PHOENIX RISING? ON THE FALL AND POTENTIAL NEW RISE OF STATE TRADEMARK RIGHTS

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INTRODUCTION

One of the central issues in trademark law with which legislators have perennially struggled is the geographic scope of protection that should be provided for a mark from any rival likelihood of confusion. Before 1870, it fell substantially to the individual states to decide the geographic scope of that protection.1 In 1905, as a first effort to remedy these varying state approaches, particularly as they related to the extent of the geographic scope of protection, Congress passed legislation providing nation-wide protection for federally registered marks.2 The Lanham Act, enacted in 1948, would further centralize the canon of Federal Trademark Law under one act and address some of the perceived limitations of the 1905 act.3

Federal registration under the Lanham Act provides nationwide rights, protecting the registrant from any likelihood of confusion with a rival mark, regardless of the registrant’s area of active use at registration, provided that no

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1 See THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 5.3 (4th ed. 1997); see also H.R. REP. NO. 944 (1939).

2 While the effort provided a more consistent approach, this protection proved limited in the types of marks that might be protected, allowing only fanciful and arbitrary trademarks to be registered. Marks that were more descriptive in nature, for example, that had acquired a significant association with a particular product—a secondary meaning—were not eligible for federal protection. McCarthy, supra note 1. In response to this, at the state level, some states enacted statutes extending protection to these descriptive marks. Id. Ultimately, with the enactment of the Lanham Act in 1946, this oversight would also be addressed. See, e.g., H.R. REP. NO. 944 (1939).

3 Most notably, the 1905 act proved limited in the types of marks it afforded protection for, allowing only fanciful and arbitrary trademarks to be registered. So, for example, marks more descriptive in nature which had acquired a significant association with a particular product (a secondary meaning) were not eligible for federal protection. In response to this, at the state level, new state trademark statutes were enacted further providing for protection for descriptive marks. Ultimately, the implementation of the Lanham Act in 1946 would also provide federal protection from confusion to descriptive marks. H.R. REP. NO. 944 (1939).
rival began its use before the mark was federally registered.\textsuperscript{4} Even for rival users that predate registration but postdate the registrant’s first use, federal law will restrict the rival to common-law protection—the geographic area of active use—and restrict the rival from any further expansion.\textsuperscript{5}

But what if there has been no federal registration, only a state registration of the mark? For those who have decided simply to register their marks with the state, the language of state statutes provides for varying protection. Some provide simply for protection of the geographic area of active use, but others explicitly provide for exclusive rights \textit{throughout} the entire state, even if the registrant is only minimally active in a small portion of that state.

Texas law, for example, states that a state certificate of registration shall serve as prima facie evidence of “the registrant’s exclusive right to use the mark in commerce in this state in connection with the goods or services specified in the certificate.”\textsuperscript{6} Thus, if a small restaurant owner in the tiny town of Happy, Texas (population: 679),\textsuperscript{7} opens a Jolly Burger restaurant, then happily trademarks the “Jolly Burger” as a mark, then validly registers “Jolly Burger” as his or her trademark with the state, the owner of that jolly mark would have presumptively earned the \textit{exclusive} right to the use of that Jolly Burger mark \textit{throughout} the state of Texas.\textsuperscript{8} Such a right in the state of Texas would be substantial: it would include exclusive use rights of that mark in the city of Houston (population: 2 million), San Antonio (population: 1.3 million) and Dallas (population: 1.2 million), as well as Austin, Fort Worth and El Paso (cities with combined populations of another 2 million people).\textsuperscript{9}

Furthermore, the Jolly Burger trademark owner would have a variety of options moving forward. Should the trademark owner be entrepreneurial and

\begin{itemize}
    \item \textsuperscript{4} \textit{Cf.} Dawn Donut Co. \textit{v.} Hart’s Food Stores, Inc., 267 F.2d 358, 361 (2d Cir. 1959).
    \item \textsuperscript{5} \textit{Cf.} Burger King of Fla., Inc. \textit{v.} Hoots, 403 F.2d 904, 906 (7th Cir. 1968).
    \item \textsuperscript{6} \textsc{Tex. Bus. & Com. Code Ann.} § 16.060 (West, Westlaw through 2013 Third Called Session of the 83d Legis.). The statute states:

    \begin{enumerate}
    \item \textit{(c)} A certificate of registration issued by the secretary of state under this chapter, or a copy of it certified by the secretary of state, is admissible in evidence as prima facie proof of:
    \item \textit{(1)} the validity of the registration;
    \item \textit{(2)} the registrant’s ownership of the mark; and
    \item \textit{(3) the registrant’s exclusive right to use the mark in commerce in this state in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated in the certificate.}
    \end{enumerate}

    \textit{Id.} (emphasis added).
    \item \textsuperscript{7} \textit{Best Places to Live in Happy, Texas,} \textsc{Sperling’s Best Places}, http://www.bestplaces.net/city/texas/happy (last visited Nov. 16, 2013).
    \item \textsuperscript{8} \textsc{Bus. & Com.} § 16.060.
    \item \textsuperscript{9} \textsc{State & County QuickFacts,} U.S. \textsc{Dept. of Commerce, U.S. Census Bureau}, http://quickfacts.census.gov/qfd/states/48000.html (last visited Nov. 16, 2013) (Select the city to view from the “Select a City” pull-down box.).
\end{itemize}
wish to spread Jolly Burgers all over Texas, he or she would be free to do so and to exclude the same or similar marks from entering the Texas market. Should the mark owner choose instead to be content with the use of the Jolly Burger mark in Happy, Texas, the owner would still, according to the plain meaning of the statute, hold the power statutorily to exclude anyone from use of the same or similarly confusing name in the entire state of Texas. That exclusive use right would seem even to be valid against any subsequent Jolly Burger trademark owners from outside of the state, even if they had developed Jolly Burgers extensively throughout the rest of the country, registered federally with the USPTO and even if they had established federal incontestability. This would seem to be so because the specific language of the Lanham Act’s incontestability provision would seem to have expressly made it so, providing for a state right exception to incontestability if prior use by the state trademark owner can be established.\footnote{10}{15 U.S.C. § 1065 (2012).}

Although this provision of the Lanham Act seems clear, it becomes less so when considered against the backdrop of other provisions of the Lanham Act. In providing for defenses to incontestability, the Lanham Act provides, under § 1115(5), that if one can show prior use, that defense will be available “only for the area in which such continuous prior use is proved.”\footnote{11}{Id. § 1115(5). The full subsection provides in its entirety:
(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 . . . (C) publication of the registered mark under subsection (c) of 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. (emphasis added).}

Furthermore, under the Definitions section in § 1127, the Lanham Act provides that “[t]he intent of this chapter is . . . to protect registered marks used in such commerce from interference by State or territorial legislation.”\footnote{12}{Id. § 1127.}

The language, therefore, under § 1065, would seem to be rather flatly contradicted by the provisions in § 1115 and § 1127. McCarthy, in his treatise, \textit{McCarthy On Trademarks and Unfair Competition}, notes further:

\begin{quote}
[W]hen state rules conflict with federal law, the federal trademark law preempts state rules. For example, the obtaining of a state registration prior to another’s obtaining of a federal registration cannot operate to preempt the whole state for the state registrant when federal law provides that a state registrant in such a situation can only use the mark in a given territorial area defined by federal law.\footnote{13}{McCarthy, supra note 1, § 22:2 (emphasis added). McCarthy notes further:}
\end{quote}
McCarthy seems to argue that state trademark registration law cannot operate to preempt the whole state for the state registrant without conflicting with, and thus being preempted by federal trademark law. Importantly for our purposes here, however, McCarthy adds that preemption will not occur in situations where federal law provides for an explicit state exception. The argument we make here is that the language of the incontestability provision in the Lanham Act does expressly do this, which would make state-wide rights consistent with McCarthy’s position.\textsuperscript{14}

This ambiguity does not seem to have escaped the attention of the trade industry. One might imagine that, concerned with the possibility of at least a litigable case from state trademark owners, trading associations such as the International Trademark Association (INTA) would seek to eliminate any state ambiguity. And indeed, they have been, and they have not been idle.

Whether in a good faith effort to achieve a more uniform set of state trademark rights or under the pretext of good faith with more nefarious intentions, INTA promulgated a boiler-plate state trademark statute in 1949 that it promoted to states in the interests of a sort of state statutory uniformity.\textsuperscript{15} Its proposed language, however, worked something of an evisceration of any substantive state trademark rights, in large part not by what it said but by what it left unsaid. Specifically, it left conspicuously absent any language providing for exclusive use rights throughout the state.\textsuperscript{16} Instead, the INTA template language gave simply a relatively anemic evidentiary procedural advantage of “prima

The obtaining of a state registration prior to another’s obtaining of a federal registration cannot operate to preempt the whole state by the state registrant when federal law provides that a state registrant in such a situation can only use that mark in a given territorial area defined by federal law. If state law were to give the non-federal registrant exclusive rights throughout a state, such a result would be preempted by the federal Lanham Act which limits the nonregistration to the exact territory of continuous pre-registration usage.

\textit{Id.} \textsuperscript{14} The statute provides in pertinent part that:

\texttt{[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 owner 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 provided the other four requirements of the statute are met.}

\texttt{15} U.S.C. \texttt{§ 1065}.

\texttt{16} Andrew L. Goldstein, \textit{Bringing the Model State Trademark Bill into the 90s and Beyond}, 83 \texttt{TRADEMARK REP.} 226, 226 (1993).

\texttt{See id. at 232.}
facie evidence of registration,” and then further specifically limited state trademark protection to common law rights, that is to say, essentially to the area of active geographical use.  

Applying this INTA boiler-plate language to our Jolly Burger scenario, the Jolly Burger trademark owner’s statutory rights change dramatically. Gone are the rights to Houston, Dallas and San Antonio; instead, the owner would likely be restricted to operation within a small radius of Happy, Texas. This would be so even though the owner had validly registered the Jolly Burger trademark with the state and could establish continuous use prior to any rival federal registration.

Perhaps this is as it should be. Some would argue that having a centralized federal registration provides greater clarity, a more effective method of notice and promotes greater efficiency. The idea that a trademark owner might in good faith build their company mark, register it federally and find belatedly that there is still the possibility of a sort of ransoming state trademark troll does not seem altogether fair. And yet, if the state trademark owner has registered in good faith with the state office and has done so prior to anyone else’s registration anywhere, shouldn’t that right be a meaningful state right and shouldn’t express statutory language to that effect be enforceable? It is counterintuitive that while state certificate language provides explicit language for exclusive trademark use throughout the state, its language would not actually be enforced by the state. Shouldn’t the state provide some marginally heightened measure of protection for these good faith state trademark owners, particularly when its statutory language says it will?

It should be emphasized that, until recently, the real possibility of a court validating a statewide exclusive right over a federal trademark registration through interpretation of state statutory “exclusive use” language was slight and appeared to be growing slighter still. A perfect storm of three events was required to even create such a possibility: (1) the state use would have to have begun prior to that of the federally registered user; (2) the state mark would have to have been registered with the state prior to any federally registered counterpart; and perhaps most importantly, (3) the state statute would have to have language providing for exclusive use of the mark throughout the state.  

Case law to date has come close but witnessed no such perfect storm of circumstances.  

The primary reason for the improbability of this perfect storm has been the slow but seemingly inexorable disappearance of the third requirement, to wit, the statutory provision for exclusive use throughout the state, most often

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17 See id. at 231.
19 Id. at 33. As Abe notes “[w]hether the client is able to rely on its state registration to keep the competitor outside the state line, however, seems to be untested.” Id.
replaced verbatim with INTA’s proposed Model State Trademark Bill’s boiler-plate language providing for simply an evidentiary advantage. It is a fair question to ask whether the acceptance of INTA’s boiler-plate language over time has been a conscious or unwitting capitulation by state legislators. Perhaps legislators simply failed to fully grasp the exact nature of the rights they were abdicating to federal authority. Under a scenario more generous to state legislators, perhaps they fully understood their abdication of state trademark rights and felt in good conscience that their citizens should be disadvantaged in the interest of the greater federal good.

Such a postulation of motivating political acts might be a bit more credible if the boiler-plate language adopted by these legislators was not actually developed by INTA, an international trade association, with a fairly clear interest in removing regional trademark inconveniences such as state trademark rights. Regardless of the motive, over time many state trademark statutes have lost their “exclusive use throughout the state” language.

Something funny happened on the way to the forum, however. In 1992, INTA, in an effort ostensibly to further assure the clear subordination of state rights to the Lanham Act, added language speaking to the overall intent of the Model State Trademark Bill. Specifically, under an amended Section 19(b), it provided that all state trademark registration and protection should be interpreted in a matter “substantially consistent” with the provisions of the Lanham Act.\(^{20}\) The intent of this language would in significant part seem to be an effort to further underscore the subordinate relation of state trademark law to its federal counterpart.\(^{21}\) As will be shown, however, a different interpretation would be made by the courts, one which ultimately would suggest a new dawn for state trademark rights.

In terms of the structure of this analysis, after the introductory remarks, the first Part will begin with a closer look at the Lanham Act—particularly the federal provision of Incontestability—and show how the language of the act arguably provides an accommodation to states and state trademark owners who validly register with their state. This is an important point because it is the explicitness of this federal accommodation that is crucial to our argument for the non-pre-emption of state rights by federal law. Part II will accentuate the narrowness of the state right, taking a closer look at issues relating to priority of use, as well as analyzing the interplay of use, registration, and common law in establishing use rights. Part III will address the mixed bag of success the International Trademark Association has enjoyed or endured in its promotion of its Model State Trademark Bill. The fourth Part will focus on the exact statutory language of those states which still seem to provide for exclusive use of the mark throughout their state as well as the rival boiler-plate language of the

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\(^{20}\) Goldstein, supra note 15, at 234.

\(^{21}\) Id.
Model State Trademark Law proposed by INTA. The fifth Part will address case law in those few states and consider to what extent state case law has recognized that state exclusive use language as providing enforceable protection throughout the state. Finally, Part VI will turn to a new source of hope for the state trademark owner asserting his rights, focusing on the holding in National Association for Healthcare Communications, Inc. v. Central Arkansas Area Agency on Aging, Inc.22

I. THE FEDERAL LAMH ACT

The Federal Lanham Act came into effect in 1948 for the purpose, inter alia, of providing a more uniform federal approach to trademarks.23 Rather than negotiate separately with each of the fifty states, the Lanham act provided federal rights to exclusive use of that trademark throughout the country, provided there were no others who could show prior use. In those cases of demonstrable prior use, the senior user’s rights would still be fairly closely circumscribed, restricted generally to their geographic area of use.

The legislators, however, did not wish to entirely preempt state rights. This is perhaps particularly seen in the accommodating language of § 1065, which addresses the incontestability of a mark.24 Under that section the statute provides:

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\text{[E]xcept to the extent . . . 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 owner to use such registered mark . . . [if in] use for five consecutive years subsequent to . . . registration and is still in use in commerce, shall be incontestable.}\]

That is to say, the federally registered trademark owner will have full incontestable rights if they satisfy the necessary conditions, except in those states where the state trademark registration has granted rights to the state trademark owner and that use has been established prior to the rival federal registration. It is worth emphasizing furthermore that if the Lanham Act provides this level of state protection for incontestable federal marks, it would not be unreasonable to assume it would be a fortiori true for those federal marks that have not yet reached incontestability status.

25 Id. (emphasis added).
While to some the language in § 1065 may appear to be something of a careless wording, the legislative history suggests otherwise. As it happens, in the initial drafts, dating back to 1925, there was not even a provision for incontestability, and trademark users were obligated to renew their certification every twenty years. After good faith users found themselves tardily and in vain trying to renew their marks and unfairly statutorily deprived of their exclusive use rights, a sense of equity over time prevailed and dictated that a longer lasting protection was in order. Still, however, there was no language proposing any states’ rights exception. In 1942, however, new language under the Incontestability provision was proposed to provide expressly for state rights, stating, in pertinent part:

SEC. 15 [the mark shall be incontestable] . . . except to the extent, if any, to which such use of the registered mark infringes a valid right acquired under the law of any State or Territory by continuous use of a mark or trade name extending from a date prior to the date of the publication under this Act of the mark for which incontestability is claimed.

That is to say, following the italicized portion above, the validly registered state user could effectively contest the otherwise statutorily incontestable federal use right if priority of use could be established and a trademark user had validly registered its mark with the state.

But how far might such a state right extend and still be enforced? The same report that created this state defense to federal registration also seemed to suggest that a common law approach would dictate the extent of that state remedy. Specifically, under the Remedies section, the House Report proposed that if a defendant could show continuous prior use, he could contest the Federal

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26 Special thanks to Tove Klovning for her expertise in unearthing reports in this area.
27 See, for example, S. 2679, 69th Cong. § 11 (1925), which states:
   Each certificate of registration shall remain in force for twenty years, and all except those under section 12 shall be effective throughout the United States. Certificates of registration may be renewed for like periods from the end of the expiring period on payment of the renewal fees required by this Act, upon request by the registrant, his legal representatives, or transferees of record in the Patent Office, and such request may be made at any time within six months prior to the expiration of the period for which the certificates of registration were issued or renewed.
28 See, e.g., TOULMIN, supra note 23, at 7. Toulmin states in pertinent part that one of the main purposes of the then new Lanham Act was to “remedy construction of the present acts which have in several instances obscured and perverted their original purpose.” Id. In terms of the proposed statutory remedy for this early on, see for example, H.R. 9041, 75th Cong. (1938), under Cancellation, which provides under section 14: “After the period for cancelation of the registration of a trade-mark has expired, the exclusive right of the registrant to his trade-mark shall be incontestable.”
29 H.R. 5461, 77th Cong. (1941) (emphasis added).
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Registration but only “for the area in which such continuous prior use is proved.”

While this language suggests a fairly closely circumscribed remedy for the prior continuous user, the section language interestingly makes no reference to state rights acquired through state registration. Nor would that change, as the current language is for the most part substantively the same. What has now become section 32(b)(5) of the Lanham Act provides:

Such conclusive evidence of the right to use the ... mark 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 . . .

The question as to how much deference is to be given to state rights where the state statute specifically provides for exclusive use throughout the state therefore remains imperfectly answered. As will become clear in the next section, much of the question of relative use rights also revolves around the exact nature of the priority of use as well as the geographical proximity of use between users.

II. PRIORITY MATTERS

Priority of use plays a critical role in determining the scope of a trademark user’s rights. These rights also vary depending on federal and state registration, as well as relative geographic remoteness. There are four primary use and registration scenarios of interest for our purposes here that help clarify the interplay of use and registration and the corresponding rights and remedies available depending on the scenario. These priority contexts are: (1) the junior unregistered user; (2) the junior geographically remote unregistered user (more commonly referred to as the Tea-Rose/Rectanus Doctrine); (3) the “intermediate” user (junior user but prior to federal registration of senior user); and (4) the senior state registered user. Each of these scenarios is addressed in the subsections that follow.

A. Junior State Unregistered User

Under the junior unregistered user scenario, the issue is relatively straightforward. As the Lanham Act provides for exclusive use throughout the country to the federally registered mark, not only are the junior state users precluded from expansion, but state users, depending on geographic proximity,

30 Id.
may also be compelled to discontinue use of the mark within their state and within their specific general territory. Case law has shown that a federally registered mark virtually eliminates all rights of any rival user, particularly if full priority and use in the general geographic area by the federally registered user can be established, regardless of whether the non-federally registered user has registered in the state or not.

In *Dawn Donut Co. v. Hart's Food Stores, Inc.*, for example, Dawn’s Donuts, principally located in Michigan but with customers in the New York Area, sued a Rochester area Food Store, Hart’s, for infringing on its federally registered mark.³² Hart’s use of the mark ‘Dawn’ for its donuts and baking goods had begun in the Rochester area considerably later than Dawn Donut Co. or Dawn Donut Co.’s federal registration.³³ Hart’s argued that the fact that Dawn’s donuts mark was located in Michigan and was not used by its customers in the commission of retail sales in the New York area over the past thirty years effectively worked an abandonment of the ‘Dawn’ mark in that area.³⁴ The court was not persuaded, holding that for abandonment to occur under the Lanham Act, there must be an abandonment of the mark throughout the *entire* country.³⁵

Did this mean that Hart’s foods would have to immediately discontinue its use of the name? The court did not go this far, largely because Dawn Donut Co. could not show use of its mark at the retail level in the area,³⁶ but the prospects for Hart’s still involved an unpleasant tension. The court allowed Hart’s to continue using the Dawn name in the Rochester area, so long as Dawn Donut Co. never used its name in the retail sector of the Rochester market. Dawn Donut Co. could, however, at any time enter the market, and when it did so, it could demand the immediate discontinuance of use of the name “Dawn” by Hart’s, in effect placing a commercial sword of Damocles over the local store.

For our purposes here, this scenario, above all, shows the importance of both use and registration in establishing use rights between trademark claimants. While this particular set of circumstances is legally fairly unsurprising in terms of its outcome, the outcome becomes a bit less predictable when the rival users find themselves operating at significant distances from one another. In this subset of cases, if the junior local user began its use prior to a senior user’s federal registration, and if the junior local user is sufficiently far away, it could retain some lasting use rights.

³² *Dawn Donut Co. v. Hart’s Food Stores, Inc.*., 267 F.2d 358, 360 (2d Cir. 1959).
³³ *Id.* at 361–62.
³⁴ *Id.* at 362.
³⁵ *Id.* at 363.
³⁶ *Id.* at 365.
B. The Tea-Rose/Rectanus Doctrine

Under the Tea Rose/Rectanus doctrine, named after a case that predates the Lanham Act, a geographically remote senior user cannot enjoin a junior user from use in the junior’s own market if, essentially, there is sufficient remoteness between users.37 In that case, a pharmacist in Massachusetts, with the last name of Regis, began using the mark “Rex” for her pharmaceutical products well before another user, Rectanus, used the same mark for health care related products in Kentucky.38 The two parties co-existed for thirty years, each without awareness of the other.39 When Regis’ successor in interest looked to expand the mark, they discovered Rectanus’ use in Kentucky and sought to enjoin his further use of the mark.40 The court, perhaps feeling that the enjoining of Rectanus’ use of the mark would work an injustice, refused to go so far as to fully enjoin his use of the mark in Kentucky, stating in pertinent part:

[Petitioner [Regis], being the newcomer in that market, must enter it subject to whatever rights had previously been acquired there in good faith by the Rectanus Company and its predecessor. To hold otherwise . . . would be to establish the right of the latter as a right in gross, and to extend it to territory wholly remote from the furthest reach of the trade to which it was annexed, with the effect not merely of depriving Rectanus of the benefit of the good will resulting from his long-continued use of the mark in Louisville and vicinity . . . but of enabling petitioner to reap substantial benefit from the publicity that Rectanus has thus given to the mark in that locality, and of confusing if not misleading the public as to the origin of goods thereafter sold in Louisville under the Rex mark . . . .]41

Again, although this was a pre-Lanham act decision, other more recent cases have applied user rights similarly, and the doctrine remains good law.42 However, the argument set forth is suggestive as here the courts applied essentially a common law solution to priority of use and did not strictly apply statutory conflicts. This common law approach suggests that courts may feel

37 See Kimberly Miller, Tea Rose/Rectanus Doctrine is Alive and Well: A Case Note 19 J. CONTEMP. LEGAL ISSUES 35, 40 (2010). As Miller notes, “[t]he junior user who adopted in good faith a mark like the senior user’s has a solid limited-territory defense to the senior user’s demand for cessation of use. To prevail against a good-faith junior user, the senior user-even if its mark is registered—must offer evidence of a real likelihood of confusion.” Id.
39 Id. at 96.
40 Id.
41 Id. at 102.
42 See infra Part VI. See generally Miller, supra note 37, at 35 (citing Nat’l Ass’n for Healthcare Comm’ns., Inc., v. Cent. Ark. Area on Aging, Inc., 257 F.3d 732 (8th Cir. 2001), for its similar distribution of rights relating to the service mark “CareLink.”).
uncomfortable enforcing the full extent of certain statutory provisions if they feel it will work an injustice.

Be that as it may, while the Tea Rose/Rectanus doctrine gives something of a wrinkle to the junior unregistered user, the legal outcome still remains fairly predictable. However, when a user lands after another’s use but before their registration, the issue of use rights becomes more challenging. This user is commonly referred to as the junior intermediate user and will be addressed in our next section.

C. Junior Intermediate User

What if a party can show priority of use but fails to establish registration before a subsequent claimant to the same trademark? That is to say, they have preceded their counterpart in use, and preceded their counterpart in federally registering, but their counterpart has managed to establish their own use somehow in between the other’s use and federal registration. Untangling the use rights of each party in such cases becomes a thornier proposition. Peaches Entertainment Corp. v. Entertainment Repertoire Associates, Inc. provides a compelling example of how rights are parceled in such circumstances.\(^{43}\)

In that case, Entertainment Repertoire Associations (ERA) began its use of the mark “Peaches” in good faith after Peaches Entertainment Corp (PEC), but nonetheless before the latter federally registered the “Peaches” mark.\(^{44}\) The court held that while ERA began its use after the PEC interest, because its use predated the Federal registration, it could retain use rights, but only use in its “zone of reputation,” an area to be determined through surveys, sales and other market indicia of their use.\(^ {45}\)

The result here proves a bit more balanced in that the junior intermediate user is accorded a modicum of ongoing use rights. While he cannot expand beyond his geographical “zone of reputation,” he does not face the commercial Sword of Damocles referred to earlier, and therefore does not need to fear termination of his business at any moment upon the senior user’s market entry to his area. He can be assured—as long as he continues to use his mark—of the right to use it in that territorial area. Furthermore, the junior intermediate user can even expand to a degree, provided it is within his “zone of reputation.”\(^ {46}\)

This set of circumstances further informs our analysis. It would seem that a level of common law is applied again here, restricting parties essentially to their areas of geographical activity. What again is absent, however, is whether such a common law approach would be applied if there were express statutory

\(^{43}\) See generally Peaches Entm’t Corp. v. Entm’t Repertoire Assocs., Inc., 62 F.3d 690 (5th Cir. 1995).

\(^{44}\) Id. at 691.

\(^{45}\) Id. at 693.

\(^{46}\) Id. at 696.
language to the contrary—language providing explicitly for a right far beyond one’s area of geographic activity. The tantalizingly close combination of necessary statutory and priority of use elements presents itself in the next case.

D. State Registered Senior User: The Almost Perfect Storm of Burger King v. Hoots

_Burger King v. Hoots_ provides the closest case to the perfect federal/state trademark storm we are seeking.\(^{47}\) In that case, the now famous Burger King chain opened its first restaurant in Florida in 1953, but curiously and rather extraordinarily did not federally register its mark.\(^{48}\) Four years later, a small ice cream shop in good faith struck on the same name for its restaurant in the humble town of Mattoon, Illinois.\(^{49}\) The latter duly and properly, with no awareness of its rival in Florida, registered its name under Illinois state trademark law.\(^{50}\)

As the Florida Burger King restaurants rapidly spread throughout the country, they continued to neglect federal registration of their trademark, until they became aware of the Mattoon Burger King in 1961.\(^{51}\) At that time they promptly registered their name with the USPTO.\(^{52}\) Shortly thereafter, the Florida Burger King sought to enjoin Hoots from future use of the name Burger King so that it might continue its expansion throughout Illinois unimpeded by the small town local user.\(^{53}\)

The question before the court was, therefore, whether Hoots of Mattoon, Illinois had rights under its state trademark registration to exclusive use throughout the state of Illinois, given that it had registered a full four years prior to the federal registration of the larger Burger King. The court held that the relevant Illinois statute provided no such language for exclusive use, which was indeed the case, and noted further that it was aware of no such case interpreting

\(^{47}\) Burger King of Fla, Inc. v. Hoots, 403 F.2d 904, 904 (7th Cir. 1968).
\(^{48}\) Id. at 906.
\(^{49}\) Id.
\(^{50}\) Id.
\(^{51}\) Id.
\(^{52}\) Id.
\(^{53}\) One might argue that there is a potential good faith issue regarding the Florida Burger King’s registration as it came _after_ becoming aware of the Mattoon Burger King. In some state statutes, the language expressly provides that the certificate will be deemed invalid if at the time of the registration, the party registering was aware of another party’s use. See, _e.g._, All Am. Builders, Inc. v. All Am. Siding of Dall., Inc., 991 S.W.2d 484, 486–87 (Tex. Ct. App. 1999).
the Illinois statute to provide exclusive use throughout the state.\textsuperscript{54} The Mattoon Burger King had to, therefore, content itself with exclusive use of its name only in the modestly populated town of Mattoon.\textsuperscript{55} Indeed its geographic area was limited to twenty square miles surrounding the town.\textsuperscript{56}

The exact answer to our question therefore remains somewhat exasperatingly unaddressed by current federal case law—here, had the state trademark language provided for “exclusive use throughout the state,” would the outcome have been different? While the question remains open for further consideration, the likelihood of the conflict even occurring due to the existence of necessary state “exclusive use” language is rapidly dwindling, due in large measure to the Model State Trademark Bill advocated by INTA. We will see that in other areas there is a new ray of hope for state exclusive use trademark rights, but in terms of providing for statewide exclusive use rights, there are only seven state trademark statutes that remain with “exclusive use” language.\textsuperscript{57} The workings of INTA and these few remaining statutes we detail in the next section.

III. PROPOSED MODEL STATE TRADEMARK BILL OF THE INTERNATIONAL TRADEMARK ASSOCIATION (INTA)

The International Trademark Association (INTA) dates back to 1878, founded by seventeen merchants and manufacturers who saw a need, among other things, for an organization “to protect and promote the rights of trademark owners.”\textsuperscript{58} To that end, closely following the passage of the Lanham Act, INTA promulgated in 1949 the first version of the “Model State Trademark Bill” for “the registration and protection of trademark.”\textsuperscript{59} The purported overarching primary goal was to provide some uniformity of state trademark law to what was then a scattershot gamut of state trademark statutes that made the landscape uncertain for the more nationally positioned trademark owner.\textsuperscript{60} There was also

\begin{footnotes}
\item[54] \textit{Burger King}, 403 F.2d at 907. As the court noted: \textit{[T]he Act itself does not express any such intention. And no case has been cited to us, nor has our research disclosed any case in the Illinois courts deciding whether a registrant is entitled to statewide protection even if he has used the mark only in a small geographical area.}

\item[55] \textit{Id.} at 908.

\item[56] \textit{Id.} at 909.

\item[57] \textit{See infra} notes 69–75 and accompanying text.


\item[59] Goldstein, \textit{supra} note 15, at 226.

\item[60] \textit{See id.}
\end{footnotes}
Phoenix Rising? On the Fall and Potential New Rise of State Trademark Rights

a desire to create a state format that was more consistent with the language of the Federal Lanham Act.61

While conflating or dovetailing state and federal judicial precedent admittedly brings its benefits, the negatives of eviscerating state trademark rights would seem to bring considerably more pause from states’ rights activists. As will be seen in the sixth and final part of this analysis, INTA’s decision to add language to the Model State Trademark Bill in 1992 to provide further “consistency” with the Lanham Act would not produce the intended result.

What was being given up, however, was not insubstantial, for it was what was not being said in this section that was most disemboweling. The Model State Trademark Law provided particularly in Section 5(b), under its Certificate of Registration, that “[a]ny certificate of registration issued by the Secretary under the provisions hereof . . . shall be admissible in evidence as competent and sufficient proof or registration of such mark in any . . . judicial proceedings in any court of this state.”62 Conspicuously absent from this model language, however, was the right to “exclusive right to use the mark on or in connection with the goods or services described in the certificate.” This absent language had provided for an enforceable right rather than merely an evidentiary advantage, and the new language therefore created a significantly diminished right. The language providing for exclusive use and arguably that full enforceable right now remains in only a few state statutes, which we turn to in the next section.63

IV. THE VANISHING BREED

As the state statutory landscape currently stands, the vast majority of states have either in full or large measure adopted the proposed boiler plate language of INTA or have for other reasons failed to provide for a more robust state trademark right to exclusive use.64 However, the following seven states have trademark statutes with varyingly arguable statewide exclusive use language still remain: Florida, Massachusetts, Michigan, Minnesota, Virginia, Texas and Washington.65 The language in each of these state statutes is not identical, however, creating arguably some potential for differing use rights throughout the state.

Michigan, for example, omits the specific term “exclusive use” in its statute and merely states that the state registration “shall be evidence of

61 Id.
63 See infra notes 69–75 and accompanying text.
65 See infra notes 70–76 and accompanying text.
registrant’s right to use the mark throughout this state in connection with the goods or services.\textsuperscript{66} Does this omission suggest a diminished right that falls short of “exclusive use” throughout the state? Might it be, for example, that such language, rather than suggesting exclusivity, suggests a more unconventional co-existence of marks? The language is not entirely clear.

A likely interpretation of this language is that the omission of “exclusive” prior to “use” does not substantively change the trademark user’s right relative to other users. That trademark right under trademark law is necessarily the right to be free from any likelihood of confusion. Allowance for anything other than exclusive use would create a likelihood of confusion, and, therefore, “use” under this statute should necessarily connote “exclusive use.”

The Washington state trademark statute is perhaps still less clear. While still providing more state protection for state trademark registration than most states, Washington provides that “[r]egistration of a trademark under this chapter shall be constructive notice of the registrant’s claim of ownership of the trademark throughout this state.”\textsuperscript{67} The statute in short provides for statewide “notice,” but does not specifically provide for “use” nor does it make mention of any “exclusive” use. This again potentially leaves the door ajar for a variety of interpretations to state rights that may be less powerful than exclusive state rights.

However, there are five remaining states whose exclusive use language rings loud and clear. Florida, for example, provides that state registration shall be “prima facie evidence . . . of registrant’s exclusive right to use the mark in this state on or in connection with the goods or services specified in the certificate . . . .”\textsuperscript{68} Massachusetts, Minnesota, Virginia, and Texas have similar language which protects their state trademark user. The exact language of each of these statutes is provided in the table below:

<table>
<thead>
<tr>
<th>State</th>
<th>Relevant Statutory Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>Any certificate of registration issued by the department under the provisions hereof or a copy thereof duly certified by the department . . . shall be prima facie evidence of the validity of the registration, registrant’s ownership of the mark, and of registrant’s exclusive right to use the mark in this state on or in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.\textsuperscript{69}</td>
</tr>
</tbody>
</table>

\textsuperscript{66} \textsc{Mich. Comp. Laws Ann.} § 429.34(3) (West 2001).

\textsuperscript{67} \textsc{Wash. Rev. Code Ann.} § 19.77.040 (West 2013).

\textsuperscript{68} \textsc{Fla. Stat. Ann.} § 495.061(2) (West 2010).

\textsuperscript{69} \textit{Id.} (emphasis added).
### Table: Relevant Statutory Language

<table>
<thead>
<tr>
<th>State</th>
<th>Relevant Statutory Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>Registration of or renewal of a mark provided by this chapter shall be constructive notice of the registrant’s claim of ownership thereof and shall, when introduced in any action, be prima facie evidence of the registrant’s exclusive right to use the registered mark in this commonwealth on goods or services specified in the registration subject to any conditions or limitations stated therein . . . 70</td>
</tr>
<tr>
<td>Michigan</td>
<td>Any certificate of registration issued by the administrator, or a copy thereof duly certified by the administrator . . . shall be evidence of registrant’s right to use the mark throughout this state in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein . . . 71</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Evidentiary effect. Any certificate of registration issued by the secretary of state or a copy duly certified by the secretary of state . . . shall be prima facie evidence of registrant’s ownership and exclusive right to use the mark on or in connection with the goods or services described in the certificate. 72</td>
</tr>
<tr>
<td>Virginia</td>
<td>Any certificate of registration issued by the Commission under the provisions hereof or a copy thereof duly certified by the clerk of the Commission shall be prima facie evidence . . . of the registrant’s exclusive right to use the registered mark within the Commonwealth on or in connection with the goods or services specified in the certificate . . . 73</td>
</tr>
<tr>
<td>Texas</td>
<td>Record and Proof of Registration . . . (c) A certificate of registration issued by the secretary of state under this chapter, or a copy of it certified by the secretary of state, is admissible in evidence as prima facie proof of . . . (3) the registrant’s exclusive right to use the mark in commerce in this state in connection with the goods or services specified in the</td>
</tr>
</tbody>
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72 Minn. Stat. Ann. § 333.21 (West 2011) (emphasis added). Note that the language here does not say “throughout the state” but merely provides for specific exclusive use.
As to the other forty-three states, while there is perhaps a colorable argument for exclusive use in a few, it is not to be found under the section on the Certificate of Registration. Connecticut, for example, while providing for no “exclusive use” language under their Certificate of Registration, provides the following, interestingly located under its Incontestability provision:

(a) Subject to the provisions of section 35-11k, any person who (1) uses in Connecticut, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of a mark registered under this chapter 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 as to the source or origin of such goods or services . . . .

Note that the Incontestability provision under this statute requires no time limit for achieving incontestability. It would seem that here, once registration has been satisfactorily established, the mark then becomes incontestable.

A cloud comes over the rights issue upon closer inspection of the phrase “subject to the provisions of section 35-11k,” however, as that section provides that “[n]othing in this chapter shall adversely affect the rights or the enforcement of rights in marks or trade names acquired in good faith at any time at common law.” Therefore, again, it would seem the specter of common law rights casts a limiting shadow on the enforceability of the state exclusive use right.

However, perhaps the exact language makes little difference in the end. What remains to be considered is whether the courts in those few states that have retained their state rights give any indication of the degree to which they might be willing to enforce that right should the perfect storm of circumstances arise under the “exclusive use” language. While, as stated earlier, there is no case perfectly on point as of yet to answer this question, there are several state cases that have come close. These we address in the next section.

77 Id. § 35-11k.
V. STATE TRADEMARK CASE LAW FROM THOSE PROVIDING FOR EXCLUSIVE USE

For those seven states that still possess “exclusive use throughout the state” language, cases confronting the issue directly have been exceedingly rare and, when addressing the issue, have generally privileged common law principles over express state statutory language. In these cases, it is also often true that other legal issues prevent the courts from squarely addressing the issue that is the subject of our focus here.


In Florida, in Abner’s Beef House Corp. v. Abner’s Int’l., Inc., for example, Abner’s International (AI) argued that because of its certification of the mark “Abner’s”, it carried exclusive rights in the state of Florida and could therefore prevent Abner’s Beef House (ABH) from continuing as a restaurant.78 In this particular case, the restaurants had begun use of their marks virtually contemporaneously, but AI hoped it could use its State registration to exclude ABH from continuing operations under the “Abner” name in the state.79

The Florida court made clear, however, that the certificate of registration alone, without further significant activity, would not be enough to establish the right of exclusive use of the mark.80 The Court stated, in pertinent part, “we do not believe it was the intent of Chapter 495, F.S., to authorize one of the parties to acquire a pre-emptive use of the service mark throughout the entire state by the mere fact of prior registration unattended by prior usage sufficient under the common law to vest in registrant a secondary meaning use.”81

Although the plain meaning of the statute by its terms states that such certification would constitute prima facie evidence of exclusive use throughout the state, the court was clearly troubled by the lack of demonstrated use by the state registrant as that party could only show sales of six sandwiches to friends.82 The entire extent of their use was also exceedingly limited as it was restricted primarily to mere discussion of the idea of Abner’s rather than its explicit use:

[It] had its service mark designed by a commercial artist to-wit: figure of a large Western-style boot within which is inscribed, ‘Abner’s, Sandwich Parlors,’ and ‘* * * World’s Best’; had an architect sketch a model franchise restaurant building; had its described design printed on postcards, stationery, advertising, brochures, and distributed the same

78 Abner’s Beef House Corp. v. Abner’s Int’l, Inc., 227 So.2d 865, 869 (Fla. 1969).
79 Id.
80 Id.
81 Id.
82 See id.
throughout Dade and Broward counties; made restaurant surveys; studied the fast food service franchising business . . . .

The court noted that based on this level of use, exclusion of one party throughout the state was not an equitable solution, and the statutory language of exclusive use could not fully be enforced. The court also pertinently noted:

[A] mere paper application for registration of a service mark which is not in fact coupled with and supported by actual usage of the mark sufficient to vest in registrant’s use a secondary meaning, will not defeat a similar use by a competitor where the latter has actually established and placed in operation businesses identified by such mark.

The court also made much of the fact that their decision not to fully enforce the language of the statute was due to the two parties being effectively “in [a] ‘dead heat’” in terms of their uses. Therefore, although the state language was relevant to the decision, the controversy of priority of use between the parties, coupled with the fact that federal registration was not involved, obviated the need for any holding relative to the state statutory language of exclusive use.

**B. Texas Case Law: Bad Faith in All American Builders, Inc. v. All American Siding of Dallas**

*All American Builders, Inc. v. All American Siding of Dallas* in Texas provides another state case that falls tantalizingly close to our hypothetical. In that case, All American Builders, an exterior remodeling concern, became aware of a competitor doing business as All American Siding. In the hopes of achieving exclusive use of the “All American” name and with an awareness of their competitor’s use, All American Builders subsequently registered their trademark with the State of Texas.

The act of state trademark registration in Texas, however, has a good faith component, requiring the hopeful trademark owner to certify “that ‘no other person to the best of [applicant’s] knowledge . . . has the right in this state to use such mark either in the identical form thereof, or in such near resemblance to cause confusion, or to cause mistake or to deceive.’” a fact which the circumstances made clear was not the case. All American Builders had run to apply for state trademark certification only after becoming aware of their

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83 Id. at 868.
84 Id.
85 Id. at 869.
86 Id.
88 Id. at 486–87.
89 Id. at 486.
90 Id. at 486–87 (quoting language from AA-Builders’ registration application).
competitor’s use of the mark. Thus, while the case had seemed a promising collection of circumstances that would force a confronting of our question, by invalidating the state certification, the courts again did not have to reach the issue of statewide exclusive use.


Under Washington state case law, the courts have wrestled with the issue of whether state trademark law may be preempted by federal law. However, the relevant federal law involved was not the Lanham Act, but rather the National Banking Act (NBA). In Pioneer First Fed. Sav. and Loan Ass’n v. Pioneer Nat’l Bank, a savings and loan bank had been operating for almost forty years in parts of Washington pursuant to a federal charter. It had also registered its name under the Washington state trademark statute, but did not register its mark federally.

The rival user, Pioneer National Bank, published three possible names as required by federal law under the NBA, and with the other two names being challenged, decided on the third name, “Pioneer.” While its name was registered with the federal banking authority pursuant to regulation, and also as a trademark under Washington state trademark law, it was not, however, registered as a trademark under the Lanham Act. The court was faced, therefore, with the closely related question of whether Washington state trademark law could be preempted by this NBA federal law. The standard for federal preemption followed by the court was that federal preemption would apply if “(1) the federal statute clearly evinces a congressional intent to preempt state law; or (2) [if] ‘The . . . conflict [between the two acts] is so direct and positive’ that the two acts cannot ‘be reconciled or consistently stand together’” so that congressional intent can be inferred.

The court’s analysis of congressional intent focused on the issue of whether the absence of any mention of state law in the NBA statute implied congressional intent for state law not to apply. The court found, to the contrary, that the absence of any mention of state law failed to meet the standard of “an

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92 Id.
93 As summarized: “As required by federal law, respondent Bank published an advertisement in the local Yakima papers soliciting response to three potential names. After two of the names were challenged by other banks, respondent chose its current name.” Id.
94 Id. at 482.
95 Id. at 484 (quoting State v. Williams, 94 Wash. 2d 531, 538 (1980)).
96 Id. at 484–85.
unambiguous mandate to that effect,” and so found that the state trademark statute was not preempted.97 For our purposes, this standard comforts an interpretation of the language of the Lanham Act’s incontestability provision as not preempting state rights given that that language does expressly provide for an exception with regard to state rights. In short, following the language provided by the court, Congress’ intent in the incontestability language of the Lanham Act is “clearly evinced” by its express provision for state rights.98


The Texas case of A B C Stores v. T. S. Richey & Co., while it predates the Lanham Act, provides some promising statements by the court regarding the extent to which it would enforce exclusive use language in state trademark statutes.99 The court noted that those rights would be fully enforced, provided there was: (1) valid certification of registration; and (2) clearly established prior use.100 In the case before them, A B C Stores had established use throughout Galveston and Houston and had given permission to a shop to use the name A B C throughout Beaumont, Texas.101 When that shop sold its rights to a new owner, Richey, the new owner tried to sue for exclusive common law rights in the Beaumont area.102

The court held that the statute at that time “was enacted for the purpose of conferring a state-wide right to the exclusive use of such particular name or device as comes within its terms.”103 Here, the court may have also been motivated by the bad faith of Richey, as Richey was effectively suing for exclusive rights from a company that had generously given him permission earlier to borrow their name.104 However, the message from the court was clear—the meaning of the statute was to confer exclusive state-wide rights, provided prior use and good faith could be established.105

While this case provides some comfort to the possibility of affirming state rights in those states that have statutory language that explicitly provides for

97 Id.
98 Id.
100 Id.
101 Id. at 177–78.
102 Id.
103 Id. at 179 (emphasis added).
104 Id. The court went on to actually invalidate use of the name by T. S. Richey even in Beaumont, motivated perhaps by T. S. Richey’s bad faith. Id.
105 See id. at 178–79 (noting that the defendant’s full knowledge of the plaintiff’s use puts defendant in “no position to claim priority of adoption and use” to establish exclusive rights).
exclusive use throughout the state, it still does not match perfectly with the federal and state interplay or priority of use we are looking for. Thus, these cases, while close, are unfortunately still off the mark.

VI. UNINTENDED CONSEQUENCES: EXCLUSIVE STATE FOLLOWING UNDER INTA LANGUAGE

The terms of the power of “exclusive use” language in state trademark statutes remains murky and unresolved, but a new ray of hope for state rights has recently emerged elsewhere in many statutes. Specifically, in the relatively recent state case of National Association for Healthcare Communications, Inc. v. Central Arkansas Area Agency on Aging, Inc., the court suggested that exclusive use throughout a state might be understood instead from the intent provision provided in INTA’s boiler plate. 106 This case we address more closely in the next subsection.

A. National Association for Healthcare Communications, Inc. v. Central Arkansas Area Agency on Aging, Inc.

In National Association for Healthcare Communications, Inc. v. Central Arkansas Area Agency on Aging, Inc., the court focused on the overarching intent language of the Arkansas state statute which provided: “[t]he intent of this subchapter is to provide a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946.” 107 The court held in particular that, following this intent provision, if state trademark statutes were to be consistent with the Lanham Act and its protections, state trademark statutes should provide corresponding statewide exclusive rather than standard common law protection. 108 That is to say, since the Federal Lanham Act provides protection for the entire country, it would be consistent to provide for state trademark laws to provide protection for the entire state. Such an interpretation creates more difficulties between state and federal statute than harmony, hardly a welcome outcome it would seem for INTA.

To add to this irony, this Arkansas state trademark intent provision was taken verbatim from INTA amendments to the Model State Trademark Bill passed in 1992 and 1996. 109 It would seem in short that the Arkansas court, through this interpretation, has in effect hoisted INTA by its own petard.

108 Nat’l Ass’n for Healthcare Commc’ns, Inc., 257 F.3d at 737.
In the case itself, National Association for Healthcare Communications (Healthcom) first used the “CareLink” name elsewhere in 1991 or 1992, but apparently did not file for state or federal registration at that time.\(^{110}\) It was not until after Central Arkansas Area Agency on Aging (CA) began using the mark that Healthcom filed its federal registration.\(^{111}\) CA’s first use was in Arkansas later, in 1995, but at that time they filed for state trademark registration.\(^{112}\) Therefore, although Healthcom was the first user nationally, its application for federal registration was still pending. Thus, Healthcom was forced to rely on its common law priority. Moreover CA had obtained a state registration after Healthcom’s first national use but prior to Healthcom’s federal registration.\(^{113}\)

To complicate matters further, there were other factors relevant to the court’s analysis as well. Neither Healthcom, the national user of the term “CareLink,” nor CA, the user of the “CareLink” term in a six-county region of Arkansas, could show any present or immediate future likelihood of confusion from presence in the other’s market.\(^{114}\) As it turned out, Healthcom tried to argue that the one sale it made in Arkansas in 1994 for $385 should constitute prior use and preclude CA’s state use.\(^{115}\) However, at about this same time, CA could show that it was already generating $5 million in sales in its six-county region, and the court felt that given such disparity in revenues, Healthcom’s use, in spite of its pending application for federal registration, was \textit{de minimis} and therefore not enforceable.\(^{116}\)

It is perhaps particularly this gross disparity in demonstrated use that led to the earlier district court decision to enjoin Healthcom from any use \textit{throughout} the state.\(^{117}\) While the breadth of this injunction was considerably narrowed on appeal, the court suggested in dicta that had evidence of use or clear intent to use outside of the six-county region been presented, a state-wide injunction against Healthcom might have been imposed.\(^{118}\) This Arkansas dictum is particularly significant for our analysis here for it suggests, in short, that while the sun may be setting on the “exclusive use” provision, it may be the dawn of a brand new state rights’ day under INTA’s own prefatory intent provision.

\(^{110}\) Nat’l Ass’n for Healthcare Commc’ns, Inc., 257 F.3d at 733–34.
\(^{111}\) \textit{Id.} at 734.
\(^{112}\) \textit{Id.}
\(^{113}\) \textit{Id.}
\(^{114}\) \textit{Id.} at 777–78.
\(^{115}\) \textit{Id.} at 736.
\(^{116}\) \textit{Id.} at 734–36.
\(^{118}\) Nat’l Ass’n for Healthcare Commc’ns, Inc., 257 F.3d at 738.
Furthermore, Healthcom was effectively left with the Sword of Damocles tension mentioned earlier in the Dawn Donut case. Although it was not enjoined throughout the state, the court made clear that should CA expand outside of its six-county region to any other parts of Arkansas, Healthcom would be obliged to cede its use of the mark in those areas.

It is worth noting from a broader state perspective, however, that the intent provision interpreted here has not been adopted by Arkansas alone, but to date has also been adopted by eight other states. For those keeping score, these states are Arkansas, Indiana, Kansas, Kentucky, Nebraska, New Mexico and Tennessee. Following the logic of this case, these eight state statutes may now have an increased right for their state trademark owners. Furthermore, it is worth noting that failure to include an explicit intent provision in a state statute does not necessarily preclude a court from asserting such intent, so a case may even be made now for other state trademark statutes.

CONCLUSION

The interplay between federal trademark law, state trademark law, and common law involves a variety of considerations that makes a clear understanding of use rights in certain contexts particularly elusive. To add to this confusion, state trademark law itself provides an assortment of protections—depending on the state—that vary that interplay still further. While priority is a key factor in the relative positions of each party, it is far from dispositive and is particularly in doubt in those situations where a state trademark right finds it has priority but is in conflict with a federal registration right.

In those few states where the statutes provide for exclusive use throughout the state, case law has proven inconclusive. Some language suggests the courts are willing to engage in a close reading of the statute and to fully enforce its terms, whereas other courts are hesitant or even unwilling to give the terms of the statute their full effect. Still, no case speaks squarely to the issue.

Yet through the courts’ inconclusiveness, it may perhaps still be argued that in this closely circumscribed context, one last redoubt of hope remains for the state trademark holder. Given the holding in National Association for Healthcare Communications, it would seem that while state exclusive use rights

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121 Ind. Code Ann. § 24-2-1-0.5 (West 2006).
seem to be vanishing under the Certificate of Registration provisions, they are reappearing by interpretation, against INTA’s intentions and best efforts, under the banner of the Model State Trademark Bill’s Intent Provision.