



IMPORTANT DECISION IN REFERENCE TO TRADE MARKS.

REPORTED FOR THE "EXPRESS."

COURT OF CHANCERY, NEW YORK.

J. & P. COATS F. SHEPARD AND OTHERS, OF THE FIRM OF HOLLBROOK, NELSON, & CO., NEW YORK.

SEPTEMBER 1, 1845.

This Bill was filed by J. & P. COATS of Paisley, in Scotland, to restrain the defendants from vending a spurious thread, manufactured by one M'Gregor, in New Jersey, put up and labelled in exact imitation of *Coats's Best Six-Cord Thread*, and so designated on the spools and paper envelopes.

It appeared that J. & P. Coats had obtained a very extensive market in this country for their cotton thread thus imitated.

The defendants were commission merchants in New York. They received the spurious thread from M'Gregor for sale, and had no interest in its sale except the commissions. When the bill was filed, they had nearly sold out the second invoice sent to them. The imitation thread, though labelled as *six cord*, was in fact a *three-cord* thread.

After the injunction was served, and on the day their answer was filed, the defendants offered to pay the costs to that time, and give up the thread they had on hand. This offer was refused unless they would answer the bill, &c.

The defendants denied all fraud, or intention to injure, &c., the complainants.

A jobber, who bought part of the thread of the defendants, testified that Shepard sold it to him as a spurious article, and told him that it was an imitation of COATS'S, and he would not warrant the length. After the first sale, Shepard offered to furnish to the witness a large quantity at a higher price. The first was about half the price of the genuine thread; the price subsequently asked was nearer that of COATS'S. On the latter ground, and because of the loss of reputation in selling a spurious article, the witness declined Shepard's offer. On the first sale to him, he told Shepard he could sell a large quantity.

The cause was heard on the pleadings and proofs.

The Assistant Vice-Chancellor, SANDFORD, in delivering judgment, observed:—"The principles applicable to this case are well settled."

"A man is not to sell the goods or manufactures of B. under the show or pretence that they are the goods or manufactures of A., who, by superior skill or industry, has established the reputation of his article in the market. The law will permit no person to practise a deception of the kind, or use the means which contribute to effect it. He has no right, and he will not be allowed, to use the names, marks, or other symbols, by which he may palm off upon buyers, as the manufactures of another, the article he is selling, and thereby attract to himself the patronage that, without such deception, use of names, &c., would have insured to the benefit of that other person who first got up, or was alone accustomed, to use such names, marks, letters, or symbols."
The Assistant Vice-Chancellor thus proceeded:—

"In this case, the attempted imposition upon the public, by the manufacturer of the simulated article, is too barefaced to be questioned.

"The defendants are merely vendors of the spurious goods, and they suppose that they are, on various grounds, exempted from the consequences which would be visited upon the manufacturer. Thus, it is said that they have

not used the trade marks of the complainants, that they merely sold for M'Gregor on commission in the usual course of their business, and have acted in perfect good faith. Indeed, they go so far as to say, in their answer, that they had no information of the complainants' rights, or of their manufacturing COATS'S thread, until after the defendants had sold for M'Gregor. How this could be true of the defendant, who sold M'Gregor's thread as an imitation article made in this country, (such is the statement in the answer,) I cannot understand. Then, as to the good faith and morality of the transaction, (and in all I have to say I refer to the defendant who alone acted in the sales.) The defendants received for sale, from M'Gregor, an imitation thread, carefully put up, labelled and stamped as thread made by J. & P. COATS. They probably knew that there was such a house as J. & P. COATS, who made the genuine thread. If they did not, they knew perfectly well that some person, other than M'Gregor, made such genuine thread that was called 'COATS'S,' and it was in high repute in this market. They, therefore, knew that the article they were selling was spurious, that it was going out to the public under false and deceptive colours, and was designed and well calculated to take in purchasers who were in pursuit of the genuine thread. They admit that they knew it was only a three-cord thread, although it was stamped and labelled 'J. & P. Coats's Best Six-Cord.'

"Knowing all these things they sold it; and, so far as they could, put it in the way of imposing upon and swindling the community. But it is said that, upon their sale to the jobber, by whom it was to be again sold to the retailer, the defendants told the jobber truly that it was an imitation of COATS'S thread; in short, they sold it as a spurious article. But what then? Did they imagine that the jobber would be equally frank and communicative to the retail merchants and shopkeepers, and that every one of the latter would carefully inform every customer who bought a spool, that the thread was an imitation of COATS'S, made in New Jersey, and only three-cord instead of six? The idea is preposterous. Trade marks, names, labels, &c., are not forged, counterfeited, or imitated, with any such honest design or expectation.

"M'Gregor's thread was labelled and stamped with COATS'S name and mark, so that it might be palmed off upon the consumer as being made by COATS; and every man who sold it, whether he made 5 per cent. or 50 per cent. by the operation, lent himself to the perpetration of the fraud.

"The legislature of this State has recently declared its reprobation of this kind of piracy in the Act to Prevent Frauds in the Use of False Stamps and Labels, passed May 14, 1845.—('Laws of 1845, chapter 279, page 304.')

prisonment, either to counterfeit such stamps or labels, with intent to defraud, or to vend goods, &c., thus stamped."

The Assistant Vice-Chancellor then went fully into the point of costs, and concluded by stating that he saw no cause to relieve the defendants of any part of them.

DECREE FOR A PERPETUAL INJUNCTION AND THE COSTS OF SUIT.

AGENTS FOR THE SALE OF J. & P. COATS'S BEST SIX-CORD SPOOL COTTON.

MR. ANDREW COATS, GENERAL AGENT FOR THE UNITED STATES.

MESSRS. HUGH AUCHINCLOSS & SONS, }
MESSRS. M'CALL & STRONG, } NEW YORK.

MESSRS. BATES & COATS, PHILADELPHIA.

MESSRS. WHITON & MARCI, BOSTON.

MR. DAVID COATS, NEW ORLEANS.