

Under the revised version of Section 7(c), the date of the registrant's application for registration, and not the date of registration, determines whether the nonregistrant can rely on the defenses of Subsections 33(a) or 33(b)(5). Lanham Act § 7(c), 15 U.S.C. § 1057(c). For a discussion of the operation of the constructive use provision of Section 7(c), see *supra* note 106.

112. There are two basic situations in which a nonregistrant may possess valid trademark rights: First, a junior user can acquire a valid common law right before the senior user applies to register its trademark; and second, a junior user who acquires a valid common law right can register that trademark before the senior user. These scenarios will be referred to as the "intermediate junior user" and the "junior user registrant" scenarios. In both instances, the nonregistrant adopts its mark before the registrant has applied to register its mark and, therefore, before the constructive use provision of Section 7(c) or the constructive notice provision of Section 22 have taken effect. See Lanham Act §§ 7(c), 22, 15 U.S.C. §§ 1057(c), 1072 (1988). Additionally, the registrant's trademark can be either contestable or incontestable depending upon whether it can invoke Section 15. *Id.* § 15, 15 U.S.C. § 1065.

If the registered mark has not yet become incontestable, Section 33(a), determines the respective territorial rights of the parties. *Id.* § 33(a), 15 U.S.C. § 1115(a). In the intermediate junior user scenario, the junior user adopts its mark after the senior user's first use but before the senior user applies for registration. In this situation, the junior user is without constructive notice, and the senior user is without nationwide constructive use. Therefore, the junior user

protection remains the same, however, regardless of the statutory pro-

may defend on the *Tea-Rose/Rectanus* "legal defense" pursuant to Section 33(a). See 2 J. MCCARTHY, *supra* note 2, § 26.18(D), at 331.

Similarly, in the junior user registrant scenario, the senior user, by definition, is a good faith and remote adopter of the trademark. Therefore, the operation of the constructive notice and constructive use provisions cannot prevent it from asserting the *Tea-Rose/Rectanus* defense under Section 33(a). See *id.* § 26.19, at 332.

On the other hand, if the registrant's mark has become incontestable, either Section 15 or Section 33(b)(5) will determine the respective rights of the parties. See Lanham Act §§ 15, 33(b)(5), 15 U.S.C. §§ 1065, 1115(b)(5). The applicability of these sections depends upon whether the registrant is the junior or senior user.

In order to use the Section 33(b)(5) defense, a party must be an intermediate junior user. This is because this section provides that "this defense or defect shall apply only for the area in which such continuous prior use is proved," and "prior use" is defined as use "from a date prior to (A) the date of constructive use . . . , (B) the registration of the mark . . . if the application for registration is filed before the effective date of the Trademark Revision Act of 1988, or (C) publication of the registered mark." *Id.* § 33(b)(5), 15 U.S.C. § 1115(b)(5). In addition, the intermediate junior user must prove that it adopted the mark "without knowledge" of the registrant's prior use (that is, in good faith) and that it used the mark "continuously" from a date prior to one of the three dates listed above. *Id.*

There is a question of whether Section 33(b)(5) creates a defense on the merits or merely eliminates the benefits of an incontestable registration. This is important because the language of Section 33(b)(5) does not contain a requirement of remoteness. See 2 J. MCCARTHY, *supra* note 2, § 26.18(C), at 329 (discussing the "missing remoteness requirement"). Section 33(b) establishes: "To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence . . . of the registrant's exclusive right . . ." Lanham Act § 33(b), 15 U.S.C. § 1115(b). This suggests that Section 33(b)(5), which creates an exception to these provisions, merely negates the conclusive evidentiary presumption and is therefore not a defense on the merits. See 2 J. MCCARTHY, *supra* note 2, § 26.18(C) (discussing whether this provision creates a defense on the merits or merely eliminates the conclusive evidentiary effect of incontestability).

However, if Section 33(b)(5) is a defense on the merits, a junior user who adopts its mark in good faith, but not in a remote area, could be entitled to defend against a registrant's incontestable mark under Section 33(b)(5) — but not against a contestable mark under Section 33(a). This would have the effect of giving the owner of an incontestable mark less protection than the owner of a contestable mark.

If it is assumed that Section 33(b)(5) exists to shift the evidentiary presumption rather than to provide a defense on the merits, an intermediate junior user can negate the "conclusive" evidentiary presumptions in "the area in which . . . continuous prior use is proved" if it can establish that it adopted the mark in good faith and that it used the mark continuously from a date prior to one of the three dates listed above. See Lanham Act § 33(b)(5), 15 U.S.C. § 1115(b)(5). Once this conclusive evidentiary presumption is negated, the intermediate junior user can attempt to prove the "good faith" and "remoteness" elements of the *Tea-Rose/Rectanus* defense.

If the registrant is the junior user, the defense of Section 33(b)(5) does not apply. Instead, the incontestability of the junior user registrant's mark is limited by Section 15, which negates incontestability "to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration." *Id.* § 15, 15 U.S.C. § 1065; see 2 J. MCCARTHY, *supra* note 2, § 26.19. This has the effect of freezing the senior user's area of trademark protection to its existing territory at the time the registrant's registration issued. The end result is analogous to an intermediate junior user defending under Section 33(b)(5). See *id.* § 26.19, at 333-34.

cedure that is used to determine those rights.¹¹³ Furthermore, when a party has not obtained a federal registration for its mark, Section 43(a) of the Lanham Act¹¹⁴ provides a federal cause of action for infringement of a common law trademark.¹¹⁵

The Lanham Act also provides for concurrent registration in the Patent and Trademark Office under Section 2(d).¹¹⁶ This provision allows two or more users of the same or similar trademark to obtain registrations for their respective marks if certain conditions are satisfied. First, the user seeking concurrent registration must be either the senior user or a remote junior user who adopted its mark in good faith prior to the application of the senior user.¹¹⁷ Additionally, a concu-

113. See Lanham Act § 15, 15 U.S.C. § 1065 (1988) ("except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration"); *id.* § 33(a), 15 U.S.C. § 1115(a) ("but shall not preclude another person from proving any legal or equitable defense"); *id.* § 33(b)(5), 15 U.S.C. § 1115(b)(5) (stating that "this defense or defect shall apply only for the area in which such continuous prior use is proved").

114. *Id.* § 43(a), 15 U.S.C. § 1125(a).

115. See 2 J. MCCARTHY, *supra* note 2, § 26.18(D), at 331. See generally *id.* §§ 27.2-3.

116. Section 2(d) of the Lanham Act provides:

No trade-mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

. . . .
 (d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to . . . the earliest of the filing dates of the applications pending or of any registration issued under this chapter Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

Lanham Act § 2(d), 15 U.S.C. § 1052(d) (1988).

117. See *id.* Concurrent registration may be granted only to users "entitled to use such marks as a result of their concurrent lawful use in commerce prior to . . . the earliest of the filing dates of the applications pending or of any registration issued under this chapter." *Id.*

This requirement is primarily jurisdictional in nature. *In re Beatrice Foods Co.*, 429 F.2d 466, 473 (C.C.P.A. 1970). It follows that this requirement is satisfied by all senior users, as well as by any good faith and remote junior user who adopted its mark before the application of the senior user.

rent registration may be granted only if there is no likelihood of confusion among the two or more concurrently registered trademarks within their respective areas of registration.¹¹⁸ If concurrent registrations are granted, the Patent and Trademark Office is required to prescribe restrictions on the respective territories of registration so that no likelihood of confusion will exist among the marks.¹¹⁹

By obtaining concurrent registrations for their marks, multiple users of the same or similar trademark can enjoy the same evidentiary presumptions that accompany registration, as well as the benefits of constructive notice, constructive use, and perhaps, incontestability of registration.¹²⁰ This enables the multiple registrants to market their products without the fear that future appropriators will operate within their respective areas.

Generally, where none of the parties seeking concurrent registration owns a registration, the senior user is "prima facie entitled to a registration covering the entire United States."¹²¹ However, the senior user's "rights and, therefore, his registration, should be limited only to the extent that any other subsequent user, who can establish the existence of rights earlier than the prior user's application for registration, can also prove a likelihood of confusion, mistake or deception."¹²² By limiting the territory of the senior user's registration to the extent of another user's rights, it can be inferred that a subsequent user is entitled to its common law zones of protection.¹²³

118. See Lanham Act § 2(d), 15 U.S.C. § 1052(d) (1988). The Commissioner of the Patent and Trademark Office may issue a concurrent registration only if he determines that "confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks." *Id.* Alternatively, the Commissioner may also issue concurrent registrations when a "court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce." *Id.* These conditions embody the likelihood-of-confusion standard and prohibit concurrent registration as long as there exists a likelihood of confusion among the several marks. *Beatrice Foods*, 429 F.2d at 474.

119. See Lanham Act § 2(d), 15 U.S.C. § 1052(d) (1988) ("In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark . . ."). The conditions and limitations imposed on concurrent registration embody the likelihood-of-confusion standard. See *Beatrice Foods*, 429 F.2d at 474 ("[T]he extent to which those [concurrent] registrations are to be restricted territorially must also be governed by the statutory standard of likelihood of confusion.").

120. See *supra* notes 97-107 and accompanying text.

121. *Beatrice Foods*, 429 F.2d at 474. *But see* *Nark, Inc. v. Noah's, Inc.*, 212 U.S.P.Q. (BNA) 934, 946 (T.T.A.B. 1981) (holding that where neither party held a federal registration, the junior user was entitled to registration covering the entire United States, less the senior user's area of entitlement, based upon the theory that the senior user had abandoned its right to nationwide registration).

122. *Beatrice Foods*, 429 F.2d at 474.

123. See *Nark*, 212 U.S.P.Q. (BNA) at 944.

[I]n a concurrent use situation . . . the prior user generally is prima facie entitled

On the other hand, if a junior user has already obtained a registration, the junior user may be entitled to a registration covering all of the United States except for the senior user's common law zones of protection.¹²⁴ The policy of rewarding those who first seek registration and a consideration of the rights created by registration support the granting of a nationwide registration to such a junior user,¹²⁵ but a mechanical test whereby the first to obtain a registration is entitled to the unoccupied territory of the United States has been rejected.¹²⁶ In one instance, however, a junior user who had not yet obtained a registration was granted a registration covering the entire United States, less the senior user's area of common law protection, based upon a theory of abandonment of registration rights.¹²⁷

III. THE TERRITORIAL EXTENT OF TRADEMARK RIGHTS

This Section focuses on how the courts have confused the theories of trademark protection. First, the language employed by the courts provides evidence of this confusion. Courts do not always clearly explain which of the three theories of protection they are applying in determining the territorial extent of a user's trademark rights. This confusion is further reflected by the use of factors measuring different zones of protection within a test for a single zone. Finally, the courts do not agree on which factors should be considered within the test for a particular zone. The result is that it becomes difficult for future courts to apply the tests to new factual scenarios. This in turn creates inconsistent decisions.

A. *Confusion in the Terminology*

Perhaps the most commonly confused doctrines are the zone of actual market penetration and the zone of reputation. This confusion is reflected by the use of terminology that describes one zone when the court is actually attempting to analyze the territorial extent of the other zone. The zone of actual market penetration tests the area of actual sales and the area in which customers usually reside.¹²⁸ In con-

to a registration covering the entire United States, limited only to the extent that the junior user can establish that it possesses protectible rights *in its area of actual use as well as in an area of natural expansion*; providing that no reasonable likelihood of confusion or mistake exists or can arise from this geographical split.

Id. (emphasis added).

124. *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512, 523 (C.C.P.A. 1980).

125. *Id.* at 523-24.

126. *Id.* at 525.

127. *Nark*, 212 U.S.P.Q. (BNA) at 946.

128. For a more detailed discussion of the zone of actual market penetration, see *supra* Section II(B)(1).

trast, the zone of reputation generally delineates an area beyond the zone of actual market penetration.¹²⁹ In this zone of reputation, where the trademark user does not have sufficient market penetration, but the public nonetheless recognizes the mark either by word of mouth or by advertisements, the public would be likely to confuse the legitimate user's mark with the infringer's mark.¹³⁰

This confusion is best illustrated in *Natural Footwear Ltd. v. Hart, Schaffner & Marx*.¹³¹ *Natural Footwear* involved a dispute over the right to use the trademark "Roots" in connection with the sale of footwear and wearing apparel.¹³² The registrant, the junior user of the mark,¹³³ sought to enjoin the senior user from continuing to use the mark outside the state of New Jersey.¹³⁴ The senior user operated a local "upscale" clothing store¹³⁵ with a scattering of nationwide mail-order customers.¹³⁶ Although the senior user did not conduct extensive national advertising,¹³⁷ it advertised in local newspapers¹³⁸ and distributed its catalogue throughout the nation.¹³⁹ The senior user counterclaimed for a permanent injunction against the registrant.¹⁴⁰ The trial court found for the senior user and issued a permanent nationwide injunction against the registrant.¹⁴¹

It is unclear, however, whether the trial court based its decision on a determination that the senior user had a nationwide zone of reputation or a nationwide zone of actual market penetration. By utilizing language to describe one zone when that language more appropriately described the other zone, the court appears to have confused the two doctrines. The court wrote:

129. The zone of reputation and the zone of actual market penetration overlap. Professor McCarthy observed:

[I]n real markets, such "zones" will not be perfectly symmetrical circles looking like a bullseye centered on the user's location. Sales, advertising and reputation zones form complex, overlapping patterns which spread outward territorially at different distances in different directions. A spreading amoeba is probably a more accurate picture than a bullseye.

2 J. MCCARTHY, *supra* note 2, § 26.12(A), at 309.

130. For a more detailed discussion of the zone of reputation, see *supra* Section II(B)(2).

131. 760 F.2d 1383 (3d Cir.), *cert. denied*, 474 U.S. 920 (1985).

132. *Id.* at 1386.

133. *Id.* at 1391.

134. *Id.* at 1393.

135. *Id.* at 1387.

136. *Id.* at 1388 & n.6.

137. *Id.* at 1390.

138. *Id.*

139. *Id.* at 1388.

140. *Id.* at 1393.

141. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 579 F. Supp. 543, 572 (D.N.J. 1983), *rev'd*, 760 F.2d 1383 (3d Cir.), *cert. denied*, 474 U.S. 920 (1985).

[T]he evidence as a whole clearly and convincingly shows that Roots [the senior user] has established and continues to enjoy unique identification for the wearing apparel (including shoes) sold by it as merchant, both as a tradename and as a trademark, mainly in New Jersey but throughout the United States as well, long before [the registrant's] first shipment of shoes to California in late December 1973.¹⁴²

Thus, the court seemed to suggest that the senior user had a nationwide zone of reputation by describing the senior user's mark as enjoying a "unique identification . . . throughout the United States."¹⁴³ However, the court also described the product as being "sold . . . throughout the United States."¹⁴⁴ This suggests that the senior user had established actual market penetration throughout the country.

On appeal, the United States Court of Appeals for the Third Circuit perpetuated this confusion.¹⁴⁵ The appellate court pointed out that the trial court had found that the senior user had acquired a national reputation.¹⁴⁶ Throughout its discussion, however, the court repeatedly used the term "market penetration" without distinguishing between the zone of actual market penetration and the zone of reputation. For example, the Third Circuit explicitly described its test as one of market penetration.¹⁴⁷

Similarly, in *Sweetarts v. Sunline, Inc.*,¹⁴⁸ the United States Court of Appeals for the Eighth Circuit confused the doctrines of the zone of reputation and the zone of actual market penetration. *Sweetarts* involved the right to use the trademark "SweeTarts" in connection with the sale of candy.¹⁴⁹ The senior user of the mark was a small Oregon manufacturer of chocolates and toffee who distributed its product mostly to fraternal organizations through mail-order programs and through personal solicitations by the company's president.¹⁵⁰ In contrast, the junior user was a large candy manufacturer who distributed its artificially flavored candy tablet throughout the nation to retail establishments such as supermarkets, drugstores, and restaurants.¹⁵¹

142. *Id.* at 570.

143. *Id.*

144. *Id.*

145. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir. 1985).

146. *Id.* at 1394.

147. *Id.* at 1398.

148. 380 F.2d 923 (8th Cir. 1967).

149. *Id.* at 924.

150. *Id.* at 925.

151. *Id.* at 926.

On remand from the Eighth Circuit, the trial court found that the senior user was entitled to protection in several of the states in which it had claimed trademark rights.¹⁵² Although the trial court had been explicitly instructed to weigh certain factors in determining whether there had been actual market penetration,¹⁵³ the court's confusing terminology makes it unclear whether the court extended protection based on the senior user's zone of reputation or its zone of actual market penetration.

The court seemed to suggest that the senior user's zone of reputation was the basis for the decision when it noted that the senior user had "established a reputation for fine candy among its customers"¹⁵⁴ and that the "reputation of 'SweetTarts' [had] also expanded the [senior user's] sales."¹⁵⁵ In the same analysis, however, the court also suggested that the senior user's market penetration extended to certain states because the senior user "had significant sales over an extended period of time."¹⁵⁶

A second common source of doctrinal confusion is illustrated by cases that have relied on *Weiner King, Inc. v. Wiener King Corp.*¹⁵⁷ *Weiner King* proposed a test¹⁵⁸ for determining the respective territories of registration for parties seeking concurrent registration.¹⁵⁹ It has subsequently been interpreted, however, as creating a test for market penetration.¹⁶⁰ For example, in *Natural Footwear*,¹⁶¹ the Third Circuit described the *Weiner King* test as "relevant to assessing the market penetration of a trademark user."¹⁶² Still, the *Weiner King* test more appropriately measures the territorial extent of the zone of

152. *Sweetarts v. Sunline, Inc.*, 299 F. Supp. 572, 577 (E.D. Mo. 1969), *rev'd in part on other grounds, aff'd in part*, 436 F.2d 705 (8th Cir. 1971).

153. For a discussion of these factors, see *infra* notes 178-82 and accompanying text.

154. *Sweetarts*, 299 F. Supp. at 577.

155. *Id.*

156. *Id.*

157. 615 F.2d 512 (C.C.P.A. 1980).

158. *Id.* at 523.

159. *Id.* at 514.

160. *See V & V Food Prods. Inc. v. Cachique Cheese Co.*, 683 F. Supp. 662 (N.D. Ill. 1988). In *V & V*, the court implicitly made reference to *Weiner King*: "The court in *Natural Footwear* did, however, set forth four factors which are helpful in determining whether a party has achieved sufficient market penetration in an area to warrant protection of its common law rights Other courts have considered similar factors in determining market penetration." *Id.* at 668; see also *Minuteman Press Int'l, Inc. v. Minute-Men Press, Inc.*, 219 U.S.P.Q. (BNA) 426, 432 (N.D. Cal. 1983) (holding that there was legally insufficient "market penetration under either Beatrice Foods [from which the *Weiner King* test was derived] or *Sweetarts v. Sunline, Inc.*").

161. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir. 1985).

162. *Id.* at 1398.

natural expansion.¹⁶³

B. Confusion in the Test Factors

The factors that the courts have used to define the territorial extent of the zones of protection need further explanation. The tests adopted by the Eighth Circuit in *Sweetarts*¹⁶⁴ and by the Third Circuit in *Natural Footwear*¹⁶⁵ focus primarily on the zone of actual market penetration.¹⁶⁶ Nonetheless, these tests incorporate some factors that more appropriately test the zones of natural expansion and reputation.¹⁶⁷ Similarly, the test adopted by the Court of Customs and Patent Appeals in *Weiner King*¹⁶⁸ (to determine the respective territories of registration for users seeking concurrent registration) appears to measure the territorial extent of the zone of natural expansion.¹⁶⁹ The *Weiner King* test, however, incorporated a factor that expressly tests the extent of actual market penetration.¹⁷⁰

Sweetarts involved a test for actual market penetration.¹⁷¹ The senior user had attempted to enjoin a junior user who had expanded into the area claimed by the senior user.¹⁷² The United States Court of Appeals for the Eighth Circuit granted the injunction as a matter of law¹⁷³ in the three states in which the senior user had ninety-five percent of its sales. In contrast, the court refused the injunction in several other states because "business transactions have been nonexistent or so small, sporadic, and inconsequential that present or anticipated market penetration is *di* [sic] *minimus*."¹⁷⁴ A third group of states remained, however, in which the senior user had transacted "some

163. See *infra* note 201.

164. *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967).

165. *Natural Footwear*, 760 F.2d at 1398-99.

166. See *id.* at 1398 ("[T]he following four factors should be considered to determine whether the market penetration of a trademark in an area is sufficient to warrant protection . . ."); *Sweetarts*, 380 F.2d at 929 (Although "market penetration need not be large to entitle plaintiff to protection, . . . it must be significant enough to pose the real likelihood of confusion . . .").

167. For a discussion of the *Sweetarts* factors, see *infra* notes 178-82 and accompanying text. For a discussion of the *Natural Footwear* factors, see *infra* notes 192-98 and accompanying text.

168. *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).

169. For a discussion of the *Weiner King* factors, see *infra* notes 211-20 and accompanying text.

170. See *Weiner King*, 615 F.2d at 523 (testing "possible market penetration by means of products brought in from other areas").

171. *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967).

172. *Id.* at 926.

173. *Id.* at 929.

174. *Id.*

measurable business."¹⁷⁵

With regard to this last group of states, the issue was remanded to determine whether there had been significant market penetration warranting the protection of the trademark.¹⁷⁶ The court stressed that the primary concern in determining market penetration was whether there existed a likelihood of confusion between the two marks in the geographical area claimed by the senior user. Where such a likelihood of confusion existed, the senior user was entitled to an injunction. The court wrote: "Though the market penetration need not be large to entitle plaintiff to protection, . . . it must be significant enough to pose the real likelihood of confusion among the consumers in that area between the products of plaintiff and the products of defendants."¹⁷⁷

On remand, the trial court was directed to weigh four factors in its consideration of the senior user's market area. These were: "[one,] plaintiff's dollar value of sales at the time defendants entered the market, [two,] number of customers compared to the population of the state, [three,] relative and potential growth of sales and [four,] length of time since significant sales."¹⁷⁸ The first and second factors, "dollar value of sales" and "number of customers compared to the population of the state," test market penetration by comparing the sales of the product to the size of the relevant market.¹⁷⁹ Larger states therefore require a larger volume of sales before the sales can constitute sufficient market penetration. The third factor, "relative and potential growth of sales," focuses on the growth of sales rather than the user's present market penetration.¹⁸⁰ The fourth factor, "length of time since significant sales," serves to ensure that the sales of the trademarked product are both continuous and significant, and not merely sporadic, in order to establish rights in a given territory.¹⁸¹

175. *Id.*

176. *Id.*

177. *Id.* (citing *Sweet Sixteen Co. v. Sweet "16" Shop*, 15 F.2d 920 (8th Cir. 1926)).

178. *Id.*

179. *See, e.g., Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 732 (8th Cir. 1978) (stating that sales figures "must be limited to the particular product market situation involved").

180. *See Sweetarts v. Sunline, Inc.*, 436 F.2d 705, 709 (8th Cir. 1971) (denying injunctive relief where the trial record reflected "no potential growth of sales").

181. *See, e.g., Sweetarts*, 380 F.2d at 929 (holding that the senior user's "business transactions have been nonexistent or so small, sporadic, and inconsequential that present or anticipated market penetration is *di* [sic] *minimus*"); *Quill Corp. v. LeBlanc*, 654 F. Supp. 380, 386 (D.N.H. 1987) (stating that "sporadic sales are insufficient to establish the requisite 'continuous prior use' of a trademark necessary to create trademark rights, . . . and the geographic extent of [the junior user's] customer base"); *Thrifty Rent-A-Car Sys. v. Thrift Cars, Inc.*, 639 F. Supp. 750, 756 (D. Mass. 1986) (holding that the junior user's sporadic car

Arguably, the third factor, which attempts to determine future sales of a trademarked product, should have no bearing on whether there is *present* market penetration. The zone of natural expansion, however, seeks to define the area in which there is insufficient present market penetration, but into which the trademark user is likely to expand in the future.¹⁸² Therefore, "relative and potential growth of sales" more appropriately speaks to the determination of the zone of natural expansion.

As in *Sweetarts*, the court in *Natural Footwear* also devised a test for actual market penetration.¹⁸³ The proposed factors, however, test the territorial extent of all three zones of protection. Furthermore, although the test was based upon *Sweetarts*, it fails to utilize all of the *Sweetarts* factors without offering reasons for the omissions.¹⁸⁴

In *Natural Footwear*, the junior user registrant sued to enjoin the senior user from using its mark outside of New Jersey.¹⁸⁵ Because the junior user was the registrant, the senior user was required to prove the territorial extent of its common law trademark rights.¹⁸⁶ The trial court granted the senior user a permanent nationwide injunction based upon a finding that the senior user's rights extended throughout the United States.¹⁸⁷

The United States Court of Appeals for the Third Circuit reversed.¹⁸⁸ The court noted that the trial court had "failed to con-

rentals in the area claimed to be within its area of protection were "insufficient to establish the continuous prior use of a trademark that the Lanham Act requires"), *aff'd*, 831 F.2d 1177 (1st Cir. 1987).

182. For a more detailed discussion of the zone of natural expansion, see *supra* Section II(B)(3).

183. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985).

184. *Id.* at 1398.

185. *Id.* at 1393.

186. *Id.* at 1399.

The court applied the Lanham Act's Section 33(b)(5) defense to determine the territorial scope of the senior user's rights. *Id.* at 1397. The junior user registrant's mark, however, had not yet become incontestable. *Id.* at 1391 n.18. Technically, the explicit language of the Section 33(b)(5) defense only applies to incontestable registrations. Lanham Act § 33(b)(5), 15 U.S.C. § 1115(b)(5) (1988); 2 J. MCCARTHY, *supra* note 2, § 26.18(D), at 331 ("For marks whose registrations have not yet become incontestable, § 33(b)(5) is irrelevant."). The court, therefore, should instead have applied the Section 33(a) defense, which applies to contestable trademarks. Lanham Act § 33(a), 15 U.S.C. § 1115(a); 2 J. MCCARTHY, *supra* note 2, § 26.18(D), at 331 & n.12. For a more detailed discussion of the applicability of these defenses, see *supra* note 112.

187. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 579 F. Supp. 543, 572 (D.N.J. 1983). It is not clear from this decision whether the zone of protection extending throughout the United States was the senior user's zone of reputation or its zone of actual market penetration. For a discussion of this confusion, see *supra* notes 131-44 and accompanying text.

188. *Natural Footwear*, 760 F.2d at 1387.

sider [the senior user's] market penetration in regard to specific market areas"¹⁸⁹ and, furthermore, had failed to consider the senior user's market penetration in terms of factors relevant to that determination.¹⁹⁰ Citing to both the *Weiner King* and *Sweetarts* decisions with approval,¹⁹¹ the *Natural Footwear* court created its own test for actual market penetration. It stated:

[T]he following four factors should be considered to determine whether the market penetration of a trademark in an area is sufficient to warrant protection: (1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area.¹⁹²

Similar to the first two factors in *Sweetarts*,¹⁹³ the first and third factors in *Natural Footwear*, "volume of sales" and "number of persons actually purchasing the product in relation to the potential number of customers," measure the user's market penetration in relation to the size of the market for the product.¹⁹⁴ Furthermore, the second factor, "growth trends (both positive and negative) in the area," suffers from the same flaw as the corresponding factor in *Sweetarts*—the factor more properly measures the zone of natural expansion.¹⁹⁵

In addition, the court proposed that advertising should be considered as a factor in the determination of the zone of actual market penetration.¹⁹⁶ The court found advertising implicit in *Weiner King's* "previous business activity" factor¹⁹⁷ and incorporated it into its own test "[b]ecause advertising may be very important to the reputation of a product in a given area."¹⁹⁸ This discussion indicates that the court intended advertising to be used as a factor in the determination of reputation, but it does not state whether advertising should be used as a factor in the determination of actual market penetration. Thus, it is

189. *Id.* at 1397.

190. *Id.* at 1398.

191. *Id.*

192. *Id.* at 1398-99.

193. For a discussion of the *Sweetarts* factors, see *supra* notes 178-82 and accompanying text.

194. *Natural Footwear*, 760 F.2d at 1399.

195. For a discussion of this flaw in the *Sweetarts* test, see *supra* text accompanying note 180.

196. *Natural Footwear*, 760 F.2d at 1399-1400.

197. For a discussion of the *Weiner King* factors, see *infra* notes 211-20 and accompanying text.

198. *Natural Footwear*, 760 F.2d at 1400.

unclear whether the court intended this factor to be used in determining the territorial extent of both zones or only the zone of reputation.

In *Weiner King*,¹⁹⁹ the United States Court of Customs and Patent Appeals created a test for determining concurrent users' rights to concurrent registrations in territories outside their areas of actual market penetration.²⁰⁰ This test has been interpreted as a test for the zone of natural expansion.²⁰¹ Such an interpretation is probably based upon the Trademark Trial and Appeal Board's statement in *Weiner King* that the district court and the court of appeals "[i]n essence . . . found facts which established [the junior user registrant's] zone of potential or natural expansion to be the remainder of the United States."²⁰²

In *Weiner King*, the junior user had registered its "Wiener King" mark for hot dog restaurants²⁰³ and was in the process of rapidly expanding its operations along the East Coast.²⁰⁴ The senior user, who operated several "Weiner King" hot dog restaurants in New Jersey,²⁰⁵ sought to cancel the junior user's registration and to obtain a registration for its own mark covering the entire United States.²⁰⁶ The junior user registrant argued that it was entitled to registration for all of the United States except for the area occupied by the senior user at the time the registration was issued.²⁰⁷

In determining the territorial extent of the parties' registrations, the United States Court of Customs and Patent Appeals balanced the equities of the situation.²⁰⁸ The court concluded that the rapidly expanding junior user, who was the first to register its mark, was entitled to registration for the larger unoccupied portion of the United States.²⁰⁹ An important factor in the court's reasoning was that the senior user had no apparent desire to expand.²¹⁰ The court also noted

199. *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).

200. The *Weiner King* court derived these five factors from an earlier decision of the United States Court of Customs and Patent Appeals. See *In re Beatrice Foods Co.*, 429 F.2d 466, 475 (C.C.P.A. 1970).

201. See, e.g., *Spartan Food Sys. v. HFS Corp.*, 813 F.2d 1279, 1283 (4th Cir. 1987); *Cotton Ginny, Ltd. v. Cotton Gin, Inc.*, 691 F. Supp. 1347, 1353 (S.D. Fla. 1988).

202. *Weiner King, Inc. v. Wiener King Corp.*, 201 U.S.P.Q. (BNA) 894, 916 (T.T.A.B. 1979).

203. *Weiner King*, 615 F.2d at 516. Note that the junior user registrant spelled its "Wiener King" trademark with an "ie," while the senior user spelled its trademark with an "ei."

204. *Id.* at 515-16.

205. *Id.* at 515.

206. *Id.* at 516.

207. *Id.*

208. *Id.* at 522.

209. *Id.* at 524.

210. *Id.* at 522.

that actual market penetration was not necessary to establish trademark rights in a particular area, and it enumerated five factors that should be considered when granting rights to a party outside its area of use. The court stated:

[A]ctual use in a territory was not necessary to establish rights in that territory, and . . . the inquiry should focus on the party's (1) previous business activity; (2) previous expansion or lack thereof; (3) dominance of contiguous areas; (4) presently-planned expansion; and, where applicable (5) possible market penetration by means of products brought in from other areas.²¹¹

On the basis of the overwhelming weight of these factors in favor of the prior registrant, the court held that the junior user registrant was entitled to registration for the entire United States, less the senior user's area of entitlement.²¹² The court further based its determination on the policy of rewarding early registration and on consideration of the existing rights created by the junior user's prior registration.²¹³

The first four *Weiner King* factors, "previous business activity,"²¹⁴ "previous expansion or lack thereof,"²¹⁵ "dominance of con-

211. *Id.* at 523.

212. *Id.*

213. *Id.* at 523-24 (citing *In re Beatrice Foods Co.*, 429 F.2d 466, 474 n.13 (C.C.P.A. 1970)).

214. *Id.* at 523.

The first factor, "previous business activity," appears to be a nebulous term. It may, however, encompass the extent of advertising, the number of retail locations, and the volume of sales. See *Spartan Food Sys. v. HFS Corp.*, 813 F.2d 1279, 1283 (4th Cir. 1987) (stating that the junior user's "previous business activity has involved only its two restaurants"); *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1399 (3d Cir. 1985) (stating that "[t]he extent of advertising is, however, implicit in *Weiner King's* conclusion that 'business activity' in an area has to be considered").

215. *Weiner King*, 615 F.2d at 523.

The second factor, "previous expansion or lack thereof," is self-explanatory. Generally, where no registration has been granted and both parties have demonstrated some degree of expansion, the senior user is presumptively entitled to a registration covering the entire United States, less the junior user's zone of protection. See *Beatrice Foods*, 429 F.2d at 474. Similarly, where a registration has been issued, the prior registrant is generally entitled to the entire United States based upon a policy of rewarding those who first seek registration. See *Weiner King*, 615 F.2d at 523-24. For example, where a junior user had expanded rapidly while the senior user had remained static and had not expanded over a reasonable period of time, the senior user was found to have abandoned its right to nationwide registration of its mark. *Weiner King, Inc. v. Wiener King Corp.*, 201 U.S.P.Q. (BNA) 894, 910 (T.T.A.B. 1979). The court stated:

The courts, over the years, have nonetheless recognized that situations may exist wherein the senior party has, in effect, abandoned or relinquished the right as a prior user to expand into a particular area or the right to enjoy nationwide protection for its mark as a result of inactivity over a reasonable period of time, which would be indicative of a static business, or wherein the senior party has contracted its trade or has withdrawn from a trading area after the junior party's use, thereby relinquishing nationwide trademark rights to a junior party that has

tiguous area,"²¹⁶ and "presently planned expansion,"²¹⁷ all appear to be relevant to the determination of the territorial extent of the zone of natural expansion,²¹⁸ because the zone of natural expansion determines trademark rights outside the user's area of actual market penetration.²¹⁹ However, the fifth factor, "possible market penetration by means of products brought in from other areas," measures the extent to which the trademarked product is purchased in one market and then carried by the consumer to another.²²⁰ Therefore, the fifth factor, which tests market penetration within, and not outside, a particular geographical area, is not appropriate.

demonstrated substantial expansion activities and a dynamic business save for the small area or enclave into which the senior party has boxed himself.

Id.; accord *Nark, Inc. v. Noah's, Inc.*, 212 U.S.P.Q. (BNA) 934, 944 (T.T.A.B. 1981). *But see* *Tie Rack Enters. v. Tie Rak Stores*, 168 U.S.P.Q. (BNA) 441, 447 (T.T.A.B. 1970) (holding that the prior applicant, a junior user who had expanded rapidly after receiving notice of the senior party's prior use, was not entitled to registration covering the entire United States). The Trademark Trial and Appeal Board found that the situation in *Weiner King* could be distinguished from the situation in *Tie Rack* because, unlike the junior user in *Tie Rack*, the junior user in *Weiner King* had already obtained a registration. Furthermore, the Board distinguished the situations on the basis that the junior user in *Weiner King*, unlike the junior user in *Tie Rack*, had not sought to gain from the senior user's reputation and, therefore, had not expanded in bad faith. *Weiner King*, 201 U.S.P.Q. (BNA) at 914-15.

216. *Weiner King*, 615 F.2d at 523.

The third factor, "dominance of contiguous areas," distinguishes between firms that have geographically contiguous trade areas with a significant amount of market penetration and firms that have established themselves in scattered areas with a relatively insignificant amount of market penetration. *Compare id.* at 515-16, 523 (holding that the junior user registrant had established dominance of contiguous areas where he had expanded his trade area up the east coast from North Carolina to New Jersey) with *Spartan Food*, 813 F.2d at 1283 (finding that where the junior user operated only two facilities in the northern area of Virginia, it had not established dominance of contiguous areas and, therefore, was not entitled to an injunction covering the entire state).

217. *Weiner King*, 615 F.2d at 523.

The fourth factor, "presently planned expansion," is very similar to the second factor, only it weighs planned future expansion instead of past expansion. *See Nark*, 212 U.S.P.Q. (BNA) at 939, 946 (granting the junior user, who had little "previous expansion" through franchising because of a dispute with the senior user, registration for the majority of the United States because it was engaged in ongoing negotiations for franchises and, therefore, had significant "presently planned expansion").

218. For a related discussion of how these factors serve to define the zone of natural expansion, see *infra* text accompanying notes 247-53.

219. For a more detailed discussion of the zone of natural expansion, see *supra* Section II(B)(3).

220. *See, e.g., In re Beatrice Foods Co.*, 429 F.2d 466 (C.C.P.A. 1970). In *Beatrice Foods*, the junior user sought registration of its trademark for dairy products in the eastern counties of Montana. The court remanded to the Trademark Trial and Appeal Board for a determination of the "present penetration into Montana by way of goods bought in the Dakotas." *Id.* at 475.

IV. DEFINING THE TERRITORIAL EXTENT OF TRADEMARK RIGHTS

As the foregoing discussion illustrates, at least three different doctrines and a wide variety of factors are currently being used to determine the territorial extent of trademark rights.²²¹ Given the inconsistencies of the existing tests and the resulting confusion, this Comment proposes that the distinction between the zone of actual market penetration and the zone of reputation should be eliminated. Both test the degree to which consumers recognize a trademark and are likely to be confused by the marketing of more than one product under the same or similar mark within a particular geographical area. Furthermore, both rely upon the same underlying policy considerations. Accordingly, the two doctrines can be logically combined within one unifying test known as the "zone of consumer recognition." The third existing doctrine, the zone of natural expansion, should be retained as a separate measure of the territorial extent of trademark protection because it addresses considerations other than the likelihood of confusion. Some specific factors that should be considered in delineating the territorial extent of these zones of protection are also proposed. Because no single court has explicitly enumerated all of the factors suggested in this Comment, the proposal represents a synthesis of factors both explicit and implicit within various courts' decisions. Finally, these suggestions are not intended as a complete and exhaustive listing of all possible factors. Instead, in determining the territorial extent of the zone of consumer recognition or the zone of natural expansion, a court should weigh any additional factors that are appropriate to the particular factual scenario under consideration.

A. *Eliminating the Distinction Between the Zone of Reputation and the Zone of Actual Market Penetration*

A thesis of this Comment is that there is no longer a valid reason to draw a distinction between the zone of actual market penetration

221. This Comment does not attempt to explore the territorial extent of secondary meaning marks in greater detail than the brief discussion appearing earlier. *See supra* note 47. Because the alleged owner of a secondary meaning mark must prove the additional element of secondary meaning in whatever areas it claims are within its area of trademark protection, *see id.*, it follows that the geographical scope of secondary meaning marks is less expansive than that of marks that do not require a showing of secondary meaning. Therefore, the analysis of Section IV of this Comment remains unchanged for secondary meaning marks, with the caveat that these marks require additional proof of secondary meaning. As a practical matter, however, an owner of a secondary meaning mark will not be entitled to a zone of expansion because this zone, by definition, is outside the zone of consumer recognition. For a discussion of the zone of consumer recognition, *see infra* Section IV(B).

and the zone of reputation. Because both theories are governed by the likelihood-of-confusion standard,²²² a unified test properly reflects this similarity. Both theories also rely on the same policy considerations. Therefore, a unified test remains doctrinally consistent with the existing tests. Finally, from the practical standpoint of determining the territorial extent of trademark rights, it is easier for a court to apply a single test.

The link between the theories of actual market penetration and reputation zones finds its basis in the likelihood-of-confusion standard.²²³ Within any given area, the rightful owner of a trademark must demonstrate a likelihood of confusion in order to obtain an injunction. Protection of trademark rights is accomplished by awarding an injunction to the user whose trademark is infringed.

The zone of actual market penetration reflects the area of actual sales and the area in which customers who purchase particular goods usually reside.²²⁴ Because the standard for awarding an injunction is whether a likelihood of confusion exists, any test for actual market penetration is really a test for likelihood of confusion.²²⁵ It follows that an area of significant market penetration delineates one area in which there exists a likelihood of confusion and, therefore, an area in which trademark rights may be protected through an injunction. Similarly, the area outside the zone of actual market penetration into which the reputation of a mark has been carried is also protected.²²⁶ Again, this area of protection is delineated by determining the territorial area within which a likelihood of confusion exists.²²⁷

In addition, the policy considerations for protecting trademark rights apply to both the zone of actual market penetration and the zone of reputation. A major purpose of trademark law is to protect consumers from mistakenly purchasing the wrong product or service.²²⁸ Trademark law also protects businesses from the fundamental unfairness of allowing an infringing user to profit from the legitimate user's efforts.²²⁹ What appears to tie these two theories together is the "consumer recognition" associated with the trademarked product and

222. For a general discussion of the likelihood-of-confusion standard under both the zone of actual market penetration and the zone of reputation doctrines, see *supra* Subsections II(B)(1)-(2).

223. For a discussion of the likelihood-of-confusion standard, see *supra* notes 17-19 and accompanying text.

224. For a discussion of the zone of actual market penetration, see *supra* Section II(B)(1).

225. See *supra* notes 17-19 & 53 and accompanying text.

226. For a discussion of the zone of reputation, see *supra* Section II(B)(2).

227. See *supra* notes 17-19 & 64 and accompanying text.

228. See *supra* notes 9 & 11 and accompanying text.

229. See *supra* notes 9-10 and accompanying text.

the potential for injury to both consumers and businesses that results when consumers mistakenly purchase an infringer's product or service. It is only within an area in which consumers recognize a trademark that they can mistake an infringer's trademark with a legitimate user's mark. Similarly, it is only within an area in which consumers recognize a trademark that an infringer can profit from the legitimate user's reputation. Where consumers do not recognize the legitimate user's mark, they cannot confuse it with the infringer's mark.

In addition, it is often unnecessary to require courts to distinguish between the two zones if a single test would suffice. If the separate theories of actual market penetration and reputation were used to determine the territorial extent of trademark protection, a court would have to apply separate tests to determine each zone in virtually every case. After all, within some areas of the zone of reputation, there may be insufficient sales to constitute sufficient market penetration. Applying a test for market penetration alone could result in the refusal of an injunction that might have been granted under an alternative test. In that event, by allowing an infringing user to operate within the legitimate user's zone of reputation, the court would be denying both the consumers and the legitimate user relief from the injury that results from a likelihood of confusion between marks.²³⁰

A single test for consumer recognition would make it easier to apply the test to new factual situations. It would not matter whether a previous case was decided on a finding of reputation or a finding of actual market penetration. Both the zones of actual market penetration and reputation measure the territorial extent of the likelihood of confusion.²³¹ Similarly, the "zone of consumer recognition" measures the geographical area in which consumers recognize a mark and, therefore, would be likely to confuse the marks of the legitimate user and the infringing user. This is because consumers are likely to confuse the legitimate and infringing marks only if they recognize the legitimate mark. Therefore, the zone of consumer recognition also measures the territorial extent of the likelihood of confusion. It follows that if an infringing user is operating within either the legitimate user's zone of actual market penetration or its zone of reputation, the infringer is also operating within the legitimate user's zone of consumer recognition. By unifying the separate theories, courts can simply apply a single set of factors that determines whether there will be a likelihood of confusion.

230. For a discussion of the policy considerations underlying the protection of trademarks, see *supra* notes 9-11 and accompanying text.

231. See *supra* notes 224-27 and accompanying text.

B. *The Zone of Consumer Recognition*

Once it is realized that the zones of actual market penetration and reputation both measure consumer recognition, some factors must be set out to define the territorial extent of this recognition. Even if the distinction between the zone of reputation and the zone of actual market penetration is eliminated, it does not necessarily follow that factors previously used to determine the territorial extent of trademark protection should be abandoned. The old tests remain relevant because, like any test for consumer recognition, they determine whether there is a likelihood of confusion. Accordingly, the separate tests for the two theories should be combined into one test.

The most important measure of whether consumers within a particular area are likely to be confused by the availability of more than one product or service bearing the same or similar trademark is the extent to which the consumers recognize the mark.²³² A larger volume of sales within a particular area suggests that more consumers have heard of the trademark. Therefore, sales should be considered as a factor in measuring the territorial extent of the zone of consumer recognition.²³³

In determining whether these sales are significant, they must be considered in relation to the relevant market for the product. Only the potential buyers of a product should be considered in determining whether there has been recognition of the product. This is because a consumer cannot be damaged by mistaking two products if he is not a prospective purchaser of either of the two.²³⁴ Furthermore, from a perspective of protecting businesses from the unfairness of trademark infringement, it is difficult to see how a business is injured when the consumer who mistakes the legitimate user's product or service with the infringer's product or service is not a potential buyer.²³⁵ It follows that a smaller potential market requires fewer sales to create consumer recognition within the smaller group of potential buyers. Therefore, the size of the market for a particular type of product should be considered as a factor.²³⁶

232. See 2 J. MCCARTHY, *supra* note 2, § 26.12(A), at 309 (“[C]ustomer recognition is the primary indicator of one’s market area and ‘zones of protection’ for a mark.”).

233. See, e.g., *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985); *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967).

234. For a discussion of how the protection of trademark rights serves to protect consumers, see *supra* notes 9 & 11 and accompanying text.

235. For a discussion of how the protection of trademark rights serves to protect businesses, see *supra* notes 9-10 and accompanying text.

236. See, e.g., *Natural Footwear*, 760 F.2d at 1399 (“the number of persons actually purchasing the product in relation to the potential number of customers”); *Sweetarts*, 380 F.2d at 929 (“number of customers compared to the population of the state”).

It is generally accepted that actual confusion among the members of the public is strong evidence of the existence of a likelihood of confusion between the legitimate user's and the infringing user's marks.²³⁷ If consumers actually confuse the legitimate and the infringing marks, it follows that the consuming public must have recognized the marks. Therefore, the existence of actual consumer confusion²³⁸ within a given territorial area should also be considered as a factor in determining the geographical extent of the zone of consumer recognition.²³⁹

Advertising should also be given consideration in determining consumer recognition because a large amount of advertising in a particular geographical area may increase trademark recognition. Courts have held, however, that advertising alone is insufficient to create trademark rights.²⁴⁰ Perhaps this can be explained because the dollar amount spent on advertising does not necessarily indicate consumer recognition and, therefore, a likelihood of confusion. For example, advertising directed at the wrong group of consumers might not create recognition among the potential purchasers of the product. Nonetheless, there is support for the use of advertising as a factor in measuring the territorial extent of consumer recognition, even though advertising is not sufficient by itself to prove trademark rights.²⁴¹

Finally, the distance that consumers usually travel to purchase

237. See, e.g., *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971) (stating that "[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion"); *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 612 (7th Cir. 1965) (stating that "since reliable evidence of actual confusion is difficult to obtain in trademark and unfair competition cases, any such evidence is substantial evidence of likelihood of confusion").

238. While actual confusion is strong evidence of the existence of a likelihood of confusion, a lack of actual confusion is not necessarily evidence of a lack of a likelihood of confusion. 2 J. MCCARTHY, *supra* note 2, § 23.2(C).

239. However, it is important to view evidence of actual confusion in its evidentiary context because there may not be a causal relation between actual confusion and any similarities in the trademarks within their geographical areas of use. *Id.* § 23.2(B). For example, where a secretary misdirects a letter to the infringing user instead of the legitimate user, or vice versa, this "evidence" of actual confusion may be the result of mere carelessness on the part of a secretary rather than the result of any actual confusion of the marks by the secretary. *Id.* For a more thorough discussion of the evidentiary problems associated with using evidence of actual confusion to prove likelihood of confusion, see *id.*

240. See, e.g., *Quill Corp. v. LeBlanc*, 654 F. Supp. 380, 386 (D.N.H. 1987) (stating that "advertising alone or sporadic sales are insufficient to establish the requisite 'continuous prior use' of a trademark necessary to create trademark rights").

241. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1399-1400 (3d Cir. 1985) ("[A]dvertising should be recognized as an independent factor for determining market penetration."); see also 2 J. MCCARTHY, *supra* note 2, § 26.6, at 297 ("The combination of national advertising and ambulating buyers may carry the reputation of a mark into places far away from the actual outlet.").

the trademarked product or service should be considered. Depending upon the nature of the trademarked product, consumers may be willing to travel farther to buy it. For example, customers ordinarily travel farther to a restaurant or hotel²⁴² than to a donut shop, grocery store, or fast food restaurant.²⁴³ The latter types of businesses serve a more local clientele, while the former generally serve customers who are willing to travel greater distances to reach them. Therefore, because consumer recognition extends farther for restaurants and hotels, a larger area of trademark protection should be granted.

C. *The Zone of Natural Expansion*

While the factors described above permit a court to delineate a zone of consumer recognition, a different set of factors is required to determine the territorial extent of the zone of expansion. This is because the zone of natural expansion is based upon a policy of granting expanding businesses room to grow.²⁴⁴ In determining the territorial extent of the zone of natural expansion, it must be remembered that this zone is a legal fiction and, therefore, cannot be measured with accuracy.²⁴⁵ In his treatise, *Trademarks and Unfair Competition*, Professor McCarthy set forth several guidelines that should be considered in defining the "imaginary" zone of natural expansion. These guidelines are:

- (1) How great is the geographical distance from the senior user's actual location to a point on the perimeter of the zone of expansion?
- (2) What is the nature of the business? Does it already have a large or small zone of actual market penetration or reputation?
- (3) What is the history of the . . . user's past expansion? Has it remained static for years, or has it continually expanded into new territories? Extrapolating prior expansion, how long would it take the . . . user to reach the periphery of the expansion zone he claims?
- (4) Would it require an unusual "great leap forward" for the . . . user to enter the zone, or is the zone so close to existing locations

242. See 2 J. MCCARTHY, *supra* note 2, § 26.12(D), at 312 ("The trade area for services such as hotels, motels and restaurants may be very large since purchasers are ambulatory and on the move. They may carry the reputation of the mark thousands of miles away from the actual outlet.").

243. See *id.* § 26.12(C), at 311 ("For small, local businesses with a small territory of good will, two businesses may operate even in the same city with the same mark without causing a likelihood of confusion.").

244. For a discussion of the policy underlying the zone of natural expansion, see *supra* note 66 and accompanying text.

245. See *supra* note 74 and accompanying text.

that expansion would be (or is) a logical, gradual, step of the same length as previously made?²⁴⁶

Several of the factors set forth in *Weiner King* agree with these criteria.²⁴⁷ First, the *Weiner King* factors of "previous expansion or lack thereof"²⁴⁸ and "presently planned expansion"²⁴⁹ are included in McCarthy's first and third criteria, which test the user's rate of expansion in relation to the territorial area claimed to be within the zone of expansion. Similarly, "dominance of contiguous areas,"²⁵⁰ another *Weiner King* factor, is included in McCarthy's first and fourth criteria. These two criteria test the motives behind the user's claim regarding the extent of its zone of expansion. Where a user's expansion path is relatively discernible, as evidenced by a steady and evenly distributed market penetration, there is a lesser likelihood that the user was trying to "box in" the other user's territory.²⁵¹ Similarly, it is more likely that a user showing dominance of contiguous areas is expanding in good faith if it claims an expansion zone just outside its area of consumer recognition.²⁵²

Finally, the "previous business activity"²⁵³ factor set forth in *Weiner King* is relevant to a determination of the territorial extent of the zone of expansion, as suggested by McCarthy's second criterion. For example, a large company will have more "business activity" and, arguably, a larger zone of expansion than a smaller business. This is because the same growth rate in both a large company and a small company will result in a larger absolute growth for the larger company. In other words, if both companies are expanding their operations territorially at the same percentage rate, the larger company will expand over a larger area within a given period of time. Nonetheless, absolute growth rate does not always translate into territorial growth because a larger company may be concentrating on increasing its market share within the existing market area rather than on expanding the territorial area in which it makes sales. Additionally, advertising should also be considered as part of "previous business activity."

246. 2 J. MCCARTHY, *supra* note 2, § 26.9.

247. *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512, 523 (C.C.P.A. 1980).

248. *Id.* For a discussion of the "previous expansion or lack thereof" factor, see *supra* note 215.

249. *Weiner King*, 615 F.2d at 523. For a discussion of the "presently planned expansion" factor, see *supra* note 217.

250. *Weiner King*, 615 F.2d at 523. For a discussion of the "dominance of contiguous areas" factor, see *supra* note 216.

251. See *supra* note 215.

252. See *Weiner King*, 615 F.2d at 523 (holding that the junior user registrant had established "dominance of contiguous areas").

253. *Id.* For a discussion of the "previous business activity" factor, see *supra* note 214.

This is because advertising in an area before actual sales commence is often indicative of the trademark user's plan to expand into that area in the near future.

V. CONCLUSION

The determination of the territorial extent of trademark rights has been a source of much confusion among the courts. The leading judicial opinions have confused both the doctrine and the factors used in determining the territorial extent of the three zones of trademark protection. To resolve this confusion, it is important for the courts to pay strict attention to the terminology used to describe why a particular area is protected from trademark infringement. This will serve to decrease confusion in future decisions.

This Comment suggests that the distinction between the zone of actual market penetration and the zone of reputation is no longer necessary. Accordingly, a uniform set of factors can be devised to delineate the zone within which a trademark is protected due to consumer recognition of the mark. In determining the territorial extent of this zone of consumer recognition, courts should consider five factors: the sales of the trademarked product or service, the size of the relevant market, evidence of actual confusion, the amount of advertising, and the distance ordinarily travelled to purchase the product or service. Finally, in determining the zone of natural expansion, factors that measure the historical growth of a company, the motives for expansion, and the likelihood of reaching an area claimed to be within the zone of expansion should be considered. Adoption of these proposed factors would likely decrease the confusion that is rampant in trademark law today. Finally, use of these proposed factors would enable courts to more easily apply the doctrine from prior cases to new factual situations.

WILLIAM JAY GROSS