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Trademarked Generic Words

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One of the most important limitations on the legal protection of a word adopted as a trademark is that it cannot be a term that refers, or has come to be primarily understood by the consuming public as referring, to a product category. At common law, such terms are known as "generic" words and cannot be exclusively appropriated. Similarly, under the Lanham Trademark Act, generic words are intended to be denied federal registration. Moreover, the federal registration of a word is subject to cancellation if at any time it "becomes the common descriptive name of an article or substance."

* The views contained herein are those of the authors only and should not be construed as necessarily reflecting those of the authors' current employers or the Federal Trade Commission.

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2. See, e.g., Canal Co. v. Clark, 80 U.S. (13 Wall.) 311, 323 (1872) ("Nor can a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics, be employed as a trade-mark and the exclusive use of it be entitled to legal protection."); RESTATEMENT OF TORTS § 735(1) (1938) ("A designation which is initially a trade-mark or trade name ceases to be such when it comes to be generally understood as a generic or descriptive designation for the type of goods, services or business in connection with which it is used.")


4. Lanham Act § 14(c), 15 U.S.C. § 1064(c) (1976). The Act also provides that "no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise." Id. at § 15(4), 15 U.S.C. at § 1065(4). All types of initially valid trademarks—descriptive, suggestive, or arbitrary or fanciful, see Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976) (classifying trademarks as "(1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful")—can become common descriptive names of articles or substances. See, e.g., Dixi-Cola Laboratories, Inc. v. Coca-Cola Co., 117 F.2d 352, 360 (4th Cir.), cert. denied, 314 U.S. 629 (1941) ("word 'cola' was originally adopted in part for its descriptive properties, and has since become a generic term, used in common by manufacturers as part of the trade-names for their products"); Dry Ice Corp. of America v. Louisiana Dry Ice Corp., 54 F.2d 882, 885 (5th Cir.), cert. denied, 286 U.S. 558 (1932) ("Dry-Ice"); Bayer Co. v. United Drug Co., 272 F. 505, 514 (S.D.N.Y. 1921) ("Aspirin"). Furthermore, surnames, geographic words, foreign words, and abbreviations or parts of generic names may be classified as generic. See, e.g., French Republic v. Saratoga Vichy Spring Co., 191 U.S. 427, 436-37 (1903) (geographic term "Vichy" became "generic and indicative of the character
Some notable examples of generic words denied exclusive trademark rights under American and British law are "aspirin," "brassiere," "cellophane," "cola," "escalator," "lanolin," "linoleum," "shredded wheat," "thermos," "trampoline," and "yo-yo." In the disputes over these words, each time involving litigation between private parties, the courts have assumed that granting or maintaining exclusive rights to generic words would unfairly and injuriously deprive competing manufacturers, consumers, and the public of the right to call an article by its name.

A number of factors may account for the linguistic deterioration of trademarks into generic words: misuse of the mark by its holder in advertising and labeling; insufficient policing of improper use of the trademarked word; or the absence of a short and simple alternative name for the product. Perhaps even more significant, of [a type of water]”; FS Servs., Inc. v. Custom Farm Servs., Inc., 471 F.2d 671, 674 (7th Cir. 1972) (abbreviation of generic term, “FS” for “farm service” or “farm supply,” not exclusive trademark); Ludlow Valve Mfg. Co. v. Pittsburgh Mfg. Co., 166 F. 26, 28 (6th Cir. 1908) (surname “Ludlow” generic for type of valves); Donald F. Duncan, Inc. v. Royal Tops Mfg. Co., 343 F.2d 655, 661-62 (7th Cir. 1965) (“Yo-Yo” generic Malayo-Polynesian word of Philippine origin; alternatively, “Yo-Yo” became generic in English for return tops).


16. Trademark attorney William Ball suggests that “[f]urther self-inflicted trademark erosion can be expected to result if the current trend toward the utilization of comparative advertising continues at its present rate.” Ball, Government Versus Trademarks: Today—Pharmaceuticals, Real Lemon and Formica—Tomorrow? 68 TRADEMARK REP. 471, 501 (1978). In our opinion, however, comparative advertising is more likely to enhance, rather than detract from, brand and product-category awareness.


18. See J. CALIF. REV., supra note 1, at § 5.03.

however, is the propensity of trademark holders to encourage the public to adopt their marks as generic "household" words. As a result, a significant number of words currently claimed as trademarks are being used generically by the public and the media.

Potential consumer and competition problems arising from the generic deterioration of some trademarked words have come to the attention of the Federal Trade Commission, which recently initiated an investigation of generic trademarks. As a result of this investigation and an express finding that Commission action was in the public interest, the Commission has petitioned the Trademark Trial and Appeal Board to cancel or restrict the federal registration of the mark, "Formica," on the ground that it has become the common descriptive name for decorative laminated plastics used on tabletops,

20. See Ball, supra note 16, at 500 (shrewd commercial strategy to convince public that trademark is generic term for product); pp. 1337-38 infra.

21. Generic use of a trademark occurs when the mark, standing alone for the name of the goods, is used as a noun, see, e.g., Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 178-80 (1896) ("Singer" generic), as the object of a preposition, see, e.g., Bayer Co. v. United Drug Co., 272 F. 505, 511-12 (S.D.N.Y. 1921) ("Tablets of Aspirin" generic to public), or as a verb, see, e.g., Ex parte Electronized Chem. Corp., 111 U.S.P.Q. (BNA) 190, 191 (Comm'r Pat. 1956) ("Electronized" generic; refused registration).

These generic usages contrast with the employment of a trademark as a proper adjective in a prominent manner. See In re Chase-Shawmut Co., 120 U.S.P.Q. (BNA) 320, 321 (T.T.A.B. 1959) ("A trademark is a proper adjective designating a particular thing and distinguishing it from other like things, i.e., it identifies the product of a particular manufacturer or merchant and distinguishes it from products of others."). But see E. VANDENBURGH, supra note 1, at § 7.10 (trademark a proper noun). The disagreement over whether a trademark is a proper adjective or proper noun reflects the possibility that a trademark can be used elliptically, omitting the generic term when it is obviously understood. The risk associated with this elliptical use is, of course, that the public may adopt the trademark as a synonym for the generic term. See, e.g., American Thermos Prods. Co. v. Aladdin Indus., Inc., 297 F. Supp. 9, 16 (D. Conn. 1962), aff'd sub nom. King-Seysee-Thermos Co. v. Aladdin Indus., 321 F.2d 577 (2d Cir. 1963) ("Thermos" bottle). Placing the word "brand" after the trademark may help to emphasize the use of the trademark as a proper adjective. See Diamond, How to Use a Trademark Properly, 61 TRADEMARK REP. 431, 436-37 (1971) ("Scotch brand tape" and "Pyrex brand glassware"). Placing the mark on several different products is somewhat less effective. See, e.g., Telechron, Inc. v. Telicon Corp., 97 F. Supp. 131 (D. Del. 1951), aff'd, 198 F.2d 903 (3d Cir. 1952) ("Telechron" used on electric clocks, radios, range timers, synchronous motors, radio clock timers, and selectors). But see Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc., 267 F. Supp. 963 (W.D. Pa. 1967), aff'd, 395 F.2d 457 (3d Cir.), cert. denied, 393 U.S. 934 (1968) ("Roots" generic, though used on several products).

22. The term, "generic trademarks," was coined by the Federal Trade Commission to refer to registered trademarks that consumers use as the common descriptive name of a type of product and that could be subjected to cancellation on the ground of genericness. See Dixon, Trademarks, the Federal Trade Commission, and the Lanham Act, 68 TRADEMARK REP. 463, 465-66 (1978).

23. On May 31, 1978, the Commission entered an order recording their finding of reason to believe that "Formica" had become generic, and that its cancellation would be in the public interest. See Hearings on H.R. 3685 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice, 96th Cong., 1st Sess. 20 (1979) (statement of Alfred F. Dougherty, Jr.) [hearings hereinafter cited as Generic Trademark Hearings].
furniture, and wall paneling. The Commission's effort, however, has been nullified by recent congressional action, which restricts for a three-year period the Commission's authority to expend funds on cancellation petitions.

This Article will consider several important legal and economic issues relating to trademarked generic words. The courts and the Trademark Office have paid little attention to economic considerations relevant to this area of law. Instead, they have long relied on broad assumptions and generalizations that do not satisfactorily articulate the harms caused by trademarked generic words. We believe that economic perspectives can contribute significantly to the development of sound trademark policy, to the formulation of appropriate legal tests of genericness, and to responsible enforcement action by public authorities.

After briefly examining the current substantive law relating to trademarked generic words and the procedural means by which the exclusive control of such words can be restricted or terminated, we consider the economic aspects of trademarked generic words and analyze their impact in the marketplace. Based upon this economic analysis, we critique both the current substantive law of genericness and the recent attack in Congress that seeks to eliminate the Federal Trade Commission's authority to act as public counsel in the field. We then propose new standards for determining genericness and outline appropriate remedies in light of those standards.

I. The Current Law of Trademarked Generic Words

Under current law, exclusive rights to a particular word or symbol adopted as a trademark belong to whomever first appropriates and uses

26. Although this Article focuses on trademarked generic words, much of its analysis is equally applicable to generic service- and certification-marks. See, e.g., Community of Roquefort v. William Fachndrich, Inc., 303 F.2d 494, 497 (2d Cir. 1962) (dictum) (if an indication of regional origin, registered as a certification mark, becomes a generic term for a certain type of goods coming from any region, then the mark is subject to cancellation); Surgicenters of America, Inc. v. Medical Dental Surgeries, Co., 196 U.S.P.Q. (BNA) 121, 125-26 (D. Or. 1976), aff'd, 601 F.2d 1011 (9th Cir. 1979) (service mark, "Surgicenter," generic).
27. Employment of this approach is understandable, because the effects of trademark claims upon generic words have not been seriously addressed in the relevant legal, economic, or marketing literature. These matters have been given internal consideration by the Federal Trade Commission staff, however. See R. Craswell, Trademarks, Consumer Information, and Barriers to Competition 50-56 (Jan. 1979) (unpublished paper on file with Yale Law Journal) [hereinafter cited as FTC POLICY PLANNING ISSUES PAPER].
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it to identify and distinguish a product from those of others. But when a word is classified as a generic or common descriptive term identifying a product genus, exclusive trademark rights will not be permitted. The case law, however, has been inconsistent in specifying the conditions under which a word will be classified as generic. Moreover, neither the agencies responsible for administering and enforcing trademark regulations nor the courts have established adequate guidelines indicating what constitutes evidence of genericness.

A. Determining Genericness

The most widely accepted modern test of genericness is based upon public understanding of the “primary significance” of a trademarked word. This test, stated most succinctly by Justice Brandeis in the 1938 Shredded Wheat case, requires a holder who seeks to establish and maintain his trademark to “show that the primary significance of the term in the minds of the consuming public is not the product but the producer.” In other words, trademarked words are—or


29. Most courts view generic words as incapable of identifying or distinguishing an applicant’s goods, and hence as incapable of acquiring secondary meaning, that is, of producing an association in buyers’ minds between the alleged mark and a single source of the product. See, e.g., Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976) (although Lanham Act makes important exception for descriptive terms that have secondary meaning, “it offers no such exception for generic marks. . . . This means that even proof of secondary meaning . . . cannot transform a generic term into a subject for trademark.”); Roux Laboratories, Inc. v. Clairol, Inc., 427 F.2d 823, 829 (C.C.P.A. 1970) (same). When a word is classified either as a “suggestive” term, that is, a term that “suggests rather than describes an ingredient or characteristic of the goods and requires the observer or listener to use imagination and perception to determine the nature of the goods,” or as an “arbitrary” or “fanciful” term, it will be given exclusive protection without proof of secondary meaning. Miller Brewing Co. v. G. Heileman Brewing Co., 561 F.2d 75, 79 (7th Cir. 1977), cert. denied, 434 U.S. 1025 (1978) (“Lite” generic for low-calorie beer).

30. See I.J. McCarthy, supra note 1, at § 12:2.


32. Id. at 118; see Anti-Monopoly, Inc. v. General Mills Fun Group, 611 F.2d 296, 302 (9th Cir. 1979) (noting that “genericness doctrine” has undergone little change since Shredded Wheat case). Seventeen years before the Court’s decision in Shredded Wheat, Judge Learned Hand had caused a critical shift away from the use of the “deception” and “patent-expiry” rationales that had previously dominated analysis of trademark-validity cases. In the Aspirin case, the defendant United Drug Co. argued that the expiry of Bayer’s patent on aspirin in 1917 brought the case squarely within the precedent of Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169 (1896) (“Singer” generic for “sewing machine”) (employing patent-expiry rationale). But Judge Hand read Singer as deciding “no more than that the existence of a patent during the period when the goods became known to the public might be a controlling element in determining whether the name under which they were sold indicated a single source of origin.” Bayer Co. v. United Drug Co., 272 F. 505, 509 (S.D.N.Y. 1921) (emphasis added). In Judge Hand’s estimation, the important question for consideration was merely one of fact: “What do the buyers understand by the word for whose use the parties are contending?” Id.
become—generic when their primary significance in the minds of potential buyers is the identification of a product category rather than a producer's brand name. In applying this test, both courts and the Trademark Office have often looked to evidence of "public use" of the challenged mark. Evidence of public use is most often tendered in the form of media clips or dictionary citations, although trade and general public usage on order forms and correspondence is sometimes offered and considered.

In addition to evidence regarding public use, courts and the Trademark Office have looked to other factors in determining genericness. One such factor is the availability of alternative product names. The argument that a new entrant is under an affirmative obligation to develop an entirely new alternative name for a product denominated by a trademarked generic word has been uniformly rejected. Thus, when no name other than the trademarked word is available to the public or competitors to indicate the type or class of product on which the trademark is used, exclusive control of the trademarked

33. The extent of generic significance deemed necessary before a trademarked word will be held to identify a product category has varied. Compare Marks v. Polaroid Corp., 129 F. Supp. 243, 270 (D. Mass. 1955), aff'd, 237 F.2d 428 (1st Cir. 1956), cert. denied, 352 U.S. 1003 (1957) ("Polaroid" not generic because it had not lost all its "trademark significance" to "the consuming public as a whole") with King-Sceley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 580 (2d Cir. 1963) (test consists of primary significance of word to consuming public) and Feathercombs, Inc. v. Solo Prods. Corp., 306 F.2d 251, 256 (2d Cir.), cert. denied, 371 U.S. 910 (1962) (same). Virtually all other courts and the Trademark Office have avoided the extreme position taken in Polaroid.

34. See, e.g., Miller Brewing Co. v. G. Heileman Brewing Co., 561 F.2d 75, 79 (7th Cir. 1977), cert. denied, 434 U.S. 1025 (1978) (defining generic term as "one which is commonly used as the name or description of a kind of goods"); Krey Packing Co. v. Williams Food Prods., Inc., 163 U.S.P.Q. (BNA) 495, 495-97 (T.T.A.B. 1969) ("Sloppy Joe" generic; evidence included cookbook "surveys" and media clips).


word has not been permitted. But when an alternative name has been available to competitors, trademark protection has occasionally been continued. Another factor considered in determinations of genericness is misuse of the challenged mark by its holder. Evidence of misuse normally includes examples of generic use of the mark in the holder's sales literature, advertising, or labeling. One other factor used to ascertain genericness is evidence of the extent to which the holder of the challenged mark has made efforts to protect it from generic use. In cases in which evidence of such efforts is


39. See Marks v. Polaroid Corp., 129 F. Supp. 243, 270 (D. Mass. 1955), aff'd, 237 F.2d 428 (1st Cir. 1956), cert. denied, 352 U.S. 1005 (1957) ("Polaroid" trademark protected because "the need of competitors to satisfactorily describe their products is satisfied by the availability of several common nouns or adjectives ["synthetic light polarizers" or "stereoscopic viewers"] suitable for that purpose"); Dictaphone Corp. v. Dictomatic Corp., 199 U.S.P.Q. (BNA) 437, 447 (D. Or. 1978) ("availability and widespread use of . . . [other] descriptive terms ["dictating machines" and "dictation equipment"] proves that it is not necessary for others to use 'Dictaphone' to make the buyers understand what is being sold."). A number of decisions and commentators, however, have denied the relevance of the availability of alternative descriptive names to determinations of genericness. See, e.g., King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 580 (2d Cir. 1963) (if buyer asked for thermos bottle, "meaning any vacuum bottle and not specifically plaintiff's product, the fact that the appellation 'vacuum bottle' was available to him is of no significance"); Krey Packing Co. v. Williams Food Prods., Inc., 163 U.S.P.Q. (BNA) 495, 497 (T.T.A.B. 1969) ("there is no legal requirement that a common descriptive name be universal in its application by the general public to support a finding of genericness"); E. Vandenburg, supra note 1, § 9.20, at 271 ("The fact that there are other words available to purchasers to identify the goods or services . . . will not prevent a mark from being generic") (emphasis in original).

40. See, e.g., note 17 supra (citing cases); 1 J. Gilson, supra note 1, at 2-10, 3-101 to 3-102 (if trademark owner uses mark as generic name, "it should come as no surprise that the public does as well"); cf. Lanham Act § 45, 15 U.S.C. § 1127 (1976) (defining abandonment of a mark as occurring when, inter alia, "any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin"). Although the introduction of such evidence has been fairly common, the weight accorded that evidence has varied. Compare Donald F. Duncan, Inc. v. Royal Tops Mfg. Co., 343 F.2d 655, 664-65 (7th Cir. 1965) ("Yo-Yo" generic; trademark holder's misuse in advertising considered as factor) and Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 180-81 (1896) ("Singer" generic; holder's misuse in labeling considered as factor) with King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 579 (2d Cir. 1963) ("Thermos" generic; misuse "of no consequence").

41. It is important to distinguish trademark protection efforts from trademark promotion efforts. While trademark promotion efforts are primarily designed to sell goods (thus possibly causing generic deterioration of the mark), trademark protection efforts involve deterring genericness or reclaiming marks that have become generic. See generally 1 J. Gilson, supra note 1, at § 2.02[7] (description of possible types of trademark protection efforts). The courts and the Trademark Office have stated that the amount of money spent by trademark holders in promoting their marks is immaterial to determinations of genericness: that when trademark holders attempt by advertising to convert common descriptive names to their own exclusive use, they do so at their peril. See Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 119 (1938) ("Shredded Wheat" generic;
present, courts have exonerated the holder of the challenged mark from an allegation of genericness.  

B. Procedural Aspects of Current Law

There are three principal means by which the exclusive control of trademarked generic words may be legally restricted or terminated: private litigation, Trademark Office action, and public litigation. Most of the law of trademarked generic words has been developed through private litigation. Because the common law of unfair competition has long held that generic words cannot be exclusively appropriated, an injured party may be able to sue for damages or injunctive, declaratory, or other equitable relief under a claim of "unfair competition."  

The use of the concept of unfair competition has had a profound impact on the development of procedural law in the field of trademarked generic words. Proceedings to challenge the validity of a trademark on grounds of genericness have historically been, and generally still are, initiated by competitors. Competitors may challenge the initial federal registration of generic words by commencing an opposition proceeding before the Trademark Trial and Appeal Board; alternatively, they may petition the Board at any time to cancel or


42. See, e.g., Thomas Pride Mills, Inc. v. Monsanto Co., 155 U.S.P.Q. (BNA) 205, 206 (D. Ga. 1967) ("Acrylan" not generic; Monsanto engaged in "extensive, expensive and effective" trademark policing); E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc., 393 F. Supp. 502, 523-24 (E.D.N.Y. 1975) ("Teflon" not generic; DuPont used vigilant trademark-education and -protection program). But see DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75 (2d Cir.), cert. denied, 299 U.S. 601 (1936) (trademark generic even though holder had diligently attempted to stop others from using it). It has long been advocated that the loss of trademark rights should be on a "fault" basis. See Dereenberg, "Shredded Wheat": The Still-Born Trademark, 16 N.Y.U.L.Q. 376, 396 n.59 (1939) (noting such advocates as early as 1929). The director of the FTC Bureau of Competition has pointed out that a trademark holder has both the ability and responsibility to shape the public's use and understanding of its trademark. Generic Trademark Hearings, supra note 23, at 10 (statement of Alfred F. Dougherty, Jr.). In fact, the Commission's staff review of the case law "suggests that every instance of trademark degeneration is traceable to acts of omission or commission on the part of the trademark holder." Id.

43. See I J. MCCARTHY, supra note 1, at §§ 20:1, 20:12, 30:32.

44. Such challenges are infrequent, probably because the task of monitoring notice of thousands of applications for registration each year in the Official Gazette is extremely burdensome.
restrict existing registrations on the ground that a mark has become "the common descriptive name of an article or substance."45 Another method by which a competitor may litigate generic issues is simply to infringe, await suit, and defend on the ground that the trademarked word is generic.46 If a competitor is unwilling to risk liability for damages, suit may be filed for declaratory and other relief.47

In contrast to this rich set of procedural devices and precedents available to competitors, there are apparently no cases on record before either the Trademark Trial and Appeal Board or a federal court in which a consumer or consumer group has sought legal relief from an improperly trademarked generic word. Apart from difficulties posed by the law of standing,48 the absence of such actions by such parties may simply reflect the fact that most of them lack sufficient resources to carry on such litigation. In addition, they may lack established constituencies for particular trademarked generic words or sufficient expertise to identify cases economically beneficial to consumers.49

46. See, e.g., E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc., 393 F. Supp. 502 (E.D.N.Y. 1975); Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921). A competitor may choose this course of action if it believes that there is a reasonable chance that the trademark holder will decide not to risk a lawsuit. Absent a preliminary injunction, this course of action also gives the competitor use of the trademarked word while the litigation is proceeding. The risk of infringing, of course, lies in the potential imposition of substantial damages if infringement is found. 1 J. Gilson, supra note 1, at § 8.08 (discussing monetary damages for trademark infringement).
47. See, e.g., Anti-Monopoly, Inc. v. General Mills Fun Group, 611 F.2d 296 (9th Cir. 1979) (seeking declaratory judgment invalidating "Monopoly" game trademark); Stix Prods., Inc. v. United Merchants & Mfrs., Inc., 295 F. Supp. 479 (S.D.N.Y. 1968) (seeking declaratory judgment that use of word, "contact," in promotion and sale of self-adhesive decorative plastics did not infringe registered mark "CON-TACT"). Although such declaratory suits have been permitted, a noninfringing plaintiff must first exhaust his administrative remedies before the Patent and Trademark Office when the sole basis of the action is cancellation. See 2 J. McCarthy, supra note 1, at § 32:20. This exhaustion requirement can apparently be avoided, however, "if the declaratory plaintiff has in fact been threatened with litigation for infringement." Id.
48. The Lanham Act contains two provisions on standing. See Lanham Act § 13, 15 U.S.C. § 1063 (1976) (any person who believes he would be damaged by registration of mark may file in opposition); id. § 14, 15 U.S.C. § 1064 (cancellation petition may be "filed by any person who believes that he is or will be damaged by the registration of a mark"). It is unclear whether ordinary consumers would be considered "damaged" within the meaning of these sections as a result of the registration of a generic term. See generally Comment, Section 14 of the Lanham Act—FTC Authority to Challenge Generic Trademarks, 48 Fordham L. Rev. 437, 460-61 (1980).
49. In certain instances, consumers may have more promising courses of action. For example, consumer groups concerned with the issue of prescription drugs may view
Administrative review upon application for federal registration of a trademark represents a second procedural check on generic issues. The Lanham Act does not make specific provision for rejection of the registration of generic words. However, case law interpreting that Act has made clear the duty of the Trademark Office to reject such applications for registration.

Public litigation provides the third procedural avenue for legal redress. The FTC is currently authorized by Section Fourteen of the Lanham Act to seek cancellation of trademarked generic words. The scope of the Commission’s powers in this regard, however, was long considered to be severely limited. The Commission successfully asserted more expansive authority by petitioning to cancel or restrict the registration of the “Formica” trademark. The Commission’s initial success in the Formica case has led to a significant congressional attack upon the Commission’s authority to petition for cancellation of marks that have become generic. This attack has been passage of legislation that promotes generic substitution by pharmacists as a more effective way for them to deal with trademarked generic words. See, e.g., N.Y. Educ. Law § 6810, Pub. Health Law § 206(1)(a) (McKinney Supp. 1979) (generic-drug substitution law).

Section 5 of the Lanham Act, however, does not make specific provision for rejection of the registration of generic words. However, case law interpreting that Act has made clear the duty of the Trademark Office to reject such applications for registration.

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The Lanham Trademark Act sought to preserve the values of the trademark system by consolidating federal trademark law and creating new substantive rights for federally registered marks. See Pacific Supply Coop. v. Farmers Union Cent. Exch., Inc., 318 F.2d 894, 905-06 (9th Cir. 1963); 1 J. Gilson, supra note 1, at § 4.01. In addition to creating new rights, Congress also sought to ensure that consumers and competitors were not injured by federal trademark registrations, by establishing new safeguards. One of those safeguards was to permit the Federal Trade Commission to represent the public interest by granting it standing to seek cancellation or restriction of marks that do not properly function as trademarks. See Brief for Petitioner at 25-33, FTC v. Formica Corp., 200 U.S.P.Q. (BNA) 182 (T.T.A.B. 1978).
manifested in two forms. First, a bill has been introduced in the House of Representatives that would remove the Commission's statutory authority to petition for cancellation on the grounds of genericness.55 Hearings on this bill have been held, but no action has yet been taken.56 Second, the House passed an amendment to the Commission's authorization bill that would prohibit the Commission from expending funds on generic cancellation proceedings during the three-year period covered by the bill.57 The parallel Senate bill has passed without that restriction on expenditures, but the conference committee considering the bills accepted the House's restriction.58 The conference committee's decision has been approved by both houses and signed by the President.59

II. Economic Aspects of Trademarked Generic Words

Courts have usually relied on sweeping generalizations to explain the harmful impact of trademarked generic words. Trademark decisions often include such statements as: (1) the public has an inherent "right" to call a product by its name;60 (2) exclusive appropriation...
tion of a generic word would be "unfair" to competitors;\textsuperscript{61} and (3) such an appropriation would create\textsuperscript{62} or prolong\textsuperscript{63} a "monopoly." Although these generalizations have been helpful in developing and explaining the purposes of the law governing trademarked generic words, they leave many important economic questions unanswered. When and in what ways are consumers harmed by the exclusive control of such words? To what extent do marks that have become generic confer a significant competitive advantage? Does their continued legal protection deter entry into the market? Do trademarked generic words have injurious effects on persons who are not competitors or consumers? We examine these questions by first reviewing some basic economic principles as they relate to trademarks. We then consider the hybrid nature of trademarked generic words to analyze the impact of the exclusive control of trademarked generic words on consumers and competitors in the marketplace.

A. Basic Economic Considerations

1. Search Costs

In a world of perfect competition, the market price paid by a consumer for a product is exactly the same as the cost of production incurred by the producer.\textsuperscript{64} But in our less-than-ideal world, the total cost of a good to a consumer includes not only the cost of the item itself but also the cost of knowledge about the location of sales outlets and prices, and the cost of time and transportation required to purchase the item.\textsuperscript{65} For a given frequency distribution of retail prices offered in the market, the distribution of prices paid has been shown

\textsuperscript{61} See, e.g., King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 581 (2d Cir. 1963) ("The word having become part of the public domain, it would be unfair to unduly restrict [a competitor's right] to use the word.").

\textsuperscript{62} See Canal Co. v. Clark, 80 U.S. (13 Wall.) 311, 324 (1871) (exclusive appropriation of generic words "would result in mischievous monopolies," which "would greatly embarrass trade, and [would] secure exclusive rights to individuals in that which is the common right of many"); Aloe Creme Laboratories, Inc. v. Milsan, Inc., 423 F.2d 845, 849 (5th Cir.), cert. denied, 398 U.S. 928 (1970) ("[R]ecognition of property rights in the common name of an article could be tantamount to granting a monopoly in that commodity.").

\textsuperscript{63} See, e.g., Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 181 (1896). The general emphasis on monopoly in many of the early decisions can be explained, in part, by the fact that these cases frequently arose out of claims of trademark rights to the names of products manufactured by the holders of expired patents.

\textsuperscript{64} See R. POSNER, ANTITRUST LAW: AN ECONOMIC PERSPECTIVE 9 (1976). "Cost," as used here, includes a reasonable return on capital.

\textsuperscript{65} See Benham, The Effect of Advertising on the Price of Eyeglasses, 15 J.L. & Econ. 337, 338 (1972).
to depend upon the extent of the consumers' knowledge of the alternative prices available and upon the cost of time and transportation.\textsuperscript{66} For example, in markets in which the advertising of prices is prohibited or severely restricted, the prices paid for products have been shown to be significantly higher on average, and to display greater variation, than in markets in which advertising restrictions are absent or less severe.\textsuperscript{67}

The process whereby consumers seek pre-purchase information is known in economic literature by the term "search."\textsuperscript{68} This search for information may be directed toward the location of sales outlets or prices, or it can be directed toward non-price information relevant to consumer decision-making. This latter type of search will often be directed towards a determination of quality,\textsuperscript{69} but other types of non-price searches also occur. For example, a search may be an attempt to determine whether competing products are in the same product category or possess the same basic characteristics that a generically trademarked product is known to possess. As this kind of search becomes more expensive or impossible, viable substitutes are less likely to be identified. If the failure to consider substitutes becomes widespread, the seller of a well-known product will be relieved to some extent of competitive restraints on price, quality, and service.\textsuperscript{70} Conversely, when search costs relating to product categories or product characteristics are low, competition is likely to be stimulated, and resources more efficiently allocated.

The extent to which consumers will engage in search varies with the products concerned. For some goods, a rational consumer will not engage in search activities at all or will do so only in a very limited way. In order to obtain non-price information relating to these goods, consumers will evaluate competing options through purchases rather than through search. The process whereby consumers determine non-price information from several purchases is known in economic literature as "experience," and goods that are the subject

\textsuperscript{66} See id.

\textsuperscript{67} See id. at 344-45 (higher average prices); Stigler, \textit{The Economics of Information}, 69 J. Political Econ. 213, 214-15 (1961) (higher average prices, greater dispersion).

\textsuperscript{68} Stigler, \textit{supra} note 67, at 213.


\textsuperscript{70} Id. at 311. When search cost is a significant factor in total price, the consumer may forgo search altogether. In contrast, when search is inexpensive, the consumer is likely to seek the low-cost seller. Thus, competition functions to drive prices down when relevant information is available at low cost. See Stigler, \textit{supra} note 67 (limitations on consumer information have profound effects upon market structure of consumer goods).
of test purchases are termed "experience goods." The use of experience to acquire nonprice information is a rational approach when the cost of search is high relative to the price of the product, or when reliable search information is not available as a practical matter.

In most situations, the consumer will evaluate nonprice aspects of purchasing options by combining information gained through experience with economically available search information.

As indicated above, the law grants exclusive rights to a particular word or symbol adopted as a trademark to whoever first appropriates and uses it to identify and distinguish a product from those of others. Legal recognition of these exclusive rights is based principally upon the beneficial functions that trademarks perform in the marketplace. A properly functioning trademark provides a short-hand means of associating currently tendered products with past or anticipated experiences and thereby eliminates the need to make repeated searches for nonprice information. Thus trademarks, when properly functioning, help both to reduce search costs and to enhance distributional efficiency. Trademarks also help to ensure continuous quality levels of trademarked goods, as well as to facilitate the evaluation by consumers of the relative quality and price of competing products. In sum, properly functioning trademarks are a significant im-

71. Nelson, supra note 69, at 325 (listing examples of experience goods including liquor, food, tobacco products, drugs, household appliances, and watches).
72. Id.
74. In its report on the bill that became the 1946 Lanham Trademark Act, the Senate Committee on Patents summarized these beneficial functions:

Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trade-marks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trade-marks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.

77. When products bear the same trademark, consumers generally assume that those products are of equal quality. 1 J. McCarthy, supra note 1, at § 3.4. Thus trademark holders are presumably provided with an incentive to maintain quality standards, because noticeable deteriorations or variations in quality, traceable to the maker through
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Petus to rational consumer purchasing in a market economy.

For other marketplace reasons, however, the producers of goods are under a strong economic incentive to select a generic word as their trademark or to encourage consumers to adopt their trademark as a household term. Generic use of a trademark in advertising is thought to be a desirable marketing strategy because it excludes all mention of competing brands and even suggests their nonexistence.\(^7\) Moreover, the use of generic words as trademarks increases search costs because consumers may be unable to determine whether potentially competing products are within the same product category or whether they have the same general characteristics associated with the trademarked generic word. In this way, the use of generic words as trademarks creates an entry barrier that enhances the ability of the firm holding the generic mark to charge supracompetitive prices.\(^7\)

Another reason behind the desire of producers to use generic words as trademarks is the "free advertising" effect of public use of a firm's trademark as a generic term.\(^8\) To the extent that a trademarked generic word is used by the public, a consumer's impression of the level of advertising for the product may be increased. Because consumers tend to make their initial purchases of experience goods based upon the amount of advertising of the various products,\(^8\) a product bearing a trademarked generic word may have an advantage. If a consumer is satisfied with the initial purchase of the trademarked good,
he or she may stop experimenting; there is always the risk that a substitute may turn out to be in a different product category or not to have the desired characteristics associated with the product on which the trademarked generic word appears. The desire to achieve the advantages that this free advertising provides may encourage a firm to misuse a mark in its advertising and labeling or to fail to correct misuse of the mark among the public.

2. The Free-Rider Effect

One further economic concept, the “free-rider” effect, needs introduction. In a situation in which the possibility of free-riding exists, a firm may hesitate to commit its own resources for a purpose that would benefit its competitors, both actual and potential; if the firm does expend its resources, those who are able to take a free ride can profitably undersell that firm. Perhaps the example most often cited as a classic free-rider situation is that of a lighthouse: if one person erects a lighthouse, many will free-ride on its benefits. Hence, absent governmental or common private intervention, the lighthouse will not be built.

Similar free-rider possibilities exist in the litigation of a trademarked generic word. An individual competitor or the firm that controls the mark may be unwilling to expend substantial resources on litigation that, if successful, would make the trademarked word equally available to all competitors in the market. Because the challenger could not ordinarily capitalize on the generic name in any way different from competitors, the challenger would be at a relative cost disadvantage vis-à-vis all other competitors of the former trademark holder. The same cost disadvantage would also result if the challenge of a trademarked generic word proved unsuccessful. Con-

82. Cf. Stigler, supra note 67, at 215 (discussing limited marginal expected return from additional searches); Nelson, supra note 69, at 313-15 (same, with respect to experimental purchases).
84. See Dixon, supra note 22, at 466-67.
85. See G. BACH, supra note 83, at 480 (“Once in place, the lighthouse rays are visible to all; there is no way of keeping free riders from benefiting.”); see also McCarthy, TRADEMARKS, ANTITRUST AND THE FEDERAL TRADE COMMISSION, 13 JOHN MARSHALL L. REV. 151, 161 (1979).
86. See R. POSNER, ANTITRUST 225-26, 237, 555 (1974) (reluctance of private firms to make individual advertising expenditures to promote common trademark or to provide expensive prepurchase services when product can be purchased at competing outlets not offering such services).
sequently, there may be little incentive to challenge the generic mark of a competitor. 87

3. Hybridness

In order to understand the impact of trademarked generic words in the market, it must be recognized that such words can in an important sense be “hybrids,” that is, they can perform a variety of informational functions—ranging from the provision of pure commercial or source-related information to the provision of pure generic or product-category information—at the same time. Moreover, trademarked generic words may be hybrid in two different senses. First, a trademarked generic word can be *discontinuously* hybrid. In this situation, for some consumers, the trademarked word will denominate only the product’s genus and will carry no source significance. But for other consumers, the discontinuously hybrid trademark will have only source significance. The first group of consumers will perceive that the trademarked word is the common name for the type of product involved. In purchasing that type of product, they will employ the trademarked generic word and will not expect to receive a specific manufacturer’s product. Members of the general public will frequently possess this perception of the trademarked word’s significance, and increased search costs are likely to result from their questions as to the substitutability of competing products. The second group of consumers will not use the word to denote a product category. Sophisticated trade buyers—for example, those who purchase a product for industrial use—will often have a source perception of the meaning of the trademarked word. This group may also include intermediaries in the chain of distribution for a product. For such consumers, the nonprice informational signals originating with the trademarked word will be those associated with a properly functioning trademark. 88

Second, a trademarked word may be *simultaneously* hybrid: that is, it may function for some consumers both as a generic term designating a product class and at the same time as a source-significant, commercial symbol. 89 In certain market contexts, those consumers

87. See note 141 infra (discussing free-rider problems in joint actions by competitors challenging trademarked generic words).
88. See pp. 1336-37 supra.
89. Simultaneous hybridness may have been present in a number of litigated cases. See Swann, *The Validity of Dual Functioning Trademarks: Genericism Tested By Con-
for whom a mark is simultaneously hybrid may be faced with uncertainty as to whether other products have the desirable category-characteristics that they associate with the trademarked word. This uncertainty may in some instances create unnecessary search costs by impairing consumers' efficient identification of objectively satisfactory substitutes.

Thus there are three types of consumers, each perceiving the significance of a hybrid trademarked generic word differently: (1) those who are unaware of any source significance for the mark and who use the word as a product-category word, thereby facing added search or transaction costs; (2) those who are aware of the source and non-price significance of the mark and who do not perceive, or use, the word as a product-category word; and (3) those who know that the mark has source significance, but who also use it in a product-category sense, and thereby may suffer increased search costs.

B. The Marketplace Impact of Trademarked Generic Words

In examining the impact of trademarked generic words on consumers and competitors, we will focus upon the economic problems that emerge from the hybrid nature of many trademarked generic words in varying market contexts.

1. Consumers

The economic impact of the exclusive control of a trademarked generic word varies with the nature of the word's hybridness. Assume, for example, that a consumer wants to purchase a product he or she knows by the name, “plexiglass,” and that this consumer does not realize that “Plexiglas” is a brand name. In other words, assume that “Plexiglas” is a discontinuously hybrid trademark with only product-category significance for this consumer. In ordering plexiglass or a product made from plexiglass, a number of transactional scenarios are possible. If Plexiglas brand methyl metharylate cast acrylic sheet is in stock, the seller may simply deliver that brand. Because the consumer receives the product sought, the price requested may be


90. Cf. King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 580 (2d Cir. 1963) (“If a buyer walked into a retail store asking for a thermos bottle, meaning any vacuum bottle and not specifically plaintiff's product . . .”).
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paid without question. Alternatively, the consumer may attempt to
determine whether a lower-priced, qualitatively equivalent substitute
exists. In that event, the seller may tell the consumer that the prod-
uct offered is the only "genuine" plexiglass. This course of action is
especially likely if the seller carries no other brand or if the profit
margin is greater on the Plexiglas brand.

Still another scenario may occur if the seller carries other brands:
in this event, the seller may attempt to convince the prospective pur-
chaser to buy a substitute. The substitute may fall in the same or
in some other product category in the consumer's mind. The burden
facing the seller in this situation is to convince the consumer
either that he or she did not really want plexiglass, or that the sub-
stitute is actually in the plexiglass product-category and possesses non-
price characteristics that the consumer associates with plexiglass. In
some instances this burden might be easily met, but in others the
seller will probably encounter the consumer response, "I agree that
it looks like plexiglass, but if your substitute brand of cast acrylic
sheet is really 'Plexiglas,' then why isn't it called that?" The an-
swer, it seems clear, is that it should be, and would be, but for the
exclusive ownership of trademark rights in the word.

An alternative transaction could occur if the seller simply passes
off another brand without disclosing that "Plexiglas" is a trademark
referring to a particular brand. In this situation, the consumer may
be benefited if the competing product is of the same or better quality
than that of the trademarked item and sells for a lower price. On

91. See Dixon, supra note 22, at 465 (consumers may be misled by function of trade-
mark and, as a result, "seek out and pay for brands using the generic word, without giving
adequate consideration to similar or identical products of competitors").
1943), aff'd, 143 F.2d 895 (8th Cir. 1944) ("Raisin-Bran" generic). Grocers, in explaining
the frequent substitution of Kellogg and Post products when consumers asked for
"Raisin Bran," stated that they delivered "whichever raisin bran was handy", or "which-
ever raisin bran was in stock", while a few, more frank perhaps than the others, "which-
ever one was the more profitable to the seller." Id.
93. See Aloe Creme Laboratories, Inc. v. Millsan, Inc., 423 F.2d 845, 850 n.22 (5th
Cir.), cert. denied, 398 U.S. 928 (1970) (testimony of witness selling both the brand held
generic and a competing brand).
94. The seller might, for example, attempt to convince the purchaser to buy glass
instead of "Plexiglas" or some other brand of cast acrylic sheet.
1943), aff'd, 143 F.2d 895 (8th Cir. 1944) (practice quickly developed in both wholesale
and retail trade of inquiring which brand was desired when customer used trademarked
generic term, "Raisin Bran").
96. See Dixon, supra note 22, at 465.
(passing off of other goods when "Fibre Chamois" requested).
the other hand, the consumer may suffer if the competing brand is of lower quality or sells for a higher price.

Thus it is apparent that in the case of discontinuously hybrid trademarked generic words, transactions may be confused and search costs accordingly raised. Similar confusion and costs may be produced by simultaneously hybrid words. Even when knowledgeable consumers understand a mark to be both a product-category word and a trademarked brand name, their decisions respecting trade-offs between quality and price may be hindered by their inability to determine whether competitors’ products are indeed substitutable. Awareness that the trademarked word is a brand name is by no means an inevitable antidote to the confusion engendered by trademarked generic words. Assume that the consumer knows—from prior use, advertising, or familiarity with the manufacturer’s other products—that “Plexiglas” is manufactured by a reliable source and that the product is likely to be of high quality. Absent some effective common denominator of product category (cast acrylic sheet?), which conveys to the consumer that a possibly competing product is within the same product category and has the same general product attributes, the generic message of the recognized trademarked word may still predominate.

When consumers are faced with uncertainty as to product-category, the extent of consumer injury will depend upon whether the good on which the trademarked generic word appears is an experience good and upon its relative price. Experience goods bearing trademarked generic words are less likely to create confusion, significant informational barriers, or large buying risks, because most consumers will “sort out” the situation through inexpensive test purchases. Furthermore, experience goods are often sold in supermarkets or department stores, where comparative shopping is possible and product-attributes are visible, both factors that tend to eliminate these potential problems.98

On the other hand, when trademarked generic words appear on

98. There still may be rare instances, however, when use of a trademarked generic word affixed to frequently purchased, low-priced experience goods may result in harm to consumers. Consider, for example, the person who is shopping in a grocery store according to a shopping list, prepared by someone else, which contains simultaneously hybrid trademarks. To the extent that these brands enjoy a price premium over other competing brands and the purchaser assumes that the shopping list usage was meant in its trademark (source and quality) sense, the purchaser may end up paying the premium even though the order may have been made in a generic (product-category) sense. If the grocery store carries only the listed brand or brands, then this result is almost inevitable. The tendency of smaller stores to stock only “name” brands of experience goods may reflect a desire to be sure to be able to provide consumers with what they ask for or order, perhaps at a higher mark-up.
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infrequently purchased items or on relatively higher-priced experience goods, the potential for consumer confusion and harm is increased. This is particularly so when goods possess important invisible characteristics that relate to the basic utility of the product. Buyers may then be faced with a serious information barrier. "Thermopane" (insulating window glass), "Naugahyde" (vinyl), "Formica" (plastic laminates), and "Plexiglas" provide appropriate examples. Given the invisible qualities of such trademarked goods, the uninformed, infrequent consumer may not be able to recognize when a competitor's product is a viable substitute. For example, does "Wilson Art" brand decorative laminated plastics really possess the durability that the consumer associates with "Formica"? In this situation, consumers face either enhanced risks in purchasing the possible substitute or increased search costs, unless there is a readily available, reliable means of determining whether competing products possess the functional attributes associated with the trademarked word. The search costs or risks may easily exceed the cost savings or quality gains derived from buying nongeneric brands. The marketing of goods to uninformed consumers through exclusive dealers, or through other channels of distribution in which comparative shopping is difficult, aggravates the consumer's dilemma. Even when the consumer strongly suspects or is informed that competing products are viable substitutes possessing the desired (but invisible) attributes, he or she may still be unwilling to risk being stuck with a high-priced "lemon" for a number of years to come. Thus, even when the benefits from purchasing a lower-priced, qualitatively equivalent competing good may be great, the consumer may be reluctant to venture beyond the generic safe bet.

When goods bearing trademarked generic words are sold to informed purchasers, such as corporate or government buyers who are the ultimate users of the goods, the likelihood that they will be con-

99. Nelson also classifies a number of expensive, infrequently purchased durable goods, such as appliances and automobiles, as experience goods because of the difficulty of determining future repair expenditures prior to purchase through search activities. Nelson, supra note 69, at 318-19. Some of the other infrequently purchased and possibly high-priced experience goods used as examples by Nelson include paint, cameras, musical instruments, and communications equipment. Nelson, supra note 81, at 738-39.

100. Industry or government standards or grade labeling may help the consumer to make the determination whether the potential substitute has the desired invisible product-category characteristics embodied in the trademarked generic word. It has been suggested that the quality-assurance function of trademarks might be better performed by other means such as quality guides. See Auerbach, Quality Standards, Informative Labeling, and Grade Labeling as Guides to Consumer Buying, 14 LAW & CONTEMP. PROB. 362, 363 (1949); FTC POLICY PLANNING ISSUES PAPER, supra note 27, at 21-24, 41-44.
fused or that they will incur additional search costs is substantially reduced. This may be the situation with “Xerox” photocopiers, “Styrofoam” polystyrene, “Romex” wire, or “Freon” refrigerant. However, if such buyers are not ultimate users, but are rather manufacturers of end-products incorporating the item bearing the trademarked generic words, then the uninformed, infrequent consumer’s dilemma re-emerges. “Formica” countertops and “Thermopane” windows, among others, would arguably fall into this category of products.

2. Competitors

When one firm controls a trademarked generic word exclusively, that firm’s competitors often face artificial marketing problems that affect both their market share and their ability to compete. Because competitors cannot legally designate their product by the term that most consumers call it, other strategies must be developed to overcome this impediment and to convince consumers that these competing brands are also the “real thing.”

The primary problem that competitors face is how to assure consumers that their brands are in the product-category covered by the trademarked generic word, so that consumers’ search costs may be reduced, experience purchases encouraged, and the perceived risks decreased. One strategy is to use an alternative generic name. For example, competitors of “Kleenex” use the term “facial tissue.” But even when the use of an alternative name conveys sufficient information to produce some sales, such names are at best a less effective form of communication than the trademarked generic word, because the latter defines the product-category in common parlance. And when the available alternative names are highly technical or unfamiliar, such as dextro-amphetamine sulphate for “Dexadrine” or oxytetracycline for “Terramycin,” then the use of alternative generic names may be wholly ineffective in convincing uninformed consumers that a competitor’s product is really within the same product-category as that of the generic-trademark holder. Similarly ineffective results may occur when alternative generic words are too general to convey the distinctive nature of the product. For example, the generic term “pepper sauce” may be insufficient to convince consumers that a competing product is the same thing as “Tabasco” sauce.

Instructive point-of-sale advertising and packaging is another de-

101. See pp. 1328-29 supra.
102. Other examples include use of the term “lip balm” by the competitors of “Chap Stick,” and “petroleum jelly” by those competing with “Vaseline.”
vice used by competitors to communicate the assertion that their products are in the product-category covered by the trademarked generic term. By placing a picture of the product on the front of the package, or by using see-through packaging, competitors may to some degree overcome the product-category informational barrier imposed by the trademarked generic word. These approaches may work adequately with inexpensive, frequently purchased experience goods. But they will be less helpful with infrequently purchased items and goods whose invisible product attributes are in doubt. Moreover, such strategies are wholly unavailable in other situations: when purchases are based upon an oral communication and requests are made in terms of a trademarked generic word, competing sellers are still likely to find themselves at a significant disadvantage. For example, some consumers order a cola soft drink by asking for a “Coke.” Even though “Coke” for many consumers may be a simultaneously hybrid mark then functioning as a product-category word rather than as a trademark, the seller may be compelled to comply with the consumer’s request by serving Coca-Cola to the disadvantage of competing sellers of colas.

When relatively inexpensive techniques, such as alternative generic names and instructive point-of-sale devices, fail to inform consumers effectively that a product is within the same product-category as the trademarked generic word and possesses similar desired product characteristics, competitors are forced to adopt even more costly means of reaching the consumer. One alternative is simply to pay for a license to use the trademarked generic term. Heavy advertising centered on their own trademarks is another possible response. Investment in instructive or comparative advertising is a third alternative. But some types of instructive advertising may not be undertaken because they might generate a free-rider problem. For example,

103. For example, competitors of “Frisbees” use see-through packaging to display their products.
105. A recent article in the Student Lawyer noted that:
Coca-Cola employs some 25 investigators, at an estimated cost of $2 million a year, to test whether retailers are giving customers the real thing when they order a Coke. The company's investigators use chemical tests to determine whether they have been served a non-Coke cola, and the company maintains it has never lost an action brought about through its so-called trade research department. See Pick, supra note 55, at 37.
106. The “Mercurochrome” trademark was licensed shortly after the invention of Mercurochrome in the 1920s. In recent years, about one hundred firms paid about a 25% premium to be licensed to use the “Mercurochrome” trademark on the finished product, which contained about a 2% solution of crystals sold by the trademark holder. Unbranded merbromin crystals are available from several other sources. See Generic Trademark Hearings, supra note 23, at 4-7 (statement of John C. Brezina).
if one firm were to advertise that all decorative plastic laminates are essentially fungible, it might succeed in marketing its product, but it could also be left at a disadvantage as a result of other competitors' partaking of the fruits of the advertising without sharing in its costs. Similarly, if one firm were to advertise its product comparatively with the Formica brand, others might free-ride on the resultant consumer education. The advertising firm might also fear retaliation from the trademark holder. A further alternative available to competitors is price-cutting, which could induce consumers to engage in search activities concerning product-category and product attributes. Development of unique product attributes, or a popular perception of uniqueness, could also help. All of these alternatives are costly, however, and may be of limited effectiveness. When trademarked generic words impose significant costs on competitors, their effect will often be to discourage entry and competition, particularly from small firms.

107. This retaliation might take the form of price-cutting by the generic trademark holder, or threats of suit for unfair competition.


109. For example, rather than challenging Johnson & Johnson's "Band-Aid" trademark, Curity developed its Curad "Ouchless" plastic bandages, which are now distributed by the Colgate-Palmolive Co.

110. It should be noted that when a product is marketed by large retail chains, a small manufacturer or new entrant may be aided by the product-category comparative advertising sometimes done by those chains. See R. Posner, Economic Analysis of the Law 227-28 (2d ed. 1977). But the expenditure of funds on this type of advertising is also wasteful from an economic perspective, because such expenditures are made necessary only by the trademark holder's exclusive control of the product-category word. Even when members of the public are not the ultimate consumers of the product in question, the public has an interest in preventing the exclusive appropriation of generic or common descriptive names. This interest is based upon noncommercial values, reflecting the public interest in "the natural enrichment of the language," see American Thermos Prods. v. Aladdin Indus., Inc., 207 F. Supp. 9, 27 (D. Conn. 1962), aff'd sub nom. King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963), and the impropriety of the "diminution of the language through private acquisition," see United States Jaycees v. San Francisco Junior Chamber of Commerce, 513 F.2d 1226, 1230 (9th Cir. 1975) (Merrill, J., dissenting). The Court of Customs and Patent Appeals has expressly acknowledged the judiciary's "obligation to protect the public in its right to use the language" when distinguishing between trademarks and the names of things. In re Ideal Indus., Inc., 508 F.2d 1336, 1338 (C.C.P.A. 1975) ("Wing Nut" not generic and therefore registrable as trademark). Otherwise, authors, performers, reporters, media editors, and the like, as well as the public at large, may be unreasonably restrained in their use of the English language and expression of opinion. Lexicographers have already learned this lesson all too well. Largely as a result of the "protective" activities of the Dictionary Listings Committee of the United States Trademark Association (U.S.T.A.), see J. Gibson, supra note 1, at § 2.02(2) n.27; Trademarks in Dictionaries, 59 Trademark Rep. 735, 753 app. (1969), most dictionaries now contain prefatory disclaimers of lexicographic judgment on trademarked words, see, e.g., Webster's Third New International Dictionary 7a (1961). Numerous generic listings have been altered at the request of the
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III. The Inadequacies of Current Law: A Proposal for Reform

A. Substantive Law

Because the current substantive law of genericness does not incorporate the economic considerations discussed above, it fails to apply appropriate substantive rules to generic-trademark cases. The failure of current law is particularly evident in the legal treatment of "relevant-universe" issues. It is also apparent in the emphasis placed on the "primary significance" test, on the "public use" method of proof, and on other evidentiary factors currently used by the courts and the Trademark Office. An application of basic economic principles suggests different substantive rules more consonant with the real market impact of trademarked generic words.

1. Choosing a Relevant Consuming Universe

The legal recognition of exclusive trademark rights should be based upon a determination that the trademark performs beneficial functions in the marketplace. These functions must be analyzed in light of a relevant consuming universe, the composition of which depends upon the products involved. For certain products, there may be more than one relevant universe. The determination of the relevant universe (or universes) is critical not only to the legal outcome of generic trademark litigation, but also to the economic impact of remedies fashioned by the courts and the Trademark Office. Current substantive law incorporates relevant-universe considerations to some extent in the primary-significance test, which asks what the consuming public understands by the word in dispute. The case law is not, however, sufficiently sensitive to the economic importance of relevant-universe issues.

To correct these shortcomings, we suggest that the relevant consuming universe(s) be defined as the group(s) of consumers who may ultimately rely on the trademarked word in making purchasing decisions. The best approach to relevant-universe issues is to ana-
lyze the potential sales markets involved.\textsuperscript{114} When a trademarked product is marketed to the public at large—for example, yo-yo’s, jujubes, chocolate kisses, thermos bottles, and “Con-Tact” self-adhesive plastics—then the general public should be the relevant universe for determining genericness, regardless of the existence of intermediaries in the distribution chain of the product.\textsuperscript{115} On the other hand, the ultimate consuming public of an industrial product may be composed of only a limited number of trade buyers. In such a case, perceptions of public at large was considered probative of the perceptions of the consuming public in several recent cases. See, e.g., King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 579-80 (2d Cir. 1963) (“Thermos”); E.I. DuPont de Nemours & Co. v. Yoshida Int’l, Inc., 393 F. Supp. 502, 525-27 (E.D.N.Y. 1975) (“Teflon”); Stix Prods., Inc. v. United Merchants & Mfrs., Inc., 295 F. Supp. 479, 490-91 (S.D.N.Y. 1968) (“Con-Tact”). In other cases, however, similarly designed surveys have been rejected, although for different reasons. See, e.g., Donald F. Duncan Co. v. Royal Tops Mfg. Co., 343 F.2d 655, 653-56 (7th Cir. 1965) (“Yo-yo”); Henry Heide, Inc. v. George Ziegler Co., 354 F.2d 574, 575-76 (7th Cir. 1965) (“Jujubes”); Thomas Pride Mills, Inc. v. Monsanto Co., 155 U.S.P.Q. (BNA) 205, 207-08 (N.D. Ga. 1967) (“Acrilan”); Hershey Foods Corp. v. Cerreta, 195 U.S.P.Q. (BNA) 246, 255-56 (T.T.A.B. 1977) (“Chocolate Kisses”). In the Cellophane case, surveys of different universes were conducted. See DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75, 80 (2d Cir.), cert. denied, 299 U.S. 601 (1936). One of the surveys was conducted of retail dealers; this survey was taken by the alleged infringer and was held probative of genericness. The other survey was of selected subscribers of four magazines; this survey was conducted by the trademark holder and was given little weight because of defects in its methodology. Id. None of these cases, however, considered in detail the question of which relevant universe was correct for the products involved. But see Henry Heide, Inc. v. George Ziegler Co., 354 F.2d 574, 576 (7th Cir. 1965) (displaying some sensitivity to relevant-universe issue); E.I. DuPont de Nemours & Co. v. Yoshida Int’l, Inc., 393 F. Supp. 502, 513 (E.D.N.Y. 1975) (same). Perhaps the ultimate equivocation on the relevant-universe issue occurred when the Trademark Trial and Appeals Board, in a challenge to the “Formica” trademark, see Formica Corp. v. Newnan Corp., 149 U.S.P.Q. (BNA) 585 (T.T.A.B. 1966), rev’d on other grounds, 396 F.2d 486 (C.C.P.A. 1968), indicated that the evidence submitted by Newnan was insufficient to prove “Formica” generic as “to the trade and/or public.” Id. at 587.

114. Numerous courts have held that surveys designed to ascertain trademark recognition should include only consumers who relied upon the trademarked word in making past purchasing decisions. See, e.g., Hershey Foods Corp. v. Cerreta, 195 U.S.P.Q. (BNA) 246, 255 (T.T.A.B. 1977) (survey restricted respondents to recent purchasers of chocolate candy in test of genericness of “Kisses”). We think that this is an improper restriction. Determinations of genericness should hinge upon the understanding of the potential as well as the past consuming public. See, e.g., In re Cooper, 196 U.S.P.Q. (BNA) 182, 187 (T.T.A.B. 1977) (reaction of “average user or purchaser or potential user or purchaser” appropriate evidence) (emphasis added). Screening or editing questions merely testing the respondent’s familiarity with the type of product involved should suffice to ensure a proper survey universe. See King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963) (“Thermos” generic; screening question used to test familiarity). This approach also conforms with good survey methodology. See Sorensen & Sorensen, \textit{The Admissibility and Use of Opinion Research Evidence}, 28 N.Y.U. L. Rev. 1213, 1243-49 (1953).

115. \textit{See} note 113 \textit{supra} (citing cases). Though wholesalers and other intermediaries may acquire title to the goods, normally these purchasers are sophisticated and face no added search costs because of uncertainty as to product category or product characteristics. Furthermore, they may benefit from the fact that a trademarked word has become generic, through higher markups in subsequent sales to the less sophisticated consuming public.
of the public at large are irrelevant to determinations of genericness.\textsuperscript{116} When the products on which trademarked generic words appear are ultimately consumed by both manufacturers and the general public, then proof of genericness as to both relevant universes is important to the framing of remedies. For example, the remedy in the \textit{Cellophane} case,\textsuperscript{117} requiring use of "Sylvania's cellophane," was designed to protect the minority of retailers and consumers for whom "Cellophane" indicated a brand produced by DuPont.\textsuperscript{118} That remedy, appropriate as far as it went, ignored another relevant universe of trade buyers, such as the cigarette companies, who consumed cellophane without marking "Cellophane" on their end-products. If these trade buyers viewed the "Cellophane" mark as having only trademark significance, then retention of exclusive trademark rights in sales to such manufacturers might have been appropriate.\textsuperscript{119} However, the fact that a mark retains trademark significance for one narrow relevant universe should not be a barrier to public dedication of the trademarked word if it has become generic for the public at large. In such circumstances, the existence of varying degrees of genericness in multiple universes should only affect the nature of the remedy.\textsuperscript{120}

\textsuperscript{116} For example, the term "Roots" was held generic for a type of vacuum pump based upon this rationale. "Roots" was the name of the pump's inventor, and was used by the trade to identify the type of equipment that incorporated the engineering principle embodied in his patent. See \textit{Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc.}, 267 F. Supp. 963, 969-70 (W.D. Pa. 1967), aff'd, 395 F.2d 457 (3d Cir.), \textit{cert. denied}, 393 U.S. 934 (1968); cf. \textit{Riverbank Laboratories v. Hardwood Prods. Corp.}, 165 F. Supp. 747, 763 (N.D. Ill. 1958) ("Riverbank" generic for sound-insulating doors).


\textsuperscript{118} 85 F.2d at 82.

\textsuperscript{119} Cf. \textit{Bayer Co. v. United Drug Co.}, 272 F. 505 (S.D.N.Y. 1921) ("Aspirin" held generic as to consuming public, but not as to manufacturing chemists, physicians, and retail druggists; exclusive trademark rights preserved only in sales to latter). The relevant consuming public for aspirin is of course quite different from that for the prescription drugs "Librium" or "Valium" (do doctors or patients "consume" prescription drugs?). The relevant universe in the "terramycin" litigation was the "informed" person (presumably doctors and pharmacists) to whom the drug was sold. \textit{Chas. Pfizer & Co. v. Generic Formulae, Inc.}, 275 F. Supp. 421, 423 (E.D.N.Y. 1967).

\textsuperscript{120} Upon finding a registered mark to be generic, a federal court may enjoin all future enforcement of exclusive rights to the mark and order the Commissioner of Patents to cancel existing registrations in whole or in part. 15 U.S.C. § 1119 (1976); 28 U.S.C. § 1338(a) (1976). Courts have also constructed intermediate remedies involving allocations of rights to a trademarked generic word. Such allocations have included requirements ranging from simply ordering the competitor to use its own mark or company name in conjunction with the formerly trademarked word, \textit{see}, e.g., \textit{Kellogg Co. v. National Biscuit Co.}, 305 U.S. 111, 119 (1938) ("The only obligation resting upon Kellogg Company was to identify its own product lest it be mistaken for that of the plaintiff."); \textit{DuPont Cellophane Co. v. Waxed Prods. Co.}, 85 F.2d 75, 82 (2d Cir.), \textit{cert. denied}, 299 U.S. 601 (1936) ("when filling orders for cellophane, the defendant should state that
The *Teflon*\textsuperscript{121} and *Acrilan*\textsuperscript{122} cases can be similarly approached, by analyzing potential sales markets in order to determine proper relevant universes. In each case there were intermediate manufacturing buyers who incorporated the trademarked product into goods that were sold to the general public in reliance upon the trademarked word. Unlike the situation in *Cellophane*, most of the end-products of these manufacturers bore the "*Teflon*" and "*Acrilan*" trademarks in the form of labels or tags.\textsuperscript{123} The public at large was the ultimate buyer relying upon those marks and was therefore the appropriate relevant universe within which to determine genericness. Had the marks been found generic, retention of exclusive trademark rights in sales to intermediaries might have been an appropriate remedy.

### 2. A New Standard for the Determination of Genericness

Once a determination has been made regarding the relevant universe, it remains to be determined whether, under the circumstances of the particular case, a trademarked word should be held generic. Courts and the Trademark Office have generally approached this problem by applying the primary-significance test in combination with the public-use method of proof.

The central inadequacy of the primary-significance test is that it is essentially binary in nature: it is premised on the assumption that a word must function discontinuously either as a trademark or as a product-category word. As shown by the economic analysis of trademarks presented above, this assumption does not reflect market realities and does not acknowledge the simultaneously hybrid nature of some trademarks. Furthermore, the primary-significance test imposes conceptual restrictions that make it more difficult to reach

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\textsuperscript{121} See, e.g., King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963) (Aladdin enjoined from using capital "T" on thermos and words such as "genuine," "original," etc.; also required to precede use of "thermos" with "Aladdin's"). Alternatively, courts have ordered an allocation of products upon which the word may be generically used. See, e.g., Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 13-14 (2d Cir. 1976) ("Safari" generic as applied to certain types of clothing; continued to be a valid trademark for boots, luggage, portable grills, swimtrunks, raincoats, belts, and other items).


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economically efficient solutions to the problems caused by generic words in the marketplace.

Evidence of the confusion and difficulties resulting from the binary approach of the primary-significance test can be seen in a number of areas. Under current law, for example, generic words are viewed as incapable of identifying or distinguishing a producer's product and hence as incapable of acquiring "secondary meaning." The availability of proof of secondary meaning in order to secure exclusive rights is made to depend on how a word is classified—as "generic" or "merely descriptive." Some courts have labeled evidence showing the clear association of a trademarked generic term with a particular manufacturer as establishing a "de facto secondary meaning" without legal significance. On the other hand, the same type of evidence of source-significance has on occasion been viewed as probative of the consumer's understanding of the trademarked word.

In order to avoid or permit a showing of secondary meaning, courts have made artificial and unworkable distinctions with respect to the classification of a trademarked word as generic or descriptive. At one point the Patent Office attempted to classify words as "generically descriptive." In one circuit of the federal appeals courts, an incipiently generic trademark was classified as "generic," while in another circuit the same term was viewed as "descriptive." The forced

124. See E. Vandenburg, supra note 1, § 4.30, at 88-89 ("[I]t would be an extremely unusual fact situation that would permit a common descriptive name of an article or service to acquire secondary meaning and become a good trademark."); note 29 supra.

125. See 1 J. McCarthy, supra note 1, at § 12:15; note 29 supra; cf. Aloe Creme Laboratories, Inc. v. Milsan, Inc., 423 F.2d 845, 849 (5th Cir.), cert. denied, 398 U.S. 928 (1970) ("By placing 'Alo' in [the denominative] category, the [Seventh Circuit in a related case involving the same trademark] denied secondary meaning without the necessity of discussing any evidence relevant to the claim. We do not believe the present case can be resolved by the application of an appropriate epithet—be it generic description or denomination.")

126. See Weiss Noodle Co. v. Golden Cracknel & Specialty Co., 290 F.2d 845, 847 (C.C.P.A. 1961) (marks that come to indicate origin or acquire "de facto secondary meanings" due to temporary use by no one other than claimant can be, nevertheless, unregisterable); J. Kohnstam, Ltd. v. Louis Marx & Co., 280 F.2d 437, 440 (C.C.P.A. 1960) ("such a circumstance cannot take the common descriptive name of an article out of the public domain and give the temporarily exclusive user of it exclusive rights to it, no matter how much money or effort it pours into promoting the sale of the merchandise") (emphasis in original).

127. See, e.g., United States Jaycees v. San Francisco Junior Chamber of Commerce, 513 F.2d 1226 (9th Cir. 1975).


tension between these classifications explains in part why federal courts have classified many descriptive words as generic. A better approach to this problem would be to recognize that a finding of one primary significance may not be possible: in other words, that the hybrid character of many trademarked words may create pluralities or coextensive majorities. Specific evidentiary survey questions, for example, should be directed to each relevant universe to identify the three categories of consuming persons likely to be present in any generic litigation. First, a survey should identify those persons who are unaware of any source-significance for the mark and who use the mark as a product-category word. Second, it should identify those persons who are aware of source-significance and who do not use the mark generically or understand it to refer to an entire product-category. Third, the survey should identify those persons who know that the mark has source significance and who also use the mark in a product-category sense. In many instances, we suspect, all three types of consumers will be present in most relevant universes.

After these three categories—which reveal much about the market realities of any given case—have been identified, courts and the Trademark Office should decide whether to permit exclusive rights to trademarked words based upon the following test: Will market transactions proceed more efficiently if the trademark holder is permitted exclusive use of the mark, or will they proceed less efficiently? The former will clearly be the case if the word is solely source-significant and is not used as a product-category word. The latter will clearly be the case if the mark lacks any source significance and is a product-category word.

In most cases, of course, the evidence will not indicate such an unambiguous result; additional information about the market will be needed to determine whether exclusive rights should be permitted. The main question in such cases will be whether the challenged mark substantially increases ultimate-consumer search costs or raises real entry barriers to new firms. Analysis of the nature of the product...
involved—for example, whether it is an experience good—will assist in the proper resolution of this question. Furthermore, despite a number of decisions and commentators maintaining the contrary, the availability of alternate descriptive names should be considered an important factor. If an effective common denominator exists, search costs imposed and entry barriers raised by exclusive control of a hybrid mark may not be very substantial. On the other hand, when there is no effective alternative name for the product or where the alternate name is an unfamiliar, highly technical term, exclusive control of the trademarked word should not be permitted. Other marketplace factors are relevant as well. Are the goods or services marketed in such a way as to permit comparative shopping? How significant are oral requests for the product within the relevant market? Are there invisible product-category attributes or characteristics associated with the trademarked word? To what degree are the ultimate buyers well-informed, sophisticated purchasers? How costly to competitors is the informational barrier created by the trademarked generic word? It is the answers to these types of questions that will help a court to determine, in close cases, whether exclusive rights to a trademark should be permitted.

In applying the primary-significance test, the most common current mode of proof is the introduction of media clips, dictionary citations, and other examples of the public's generic use of a mark. We contend that such proof is of little evidentiary value. The independent judgment of lexicographers has already been stifled. Further, media-clip services may not provide a litigant with a truly representative sampling of media usage. And even when they do, such media usage may reflect not the public's understanding of the trademarked word, but rather the media's own editorial policies—policies that inevitably reflect the existence of numerous trademark-policing programs designed to pressure the media into "proper" trademark usage. Except on relatively rare occasions, these considerations have been ignored in most determinations of genericness. More importantly, for courts and the Trademark Office to make determinations of genericness that turn on such public use is economically suspect: such proof diverts attention away from the economic impact of the exclusive use of a trademarked word in the market, which should be the most crucial factor in any litigation.

131. See note 39 supra (citing cases and commentators).
132. See note 110 supra.
3. Other Evidentiary Factors

The emphasis placed by current law upon the public-use method of proof encourages trademark holders to engage in policing of their marks. Moreover, in some cases the fact that a trademark holder has engaged in policing efforts has been viewed as evidence in favor of continuing trademark rights. But from an economic perspective, such measures normally do not stimulate demand for a firm's product and are therefore economically inefficient. Furthermore, the fact that a trademark holder finds it necessary to undertake policing indicates that the mark may already be functioning usefully as a generic term. Thus when current law evaluates policing efforts as evidence in favor of the holder of the mark, it encourages economic inefficiency. We argue, on the basis of economic analysis, that evidence of extensive policing efforts should be weighed negatively in determinations of genericness.

Emphasis in the law on trademark policing efforts is misguided for another reason: it suggests that fault is a necessary predicate to the loss of "vested" trademark "property" rights. By diverting judicial and administrative attention from those relevant economic considerations that should prevail in generic litigation, such a "property" approach does great harm. From an economic standpoint, any analysis that turns on the concept of "property rights" has no place in the law of trademarked generic words.

B. Procedural Law

A consideration of basic economic principles also sheds light on the question of whether private litigation and current Trademark Office procedures are likely to protect consumers adequately, or whether intervention by public authorities is warranted.

1. Patent and Trademark Office Action

The Patent and Trademark Office has a number of possible administrative opportunities to prevent generic-word problems from arising. The first such opportunity occurs when a person or firm

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133. See pp. 1329-30 supra.
135. See Derenberg, supra note 42, at 396 n.59 (citing advocates of "fault"-based analysis); cf. L. Holmqvist, Degeneration of Trademarks 378 (1971) (recommending that trademark holders take action against unauthorized use of marks in order to preserve exclusive possession).
136. See R. Posner, supra note 110, at 20-21 (general tendency to award property right to holder or to earliest claim prevents later, more efficient use of property).
seeks to register a trademark. In the past, the screening of trademarks for generic-word problems has depended on the efforts of individual examiners. The Trademark Office has also been hindered by the absence of a Lanham Trademark Act provision authorizing the Office to construct hybrid remedies in the course of denying trademark registration for generic words. The absence of a statutory provision of this kind, thus requiring an all-or-nothing result, has no doubt been an important factor contributing to the uneven way in which the Trademark Office has approached registration applications. The need for legislative revision is apparent. In the meantime, a set of Trademark Office rules sensitively designed to weed out applications for registration of generic words would help. Better initial screening of applications would also reduce subsequent litigation by private or public parties seeking cancellation or restriction of the exclusive use of trademarked generic words.

Registration is not the only time at which Trademark Office action might be appropriate. As Trademark Office practice now stands under existing Lanham Act provisions, trademarked words that have become generic are routinely granted incontestable status and renewed. A review for generic-word problems could be conducted when affidavits are filed by registrants seeking an incontestable right to use their marks under Section Fifteen of the Lanham Act, although there are no established procedures for such a review. It would be much more efficient, however, to leave to the Federal Trade Commission the task of identifying and seeking cancellation of economically harmful, federally registered, trademarked generic words.

2. Public Litigation

The value of a public-interest presence with respect to trademarks was recognized by Congress in 1946, when it included a provision in the Lanham Trademark Act giving the Federal Trade Commission

137. In response to private or Federal Trade Commission cancellation petitions, the Trademark Trial and Appeal Board is empowered to “cancel or restrict” the registration involved. 15 U.S.C. § 1068 (1976). Although “restrict” in the context of a generic-cancellation proceeding might have been interpreted to lead to flexible remedies by the Board, a recent and rather tortured Court of Customs and Patent Appeals opinion appears to have eliminated that possibility. See Selfway, Inc. v. Travelers Petroleum, Inc., 579 F.2d 75, 80-81 (C.C.P.A. 1978). Nevertheless, the automatic right of either party to appeal Board decisions to a federal district court for de novo proceedings, see 15 U.S.C. § 1071(b) (1976), should suffice to avoid this ruling and should permit flexible remedies under appropriate circumstances in generic cases arising out of Patent and Trademark Office litigation.

138. Lanham Act § 15, 15 U.S.C. § 1065(4) (1976) ("no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance . . . .")
standing to seek cancellation of trademarked generic words.139 The need for a public-interest presence in this field is as great today as it ever was. Private parties often lack the resources and stamina to engage in trademark litigation.140 A private litigant may be further discouraged by the fact that other competitors will be able to take a free ride on a litigant's successful efforts.141 For these reasons, com-

139. See note 52 supra.

140. One commentator has pointed out that "it often becomes worth the trade-mark owner's while to insist on a thorough judicial ventilation of the issue of genericness—a ventilation which blows down all competitors but those possessed of the financial capacity for enduring slow, costly, and uncertain litigation." Timberg, Trade-marks, Monopoly, and the Restraint of Competition, 14 LAW & CONTEMP. PROB. 325, 333 (1949).

141. Professor David Shipley has suggested that the need for Commission-initiated cancellation proceedings, based upon the reluctance of private parties to challenge a trademarked generic word because of the free-rider problem and the costs of a private challenge, has been "overly emphasized" by the Commission. Shipley, supra note 55, at 15. Essentially, Shipley bases this conclusion on two different lines of argument. First, he argues that "[a]lthough the benefits of a successful challenge of a generic trademark will be shared by all competitors, these competitors still must incur substantial advertising costs to establish their brands. These advertising costs minimize the effects of the benefits-sharing problem and disarm it as a significant disincentive to private challenges of the generic name." Id. at 17. But the successful challenger would be faced with the same product differentiation costs as its competitors, because the challenger cannot ordinarily capitalize on the generic name in any way different from those competitors. In other words, the challenger's advertising costs would not be less in any significant way than those of the other competitors of the former trademark holder; the other firms, however, would not have expended the successful challenger's substantial litigation costs. That competitors may also incur substantial advertising costs to establish their brands does not remove the cost handicap of the challenger.

Second, Shipley states that if the free-rider problem is one of "benefits-sharing" and if the benefits resulting from cancellation are really significant, "a joint action challenging the generic mark could be brought by the competing firms [reducing] the costs of the challenge [to each firm] considerably. As a consequence, each competitor would not only share in the benefits but also would bear some portion of the cost." Id. A joint private action would seem to be an attractive means of challenging a mark and avoiding the free-rider problem. See note 106 supra ("Mercurochrome" litigation brought jointly by five competitors of trademark holder). When private parties take joint action, "such a challenge," as Shipley points out, "would serve the public interest and further competition without undue agency interference." Shipley, supra note 55, at 17-18. Implicit in this line of argument is the corollary conclusion that when private parties do not make such a joint challenge, then it is likely that the benefits flowing from such litigation would not be great; since private parties did not view the challenge as worthwhile, then a government action "interfering" in the marketplace is not likely to reap significant benefits and should not be undertaken. Nevertheless, there are several reasons why agency-initiated cancellation proceedings may be economically justified even when the competitors have not jointly acted and have not complained about a firm maintaining trademark rights on a generic name. First, the members of the group may hesitate to commit significant resources for litigation since they, as a group, would be at a relative cost disadvantage vis-à-vis nonmembers and subsequent entrants. Second, and more important, the group may fear that cancellation will attract new entrants who seek to share in the benefits of cancellation. Third, the existing competitors may be reluctant to challenge the trademark holder jointly when the latter has substantially lower costs than the rest of the industry. Fourth, the competitors may simply have different perceptions about the benefits and chances for success and thus be unable to reach an agreement. Fifth, the competitors may be concerned about the antitrust implications of a joint suit, the subsequent exchanges of information among the group, and the possible settlement of the suit.

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petitionors are often induced to raise genericness issues in the form of a counterclaim, after they have been sued for infringement or have been opposed in registration proceedings. Moreover, in concentrated industries, competitors may not wish to upset an otherwise rewarding pattern of price behavior. In short, both the absence of effective private litigants and the specific economics of some cancellation proceedings justify an active Commission presence. Furthermore, such a presence may help to deter holder misuse of trademarked words and holder encouragement of their adoption as household words by the public. These considerations indicate that there is a valid role for Commission-initiated cancellation proceedings. The recent limiting action by Congress is therefore short-sighted and ill-considered.

The *Formica* petition by the Commission represented a desirable development. *Formica* involves a highly concentrated industry\(^\text{142}\) against which one feeble genericness defense, brought privately by a competitor, had already been unsuccessful.\(^\text{143}\) Moreover, despite continuing market growth, there has apparently been no new entry into the market in over two decades, and no significant import competition exists.\(^\text{144}\) After the Commission's action was announced, the *Washington Post* reported that there had been "speculation in the trade press of a major price war and renewed competition if the FTC effort is successful.\(^\text{145}\) From a consumer perspective, "laminated plastics" is hardly an effective alternative term. *Formica* and *Formica* products are typically purchased infrequently, at relatively high prices. The potential consumer search costs involved in sorting out the "laminated plastics"/"Formica" muddle are therefore likely to be high. "Formica," moreover, has a number of invisible product-attributes (durability, heat resistance, ease of cleaning) that cannot be comparatively measured before a purchase is made or an order placed. It would seem reasonable to conclude, therefore, that cancellation or restriction of the Formica registration by the Trademark Trial and Appeals Board would have promoted greater marketplace efficiency.

Although a significant portion of all "Formica" is sold first to intermediate furniture-manufacturers and remodelers, much of the ultimate consuming-public relies upon the word "Formica" when it

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142. *See* Washington Post, June 27, 1979, § D, at 10, col. 1 (four of seven domestic producers of high-pressure decorative plastic laminate account for 80% of industry output).


144. *Generic Trademark Hearings*, supra note 23, at 17 (statement of Alfred F. Dougherty, Jr.).

appears on labels and tags on end-products. Hence, as in *Aspirin*, although there may be a relevant universe of "trade buyers" for "Formica," their existence and their perception of the word "Formica" should not be a barrier to restriction of the exclusive rights of the Formica Corporation. An *Aspirin*-type remedy would suffice for these commercial intermediaries.

Whether the Trademark Trial and Appeals Board will look beyond existing precedents in future cases, in order to ask and try to answer questions pertaining to transactional and competitive economics, is uncertain. The Commission appears to have done so in declaring that the filing of the *Formica* cancellation petition was "in the public interest": the Commission apparently employed case-selection criteria that included the existence of high generic-usage and low brand-recognition of the mark; the absence of another succinct and well-understood name for the product; the existence of a price premium for the trademarked product and of performance characteristics not evident from visual inspection; the fact that the trademark holder occupied a leading market position; and the existence of the mark as an apparent barrier to entry. Perhaps a consumer group will seek to take advantage of the Commission's extensive preparation of its case.

Conclusion

Trademarked generic words can raise significant problems in the market for competitors of the trademark holder and for consumers. Consumers can face enhanced search costs and risks as a result of the claim of exclusive rights to generic words. When confused consumers seek out and pay for products on which trademarked generic words appear, or when consumers are unable to identify alternatives, then price premiums, larger market shares, reduced advertising and promotional budgets, and, in the end, higher profits, may accrue to the trademark holder. Artificial marketing problems affecting the ability of competitors to compete can also result. Because trademarks, unlike patents and copyrights, may be renewed forever, these deleterious effects can last in perpetuity.

146. See *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).
147. See note 119 *supra*.
148. See note 23 *supra*.
The legal tests of genericness currently used by the courts and the Trademark Office do not adequately take into account relevant economic considerations. Moreover, these tests have imposed conceptual restrictions that make it more difficult to reach economically efficient solutions to generic-word problems in the marketplace. A more appropriate procedure must consider the relevant consuming universes, the hybrid nature of the mark in each consuming universe, and the implications of permitting continuing exclusive use of the trademark on marketplace efficiency. This approach is consistent with the primary rationale underlying the legal protection of trademarks: namely, that they perform beneficial functions in the marketplace. When marks cease performing those functions and become economically harmful, they should be denied legal protection. Because of the free-rider problem and the burden of private litigation, carefully selected actions brought by the Federal Trade Commission in the public interest ought to be permitted and indeed encouraged. Congressional action removing the Commission's Lanham Act authority or restricting its funding is therefore misdirected.