

When Similar Marks Collide: The Role of Coexistence Agreements

WRITTEN BY

Austin Padgett | A. Tucker Davison

KEY POINTS

- A trademark coexistence agreement is a binding contract that establishes permitted uses, geographic or channel-of-trade restrictions, and dispute-resolution procedures so that two similar marks can operate concurrently without consumer confusion.
- Unlike a consent agreement — which is a narrower, one-directional letter used primarily to overcome a USPTO likelihood-of-confusion refusal — a coexistence agreement imposes ongoing mutual obligations on both parties.
- An overwhelming majority of Trademark Trial and Appeal Board opposition and cancellation proceedings settle before trial, making coexistence and consent arrangements a common feature of those resolutions.
- If a coexistence arrangement functions as a trademark license rather than a consent-to-use, quality-control provisions are essential; their absence risks a “naked license” finding that can jeopardize the mark’s validity.
- Coexistence terms that divide territories or product categories between competitors may implicate antitrust law, and parties should confirm that any such restrictions are reasonably necessary to prevent confusion rather than a pretext for horizontal market division.

Consider this. What happens when two companies have similar marks but operate in different, or only slightly different, markets? This is a common concern for brand owners navigating today’s crowded marketplace. The question is rarely *whether* a potential conflict will arise, but *when*. Fortunately, options exist. Often the simplest solution is a trademark coexistence agreement — a tool that lets both brands operate side by side, without the cost, delay, or uncertainty of litigation.

A trademark coexistence agreement is a contract between two parties who own or claim rights in similar marks. It establishes boundaries so that both marks can coexist without consumer confusion and without a costly courtroom battle. Compared to litigation, coexistence agreements are faster, less expensive, and less adversarial. While trademark litigation can drag on for years and cost six or seven figures, two motivated parties can often reach a coexistence agreement in weeks or months at a fraction of that cost, all while continuing to operate their businesses without disruption.

WHO ARE THE PARTIES?

The typical parties are two brand owners who already hold trademark registrations, though owners of pending applications may also negotiate coexistence terms.

WHAT IS A COEXISTENCE AGREEMENT AND WHAT IS IT NOT?

A coexistence agreement is a comprehensive contract that defines how two similar marks will live side by side. It typically covers permitted uses, geographic or channel-of-trade restrictions, product and service boundaries, representations about consumer nonconfusion, term and termination provisions, and dispute-resolution procedures. Think of it as a detailed operating manual for shared brand space.

Coexistence agreements differ from a *consent agreement*. Specifically, a consent agreement is a narrower, one-directional letter in which one party permits another to register a potentially similar mark and states that confusion is unlikely. Consent agreements are often used to overcome a U.S. Patent and Trademark Office (USPTO) likelihood-of-confusion refusal, but they lack the ongoing restrictions and mutual obligations that make coexistence agreements durable.

One important caveat. The USPTO is not bound by a consent or coexistence agreement submitted to overcome a likelihood-of-confusion refusal. The agency treats the agreement as a single piece of evidence in its confusion analysis, not a definitive trump card. A bare or conclusory consent, one that simply states confusion is unlikely without concrete restrictions, may carry little weight in the USPTO's confusion analysis. By contrast, a detailed agreement with specific confusion-avoidance provisions, such as restrictions on goods, channels of trade, or mark presentation, is entitled to substantially more deference. The lesson here is that content matters more than the label.

Similarly, coexistence agreements differ from a *settlement agreement*, which is even broader. A settlement agreement resolves an entire legal dispute and may include financial terms, releases, and admissions that go beyond trademark use. A coexistence agreement can be embedded within a settlement, but it also functions as a standalone, proactive tool outside any active dispute.

WHEN SHOULD YOU CONSIDER A COEXISTENCE AGREEMENT?

Several scenarios commonly trigger the need for coexistence discussions. The most frequent is a Trademark Trial and Appeal Board (TTAB) opposition or cancellation proceeding, particularly given that an overwhelming majority of TTAB cases settle before trial, and coexistence or consent arrangements are a common feature of those settlements. Another common trigger is an exchange of cease-and-desist letters that leads to negotiation when neither party wants to litigate. Concurrent-use situations also arise where two parties have been operating without knowledge of each other; this can happen organically or surface during M&A due diligence when overlapping marks need resolution before a deal closes. Finally, international expansion often creates conflicts with local registrants who filed first in a target market.

WHY PURSUE A COEXISTENCE AGREEMENT?

The business case for pursuing a coexistence agreement over litigation is compelling. First, *cost savings*: a coexistence agreement lets you avoid six- or seven-figure litigation while still protecting your rights. Second, *relationship preservation*: a negotiated agreement keeps the door open with a potential partner, supplier, or adjacent-market player who is not a direct competitor. Third, *market entry without rebranding*: by setting clear boundaries, both parties know exactly where the line is drawn, allowing each to optimize operations without overstepping. Fourth, *predictability*: both sides know where their rights begin and end, which keeps customer goodwill intact rather than leaving outcomes to a court's discretion.

WHAT DOES THE PROCESS LOOK LIKE?

At a high level, the process moves through five stages:

1. Assess the marks by evaluating similarity, overlap in goods or services, channels of trade, and each side's relative strength;
2. Negotiate the framework of the agreement by determining what boundaries (geographic, product-category, channel, temporal) will prevent confusion while leaving room for growth;
3. Draft the agreement and reduce the negotiated terms to a binding contract with precise definitions, clear restrictions, and enforceable remedies;
4. Execute the agreement, record it where required (some jurisdictions allow or encourage registration), and notify trademark offices if proceedings are pending; and
5. Monitor for compliance with the agreement to ensure no material breaches occur and address minor drifts before they escalate.

COMMON PITFALLS TO AVOID

Every coexistence agreement is unique, as no two parties share the same concerns. That said, several issues routinely need attention.

Drawing boundary lines. The central tension is precision versus flexibility. Boundaries that are too narrow may strangle future growth, while boundaries that are too vague become unenforceable and eliminate the predictability a coexistence agreement is meant to provide. The best practice is to specify current permitted uses clearly, then build in a notification-and-approval mechanism for expansions rather than trying to predict every future product line or territory.

Licensing safeguards. If the agreement permits use of a mark under certain conditions, both parties must understand how and when such licensing may occur. The level of risk depends on how the agreement is structured. A true consent-to-use arrangement, where one party simply permits another's defined, nonconfusing use, generally does not trigger quality-control obligations. But if the arrangement functions as a trademark license, quality-control provisions are essential. Without them, a trademark owner risks a "naked license" argument that could jeopardize the mark's validity.

Future filings and international expansion. A well-drafted agreement addresses current and future registrations. Parties should specify whether they will consent to future filings, refrain from opposing each other's applications, or require advance notice before entering new jurisdictions. Keep in mind that a coexistence agreement enforceable in the U.S. may have no effect in a first-to-file market unless the parties take separate steps locally. Multijurisdictional agreements are possible but require careful drafting.

Dispute-resolution procedures. Establish these at the outset. Mediation-before-litigation clauses, clear governing-law provisions, and venue specifications save time and money if a disagreement later arises. Many agreements include escalation procedures whereby the parties begin with an executive-level conversation first, then move to mediation, then to binding arbitration or litigation as a last resort.

Enforceability limits. A coexistence agreement is a private contract, but it is not immune from judicial scrutiny.

Courts can decline to enforce, or modify, an agreement where the resulting consumer confusion significantly injures the public, not merely a party's business. The bar is high. A finding of likely confusion alone is not enough to void the agreement. But where confusion rises to the level of meaningful public harm, the policy of holding parties to their bargains gives way. Agreements that build in confusion-avoidance measures, including distinguishing marks, quality controls, and clear territory or channel separation, are far more likely to survive that scrutiny.

Antitrust exposure. When a coexistence agreement divides geographic territories or carves up product categories between competitors, the line between a legitimate trademark restriction and an unlawful market allocation can blur. Courts distinguish provisions that genuinely regulate how a mark is used, which are ordinarily reviewed under the rule of reason and presumed procompetitive, from provisions that allocate where or to whom competitors may sell. The latter risks *per se* condemnation as horizontal market division, regardless of the trademark label. When coexistence terms touch on territory or product-category boundaries between actual or potential competitors, it is worth confirming that the restriction is reasonably necessary to prevent confusion and not a pretext for dividing markets.

KEY QUESTIONS BEFORE YOU SIGN

Before entering a coexistence agreement, every brand owner should ask several key questions:

1. Have I mapped my growth trajectory for the next five to 10 years, and do the proposed boundaries accommodate that growth?
2. Are the geographic, channel, and product restrictions specific enough to be enforceable yet flexible enough for reasonable expansion?
3. Does the agreement include quality-control provisions that protect my mark's validity?
4. Have I addressed future trademark filings — both my own and the other party's?
5. Have I considered current and future international markets?
6. Is there a workable dispute-resolution mechanism that avoids jumping straight to litigation?

Getting these questions right at the outset is far less expensive than getting them wrong years later. A well-crafted coexistence agreement protects a brand, preserves valuable business relationships, and provides the certainty that litigation never can.

For more information about trademark coexistence agreements, TTAB proceedings, or brand protection strategy, contact Troutman Pepper Locke's [Trademark + Copyright](#) team, part of the firm's broader [Intellectual Property Practice](#).

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