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# Federal Circuit: In-State Sale of Two Hats Constitutes Use in Commerce

By Jessica Vosgerchian

*Christian Faith Fellowship Church v. adidas AG*, 120 U.S.P.Q. 2d 1640 (Fed. Cir. 2016))

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Faith Fellowship Church (the “Church”), the Federal Circuit reversed a judgment by the Trademark Trial and Appeal Board cancelling the Church’s trademarks for failure to use them in commerce before registration. [More](#)

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On appeal by ChristianFaith Fellowship Church (the “Church”), the Federal Circuit reversed a judgmentby the Trademark Trial and Appeal Board cancelling the Church’s trademarks forfailure to use them in commerce before registration. In response to a petition filed by adidas AG(“Adidas”), the Board held that the Church’s documented sale of two hats to anout-of-state resident did not constitute use in commerce under the Lanham Actbecause the use was *de minimis*. However, the Federal Circuit reversed on thebasis that the Church’s sale fell within Congress’s power to regulate under theCommerce Clause, which comports with the Lanham Act’s definition of commerce as“all commerce which Congress may regulate.” The Federal Circuit remanded the case for the Board to consider thegrounds for cancellation it had not reached in its first decision.

Adidas had challengedthe Church’s marks featuring the phrase ADD A ZERO, which the Church had usedon shirts and hats sold as part of a fundraising campaign to pay off debt. Beginning in January 2005, the Church beganoffering the apparel in its bookstore at the Church’s meeting place in Zion,Illinois, within five miles of the Wisconsin border. Due to its location, the Church’sparishioners include both Illinois and Wisconsin residents. In March 2005, the Church filed applicationswith the U.S.

Patent & Trademark Office for ADD A ZERO both as a standard character mark and a stylized design based on actual use. The Office registered both marks in November 2006.

Adidas petitioned to cancel the marks after the Office refused its 2009 application for the clothing trademark ADIZERO due to likelihood of confusion with the Church's ADD A ZERO marks. As grounds for cancellation, Adidas argued (1) the Church had failed to use the marks in commerce before registration, (2) the marks did not function as trademarks, and (3) the Church had abandoned the marks for nonuse. The Board accepted Adidas' failure-to-use argument without addressing the alternative grounds. Disregarding Adidas's hearsay and authentication objections, the Board had considered the Church's evidence of use consisting of a cancelled check for a sale in February 2005 to a Wisconsin parishioner of two ADD A ZERO-marked hats for \$38.34. The check bore the customer's pre-printed Wisconsin address, and the date of sale matched records the Church kept of checks it received as well as a sales register it maintained for the bookstore. The Board reasoned that the sale of two hats to one out-of-state resident at "a minimal cost ... does not affect commerce that Congress can regulate such that the transaction would constitute use in commerce for purposes of registration." Thus, the Board held the Church's documented sale was *de minimis* use insufficient to show actual use under the Lanham Act's "use in commerce" requirement.

In reversing the Board's cancellation, the Federal Circuit first looked to the Lanham Act's language stating that "a mark shall be deemed to be used in commerce [] on goods when...the goods are sold or transported in commerce," and further defining "commerce" as "all commerce which may lawfully be regulated by Congress." 15 U.S.C. § 1127. Based on this definition, the Court framed the dispositive question as whether the Church, prior to applying for the marks, made a sale of marked goods in commerce regulable by Congress under the Commerce Clause.

The Federal Circuit reviewed the "use in commerce" question *denovo*. The Court analyzed the U.S. Supreme Court's contemporary Commerce Clause jurisprudence to determine that the standard for "use in commerce" under the Lanham Act is whether the use in the aggregate would have "substantial effects" on interstate commerce. For example, in *Wickard v. Filburn*, the Supreme Court rejected the plaintiff's argument that Congress could not impose a quota on the amount of wheat he grew for his own use because when "a general regulatory statute bears a substantial relation to commerce, the *de minimis* character of individual instances arising under that statute is of no consequence" to Congress's power to regulate the conduct. 317 U.S. 111, 117 (1942). Since the aggregated sale of Lanham Act-

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protected goods over state lines substantially affects interstate commerce, the Church's sale of two marked hats was conduct that Congress could regulate under the Commerce Clause, and thus met the Lanham Act's "use in commerce" standard.

In reaching this holding, the Federal Circuit summarized several of its past decisions interpreting "use in commerce" broadly under the aggregate-effects approach to the Commerce Clause. The Federal Circuit concluded by noting that the Board erred by not properly applying the Federal Circuit's prior holdings that refused to adopt a *de minimis* test for the "use in commerce" standard because of Congress's broad power to regulate. The Court stated that the Board further erred to the extent it recognized the proposition that the intrastate sale of goods can never be a sale "in commerce" without the trademark applicant doing something more, like knowingly targeting the sale of goods across state lines. Intrastate sales could also be "use in commerce" because the conduct in the aggregate could substantially affect interstate commerce. The Court identified two prior Board decisions as being "incorrect" for applying a higher standard for "use in commerce": *In re Cook, United, Inc.*, 188 U.S.P.Q. 284 (T.T.A.B. 1975) and *In re The Bagel Factory, Inc.*, 183 U.S.P.Q. 553 (T.T.A.B. 1974).

The Federal Circuit refrained from stating outright that no commercial use could be *de minimis*, but that is the practical conclusion of the Court's comprehensive embrace of the aggregated-effects test to interpret "use in commerce" under the Lanham Act. Some trademark applicants may welcome this decision, since it lowers the bar for establishing prior use for a Section 1(a) application. However, applicants that are rejected for likelihood of confusion with a mark that has been barely used commercially will regret the loss of the *de minimis* doctrine in cancellation proceedings. In such circumstances, rather than pursue costly and likely unavailing administrative actions or litigation, applicants would be well advised to negotiate a co-existence agreement with the registrant.