



News & Types: Intellectual Property & Technology Update

Basics of Trademark Rights in the United States

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By: Tadashi Tahara

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In today's competitive marketplace, a company's brand is one of its most valuable assets. Protecting that brand in the U.S. begins with understanding how trademark rights are created and protected in the U.S. There are three primary avenues of protection: (1) common law rights, which arise automatically through actual use; (2) state registration, which offers limited protection within a specific state; and (3) federal registration, which provides nationwide coverage through the United States Patent and Trademark Office (USPTO). While common law and state registrations can offer some degree of protection, federal registration offers stronger, nationwide coverage and additional legal benefits. The following discussion explains these distinctions and why federal registration is generally the preferred path for businesses seeking to secure and grow their brand presence.

A trademark is defined under the Trademark Act of 1946, the federal law governing trademarks (commonly known as the "Lanham Act"), as:

"[A]ny word, name, symbol, or device, or any combination thereof – (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by [the Act], to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."

A similar concept applies to service marks, which identify and distinguish services rather than goods. The principles governing trademarks and service marks are essentially the same. Therefore, while the following discussion focuses on trademarks, the same concepts apply equally to service marks.

In the U.S., trademark rights arise through actual commercial use, even without registration at the federal or state level. Rights obtained in this way are known as common law trademark rights. The U.S. follows a first-to-use system rather than a first-to-file system—meaning the party that first uses a trademark in commerce generally holds priority rights — not the party that first registers a trademark.

At first glance, it may seem that trademark registration in the U.S. is unnecessary. However, common law rights are geographically limited—they extend only to the area where the trademark is actually used (known as the "Zone of Actual Goodwill," which includes both the "Zone of Actual Market Penetration" and the "Zone of Reputation") and possibly to areas where use would naturally expand (the "Zone of Natural Expansion"). As a

result, the scope of protection is often ambiguous and narrow. Additionally, since the precise date of first use can be uncertain, disputes may arise between parties using identical or similar marks over who holds priority.

Registering a trademark is one possible approach to protect its rights more firmly and effectively. Trademark registration systems exist at the state level. However, state-registered trademarks offer limited protection which generally applies only within that particular state.

To overcome the limitations of common law trademark rights and state registration, it is advisable to federally register trademarks with the USPTO. Federal registration provides nationwide protection across all U.S. states and territories, even if actual use is geographically limited. Moreover, registration makes trademark details publicly available through the USPTO's search system, creating constructive notice to third parties that the mark is already in use. Registration also serves as *prima facie* evidence of ownership and validity, and moreover, a trademark that has been continuously used for five years after registration can become "incontestable" under certain conditions, which means it cannot be cancelled except for specific grounds. Therefore, for businesses conducting interstate or national operations, federal registration offers the most comprehensive and effective protection.

Masuda Funai is a full-service law firm with offices in Chicago, Detroit, Los Angeles, and Schaumburg.