

# MONOPOLY VERSUS COMPETITION: SIGNIFICANT TRENDS IN PATENT, ANTI-TRUST, TRADE- MARK, AND UNFAIR COMPETITION SUITS

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## INTRODUCTION

"The records of this Committee prove beyond possibility of successful contradiction that restrictive practices are used by some business organizations not only to destroy competition but to regiment men. . . . On the broad scale, therefore, this Committee recommends the maintenance of free, competitive enterprise by the effective suppression of the restrictive practices which have always been recognized as evil. . . . But generally over the field of industry and finance we must revive and strengthen competition if we wish to preserve and make workable our traditional system of free enterprise. . . . It is generally agreed, for example, that competition must be maintained as the principle of our economy, for everyone seems to acknowledge that the alternative to competition is some form of concentrated government authority which might easily destroy democracy. . . . It will avail us nothing to carry a gigantic defense program to a successful conclusion if in so doing we lose sight of the basic philosophy of our American economy—a competitive system of private capitalism." <sup>1</sup>

It has long been recognized that patent litigation involves the scope of legally sanctioned monopolies.<sup>2</sup> Anti-trust actions by their very name denote the dual problem of monopoly and competition. Likewise, trademark and unfair competition suits concern the relative spheres of monopoly and competition in our economy, since the question to be adjudicated is whether or not one party will be permitted to exclude another from using particular marks or business methods and thereby secure

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1. TNEC FINAL REPORT AND RECOMMENDATIONS (1941) 7, 9, 15, 25, 35. "Those people, in and out of the halls of government, who encourage the growing restriction of competition either by active efforts or by passive resistance to sincere attempts to change the trend, are shouldering a terrific responsibility. Consciously, or unconsciously, they are working for centralized business and financial control. Consciously, or unconsciously, they are therefore either working for control of the Government itself by business and finance or the other alternative—a growing concentration of public power in the Government to cope with such concentration of private power. The enforcement of free competition is the least regulation business can expect." THE PUBLIC PAPERS AND ADDRESSES OF FRANKLIN D. ROOSEVELT (1938) 313.

2. For a treatment of the historical background of patents as monopolies, see HAMILTON, TNEC REP., PATENTS AND FREE ENTERPRISE, Monograph 31 (1941) cc. II, III.

exclusive rights for itself with respect to these marks or methods.<sup>3</sup> As Circuit Judge Jerome Frank pointedly stated the issue in a recent trademark action: ". . . the legal protection of trade-names . . . creates lawful monopolies, immunities from competition."<sup>4</sup> Since patents, anti-trust problems, trademark and unfair competition questions are manifestations of the same central problem, doctrinal developments within any of these areas may serve to illuminate and explain decisions and trends within interrelated areas.

During the past decade there have been within these allied fields developments of outstanding importance and significance. In this article an attempt will be made to outline the major trends in each of these branches of law—usually treated by writers and courts as separate and distinct parts of our legal structure—and to demonstrate that there is a dominant motif which serves to weave together into a consistent and harmonious pattern, as well as to explain, the developments which have taken place

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3. WEBSTER'S NEW INTERNATIONAL DICTIONARY (2d ed. 1934) defines monopoly as "An exclusive possession of the trade in some article or exercise of some business." Edward S. Rogers, dean of practitioners in this field, has argued that trademarks, unlike patents and copyrights—which he admits are monopolies created by law—are "quite a different thing. There is no element of monopoly involved at all. . . . A trademark precludes the idea of monopoly." ROGERS, *GOOD-WILL, TRADEMARKS AND UNFAIR TRADING* (1914) 51, 52. At a subsequent point in the same work, however, he admits that an exclusive right to the use of a mark "is worth something to the producer of the goods. . . . It eliminates competition." *Id.* at 56.

Likewise, Handler and Pickett argue that these suits do not involve a claim of total monopoly, since only exclusive rights with respect to the use of such marks as *names* are sought in these litigations, and non-denominative use is still open to the defendants. See Handler and Pickett, *Trade-Marks and Trade-Marks—An Analysis and Synthesis: I* (1930) 30 COL. L. REV. 168. But since the central issue in these actions is the right of the plaintiff to exclude the defendant from using its mark in a denominative sense, it cannot be denied that the plaintiff is seeking a monopoly over the only thing that is of any importance to the parties, namely, a denominative use of the mark. The non-denominative use is obviously of no concern to the plaintiff and not of sufficient value to a defendant to be worth litigating about.

4. *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F. (2d) 955, 957 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 758. (1943). Similarly, Kurt Borchardt, in a suggestive article, remarks: "It can safely be said that trade-marks, like patents and copyrights, have their monopolistic aspects, because it is one of the functions of trade-marks to lift the product bearing a mark out of its general class and to place it into a class of its own, thus eliminating competition of other goods, because the public believes that 'there is nothing just as good.'" [citing CHAMBERLAIN, *THE THEORY OF MONOPOLISTIC COMPETITION*: (1933) 57 *et seq.*, 204 *et seq.*]. Borchardt, *Are Trademarks an Antitrust Problem* (1943) 31 GEO. L. J. 245, 246. For an able demonstration of the use of trademarks to effectuate cartel agreements dividing territories between competitors, see Diggins, *Trade-Marks in Restraint of Trade* (1944) 32 GEO. L. J. 113: "The significance and effectiveness of trade-marks in restricting competition can hardly be over-emphasized. Together with patents, trade-marks are included among the chief legal sanctions under which cartels have established, maintained and enforced restraints of trade."

within each. The key to both this pattern and the motif is to be found in the emergence of the present Supreme Court, seven of whose nine Justices have been appointed within the past seven years,<sup>5</sup> as a champion of free competition as the fundamental characteristic of our economic structure. One fundamental theme runs through its decisions: an insistence that the "public interest" shall be considered the dominant interest in these matters and that this interest is best served by a freely competitive economic system from which have been removed as many monopolistic restrictions as possible.

Nevertheless, the process by which the trend has been given expression has developed in a different fashion in the patent and anti-trust fields as compared with the field of trademark and unfair competition claims. Major developments within the patent and anti-trust fields have stemmed directly from opinions of the Supreme Court, usually reversals of circuit court rulings. Within the field of trademarks and unfair competition, however, only one decision of the Supreme Court during the past decade involved a delimitation of the scope of permissible competition in the use of marks and business methods.<sup>6</sup> The Court has made its influence felt

5. In the order of their appointment, they are Messrs. Justices Black, Reed, Douglas, Frankfurter, Murphy, Jackson, and Rutledge. Moreover, during this period Mr. Justice Stone has been elevated to the Chief Justiceship. Within the past decade, there has also been occasion for a large number of appointments to the various circuit courts of appeals as well as to the district courts. During this period of time approximately sixty per cent of the present number of circuit judges and fifty-six per cent of the district court judges have been appointed. A table showing the number of appointments to the various circuit courts of appeals follows. These figures do not include the judges of the Appellate Court of the District of Columbia:

<i>Circuit Court</i>	<i>Total Number of Judges</i>	<i>Number of Present Judges Appointed Since Jan. 1, 1934</i>	<i>Percentages of Present Judges Appointed Since Jan. 1, 1934</i>
1	3	3	100 %
2	6	2	33⅓
3	5	5	100
4	3	1	33⅓
5	6	4	66⅔
6	6	4	66⅔
7	5	2	40
8	7	3	42⅘
9	7	5	71⅔
10	4	2	50
	<hr/> 52	<hr/> 31	<hr/> 60

6. *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111 (1938). Two other Supreme Court decisions dealt with trademark questions; but in these the issue before the Court was not the right to the exclusive use of marks or business methods. In *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U. S. 315 (1938), the Court was called upon to decide the limits of the federal courts' jurisdiction with respect to actions involving claims of trademark infringement and unfair competition, where the claims for trademark infringement were predicated upon a 1920 Trademark Act registration, and the claims for

by declining to review decisions of the various circuit courts of appeals dealing with these questions. It is proposed to examine these decisions—as well as a few equally significant cases in this field where certiorari was not applied for—and to demonstrate that: (a) in a number of these cases the circuit courts of appeals themselves framed the *issues* in terms of the monopoly sought by the plaintiff and based their decision upon the desirability of the freest possible competition; (b) the *results* in all these cases are in harmony with those arrived at by the Supreme Court not only in its single decision within this field, but likewise with those reached in the patent and anti-trust cases where in disapproving of lower court rulings, the Justices expressed their views upon the relative spheres of monopoly and competition within our economy.

This article will not be concerned with the question whether or not the Supreme Court has correctly decided that the “public interest” should be primary in these fields or that it is best served under present conditions by such a competitive economy. These first premises deserve wide discussion on the part of all groups within our society. This article, however, shall be devoted to a descriptive and analytical presentation of the developments within each of the fields of law under discussion, as well as their basic interrelation, rather than to consideration of the merits or demerits of these first premises.

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unfair competition upon facts similar to those which constituted the basis for the claim of trademark infringement. In the recent case of *Mishawaka Rubber & Woolen Mfg. Co. v. Kresge*, 316 U. S. 203 (1942), the only issue before the Court was the interpretation of section 16 of the 1905 Trademark Act relating to the burden of proof in an accounting where infringement was assumed to be established. The case was decided by a majority of four Justices, with three dissenting, and Chief Justice Stone and Mr. Justice Roberts not participating. Although the opinion of Mr. Justice Frankfurter does contain some dicta setting forth a broad view as to the rights of trademark owners, these views cannot be considered those of the Court or a decision of that tribunal upon the scope of the rights of a trademark owner or the bases of his right to protection. Mr. Justice Frankfurter himself recognized at the outset of his opinion that the issue of infringement was not before the Court: “. . . we brought the case here solely to review the provisions of the decree dealing with the measure of profits and damages for the infringement found by the two lower courts. Whether there was such an infringement as to entitle the petitioner to the remedies provided by the federal trademark laws is therefore not open here.” *Id.* at 204-05. The sentences immediately following, although they cannot in any sense be considered representative of the views of the Court, must be taken into account in estimating those of Mr. Justice Frankfurter: “The protection of trade-marks is the law’s recognition of the psychological function of symbols. . . . A trade-mark is a merchandising shortcut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.” *Id.* at 205.

## THE PATENT CASES

In the patent field during the past ten years, the Supreme Court has invalidated approximately twenty important patents dominating portions of industries as diverse as the motion picture, telegraph, radio, chemical, and machinery fields.<sup>7</sup> The patents involved in practically all of these cases had been accepted as valid for varying periods of as much as forty years by many patent lawyers and those utilizing the devices or processes, and had thus achieved a large degree of commercial success.<sup>8</sup> In practically all of these cases, moreover, the Supreme Court reversed rulings of the various circuit courts of appeals sustaining the validity of the patents involved.

The opinions of the Supreme Court in these cases discuss at length the historical background and the technical features of the devices and processes in question. In each case the conclusion is reached that prior anticipation or lack of "invention" or failure to comply as a matter of fact with the statutory requirements dealing with patent applications renders the patent invalid. Sometimes within one case all three of these conclusions, or a combination of them, have been made the basis of the Court's ruling as to invalidity.

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7. *Universal Oil Products Co. v. Globe Oil Refining Co.*, 12 U. S. L. WEEK 4424 (U. S. 1944); *Marconi Wireless Telegraph Co. v. United States*, 320 U. S. 1 (1943); *United Carbon Co. v. Binney & Smith Co.*, 317 U. S. 228 (1942); *Muncie Gear Works v. Outboard Marine & Mfg. Co.*, 315 U. S. 759 (1942); *U. S. Industrial Chemicals, Inc. v. Carbide and Carbon Chemicals Corp.*, 315 U. S. 668 (1942); *Cuno Engineering Corp. v. Automatic Devices Corp.*, 314 U. S. 84 (1941); *Detrola Radio & Television Corp. v. Hazeltine Corp.*, 313 U. S. 259 (1941); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211 (1940); *Toledo Pressed Steel Co. v. Standard Parts, Inc.*, 307 U. S. 350 (1939); *Electric Storage Battery Co. v. Shimadzu*, 307 U. S. 5 (1939); *Mackay Radio & Telegraph Co. v. Radio Corporation of America*, 306 U. S. 86 (1939); *General Electric Co. v. Wabash Appliance Corp.*, 304 U. S. 364 (1938); *Lincoln Engineering Co. v. Stewart-Warner Corp.*, 303 U. S. 545 (1938); *Textile Machine Works v. Louis Hirsch Textile Machines, Inc.*, 302 U. S. 490 (1938); *Mantle Lamp Co. v. Aluminum Products Co.*, 301 U. S. 544 (1937); *Smith v. Hall*, 301 U. S. 216 (1937); *Essex Razor Blade Corp. v. Gillette Safety Razor Co.*, 299 U. S. 94 (1936); *Bassick Mfg. Co. v. Hollingshead Co.*, 298 U. S. 415 (1936); *Altoona Publix Theatres v. American Tri-Ergon Corp.*, 294 U. S. 477 (1935); *Paramount Publix Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464 (1935). Compare the two cases in which the Court has sustained infringement claims: *Goodyear Tire & Rubber Co., Inc. v. Ray-O-Vac*, 320 U. S. 727 (1944); *Williams Manufacturing Co. v. United Shoe Machinery Co.*, 316 U. S. 364 (1942). The Supreme Court's decision in *Atlas Gas Co. v. Hartford Empire Co.*, 12 U. S. L. WEEK 4388 (U. S. 1944), offers further corroboration of the views expressed in this article. The Court by a divided vote of five to four held that a circuit court of appeals properly reopened a case decided a decade before and set aside a judgment of patent infringement based on false testimony.

8. See, *e.g.*, the patents involved in the cases of *Marconi Wireless Telegraph Co. v. United States*, 320 U. S. 1 (1943); *Essex Razor Blade Corp. v. Gillette Safety Razor Co.*, 299 U. S. 94 (1936); *Paramount Publix Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464 (1935).

Most of the opinions in these cases do not discuss the fundamental policy considerations which have influenced the Court to embark upon the detailed factual examination of the nature of the devices in suit or their historical background. Thus the opinions of the Court in the *Marconi* case, where some of the famous pioneer Marconi Patents were held invalid by a majority of the Court on the ground of prior anticipation and lack of invention, contain nothing but a careful scrutiny of the nature of the patents and of prior developments within the field.

Yet in a number of the cases the Court's opinions do indicate the explanation for the invalidation of patents at an ever-accelerating tempo. In these opinions the view is most emphatically asserted that the public interest is the primary one to be considered in patent suits and that this interest is best served by having an economy as freely competitive as possible, rather than one dominated by monopolies of the character represented by patents. As Mr. Justice Jackson, speaking for a unanimous Court, declared in the case of *Muncie Gear Works v. Outboard Marine & Manufacturing Company*:<sup>9</sup>

"To sustain the claims in question . . . would require a plain disregard of the public interest sought to be safeguarded by the patent statutes, and so frequently present but so seldom adequately represented in patent litigation."<sup>10</sup>

Mr. Justice Jackson, in another decision<sup>11</sup> invalidating a patent for lack of invention and reversing a circuit court of appeals for a contrary decision, emphasized that a strict application of the requirement of invention was necessary:

" . . . lest in the constant demand for new appliances the heavy hand of tribute be laid on each slight technological advance in an art. ' . . . indiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention. It creates a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the arts. It embarrasses the honest pursuit of business with fears and apprehensions of concealed liens and unknown liabilities to lawsuits and vexatious accountings for profits made in good faith.' "<sup>12</sup>

The host of Supreme Court decisions invalidating patents and reversing the various circuit courts of appeals, has naturally had great impact

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9. 315 U. S. 759 (1942).

10. *Id.* at 768.

11. *Cuno Engineering Corp. v. Automatic Devices Corp.*, 314 U. S. 84 (1941). Chief Justice Stone and Mr. Justice Frankfurter concurred in the result in a separate opinion, which likewise emphasized the lack of invention in the patent in suit. *Id.* at 92.

12. *Id.* at 92.

upon the lower federal courts as well as upon the business community. One result has been a flood of patent litigation in the federal courts. In the year 1943 alone, the various circuit courts of appeals in thirty-four cases ruled the patent claims involved to be entirely invalid for lack of invention or prior anticipation,<sup>13</sup> or found no infringement. In the eight cases where the Supreme Court was petitioned to review these decisions, certiorari was denied.<sup>14</sup> In the same year, only three circuit court of ap-

13. Gasifier Mfg. Co. v. General Motors Corp., 138 F. (2d) 197 (C. C. A. 8th, 1943); McIlvaine Patent Corp. v. Walgreen Co., 138 F. (2d) 177 (C. C. A. 7th, 1943); Leishman v. Associated Wholesale Elect. Co., 137 F. (2d) 722 (C. C. A. 9th, 1943), *cert. denied*, 320 U. S. 794 (1943); Kalich v. Paterson Pacific Parchment Co., 137 F. (2d) 649 (C. C. A. 9th, 1943); Continental Machines v. Grob, 137 F. (2d) 470 (C. C. A. 8th, 1943); International Steel Wool Corp. v. Williams Co., 137 F. (2d) 342 (C. C. A. 6th, 1943); Abbott Machine Co. v. Universal Winding Co., 137 F. (2d) 166 (C. C. A. 1st, 1943); Monogram Mfg. Co. v. Glemby Co., 136 F. (2d) 961 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 778 (1943); American Anode v. Lee-Tex Rubber Products Corp., 136 F. (2d) 581 (C. C. A. 7th, 1943); Fernandez v. Phillips, 136 F. (2d) 404 (C. C. A. 9th, 1943); Vitamin Technologists, Inc. v. Wisconsin Alumni Foundation, 136 F. (2d) 318 (C. C. A. 9th, 1943); Engineering Specialties Co. v. Burgess Battery Co., 136 F. (2d) 287 (C. C. A. 2d, 1943); Warner Bros. Co. v. American Lady Corset Co., 136 F. (2d) 93 (C. C. A. 2d, 1943); General Time Investments Corp. v. New Haven Clock Co., 136 F. (2d) 49 (C. C. A. 2d, 1943); Trabon Engineering Corp. v. Dirkes, 136 F. (2d) 24 (C. C. A. 6th, 1943); Mead Johnson & Co. v. Hillman's, Inc., 135 F. (2d) 955 (C. C. A. 7th, 1943), *cert. denied*, 320 U. S. 752 (1943); Chandler v. Cutler-Hammer, Inc., 135 F. (2d) 885 (C. C. A. 7th, 1943); J. I. Case Co. v. Gleaner Harvester Corp., 135 F. (2d) 553 (C. C. A. 8th, 1943); Libby-Owens-Ford Glass Co. v. Celanese Corp. of America, 135 F. (2d) 138 (C. C. A. 6th, 1943), *cert. denied*, 320 U. S. 744 (1943); Pfanstiehl Chemical Co. v. American Platinum Works, 135 F. (2d) 171 (C. C. A. 3d, 1943); Seiberling Rubber Co. v. I. T. S. Co., 134 F. (2d) 871 (C. C. A. 6th, 1943), *cert. denied*, 320 U. S. 747 (1943); Pleet-O-Lite Corp. v. Pleatex Corp., 134 F. (2d) 724 (C. C. A. 7th, 1943); Grayson Heat Control, Ltd. v. Los Angeles Gas Appliance Co., 134 F. (2d) 478 (C. C. A. 9th, 1943); Hastings Mfg. Co. v. Automotive Parts Corp., 134 F. (2d) 404 (C. C. A. 6th, 1943); Weston Electrical Instrument Corp. v. Dejur Amsco Corp., 133 F. (2d) 778 (C. C. A. 2d, 1943); Wallace v. F. W. Woolworth Co., 133 F. (2d) 763 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 739 (1943); Wilson v. Byron Jackson Co., 133 F. (2d) 644 (C. C. A. 9th, 1943); Detachable Bit Co. v. Timken Roller Bearing Co., 133 F. (2d) 632 (C. C. A. 6th, 1943); Kugelman v. Sketchley, 133 F. (2d) 426 (C. C. A. 9th, 1943); Madsen Iron Works v. Wood, 133 F. (2d) 416 (C. C. A. 9th, 1943); Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co., 133 F. (2d) 266 (C. C. A. 7th, 1943); Electro Mfg. Co. v. Yellin, 132 F. (2d) 979 (C. C. A. 7th, 1943); Sylvania Industrial Corp. v. Visking Corp., 132 F. (2d) 947 (C. C. A. 4th, 1943), *dismissed on motion of petitioner*, 319 U. S. 777 (1943); Ajax Hand Brake Co. v. Superior Hand Brake Co., 132 F. (2d) 606 (C. C. A. 7th, 1943).

14. Leishman v. Associated Wholesale Elect. Co., 137 F. (2d) 722 (C. C. A. 9th, 1943), *cert. denied*, 320 U. S. 794 (1943); Monogram Mfg. Co. v. Glemby Co., 136 F. (2d) 961 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 778 (1943); Mead Johnson & Co. v. Hillman's, Inc., 135 F. (2d) 955 (C. C. A. 7th, 1943), *cert. denied*, 320 U. S. 752 (1943); Libbey-Owens-Ford Glass Co. v. Celanese Corp. of America, 135 F. (2d) 138 (C. C. A. 6th, 1943), *cert. denied*, 320 U. S. 744 (1943); Seiberling Rubber Co. v. I. T. S. Co., 134 F. (2d) 871 (C. C. A. 6th, 1943), *cert. denied*, 320 U. S. 747 (1943); Wallace v. F. W. Woolworth

peals decisions sustained patent claims and found them to be infringed,<sup>15</sup> and these three involved very narrow claims. In only one of them was certiorari sought and denied,<sup>16</sup> the petition in a second being dismissed upon stipulation of counsel.<sup>17</sup>

#### PATENT CLAIMS IN RELATION TO ANTI-TRUST LAWS

An even clearer exposition of basic policy considerations which have induced the present Supreme Court to adopt a restrictive attitude toward patent claims, may be found in a body of recent cases where the interrelation between patent claims and the anti-trust laws has been explored. In these cases, patent infringement suits, defendants have sought immunity from liability upon the ground that the plaintiff attempted to use the patent to eliminate competition in products not directly within its scope. Such a course of conduct, the defendants contended, violated the policy of the anti-trust laws and the plaintiff, even if his patent were valid, should be estopped from maintaining suits for its infringement. Although these contentions were rejected by a number of the circuit courts of appeals, they were approved and accepted by the Supreme Court.<sup>18</sup>

Thus, in the case of *Morton Salt Company v. G. S. Suppiger Company*,<sup>19</sup> the Supreme Court reversed a circuit court of appeals decision

Co., 133 F. (2d) 763 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 739 (1943); *Cover v. Schwartz*, 133 F. (2d) 541 (C. C. A. 2d, 1942), *cert. denied*, 319 U. S. 748 (1943); *Cridelbaugh v. Rudolph*, 131 F. 795 (C. C. A. 3d, 1942), *cert. denied*, 318 U. S. 779 (1943).

15. *Proctor & Gamble Mfg. Co. v. Refining, Inc.*, 135 F. (2d) 900 (C. C. A. 4th, 1943); *C. Howard Hunt Pen Co. v. Radiant Point Pen Corp.*, 135 F. (2d) 870 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 773 (1943); *Petersime Incubator Co. v. Bundy Incubator Co.*, 135 F. (2d) 580 (C. C. A. 6th, 1943), *dismissed on motion of petitioner*, 320 U. S. 805 (1943).

16. *C. Howard Hunt Pen Co. v. Radiant Point Pen Corp.*, 135 F. (2d) 870 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 773 (1943).

17. *Petersime Incubator Co. v. Bundy Incubator Co.*, 135 F. (2d) 580 (C. C. A. 6th, 1943), *dismissed on motion of petitioner*, 320 U. S. 805 (1943). Likewise, during the first half of the present year a large number of patents have been declared invalid by the federal courts. See, *e.g.*, *International Carrier-Call & Television Corp. v. Radio Corporation of America*, 61 U. S. Pat. Q. 392 (C. C. A. 2d, 1944); *Danforth v. Northill Co.*, 61 Pat. Q. 206 (C. C. A. 9th, 1944); *Cornell, Jr. v. Chase Bros. Brass & Copper Co.*, 61 U. S. Pat. Q. 195 (C. C. A. 2d, 1944); *Derman v. Stor-Aid, Inc.*, 141 F. (2d) 580 (C. C. A. 2d, 1944); *Palerno v. Surrence Storage Battery Co.*, 61 U. S. Pat. Q. 401 (D. Mass. 1944).

18. *Mercoird Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U. S. 689 (1944); *Mercoird Corp. v. Mid-Continent Investing Co.*, 320 U. S. 661 (1944); *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173 (1942); *United States v. Masonite Corp.*, 316 U. S. 265 (1942); *United States v. Univis Lens Co.*, 316 U. S. 241 (1942); *B. B. Chemical Co. v. Ellis*, 314 U. S. 495 (1942); *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942); *Ethyl Gasoline Corp. v. United States*, 309 U. S. 436 (1940); *International Business Machines Corp. v. United States*, 298 U. S. 131 (1936).

19. 314 U. S. 488 (1942).



which had granted an injunction against infringement of a patent. The Court sustained the defense that since the plaintiff was making use of its patent to restrain the sale of an unpatented article used in conjunction with its patented machine, the plaintiff was guilty of unclean hands and could not maintain a suit for infringement. Chief Justice Stone, writing for a unanimous Court, declared that as a court of equity it would not

" . . . lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article."<sup>20</sup>

Placing the Court's decision squarely upon the public policy of encouraging competition rather than monopoly, he added:

"Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent. . . .

"It is the adverse effect upon the public interest of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent."<sup>21</sup>

Likewise, in *United States v. Masonite Corporation*,<sup>22</sup> the Court reversed a district court decree dismissing a suit by the United States to enjoin alleged violations of the federal anti-trust acts. The defendants were competitors, involved in disputes over the validity of certain patents. In order to end their differences, they had entered into a series of agreements by which all of them recognized the validity of these patents and accepted licenses from one of their number to handle the product in question through a system of *del credere* agencies. These agreements contained provisions fixing the resale prices at which the defendants would sell the product involved. In a unanimous opinion, the Court held that the patents could not be used to sustain the validity of the agreements, an integral part of which was the resale price-fixing arrangement, declaring:

20. *Id.* at 490.

21. *Id.* at 493-94.

22. 316 U. S. 265 (1942). In another case decided the same day, *United States v. Univis Lens Co.*, 316 U. S. 241 (1942), the Court held that the holder of a patent may not fix resale prices of the patented article for his licensees, even though the latter receive from the owner an incomplete article and must finish it in accordance with the learning of the patent. Chief Justice Stone, in a unanimous opinion, bluntly declared: "Agreements for price maintenance of articles moving in interstate commerce are, without more, unreasonable restraints within the meaning of the Sherman Act because they eliminate competition, *United States v. Trenton Potteries Co.*, 273 U. S. 392; *United States v. Socony-Vacuum Oil Co.*, 310 U. S. 150." *Id.* at 252.

"Since patents are privileges restrictive of a free economy, the rights which Congress has attached to them must be strictly construed so as not to derogate from the general law beyond the necessary requirements of the patent statute. . . . Active and vigorous competition then tends to be impaired, not from any preference of the public for the patented product, but from the preference of the competitors for a mutual arrangement for price fixing which promises more profit if the parties abandon rather than maintain competition. . . . Control over prices thus becomes an actual or potential brake on competition. This kind of marketing device thus, actually or potentially, throttles or suppresses competing and non-infringing products and tends to place a premium on the abandonment of competition. It is outside our competence to inquire whether the result was or was not beneficent, or whether the evil was or was not realized."<sup>23</sup>

Recently, the Court has carried these doctrines to even more precedent-shattering conclusions. In *Mercoide Corporation v. Mid-Continent Investing Company*,<sup>24</sup> it held that a patentee could not maintain a suit for contributory infringement against the seller of an unpatented device, admittedly designed solely for use in, and constituting an important element of, the patented combination article. The owner under an arrangement with its exclusive licensee had conditioned the sale of the patented combination upon sales by the latter of the unpatented device, which both its licensee and the defendant were selling. The alleged contributory infringer set up as defense that the patent owner was barred from maintaining this suit for contributory infringement because its arrangements with respect to the unpatented article in question were violative of the anti-trust laws.

In reversing the circuit court, which had sustained the charge of contributory infringement, the majority overruled the Supreme Court's prior ruling in the case of *Leeds & Catlin Company v. Victor Talking Machine Company*,<sup>25</sup> a leading decision on contributory infringement. The Court held that a patent owner could not restrain the manufacture of an unpatented article, although designed solely for and intended to be used as part of a product covered by a combination patent. To sustain a patent owner's right to injunctive relief against a defendant's sale of the unpatented article would, in the opinion of at least a majority<sup>26</sup> of the Court,

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23. *Id.* at 280-81.

24. 320 U. S. 661 (1944).

25. 213 U. S. 325 (1909).

26. Four Justices (Roberts, Reed, Frankfurter, and Jackson) dissented, primarily upon the ground that the defenses that the actions of the licensee and owner were violative of the anti-trust laws could have been raised in a prior suit to which the defendant was privy, and hence, were barred by *res judicata*. The extent to which the majority disallowed this defense of *res judicata* may be seen from that portion of the majority opinion dealing with the question:

"Respondents ask the equity court for an injunction against infringement by petitioner of the patent in question and for an accounting. Should such a decree be entered, the

have been to carve an exception to the policy expressed in the anti-trust laws. The underlying policy which, it is believed, is the basis of decision in not only these, but also the preceding patent cases discussed was succinctly stated by Mr. Justice Douglas:

"The grant of a patent is the grant of a special privilege 'to promote the Progress of Science and useful Arts.' . . . It carries, of course, a right to be free from competition in the practice of the invention. But the limits of the patent are narrowly and strictly confined to the precise terms of the grant. . . . It is the public interest which is dominant in the patent system. . . . *It is the protection of the public in a*

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Court would be placing its imprimatur on a scheme which involves a misuse of the patent privilege and a violation of the anti-trust laws. It would aid in the consummation of a conspiracy to expand a patent beyond its legitimate scope. But patentees and licensees cannot secure aid from the Court to bring such an event to pass, 'unless it is in accordance with policy to grant that help.' *Beasley v. Texas & Pacific Ry. Co.*, 191 U. S. 492, 497. And the determination of that policy is not 'at the mercy' of the parties (*id.*, p. 498) nor dependent on the usual rules governing the settlement of private litigation. . . . 'Where an important public interest would be prejudiced,' the reasons for denying injunctive relief 'may be compelling.' *Harrisonville v. Dickey Clay Co.*, 289 U. S. 334, 338. And see *United States v. Morgan*, 307 U. S. 183, 194. That is the principle which has led this Court in the past to withhold aid from a patentee in suits for either direct or indirect infringement where the patent was being misused. *Morton Salt Co. v. G. S. Suppiger Co.*, . . . [314 U. S. 488]. That principle is controlling here. The parties cannot foreclose the courts from the exercise of that discretion by the failure to interpose the same defense in an earlier litigation. Cf. *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173." *Id.* at 670.

Messrs. Justices Roberts and Frankfurter, in their respective dissenting opinions, also indicated disagreement with the views of the majority on the question of contributory infringement, but took the view that it was not necessary to decide these questions.

In the companion case of *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U. S. 680 (1944), the Supreme Court unanimously held that the rule of the *Morton Salt* case barred the exclusive licensee of the patentee party plaintiff in the companion case from maintaining a suit for contributory infringement, and held also that the defendant was entitled to injunctive relief against the exclusive licensee's threatening it or its customers with patent infringement suits. Four Justices concurred in result on the authority of the *Morton Salt* case. The relation between the *Mercoïd* case and the prior law on the subject of contributory infringement is succinctly summarized in the recent case, *Landis Machine Co. v. Chase Tool Co.*, 61 U. S. Pat. Q. 164, 166 (C. C. A. 6th, 1944): "In *Mercoïd Corp. v. Mid-Continent Investment Co.* . . . the rule of *Carbice Corp. v. American Patents Corp.*, 283 U. S. 27, . . . wherein it had been held that the use of a patent for a machine or process to secure a partial monopoly in supplies consumed in operation or in unpatented materials employed in it, barred recovery for infringement was extended to cover unpatented material or devices which are themselves an integral part of the structure embodying the patent. The result of the decision, it was said, 'is to limit substantially the doctrine of contributory infringement.' A careful study of the opinion, together with its interpretation by the dissenting Justices, and a consideration of the doubt implicit in the observation 'what residuum may be left we need not stop to consider' leads to the conclusion that nothing has been left of the doctrine as formerly it had been applied to the furnishing of unpatented parts integral to structures embodying patented combinations."

*system of free enterprise which alike nullifies a patent where any part of it is invalid . . . and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant. . . ."*<sup>27</sup>

Naturally, the refusal of the Supreme Court to permit the maintenance of patent infringement suits where patents have been used in a manner violative of the *policy* of the anti-trust laws, has been reflected in the rulings of the various circuit courts of appeals.<sup>28</sup>

#### ANTI-TRUST ACTIONS

In a number of recent cases, the Supreme Court had dealt with situations where the application of the Anti-Trust Acts—Sherman and Clayton—was directly involved.<sup>29</sup> These decisions, even more strongly than those which dealt with the relation between the patent and anti-trust laws, reflect the present Supreme Court's determination to outlaw all agreements and arrangements affecting interstate commerce which it believes will have the effect of eliminating or impeding competition.

Thus in the *Interstate Circuit* case,<sup>30</sup> the Court served clear notice that the anti-trust laws and the policies represented therein would be broadly applied to the distribution phases of the motion picture industry.<sup>31</sup> Re-

27. *Mercoid Corp. v. Mid-Continent Investing Co.*, 320 U. S. 661, 665-66 (1944).

28. See, e.g., *Landis Machinery Co. v. Chaso Tool Co.*, C. C. H. Trade Reg. Serv. ¶ 57228 (C. C. A. 6th, 1944); *Cummer-Graham Co. v. Straightside Basket Corp.*, 61 U. S. Pat. Q. 395 (C. C. A. 5th, 1944); *National Lockwasher Co. v. George K. Garrett Co.*, 137 F. (2d) 255 (C. C. A. 3d, 1943); *Barber-Colman Co. v. National Tool Co.*, 136 F. (2d) 339 (C. C. A. 6th, 1943); see also the learned opinion of Judge Leahy in *United States v. Vehicular Parking Co.*, 61 U. S. Pat. Q. 105 (D. Del. 1944).

29. *American Medical Ass'n v. United States*, 317 U. S. 519 (1943); *Fashion Originators Guild v. Federal Trade Comm.*, 312 U. S. 457 (1941); *C. E. Stevens Co. v. Foster & Kleiser Co.*, 311 U. S. 265 (1940); *United States v. Socony Vacuum Oil Co.*, 310 U. S. 150 (1940); *Interstate Circuit, Inc. v. United States*, 306 U. S. 203 (1939); *Sugar Institute, Inc. v. United States*, 297 U. S. 553 (1936). The decision of the Supreme Court in *United States v. Bausch & Lomb Optical Co.*, 320 U. S. 711 (1944), offers additional confirmation of the article's analysis of the trend in the anti-trust field. While affirming by an evenly divided Court (four to four) dismissal of charges against the Bausch & Lomb Company, the Court sustained the sweeping findings and provisions of the lower court's decree against the Soft-Lite Company.

30. *Interstate Circuit v. United States*, 306 U. S. 203 (1939).

31. For a study of the various divisions of the motion picture industry as patterns of monopoly, see BERTRAND, *TNEC REP., MOTION PICTURE INDUSTRY—A PATTERN OF CONTROL*, Monograph 34 (1936) 43. See also an excellent Note, *The Motion Picture Industry and The Anti-Trust Laws* (1936) 36 COL. L. REV. 635. Similar notice has been served on insurance companies. In *United States v. South-Eastern Underwriters Association*, 12 U. S. L. WEEK 4451 (U. S. 1944), the Court by a four-three decision overturned long-established precedent to hold the business of insurance a part of interstate commerce subject to the application of the Sherman Act.

jecting the argument that the copyright law protected practices that serve to eliminate competition—as it rejected in the allied field of patents the widely held notion that patents serve a similar function—the majority of the Court in an opinion by Mr. Justice Stone held:

“An agreement illegal because it suppresses competition is not any less so because the competitive article is copyrighted. The fact that the restraint is made easier or more effective by making the copyright subservient to the contract does not relieve it of illegality.”<sup>32</sup>

Nor has the Court permitted the elimination of admitted evils within industries to constitute justification for the pursuance of policies which it deemed inimical to the system of free competition. In the *Socony Vacuum Oil Company* case,<sup>33</sup> a majority of the Court reversed a circuit court of appeals decision, which in turn had reversed a criminal conviction in a district court against the major oil companies of the country for conspiracy to violate the anti-trust laws through a concerted program of buying oil in the mid-western part of the country. The defendant companies had argued that their conduct was induced and justified by their desire to eliminate distressed gasoline, which in that area was unreasonably depressing market prices and demoralizing the industry. The Court flatly rejected this argument and, finding that the defendants' buying program was one that would affect the price structure in the market concerned, held the defendants' conduct to be illegal *per se*. The Court refused to be drawn into the question of the reasonableness of the prices that resulted from the defendants' conduct, or whether the competitive abuses would justify conduct affecting the price structure, declaring that if it permitted itself to become enmeshed in these questions, the philosophy of the anti-trust acts “would be supplanted by one which is wholly alien to a system of free competition.”<sup>34</sup> Mr. Justice Douglas emphasized that:

“Those who fixed reasonable prices today would perpetuate unreasonable prices tomorrow, since those prices would not be subject to continuous administrative supervision and readjustment in light of changed conditions. Those who controlled the prices would control or effectively dominate the market. And those who were in that strategic position would have it in their power to destroy or drastically impair the competitive system. . . . Any combination which tampers with price structure is engaged in an unlawful activity.”<sup>35</sup>

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32. *Interstate Circuit v. United States*, 306 U. S. 208, 230 (1939).

33. *United States v. Socony-Vacuum Oil Co.*, 310 U. S. 150 (1940).

34. *Id.* at 221.

35. *Ibid.*

Likewise, the Court has refused to permit a chaotic situation in the garment industry to constitute a justification for an arrangement whereby garment and textile manufacturers agreed not to sell their product except on condition that the buyers agree not to use or deal in textiles or garments copied from the designs of respective manufacturers. The Federal Trade Commission found that this program, carried out through a Fashion Originators Guild, was an unfair method of competition because violative of the policy of the anti-trust acts and issued an order enjoining them from carrying out such a program. In sustaining a circuit court decision upholding the Federal Trade Commission's action and rejecting the views of another circuit court of appeals which had found in a private anti-trust action that the practices involved were not illegal,<sup>36</sup> the Court said that the course of conduct pursued was illegal even though the Guild did not fix or regulate prices or limit production in any way. The Court unanimously rejected the argument that, since the defendant's conduct was allegedly necessary to protect the manufacturer, laborer, retailer, and consumer from the evils resulting from the pirating of original design, the defendant's conduct did not constitute an unlawful method of competition. Indeed, the Court sustained the refusal of the Federal Trade Commission to hear much of the evidence offered in support of this defense, remarking:

" . . . the aim of petitioner's combination was the intentional destruction of one type of manufacture and sale which competed with Guild members. The purpose and object of this combination, its potential power, its tendency to monopoly, the coercion it could and did practice upon a rival method of competition, all brought it within the policy of the prohibition declared by the Sherman and Clayton Acts. . . . Under these circumstances it was not error to refuse to hear the evidence offered, for the reasonableness of the methods pursued by the combination to accomplish its unlawful object is no more material than would be the reasonableness of the prices fixed by unlawful combination." <sup>37</sup>

In support of its conduct, the Fashion Guild had urged that the practices of style pirating, engaged in by the members of the industry against whom their program was directed, constituted unfair methods of competition and relied upon the broad doctrines as to the scope of protection against pirating enunciated in *International News Service v. Associated Press*.<sup>38</sup> The present Court refused, however, to allow those doctrines of unfair competition to legalize the petitioner's combination, which it

36. *William Filene's Sons Co. v. Fashion Originators' Guild*, 90 F. (2d) 556 (C. C. A. 1st, 1937).

37. *Fashion Originators' Guild v. Federal Trade Comm.*, 312 U. S. 457, 467 (1941).

38. 248 U. S. 215 (1918).

found regulated and restrained interstate commerce in violation of the policies of the anti-trust laws.<sup>39</sup>

As might be expected, these Supreme Court decisions have exercised great influence over the decisions of lower federal courts. These tribunals, in express reliance upon the Supreme Court cases considered in this section, have within the past few years rendered a series of decisions giving the anti-trust acts a broad interpretation and enlarging their sphere of application.<sup>40</sup> While within the field of trademark and unfair competition litigation, to be now considered, the circuit courts themselves have formulated the legal standards which exemplify the trend, these standards also reflect the influence of the Supreme Court's persistent reluctance to sanction monopoly and its emphasis upon the maintenance of a competitive economy.

### TRADEMARK AND UNFAIR COMPETITION SUITS

The importance in an advertising-conscious economy of the use of marks or symbols as a means of identifying the origin of goods needs no reiteration.<sup>41</sup> Phenomenal exploitation of such marks or symbols through modern advertising techniques enhances the importance and significance of the legal framework which defines the relative rights of: (1) those utilizing particular marks or symbols; (2) those manufacturing or merchandising similar goods in connection with which they use marks or symbols; (3) the producers, distributors, or retailers of dissimilar goods in connection with which marks or symbols are used; (4) the consuming public; and (5) society as a totality. Because the interests and objectives

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39. As Mr. Justice Black remarked: "Nor can the unlawful combination be justified upon the argument that systematic copying of dress designs is itself tortious, or should now be declared so by us. In the first place, whether or not given conduct is tortious is a question of state law, under our decision in *Erie R. Co. v. Tompkins*, 304 U. S. 64. In the second place, even if copying were an acknowledged tort under the law of every state, that situation would not justify petitioners in combining together to regulate and restrain interstate commerce in violation of federal law. And for these same reasons, the principles declared in *International News Service v. Associated Press*, 248 U. S. 215, cannot serve to legalize petitioners' unlawful combination." *Fashion Originators' Guild v. Federal Trade Comm.*, 312 U. S. 457, 468 (1941).

40. See, e.g., *Montrose Lumber Co. v. United States*, 124 F. (2d) 573 (C. C. A. 10th, 1941); *Schlitz Brewing Co. v. Johnson*, 123 F. (2d) 1016 (C. C. A. 6th, 1941); *United States v. General Motors Corp.*, 121 F. (2d) 376 (C. C. A. 7th, 1941); *United States v. Pullman Co.*, 50 F. Supp. 123 (3 Judge Fed. Expediting Ct., 1943); and see also the opinion of the court on the settlement of the decree in this litigation, C. C. H. Trade Reg. Serv. ¶ 53,025 (Feb. 2, 1944).

41. As Mr. Justice Frankfurter recently remarked in *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203, 205 (1942): "If it is true that we live by symbols, it is no less true that we purchase goods by them." See the discussion of this case *supra* note 6.

of those within each of these categories are patently diverse, the cases within this field involve a resolution of conflicting claims. The emphasis placed upon the relative interests varies with changes in the political, economic, and social doctrines dominating judicial thinking; and mobility in the legal pattern is aided by the dynamism of common law judicial processes, which for the most part mold this field of law.

During the past decade, the *results* reached by the courts reflect an ever greater emphasis upon (a) the interests of the consuming public and those of society at large, and (b) the view that the interests of these two overlapping groups are best served by the fostering of as competitive an economy as possible. Consequently, there has been a curtailment of the relative rights of those within the first category above in contests with those within the second and third categories. It is suggested that decisional trends have not been influenced by writers like Callman because, in their advocacy of greater recognition of exclusive rights in marks and business methods,<sup>42</sup> they have overlooked the interests of the public, and the view that free competition best advances those interests.

For purposes of convenience, the recent cases in this field may be divided into three general categories: (a) those involving the use by competitors of marks—whether words or symbols—on similar goods; (b) those involving the use by plaintiff and defendant of similar marks on different goods; and (c) those involving claims with respect to unpatented or uncopyrighted business methods, systems, or ideas.

(A) *The Use by Competitors of Marks, Whether Words or Symbols, on Similar Goods.* The word "mark," is used in this article to mean any word or symbol which is employed to identify the origin of the goods in connection with which it is utilized. The term "trademark" is pregnant with difficulty because it often connotes legal conclusions that courts have drawn with respect to the particular mark in issue. Thus use of the word "mark" avoids the necessity for distinguishing between technical trademark suits and unfair competition actions where merely the use of such marks or words or symbols is involved.

The only Supreme Court decision during the past decade on the relative scope of rights with respect to the use of particular marks is the famous *Shredded Wheat* case.<sup>43</sup> The issue presented was whether the National

42. See, e.g., Callman, *He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition* (1942) 55 HARV. L. REV. 595.

43. *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111 (1938). Discussion of the relation between the expiration of the patent as it originally existed with respect to the process for making the cereal and the right to use the words in question is omitted here because it is not believed that that was a dominating factor in the decision. See Derenberg, "*Shredded Wheat*"—*The Still-born Trade-mark* (1939) 16 N. Y. U. L. Q. REV. 376. Those aspects of the case which dealt with the right of defendant to sell its product in the same pillow-shaped form as the plaintiff's product was sold are discussed *infra* page 548.



Biscuit Company, which had built up, together with its predecessors, a large market for a cereal sold under the mark "Shredded Wheat," could enjoin another large cereal manufacturing company from using the words "Shredded Wheat" as the name of its product. Admittedly, the defendant competitor had begun to use the mark in question after the plaintiff had spent a large sum of money over a period of years in advertising and distributing its product under the name "Shredded Wheat." The circuit court had issued a decree enjoining the National Biscuit Company's competitor from using the mark "Shredded Wheat" as the name, or as part of the name, of its product. Reversing this decision the Supreme Court held: (1) that because—as it found—the name "Shredded Wheat" was descriptive and known to the public as the name of the *product* involved, any trader had the right to use the words "Shredded Wheat" as the name of that product; (2) that the National Biscuit Company had not built up sufficiently a secondary meaning for the mark "Shredded Wheat" to establish that the words had come to mean during the years a product of a particular manufacturer rather than the product itself.<sup>44</sup>

It is significant that the Court's opinion was written by the late Mr. Justice Brandeis, whose advocacy of a free and competitive economy as the solution of our economic ills, had characterized his writings and dissenting opinions for many years.<sup>45</sup> The doctrinal importance of the decision lies not only in its insistence upon the rights of traders with respect to generic names and the strict test which it has laid down with respect to the proof required to establish a secondary meaning, but likewise in its ruling that competitors are entitled to share a market for a *product* even though created by another company:

"Kellogg Company is undoubtedly sharing in the goodwill of the article known as 'Shredded Wheat'; and thus is sharing in a market

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44. "As Kellogg Company [the defendant] had the right to make the article, it had, also, the right to use the term by which the public knows it. [citing cases]." *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111, 116-17 (1938).

"There is no basis here for applying the doctrine of secondary meaning. The evidence shows only that due to the long period in which the plaintiff or its predecessor was the only manufacturer of the product, many people have come to associate the product, and as a consequence the name by which the product is generally known, with the plaintiff's factory at Niagara Falls. *But to establish a trade name in the term 'shredded wheat' the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.*" *Id.* at 118. (Italics added).

45. For a collection of Brandeis' writings in which are presented his views upon monopoly and competition in relation to the ills of our times, see LIEF, *THE BRANDEIS GUIDE TO THE MODERN WORLD* (1941) 54-64; and RICHBERG, *The Industrial Liberalism of Mr. Justice Brandeis* in MR. JUSTICE BRANDEIS (Frankfurter ed. 1932) 127. Mr. Justice Brandeis' famous dissent in *Liggett Co. v. Lee*, 288 U. S. 517, 541-80 (1933), contains a full discussion of his views on this subject. It is significant to note that Mr. Justice Stone (now Chief Justice) concurred in this famous dissent.

which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair."<sup>46</sup>

This language serves to emphasize the Court's concern in deciding litigations of this character with the public interest and its judgment that it is best served by as extensively a competitive economy as possible.

The trend of decisions within this field during the past decade—in contrast to that which prevailed in the preceding period<sup>47</sup>—has unmistakably been moving towards restricting the scope of exclusive rights awarded plaintiffs and correspondingly broadening the privileges of their competitors. The influence<sup>48</sup> of the *Shredded Wheat*<sup>49</sup> case, plus the effect of the Supreme Court's denial of certiorari<sup>50</sup> in a large number of cases where the results reached by the circuit courts were in harmony with the Court's views on the central problem of monopoly versus competition have served to mold and accelerate this trend. With increasing consistency the circuit courts have rendered judgments for defendants, reversing district courts' rulings awarding relief to plaintiffs,<sup>51</sup> and restricting

46. *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111, 122 (1938).

47. For a treatment of these earlier trends, see Handler and Pickett, *supra* note 3.

48. See, e.g., *Grosjean v. Panther-Panco Rubber Co.*, 113 F. (2d) 252 (C. C. A. 1st, 1940), discussed *infra* note 51.

49. For a discussion of two other Supreme Court cases dealing with trademark questions, not treated here, see note 6 *supra*. For a discussion of the effect which the *Shredded Wheat* case has had in cases dealing with unfair competition claims, see pages 546-48 and note 95 *infra*.

50. See cases cited *infra* note 51.

51. *Pennzoil Co. v. Crown Central Petroleum Corp.*, 140 F. (2d) 387 (C. C. A. 5th, 1944), *aff'g per curiam* 50 F. Supp. 891 (D. Md. 1943) (owner of the mark "Pennzoil" not entitled to enjoin use of the mark "Greenzoil," both applied to petroleum products), *cert. denied*, 12 U. S. L. Week 3397, (U. S. 1944); *Taylor Instrument Co. v. Fawley-Brost Co.*, 139 F. (2d) 98 (C. C. A. 7th, 1943) (owner of the mark "Taylor" not entitled to enjoin the use of the marks "T" or "Tay," defendant's marks being used on materials that could be used with plaintiff's machine on which it used its mark "Taylor"), *cert. denied*, 64 Sup. Ct. 782 (1944); *Falstaff Brewing Co. v. Lemp Brewing Co.*, 139 F. (2d) 26 (C. C. A. 7th, 1943) (owner of a mark consisting of a shield having an outline, which was asymmetrical, with a deep-rounded notch in upper right-hand portion, not entitled to enjoin use of a mark consisting of a shield which consisted of a symmetrical design having two rounded knothches on each side, both marks used on containers of malt liquors); *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F. (2d) 955 (C. C. A. 2d, 1943) (owner of the mark "Chateau Martin" not entitled to enjoin use of the mark "Chateau Montay"), *cert. denied*, 320 U. S. 753 (1943); *American Photographic Pub. Co. v. Ziff-Davis Pub. Co.*, 135 F. (2d) 569 (C. C. A. 7th, 1943) (owner of the mark "American Photography" held not entitled to enjoin use of the mark "Popular Photography," both marks used on magazine publications); *Solventol Chemical Products v. Langfield*, 134 F. (2d) 899 (C. C. A. 6th, 1943) (owner of the mark "Solvite" not entitled to enjoin use of the mark "Solventol," both marks used on cleaning fluids—defendant's counterclaim to compel registration of its mark over plaintiff's opposition likewise granted), *cert. denied*, 320 U. S. 743 (1943); *Quaker Oats Co. v. General*

and casting doubt on their own decisions in the earlier decade.<sup>52</sup> Examination of all the circuit court cases in this field reveals that the number

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Mills Co., 134 F. (2d) 429 (C. C. A. 7th, 1943) (owner of the mark "Wheaties" not entitled to enjoin use of the marks "Oaties" and "Quaker Oaties," both parties' marks applied to breakfast cereals); Cridlebaugh v. Rudolph, 131 F. (2d) 795 (C. C. A. 3d, 1942) (owner of the mark "Specs" not entitled to enjoin use of the mark "Goggles," even assuming validity of plaintiff's mark, both marks used on protective devices for chickens), *cert. denied*, 318 U. S. 779 (1943); Taylor Instrument Co. v. Fee & Stemwedel, Inc., 129 F. (2d) 156 (C. C. A. 7th, 1942) (owner of the marks "Stormoguide," "Thermoguide," and "Humidiguide," not entitled to enjoin use of the mark "Airguide"); James Heddon's Sons v. Millsite Steel & Wire Works, 128 F. (2d) 6 (C. C. A. 6th, 1942) (owner of the mark "Head-On-Bassor" not entitled to enjoin use of the mark "Millsite Bassor," both marks applied to fishing tackle), *cert. denied*, 317 U. S. 674 (1942); Alexander Young Distilling Co. v. National Distillers Products Corp., 127 F. (2d) 727 (C. C. A. 3d, 1942), *aff'g per curiam* 40 F. Supp. 748 (D. Pa. 1941) (owner of the mark "Y. P. M." not entitled to enjoin use of the mark "PM," both marks used on whiskey); Rytex Co. v. Ryan, 126 F. (2d) 952 (C. C. A. 7th, 1942) (owner of the marks "Rytex" and "Rytex Deckle Edge Vellum" not entitled to enjoin use of the marks "Rynart" and "Rynart Deckle Edge Vellum"—the latter three words being admittedly descriptive—both marks used on stationery); Pecheur Lozenge Co. v. National Candy Co., 122 F. (2d) 318 (C. C. A. 3d, 1941) (owner of the mark "Pay Roll" not entitled to enjoin use of the mark "Cash Roll," both marks used on candy wafers), *rev'd on other grounds*, 315 U. S. 666 (1942) (with directive to apply applicable state law); American Brake Shoe & Foundry Co. v. Alltex Products Corp., 117 F. (2d) 983 (C. C. A. 2d, 1941) (owner of the mark "American Brakeblok" not entitled to relief against the use of the mark "National Brake Block," even though court assumed a secondary meaning had been established by plaintiff for the descriptive phrase "Brakeblok," and even though dealers were substituting defendant's product for that of the plaintiff—court found that defendant's mark did not contribute to this passing off), *cert. denied*, 314 U. S. 631 (1941); Dixi-Cola Laboratories v. Coca-Cola Co., 117 F. (2d) 352 (C. C. A. 4th, 1941) (owner of the mark "Coca-Cola" held not entitled to relief against the use of the mark "Dixi-Cola," both marks used on soft drinks), *cert. denied*, 314 U. S. 629 (1941); Steem-Electric Corp. v. Herzfeld-Phillipson Co., 118 F. (2d) 122 (C. C. A. 7th, 1940) (owner of mark "Steem-Electric" held not entitled to enjoin use of the mark "Steam-O-Matic," both marks used on steam-electric irons); McGraw-Hill Publishing Co. v. American Aviation Association, 117 F. (2d) 293 (App. D. C. 1940) (owner of the mark "Aviation" held not entitled to relief against the use of the mark "American Aviation," both marks used as names for magazine publications); Grosjean v. Panther-Panco Rubber Co., 113 F. (2d) 252 (C. C. A. 1st, 1940) (owner of the mark "Gro-Cord" not entitled to enjoin use of the mark "Pancord," both marks used on soles and heels); Colburn v. Puritan Mills, Inc., 108 F. (2d) 377 (C. C. A. 7th, 1939) (owner of the mark "Py-Do" not entitled to relief against the use of the mark "Py-O-My," both used for pie-dough products, even assuming validity of plaintiff's mark); Glenmore Distilleries Co. v. National Distillers Products Corp., 101 F. (2d) 479 (C. C. A. 4th, 1939) (owner of the mark "Kentucky Tavern" not entitled to relief against the use of the mark "Town Tavern," both marks used on whiskey, even though the Patent Office had held defendant's mark confusingly similar), *cert. denied*, 307 U. S. 632 (1939); John Morrell & Co. v. Doyle, 97 F. (2d) 232 (C. C. A. 7th, 1938) (owner of the mark "Strongheart" not entitled to relief against the use of the mark "Red Heart" together with the picture of a dog, both marks used on dog foods, even though the Patent Office had held defendant's mark confusingly similar to that of the plaintiff); Time, Inc. v. Ultem

in favor of the defendants greatly preponderates.<sup>53</sup> And in view of the great importance to the consuming public and the commercial world of

Publications, 96 F. (2d) 164 (C. C. A. 2d, 1938) (owner of the mark "Life" not entitled to relief against use of the mark "Movie Life," both used on magazine publications); Pepsi-Cola Co. v. Krause Bottling Co., 92 F. (2d) 272 (C. C. A. 4th, 1937) (owner of the mark "Pepsi-Cola" not entitled to enjoin use of the mark "Pep," both used on beverages); Warner Publications, Inc. v. Popular Publications, Inc., 87 F. (2d) 913 (C. C. A. 2d, 1937) (owner of the mark "Ranch Romances" not entitled to use of the mark "Rangeland Romances," both magazine publications, even assuming plaintiff had established a secondary meaning for its mark); Gold Dust Corp. v. Hoffenberg, 87 F. (2d) 451 (C. C. A. 2d, 1937) (owner of the mark "Gold Dust" not entitled to enjoin use of the mark "Silver Dust"); Dupont Cellophane Co. v. Waxed Products Co., 85 F. (2d) 75 (C. C. A. 2d, 1936) (plaintiff who coined the mark "Cellophane" and was original user not entitled to enjoin competitor from using the word "Cellophane" as the name of the same product as plaintiff's upon the ground that the word "Cellophane" at the time of suit meant to the public a particular product as distinguished from any particular source of that product), *cert. denied*, 305 U. S. 672 (1938), 304 U. S. 575 (1938), 299 U. S. 601 (1936); Fawcett Publications, Inc. v. Popular Mechanics Co., 80 F. (2d) 194 (C. C. A. 3d, 1935) (owner of the mark "Popular Magazines" not entitled to enjoin defendant from using the mark "Modern Magazines," both marks used on magazine publications, although plaintiff was assumed to have established a secondary meaning in the word "mechanics," the Patent Office had denied defendant's registration on the grounds of confusing similarity, and there was considerable evidence of confusion). The most recent case is Selchow-Righter Co. v. Western Printing & Lithographing Co., 61 U. S. Pat. Q. 470 (C. C. A. 7th, 1944) (owner of the mark "Parcheesi" as applied to a game held not entitled to enjoin use of the mark "Pachisi," found to be Hindu name for the game, although plaintiff's mark was found to be validity registered under the ten year proviso of the 1905 Trademark Act).

Contrast with these cases those in which relief was granted to the plaintiff: Lone Ranger, Inc. v. Cox, 124 F. (2d) 650 (C. C. A. 4th, 1942) (persons who established a secondary meaning in connection with the tradename "Lone Ranger" held entitled to enjoin the use of that mark—defendant, however, allowed to advertise that he was the man who played the part of "X" in the motion picture "Lone Ranger"—thus, very limited injunction issued); Hemmeter Cigar Co. v. Congress Cigar Co., 118 F. (2d) 64 (C. C. A. 6th, 1941) (owner of the mark "Champ" held entitled to enjoin defendant's use of the mark "Portina Champ," both marks used on cigars, but plaintiff's rights limited to three states, where it had commenced business prior to defendant); Little Tavern Shops, Inc. v. Davis, 116 F. (2d) 903 (C. C. A. 4th, 1941) (owner of the mark "Little Tavern" used in connection with place of business, held entitled to enjoin the use of the mark "Little Tavern" in connection with a place of business—plaintiff proved a secondary meaning for the mark "Little Tavern" as the name of defendant's eating place in that locality); United Drug Co. v. Obeare-Nester Glass Co., 111 F. (2d) 997 (C. C. A. 8th, 1940) (owner of the mark "Rex" held entitled to enjoin the use of the mark "Rexall," both marks being used on prescription bottles), *cert. denied*, 311 U. S. 665 (1940); General Shoe Corp. v. Rosen, 111 F. (2d) 95 (C. C. A. 4th, 1940) [owners of the marks "Friendly" and "The Friendly Five" as applied to shoes, held entitled to enjoin the use of the mark "Friendly" in connection with the sale of shoes, but not entitled to enjoin general use of the marks "Friendly" and "Friendly Men's Shop" by defendant; on rehearing, 112 F. (2d) 561 (C. C. A. 4th, 1940), circuit court refused to extend its very limited injunction]; F. W. Fitch Co. v. Camille, Inc., 106 F. (2d) 635 (C. C. A. 8th, 1939) (owner of the mark "Run-R-Stop" held entitled to enjoin use of the mark "Stop-A-Run," both marks used on a

these results, the repeated denial of certiorari by the Supreme Court—which at the same time tends to create these results—may be accounted for

stocking preparation—plaintiff proved secondary meaning, extensive confusion, and defendant was also found guilty of using plaintiff's unusual and descriptive packaging and containers); *Rinex Laboratories Co. v. Noll*, 99 F. (2d) 1013 (C. C. A. 6th, 1938), *aff'd per curiam* 25 F. Supp. 239 (N. D. Ohio 1935) (owner of the mark "Pinex" held entitled to enjoin use of the mark "Rinex," but not to enjoin use of the mark "Fed-Rinex," all marks used on patent medicines—defendant had failed to introduce evidence that many marks for similar products had an "ex" ending); *Industrial Rayon Corp. v. Duchess Underwear Corp.*, 92 F. (2d) 33 (C. C. A. 2d, 1937) (owner of the mark "Spun-lo" held entitled to enjoin use of the mark "Sunglo," both marks used on fabrics—extensive proof of actual confusion).

52. Thus, in the case of *Fawcett Publications, Inc. v. Popular Mechanics*, 80 F. (2d) 194 (C. C. A. 3d, 1935), discussed *supra* note 51, the Third Circuit Court of Appeals, rejecting the argument that two of its earlier decisions [*Photoplay Publishing Co. v. La Verne Publishing Co.*, 269 Fed. 730 (C. C. A. 3d, 1921), and *Barton v. Rex-Oil Co.*, 2 F. (2d) 402 (C. C. A. 3d, 1924), *reheard*, 29 F. (2d) 474 (C. C. A. 3d, 1928)] sustained the plaintiff's contentions, stated: "It may be that the decrees went too far in absolutely enjoining the use of the descriptive words in the *Photoplay* and *Dyanshine* cases for the reason that being descriptive words they could not be exclusively appropriated." *Id.* at 197. It may be noted parenthetically that the *Photoplay* and *Dyanshine* cases were leading authorities used by writers to exemplify the trend towards giving plaintiffs broad relief in these actions. See, *e.g.*, *Handler and Pickett*, *supra* note 3, at 183, 188.

53. See notes 51, 52 *supra*. It is significant to note that the results of proceedings to register marks under trademark statutes—a type of trademark action not ordinarily subject to review by the Supreme Court—indicate an increasing disposition to sustain the demands of trademark owners that registration be denied the marks of competitors. See, *e.g.*, *Parke-Davis Co. v. Harvey Co.*, 141 F. (2d) 132 (C. C. P. A. 1944) (the mark "Digiseals" for use on a digitalis preparation denied registration because of opposition by the owner of the mark "Capseals Digisortis" for a similar preparation, despite the fact that evidence showed many trademarks for similar preparations in which the terms "Digi" and "Seals" were present); *Jacob Ries Bottling Works, Inc. v. Coca-Cola Co.*, 138 F. (2d) 56 (C. C. P. A. 1943) ("Rock Spring Cola" denied registration because of opposition by owner of the mark "Coca-Cola," although in the *Dixi-Cola* and *Nehi* cases, it had been held that the Coca-Cola Company was not entitled to enjoin the use of the marks "Dixi-Cola," "Royal Crown Cola," etc.); *Architectural Catalogue Co. v. Dodge Corp.*, 136 F. (2d) 1008 (C. C. P. A. 1943) (the mark "Architecture and Design" denied registration as a title for a magazine because of opposition by the owner of the mark "Architecture"); *Marshall Field Co. v. Macy Co.*, 115 F. (2d) 921 (C. C. P. A. 1940) ("Crepiglow" denied registration because of opposition by owner of the mark "Crepetex," although evidence showed many other marks, both registered and used, containing the word "Crepe"). The Supreme Court has based its refusal to grant certiorari to these determinations on the ground: (1) that since they are not final judgments, they will not be binding in subsequent litigation according to doctrines of *res judicata*; (2) that the proceedings do not constitute "cases or controversies" within the meaning of Article III of the Constitution because they require the exercise of legislative and administrative, rather than judicial, functions. See *Northwestern Canning Co. v. Skookum*, 283 U. S. 858 (1931), *denying certiorari* to 45 F. (2d) 912 (C. C. P. A. 1930); *Postum Cereal Co. v. California Fig Nut Co.*, 272 U. S. 693 (1927); *Saines v. Knecht*, 212 U. S. 561 (1908). While a party who is unsuccessful in a Patent

only by the fact that they were in accord with the Court's views on monopoly and competition.<sup>54</sup>

Office Proceeding, may bring a bill in equity in a federal district court as well as appeal to the Court of Customs and Patent Appeals, REV. STAT. §§ 4911-15 (1875), the Supreme Court has rendered no opinion as to whether it will review federal court decisions obtained in this manner. But in a number of such cases, it has denied certiorari. *Philadelphia Enquirer Co. v. Coe*, 133 F. (2d) 385 (App. D. C. 1942), *cert. denied*, 318 U. S. 793 (1943); *Dixie Rose Nursery Co. v. Coe*, 131 F. (2d) 446 (App. D. C. 1942), *cert. denied*, 318 U. S. 782 (1943); *Century Distilling Co. v. Continental Distilling Co.*, 106 F. (2d) 486 (C. C. A. 3d, 1939), *cert. denied*, 309 U. S. 662 (1940).

The decisions of the Court of Customs and Patent Appeals by their results necessarily serve to hinder, if not to eliminate, competition and represent a trend contrary to that found in the decisions of the federal courts, where the issue presented is the right of the plaintiff to exclude the defendant from using the particular mark in question. The principles applied in the federal courts have been rejected by the Customs Court upon the ground that the right to register a mark is governed by different considerations than the right to use the mark—a distinction which, despite repeated pronouncement, appears to be without foundation. See, *e.g.*, the opinions of the Court of Customs and Patent Appeals in *Jacob Ries Bottling Works, Inc. v. Coca-Cola Co.*, *supra*; *Marshall Field Co. v. Macy Co.*, *supra*; *Skelly Oil Co. v. Powerine Co.*, 86 F. (2d) 752 (C. C. P. A. 1936). The various circuit courts of appeals have consequently given little weight in actions involving the right of a plaintiff to exclude his competitor from use of a mark to prior Customs Court and Patent Office determinations denying the competitor the right to register the mark. See, *e.g.*, *Solventhol Chemical Products Co. v. Langfield*, 134 F. (2d) 899 (C. C. A. 6th, 1943); *Dixi-Cola Laboratories v. Coca-Cola Co.*, 117 F. (2d) 35 (C. C. A. 4th, 1941); *Glenmore Distilleries Co. v. National Distillers Products Corp.*, 101 F. (2d) 479 (C. C. A. 4th, 1939); *John Morrell & Co. v. Doyle*, 97 F. (2d) 232 (C. C. A. 7th, 1938); *Fawcett Publications, Inc. v. Popular Mechanics Co.*, 80 F. (2d) 194 (C. C. A. 3d, 1935). But *cf.* *Century Distilling Co. v. Continental Distilling Co.*, 106 F. (2d) 486 (C. C. A. 3d, 1935).

Several recent decisions of the Customs Court, however, indicate a tendency to follow the trend in the federal courts more closely. See *Franco-Italian Packing Corp. v. Van Camp Seafood Co.*, 61 U. S. Pat. Q. 369 (C. C. P. A. 1944) ("Gem-of-the-Sea" allowed registration over the opposition of the owners of the mark "Chicken of the Sea"); *Personal Products Corp. v. Allen Laboratories, Inc.*, 141 F. (2d) 702 (C. C. P. A. 1944) ("Meds" allowed registration over the opposition of the owner of the mark "Med-I-Pax," both marks used on goods of the same descriptive properties).

54. One distinguished commentator has recently expressed perplexity at, and lamentation over, the Supreme Court's refusal to review a number of these circuit court of appeals decisions because of the interesting questions which these cases presented. See Derenberg, *Trade-Marks Ante Portas* (1943) 52 YALE L. J. 829. It is suggested, however, that analysis will show that the decisions did not turn upon these "interesting issues." Thus, the court's opinion in *Dixi-Cola Laboratories v. Cola Co.*, 117 F. (2d) 352 (C. C. A. 4th, 1941), *cert. denied*, 314 U. S. 629 (1941), reveals that the decision was not based upon whether or not ". . . a trade-mark or a part thereof may be lost merely through public acclaim or public usage despite 'a vigorous fight' by the owner to preserve his right." Derenberg, *supra*, at 832. Likewise, the decision in *American Brake & Shoe Foundry Co. v. Alltex Products Corp.*, 117 F. (2d) 983 (C. C. A. 2d, 1941), *cert. denied*, 314 U. S. 631 (1941), was not predicated upon the issue of whether or not a plaintiff established a secondary meaning for its mark. Even Derenberg recognizes this, but only after pointing out that this issue had been presented to the Supreme Court as a reason why it

Indeed, the opinions in several of the circuit court cases expressly framed the issues in terms of the monopoly sought by the plaintiffs. Thus Judge Soper, writing for the Fourth Circuit Court of Appeals in the commercially-important case, *Dixi-Cola Laboratories v. Coca-Cola Company*,<sup>55</sup> stated the issue before the court to be "the broad claim of the plaintiff to the exclusive use of the word 'Cola' in a trade-mark or trade-name."<sup>56</sup> The action involved in part the right of the owner of the celebrated mark "Coca-Cola" to enjoin the use of the marks "Dixi-Cola," "Marbert Cola," and "Marbert, the Distinctive Cola" as the names of soft drink beverages of the same type as the plaintiff's. The Circuit Court reversed that part of the district court judgment which granted the Coca-Cola Company a sweeping injunction against the defendant's use of the word "Cola" in the indicated marks as well as in any other mark used as the name of the beverage.<sup>57</sup> It held that the Coca-Cola Company was not entitled to the broad monopolistic claim that it had sought with respect to the exclusive right to use the word "Cola" as the name of soft drink beverages or to be the only concern whose product could be used on calls for a cola drink. The word "Cola" was found, in accordance with the doctrines in

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should grant certiorari. See *Derenberg, supra* at 883. In that case the court expressly found that defendant's mark in no way contributed to the substitution involved, and therefore there was not any basis in fact for a contention that the decision in this respect was inconsistent with the Supreme Court's ruling in *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U. S. 526 (1924). But see *Derenberg, supra*, at 834-35. Finally, in *Cridelbaugh v. Rudolph*, 131 F. (2d) 795 (C. C. A. 3d, 1942), *cert. denied*, 318 U. S. 779 (1943), the court expressly stated that even assuming the validity of the plaintiff's marks as a valid trade-mark, he was not entitled to relief against the defendant. Therefore, there was no reason why, as *Derenberg* argues, the Supreme Court should have granted certiorari for the purpose of clarifying the distinction between suggestive and descriptive marks. See *Derenberg, supra* at 845 *et seq.*

55. 117 F. (2d) 352 (C. C. A. 4th, 1941), *cert. denied*, 314 U. S. 629 (1941).

56. *Id.* at 353.

57. *Coca-Cola Co. v. Dixi-Cola Laboratories*, 31 F. Supp. 835 (D. Md. 1940). This action was only one of a series of suits by the Coca-Cola Company against a number of other manufacturers who used the word "Cola" as part of their trademarks. In *Pepsi-Cola Co. of Canada, Ltd. v. Coca-Cola Co.*, 59 R. P. C. 127 (1942), the English Privy Council sustained a decision of the Canadian Supreme Court, holding that the Canadian Coca-Cola Company could not enjoin the use of the mark "Pepsi-Cola" by the American company's Canadian subsidiary. In *Coca-Cola Co. v. Nehi Corp.*, 25 A. (2d) 364 (Del. Ch. Ct. 1942), *aff'd*, 60 U. S. Pat. Q. 345 (Del. Sup. Ct. 1944), the Coca-Cola Company lost its suit to enjoin the use of the marks "Royal Crown Cola," "Par-t-Pak Cola," etc. As a result of these decisions and the rulings therein contained, the Circuit Court of Appeals for the Tenth Circuit, in the recent case of *Coca-Cola Co. v. Standard Bottling Co.*, 138 F. (2d) 788 (C. C. A. 10th, 1943), affirmed the granting of a petition to strike restrictive provisions from a consent decree—entered many years before—enjoining a small bottler from the use of the marks "Ayer's Cola," "Standard Cola," or "Cherry and Cola." The decree involved in the *Standard Bottling* case was typical of a large number of consent decrees obtained by the Coca-Cola Company in unreported suits against small bottlers during the 1920's and 1930's.

the *Shredded Wheat* and *Dupont Cellophane* cases,<sup>58</sup> to be both descriptive and generic, as indicating a class of beverages and a type of product rather than the plaintiff's product alone. Certiorari was denied by the Supreme Court.<sup>59</sup>

A recent decision by the Second Circuit Court of Appeals, with respect to which certiorari was also denied, similarly discusses the issues in litigations of this character in terms of the relation between monopoly and competition.<sup>60</sup> In reversing a lower court decision which had granted the owner of the mark, "Chateau Martin," an injunction against the defendant's use of the mark "Chateau Montay," both marks being used on wine, Judge Frank emphasized<sup>61</sup> that the legal protection of trademarks creates "immunities from competition." He pointed out that the interests of society and the consuming public, as well as those of the parties plaintiff and defendant, were involved in the determination made in actions of this character, since the decisions established the "allowable extent of monopolies in trade names."<sup>62</sup>

An analysis utilizing the approach suggested in this article as the key to the entire trend of decisions within the field of trademark and unfair competition law within the past decade, is to be found in the succinct statement at the outset of Circuit Judge Frank's opinion on behalf of the Court:

"The failure to keep constantly in mind the divers policy considerations which, in this legal province, came in conflict with one another and the consequent occasional over-emphasis on but one of them—the protection of the interest of the businessman who has built a business around a name—has sometimes led to decisions unduly extending the confines of name-monopolies. For a time the courts were remarkably generous in fixing the boundaries of such monopolies.

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See, e.g., *Coca-Cola Co. v. Triolo* (E. D. Mo. 1935); *Coca-Cola Co. v. Schwartz*, Equit. No. 1-120-B (j) (S. D. Cal. 1925); *Coca-Cola Co. v. Seltzer & Sons Soda Water Mfg. Co.* (W. D. Mo. 1924).

Recently the Coca-Cola Company obtained a limited injunction against the use of the mark "Cleo Cola" as it was *then* used by the defendant. The court found that it was using these words in a script and color arrangement, which had been changed periodically to look more and more like the features of the Coca-Cola mark, and stated that ". . . the defendant copied the make-up of the plaintiff's trade-mark as far as it dared, and further than it should have dared. . . ." *Cleo Syrup Corp. v. Coca-Cola Co.*, 139 F. (2d) 416 (C. C. A. 8th, 1943).

58. *Dupont Cellophane Co. v. Waxed Products Co.*, 85 F. (2d) 75 (C. C. A. 2d, 1936), *cert. denied*, 305 U. S. 672 (1938), 304 U. S. 575 (1938), 299 U. S. 601 (1936).

59. 314 U. S. 629 (1942).

60. *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F. (2d) 955 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 758 (1943).

61. *Id.* at 957.

62. *Id.* at 959. See also *id.* at 957-58.



*Today the tendency is to be somewhat less generous. . . . We approach the case at bar, then, having in mind the basic common law policy of encouraging competition and the fact that the protection of monopolies in names is but a secondary and limiting policy."*<sup>63</sup>

(B) *The Use by Non-Competitors of Similar Marks, Whether Words or Symbols, on Different Goods.* In one sense, of course, all goods compete with each other for the consumer's purchases. Goods may, however, be divided into different classes varying with the number of types of articles included within the class. Thus, within the classification of beauty preparations, face powders, lipsticks, and similar cosmetics may be said to compete with each other for the purchaser's dollar but face powders are divided into different classes varying with the number of types of articles used in this sense.

A fundamental question within the field of trademarks and unfair competition is to what extent the owner of a mark for one product can enjoin the use of that mark or a similar one in connection with the sale of goods different from those which the owner is manufacturing or distributing.<sup>64</sup> In this discussion it is assumed, of course, that defendant's mark is of such a character that if it were used on the same goods as those of the plaintiff, the latter could secure injunctive relief because only by such an assumption can the scope of the plaintiff's rights outside of the sphere of his own particular goods be tested.

During the nineteen-twenties a number of circuit courts of appeals, particularly the Second Circuit, rendered a series of decisions<sup>65</sup>—influential

63. *Id.* at 959. But cf. *G. H. Mumm Champagne v. Eastern Wine Corp.*, 61 U. S. Pat. Q. 337 (C. C. A. 2d, 1944); *George W. Luft Co. v. Zande Cosmetic Co.*, 61 U. S. Pat. Q. 424 (C. C. A. 2d, 1944).

64. For a comprehensive collection of the cases on this subject and an analysis of them, see Wolff, *Non-competing Goods in Trade-Mark Law* (1937) 37 *COL. L. REV.* 582.

65. See, e.g., *L. E. Waterman & Co. v. Gordon*, 72 F. (2d) 272 (C. C. A. 2d, 1934) (owner of the mark "L. E. Waterman & Co." used on fountain pens, entitled to enjoin the use of a similar Waterman name for safety razor blades); *Rosenberg Bros. & Co. v. Elliott*, 7 F. (2d) 962 (C. C. A. 3d, 1925) (owner of the mark "Fashion Park" used in connection with men's clothing, held entitled to enjoin use of that mark on hats and caps); *Vogue Co. v. Thompson-Hudson Co.*, 300 Fed. 509 (C. C. A. 6th, 1924) (owner of the mark "Vogue" on a fashion magazine, held entitled to enjoin the use of this mark on ladies' hats); *Aunt Jemima Mills v. Rigney & Co.*, 247 Fed. 407 (C. C. A. 2d, 1917) (owner of the mark "Aunt Jemima," accompanied by the picture of a laughing negress, used on a self-rising flour for pancakes, permitted to enjoin the use of it for pancake syrup), *cert. denied*, 245 U. S. 672 (1918). The Supreme Court has never clearly passed on the issue presented by these cases, although in one decision, *American Steel Foundries v. Robertson*, 269 U. S. 372 (1926), it had held that the owner of a mark did not by virtue of that fact alone have the right to exclude another from registration of a similar mark for goods other than those of the plaintiff, regardless of the nature of the mark in question and the commonness of its use. The Court held, on the contrary, that registration should be accorded the mark "Simplex" as part of a corporate name, although this registration was opposed by an-

also in some state court determinations<sup>66</sup>—tending to grant a plaintiff broad rights to exclude others from using a similar mark upon goods different from those of the plaintiff. Within the past decade, however, the federal courts dealing with this issue have adopted a far more restrictive attitude as to the extensiveness of the rights of the owner of a mark.<sup>67</sup>

other concern having this word as part of its name, on the ground that the word "Simplex" was so common as a corporate name as not to be likely to lead to confusion or deception.

66. This has been particularly true of the lower New York courts. See, *e.g.*, Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937); Tiffany & Co. v. Tiffany Productions, Inc., 147 Misc. 679, 264 N. Y. Supp. 459 (Sup. Ct. 1932), *aff'd without opinion*, 262 N. Y. 482 (1933). But a number of state courts have not accepted the broad view enunciated in these earlier federal cases. See, *e.g.*, the interpretation of the Illinois state decisions set forth in Time, Inc. v. Viobin Corp., 128 F. (2d) 860 (C. C. A. 7th, 1942), *cert. denied*, 317 U. S. 673 (1942), discussed *infra* note 67. See also the discussion of the Massachusetts cases in National Fruit Product Co. v. Dwinell-Wright Co., 47 F. Supp. 499, 509 (D. Mass. 1942), *aff'd on other grounds*, 140 F. (2d) 618 (C. C. A. 1st, 1944). See the discussion *infra* pages 544-46.

67. Dwinell-Wright Co. v. National Fruit Product Co., 140 F. (2d) 618 (C. C. A. 1st, 1944); Durable Toy Novelty Corp. v. Chien & Co., 133 F. (2d) 853 (C. C. A. 2d, 1943) (owner of the mark "Uncle Sam" used on toy banks selling for between 59c. and \$2.50, held not entitled to enjoin use of the mark "Uncle Sam" on toy banks selling for 10c.), *cert. denied*, 320 U. S. 211 (1943); Philco Corp. v. Phillips Mfg. Co., 133 F. (2d) 663 (C. C. A. 7th, 1943) (owner of the mark "Philco" used on batteries, phonographs, refrigerators, radios, etc., held not entitled to enjoin use of the mark "Phill-co" on electrically-operated degreasing machines); Time, Inc. v. Viobin Corp., 128 F. (2d) 860 (C. C. A. 7th, 1942) (owner of the mark "Life" used on a magazine, held not entitled to enjoin use of the mark "Life" as part of a slogan on wheat, "Life of wheat"), *cert. denied*, 317 U. S. 673 (1942); Arrow Distilleries, Inc. v. Globe Brewing Co., 117 F. (2d) 347 (C. C. A. 4th, 1941) (owner of the mark "Arrow" on liquors not entitled to enjoin use of the mark "Arrow" on beer); S. C. Johnson and Son, Inc. v. Johnson, 116 F. (2d) 427 (C. C. A. 2d, 1940) (owner of the mark "Johnson" used on floor and furniture polishes, not entitled to enjoin use of the mark "Johnson" on a cleaning fluid for furniture fabrics and woodwork); Walgreen Drug Stores v. Obear-Nester Glass Co., 113 F. (2d) 956 (C. C. A. 8th, 1940) (owner of the mark "Pyrex" on glass containers of various types held not entitled to enjoin use of the mark "Rex" on prescription bottles), *cert. denied*, 311 U. S. 708 (1940).

The opinions in several other decisions, decided on grounds of laches, contain clear indications of the disposition to adopt a restrictive attitude towards plaintiff in actions of this kind. See Dwinell-Wright Co. v. White House Milk Co., 132 F. (2d) 822 (C. C. A. 2d, 1943); Emerson Electric Mfg. Co. v. Emerson Radio & Phonograph Corp., 105 F. (2d) 908 (C. C. A. 2d, 1939), *cert. denied*, 308 U. S. 616 (1939).

Two cases which granted plaintiffs relief may be compared with the foregoing authorities. California Fruit Growers v. Windsor Beverages, Ltd., 118 F. (2d) 149 (C. C. A. 7th, 1941) (owner of the mark "Sun-Kist" used on fruits, fruit juices, and jams, held entitled to enjoin use of that mark on an orange concentrate for making a soft drink). Contrast, however, the language of that case with the subsequent approach adopted by the Seventh Circuit Court of Appeals in the later case of Philco Corp. v. Phillips Mfg. Co., 133 F. (2d) 663 (C. C. A. 7th, 1943); Proctor Gamble Co. v. J. L. Prescott Co., 102 F. (2d) 773 (C. C. A. 3d, 1939), *cert. denied*, 308 U. S. 557 (1939) (owner of the mark "Oxydol" used as a washing powder for cleaning purposes, held entitled to enjoin use of the mark:

Particularly Judge Learned Hand—whose earlier opinions gave great momentum to the trend during the preceding decade—has expressly placed limitations upon the broad interpretations to which his earlier ruling has been subjected. Furthermore, certiorari was sought in more than half of the cases, but the Supreme Court consistently declined to review any of the decisions.<sup>68</sup>

One of the most illuminating opinions dealing with the issues in actions of this character is that rendered by Judge Hand in the recent case of *Johnson & Sons v. Johnson*.<sup>69</sup> The plaintiff had used the name "Johnson," originally only on a floor wax, and later on a large number of floor cleaners, lacquers, waxes, and furniture polishes. It had registered this mark on a number of occasions for general application to its products. More than forty years after the plaintiff's predecessor had commenced business, the defendant started business under the name of Johnson Products Company and placed on the market a cleaning fluid used chiefly for upholstery and other fabrics, but also for woodwork in connection with which he used the mark "Johnson." Shortly after the defendant commenced to market this product, the plaintiff started to sell one of its products as a cleaning preparation for woodwork and similar surfaces. The plaintiff proved to the satisfaction of the trial judge—and the circuit court refused to reverse this finding as erroneous—that the defendant's use of the name "Johnson" had caused confusion among the plaintiff's customers, and further, that the defendant had instructed his employees not to deceive any customers who were so confused.

The lower court granted a broad injunction restraining the defendant from selling his cleaning preparation under a label in which the name "Johnson's" appeared. On appeal, the circuit court drastically modified this relief and expressly allowed the use of the mark "Johnson's Cleaner" in juxtaposition with the legend "made by Johnson' Products Company, Buffalo, N. Y." Judge Hand pointed out that there was no actual diversion of customers by the defendant, since the latter was the first one to market a cleaner for woodwork and glazed surfaces and the plaintiff was the newcomer in that line. Since the plaintiff had not lost any actual sales, Judge Hand stated that the plaintiff's claim to protection could be based

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"Oxol" used on a cleaning fluid utilized for the same purpose—extensive evidence presented to show actual confusion of various types and that defendant had used its mark together with the word "dall").

68. *Durable Toy Novelty Corp. v. Chien & Co.*, 133 F. (2d) 853 (C. C. A. 2d, 1943), *cert. denied*, 320 U. S. 211 (1943); *Time, Inc. v. Viobin Corp.*, 128 F. (2d) 860 (C. C. A. 7th, 1942), *cert. denied*, 317 U. S. 673 (1942); *Arrow Distilleries v. Globe Brewing Co.*, 117 F. (2d) 347 (C. C. A. 4th, 1941); *Walgreen Drug Stores v. Obear-Nester Glass Co.*, 113 F. (2d) 956 (C. C. A. 8th, 1940), *cert. denied*, 311 U. S. 708 (1940).

69. 116 F. (2d) 427 (C. C. A. 2d, 1940). As is usually the case with trademark decisions, no law review commented upon this case with the exception of (1941) 25 *MARQUETTE L. REV.* 223.

only upon two other interests: (1) its reputation with its customers; and (2) the possibility of expanding its business into the sphere where the defendant had gone. Emphasis was placed by him upon the contingent and impalpable nature of these two interests and the fact that they were very different from the plaintiff's right not to have his customers taken away from him. Most significant was the express rejection of the idea that actual confusion of the public might be used as a ground for giving a plaintiff the right to exclude the defendant from entering the market in question. The public interest in not being deceived and confused, it was pointed out, gives way to the greater public interest in having free competition and in restricting monopolies:

"The public may be deceived, but he [the plaintiff] has no claim to be its vicarious champion; his remedy must be limited to his injury and by hypothesis he has none. There is always the danger that we may be merely granting a monopoly, based upon the notion that by advertising one can obtain some 'property' in a name. We are nearly sure to go astray in any phase of the whole subject, as soon as we lose sight of the underlying principle that the wrong involved is diverting trade from the first user by misleading customers who mean to deal with him. Unless therefore he can show that, in order to hold or develop his present business, he must preserve his identity in the disputed market, he cannot rely upon the second of the two interests at stake [plaintiff's possibility of expansion]." <sup>70</sup>

This language, as well as the result reached by the Court, clearly constitutes a rejection of the arguments made by commentators that a plaintiff should be entitled to relief merely because (1) the public may be confused or deceived, (2) or the defendant is securing an unearned benefit and thereby sharing in a good-will which the plaintiff has created,<sup>71</sup> or (3) the "uniqueness" of plaintiff's mark "is vitiated or impaired by its use upon either related or non-related goods."<sup>72</sup>

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70. 116 F. (2d) 427, 429 (C. C. A. 2d, 1940).

71. See, e.g., Callman, *supra* note 42, at 612: "The thesis I have tried to present is that one who has used his intellectual, physical, or financial powers to create a commercial product should be afforded judicial relief from a competitor who seeks to 'reap where he has not sown' . . ."; Schechter, *A Rational Basis of Trademark Protection* (1927) 40 HARV. L. REV. 805, 831: "Our conclusion that the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection is fortified by the doctrine that has developed within recent years in German law on this same point." Note, however, that these views have received favorable reiteration in the dicta of Mr. Justice Frankfurter in the *Mishawaka* case, discussed *supra* note 3.

72. Schechter, *supra* note 71, at 830. It is interesting to note that Judge Wyzanski, in the recent case of *National Fruit Product Co. v. Dwinell-Wright Co.*, 47 F. Supp. 499 (D. Mass. 1942), discussed *infra* pages 544-46, interpreted the meaning of the *Johnson* case as it has been presented here. *Id.* at 499, 505, 506, 508.

One factor which has become, within the past few years, a most important consideration in the resolution of questions in non-competitive goods cases, and one which will undoubtedly become more significant, is the role played by the doctrine of *Erie Railroad v. Tompkins*.<sup>73</sup>

Prior to the *Tompkins* case, the entire field of trademarks and unfair competition was one in which the federal courts made their own law and did not deem themselves bound by that of the various states. No differentiation was, therefore, made by them between the source of law applicable to technical trademark infringement suits predicated upon registration under the Federal Trademark Act, and those causes of action, either for trademark infringement or unfair competition, based merely upon common law claims. As a result, the decisional law of this period on the question of rights and privileges with respect to non-competing goods contains an intermingling of two analytically distinct bases: (1) language of the Federal Trademark Acts which gives an owner of a registered mark merely the right to enjoin the use of colorable imitations of that mark on goods having the "same descriptive properties" and (2) common law doctrines of unfair competition.

If under the doctrine of *Erie Railroad v. Tompkins*, however, federal law is held to govern claims predicated upon a federal trademark registration while local law governs common law claims of unfair competition with respect to the use of that mark by a defendant, the earlier decisions which intermingled these two types of claims may no longer have any value as precedents. The resolution of questions of the type already discussed would turn upon the law of one or more states, and it would be necessary to analyze the decisions of the various states in order to present trends adequately. On the other hand, if, as the writer has urged in a previous article,<sup>74</sup> federal law should be held to govern all claims, whether statutory or common law, where federal jurisdiction is predicated not solely upon diversity, but upon the Federal Trademark Acts, either exclusively or conjunctively with diversity of citizenship, we should merely have to consider the trend of developments within the federal decisions themselves.

The Seventh Circuit Court of Appeals in 1942 in the cases of *Rytex v. Ryan*<sup>75</sup> and *Time, Inc. v. Viobin Corporation*,<sup>76</sup> had held that claims for infringement of a registered mark were governed by federal law, but claims of unfair competition based solely on defendant's use of the mark in question were governed by state law. Although the writer in the previous article approved that portion of these decisions which held fed-

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73. 304 U. S. 64 (1938).

74. Zlinkoff, *Erie v. Tompkins: In Relation to the Law of Trademarks and Unfair Competition* (1942) 42 COL. L. REV. 955, 974-90.

75. 126 F. (2d) 952 (C. C. A. 7th, 1942).

76. 128 F. (2d) 860 (C. C. A. 7th, 1942), *cert. denied*, 317 U. S. 673 (1943).

eral law governed claims of infringement with respect to federally-registered trademarks, criticism was expressed of these decisions insofar as they held that unfair competition claims involving the same facts as infringement issues were governed by the applicable local rather than federal law.<sup>77</sup>

Subsequently, in 1943, the Court expressly reversed those portions of its earlier decisions<sup>78</sup> with which the writer had expressed disagreement and held that unfair competition claims as well as those of trademark infringement were governed by federal law where the matter at issue was the right to the use of marks (whether words or symbols) and jurisdiction of the federal courts was predicated in part at least upon the Federal Trademark Acts—the 1920 as well as the 1905—even though diversity of citizenship was also present as a basis for the federal court's jurisdiction. Having decided that federal law governed all questions with respect to the use of the marks in suit, the Court, however, adopted the startling view that this federal law should be limited to that body of law which existed in 1905, when the first Trademark Act was adopted, and arrived at this unusual conclusion by the following chain of reasoning:

"What, then, is the meaning of the statements in the cases that Congress 'created no substantive rights' by the Act of 1905? In our opinion, such statements are rules of statutory construction, actually used by the courts to determine what substantive rights Congress did create. . . . A second meaning, when used in cases in which the Act does apply, is that in general Congress did not intend to create statutory rights novel in scope, but only to create federal rights of the same scope as the State common law rights already widely recognized in 1905, and that therefore a federal court interpreting the language of the Act must seek the usual 1905 State common law rules by making reference to State decisions throughout the Union as sources of precedent. Thus, courts that have said they were applying 'the common law' of trade-marks in cases arising under the Act of 1905 have in fact been interpreting the language of a federal statute by referring to the same sources they would have used in construing and applying any term in a federal statute or in the Constitution which had a common law significance."<sup>79</sup>

Acting on this reasoning the Court held that the *Aunt Jemima*,<sup>80</sup> *Yale*,<sup>81</sup> *Waterman*<sup>82</sup> and other cases handed down since 1917<sup>83</sup> could no longer

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77. Zlinkoff, *supra* note 74, at 988-90.

78. See *Philco Corp. v. Phillips Mfg. Co.*, 133 F. (2d) 663 (C. C. A. 7th, 1943).

79. *Id.* at 669.

80. *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 Fed. 407 (C. C. A. 2d, 1917), *cert. denied*, 245 U. S. 672 (1918).

81. *Yale Electric Corp. v. Robertson*, 26 F. (2d) 972 (C. C. A. 2d, 1923).

82. *L. E. Waterman & Co. v. Gordon*, 72 F. (2d) 272 (C. C. A. 2d, 1934).

83. See cases collected *supra* notes 51, 52.

be regarded as valid precedents because they went beyond the scope of protection which was commonly given by the courts in 1905, when the first Trademark Act was adopted.

The Court's freezing of the applicable federal law to that which existed in 1905, when the statute was adopted, would seem to be wholly unsound. If that principle of construction were generally adopted, then the Constitution of the United States could be given only that meaning which it had in 1789, when it was first adopted, and similar arguments might be made with respect to any legislation. Statutory enactments would cease to have that flexibility which is achieved by the process of dynamic judicial construction. General statutory provisions would be frozen to the exact and precise meaning that the words chosen had at the time of their enactment, rather than the meaning that it would be fair to give them under the conditions existing at the time a court was called upon to construe them.

Applying the reasoning of the Court in the *Philco* case, questions arising under the 1920 Act would be construed according to the state of the law existing at that time. A situation would then exist in which the issues in suits concerning marks registered under the 1905 Act would be governed by the body of legal doctrine existing at that time, whereas with respect to issues arising in litigations involving marks registered under the 1920 Act, a wholly different period of time would be taken for selecting the body of legal doctrine upon the basis of which these questions would be resolved. Such a result would appear to demonstrate decisively the unsoundness of the Court's construction of general words used in a federal statute as incorporating solely the body of precedents existing at the time the statute in question was enacted.

In marked contrast to the views of the Seventh Circuit, as expressed in the *Philco* case, are those of the First Circuit Court of Appeals in the recent case of *Dwinell-Wright Company v. National Fruit Product Company*.<sup>84</sup> In that action the Court, following the ruling of the Seventh Circuit in the *Philco* case, as well as the views presented by the writer in his earlier article,<sup>85</sup> decided that federal and not state local law governed claims of trademark infringement, even with respect to different goods,<sup>86</sup> in a suit where the marks in dispute had been registered under

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84. 140 F. (2d) 618 (C. C. A. 1st, 1944).

85. See Zlinkoff, *supra* note 74.

86. In the court below the plaintiff had asserted a claim for unfair competition as well as for trademark infringement in connection with the defendant's use of the mark "Whitehouse." The district court held that although the infringement question was governed by federal law because of the Federal Trademark Act, the unfair competition claim involving the same facts was to be determined in accordance with the applicable state law. *National Fruit Product Co. v. Dwinell-Wright Co.*, 47 F. Supp. 499 (D. Mass. 1942). For a criticism of this conclusion, see Zlinkoff, *Some Reactions To The Opinion of Judge Wy-*

the 1905 Act, and the jurisdiction of the Court was predicated in part upon that Act, although diversity of citizenship was likewise present. But the First Circuit, unlike the Seventh Circuit, utilized *all* of the federal decisions, including those rendered after the passage of the 1905 Trademark Act, in arriving at its construction of this legislation.

In deciding the infringement claims of the parties with respect to the use of the mark "Whitehouse" on various lines of products, the Court utilized as precedents those federal cases which dealt with this subject in terms of unfair competition as well as those where issues of statutory trademark infringement were present, stating that the doctrines expressed in these unfair competition cases

" . . . seem to us only a way of stating the application to a particular situation of the broader rule established by the cases that the basic test of trademark infringement is whether the goods of the alleged infringer would be supposed by the kind of people who purchase them to emanate from the same source as the goods of the complainant." <sup>87</sup>

Thus by considering these federal unfair competition cases in arriving at the proper construction of the meaning of the words "same descriptive properties" as used in the Trademark Act, the Court, unlike the Court of Appeals for the Seventh Circuit, saved these earlier cases from being completely discarded as precedents. Nevertheless, it gave these earlier rulings a restrictive interpretation, as it did with respect to its definition of the statutory language "same descriptive properties." As a result of its analysis of all the federal cases, it reached the conclusion that the first user of the mark "Whitehouse" on tea and coffee was not entitled to enjoin a second user of that mark upon an entire line of fruit and vegetable products, including various fruit and vegetable juices. It reached the conclusion in spite of the fact that the first user had established that "many persons engaged in business as coffee roasters and tea merchants also put out fruit and vegetable juices with the same mark and similar

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*sanski in National Fruit Product Co. v. Dwinell-Wright Co.* (1942) 32 T. M. REP. 131. The district court, applying the applicable state law, which was deemed to be that of Massachusetts, where the suit was brought, held that the plaintiff did not have any cause of action for unfair competition, although applying federal law with respect to its registered mark, it did have a cause of action for infringement. On the defendant's appeal with respect to the dismissal of its counterclaim and the relief granted on the plaintiff's infringement claim, the plaintiff did not appeal from the dismissal of its claim for unfair competition. *Dwinell-Wright Co. v. National Fruit Product Co.*, 140 F. (2d) 618, 620 (C. C. A. 1st, 1944). Therefore, the Circuit Court of Appeals did not pass upon the question whether federal or local law governed unfair competition claims of this character; but its use of the federal unfair competition cases in its construction of provisions of the Federal Trademark Act would tend to indicate that its views incline towards the adoption of federal rather than local law as the basis for resolving such claims.

87. *Id.* at 622.



labels for both lines.”<sup>88</sup> On the ground that blended orange and grapefruit juice was a product possessing the “same descriptive properties” as prune and apple juice, the Court did, however, allow the first user of the mark “Whitehouse” on these products to enjoin the use of this mark on the blended orange and grapefruit juice.

The future trend of decisions within this field will obviously be affected by the determination whether the interpretation of the phrase “same descriptive properties” used in the 1905 Act is to be that of the Seventh Circuit Court of Appeals, exemplified by the *Philco* case, or that of the First Circuit Court of Appeals, exemplified by the *Dwinell-Wright Company* case. The adoption of the first interpretation will necessarily result in a more restrictive delimitation of the area within which the owner of a mark will be granted exclusive rights than would follow from the acceptance of the broader basis utilized by the First Circuit Court of Appeals. Similarly, the trend will be affected by whether or not federal or local law is held to govern claims of unfair competition based upon the use of a mark where the federal court’s jurisdiction over such claims is of a derivative character. If local law is held to govern such claims—the view of District Judge Wyzanski in the *National Fruit Product* case<sup>89</sup>—the legal pattern within this field may well tend to become a crazy quilt varying with trends in the different state courts. On the other hand, if the view that federal law governs such claims be adopted, as it was by the Seventh Circuit Court of Appeals in the *Philco* case, a far more uniform development may be expected, characterized by the general outlook of the federal courts in their handling of questions that turn upon the basic issue of the relation between monopoly and competition.

(C) *Claims of Unfair Competition with Respect to Unpatented or Uncopyrighted Business Methods, Systems, or Ideas.* Professor Chafee recently<sup>90</sup> described the approach of the federal courts to claims for exclusive rights to uncopyrighted or unpatented business methods, systems, or ideas, as one traditionally characterized by “Conservatism” rather than reflective of the policy of “Conquest.”<sup>91</sup> Decisions rendered by the

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88. *Id.* at 624.

89. See note 86 *supra*.

90. Chafee, *Unfair Competition* (1940) 53 HARV. L. REV. 1289.

91. Professor Handler had some years before Professor Chafee presented a similar analysis and prognostication as to the trends in decisional law in the type of unfair competition cases considered in this subsection. Handler, *Unfair Competition* (1936) 21 IOWA L. REV. 175, 189-91: “For one to reap with impunity the fruits of another’s labor may be reprehensible, but the creation of new species of property interests and new series of monopolies by the courts may be disastrous to free enterprise. . . . Monopolies created by legislation may be restricted and regulated, so as to operate, partially at least, in the public interest. Judge-made monopolies find their origin and their regulation in the law of torts and the protection of the public interest is at best unsystematic and fortuitous.

federal courts during the past ten years<sup>92</sup> demonstrate a continued adherence to the policy of rejecting such claims. This case law represents an unequivocal repudiation of the strongly-advocated view<sup>93</sup> that claims for protection of uncopyrighted and unpatented business methods, systems, and ideas, should be given judicial recognition by means of an extension of traditional doctrines of unfair competition. In rejecting such arguments on the ground that they would foster monopoly rather than competition, the cases show an even more conservative trend than Professors Chafee or Handler before him, ventured to predict.<sup>94</sup> Not a single circuit court decision within the last ten years has sustained the plaintiff's claims in litigations of this character. There have been thirteen such cases during the same period of time which have granted judgments in favor of the defendants and reversed in a number of these instances lower court rulings in favor of the plaintiff. A study of the opinions rendered by the various circuit courts in these cases shows that one factor which has influenced them<sup>95</sup> has been the policy expressed by the Supreme Court in the *Shredded Wheat* case.

In that case, as already shown,<sup>96</sup> the Court not only held that the plaintiff was not entitled to enjoin defendant's use of the mark "Shredded

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. . . We must look to the legislature for any fundamental change of doctrine and for the shaping of the compromise which will provide some measure of protection to the fruits of originality without shackling the competitive system. For myself, I am dubious whether the price to the consumer may not be too high for any compromise to operate in the public interest." Contrast these views with those presented in the writings of Callman, *supra* note 42, and Rogers, *infra* note 93. Compare this language also with that used by Judge Hand in the *R. C. A.* case discussed *infra* pages 548-49.

92. *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111 (1938); *Corica v. Ragen*, 60 U. S. Pat. Q. 513 (C. C. A. 7th, 1944); *Gum, Inc. v. Gumakers of America, Inc.*, 136 F. (2d) 956 (C. C. A. 3d, 1943); *Mathews Conveyor Co. v. Palmer-Bee Co.*, 135 F. (2d) 73 (C. C. A. 6th, 1943); *Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co.*, 133 F. (2d) 266 (C. C. A. 7th, 1943); *Taylor Instrument Co. v. Fee & Stemwedel, Inc.*, 129 F. (2d) 156 (C. C. A. 7th, 1942); *James Heddon's Sons v. Millsite Steel & Wire Works*, 128 F. (2d) 6 (C. C. A. 6th, 1942), *cert. denied*, 317 U. S. 674 (1942); *Rytex Co. v. Ryan*, 126 F. (2d) 952 (C. C. A. 7th, 1942); *American Fork & Hoe Co. v. Stampit Corp.*, 125 F. (2d) 472 (C. C. A. 6th, 1942); *Addressograph-Multigraph Corp. v. American Expansion Bolt & Mfg. Co.*, 124 F. (2d) 706 (C. C. A. 7th, 1941); *J. C. Penney & Co. v. H. D. Lee Mercantile Co.*, 120 F. (2d) 949 (C. C. A. 8th, 1941); *R. C. A. Mfg. Co. v. Whiteman*, 114 F. (2d) 86 (C. C. A. 2d, 1940), *cert. denied*, 311 U. S. 712 (1940); *Grosjean v. Panther-Panco Rubber Co.*, 113 F. (2d) 252 (C. C. A. 1st, 1940).

93. See, e.g., Callman, *supra* note 42; Rogers, *Unfair Competition* (1919) 17 MICH. L. REV. 490; (1919) 32 HARV. L. REV. 566.

94. Chafee, *supra* note 90, at 1315 *et seq.*

95. See, e.g., *Gum, Inc. v. Gumakers of America, Inc.*, 136 F. (2d) 956 (C. C. A. 3d, 1943); *American Fork & Hoe Co. v. Stampit Corp.*, 125 F. (2d) 472 (C. C. A. 6th, 1942); *Rytex v. Ryan*, 126 F. (2d) 952 (C. C. A. 7th, 1942); *Grosjean v. Panther-Panco Rubber Co.*, 113 F. (2d) 252 (C. C. A. 1st, 1940).

96. See pages 529-30 *supra*.

Wheat," but pointed out that all were free to share in the market that had been created for the product, even though this market had resulted from the plaintiff's efforts and expenditures. The Court went even further and held that the defendant could manufacture and sell the Shredded Wheat product in the pillow-shaped form which the plaintiff had always used. Justice Brandeis remarked:

"But the name and form are integral parts of the goodwill of the article. To share fully in the goodwill, it must use the name and the pillow-shape. And in the goodwill Kellogg Company is as free to share as the plaintiff."<sup>97</sup>

There can be no doubt that the underlying factor which has led to the rejection by the federal courts of the claims asserted by the plaintiffs in these suits has been their concern with the effect that the granting of such exclusive rights would have in terms of the creation of perpetual monopolies. The opinion of Judge Learned Hand in the *R. C. A. Manufacturing Company* case,<sup>98</sup> expresses clearly this fundamental antipathy to the creation of such monopolies. In that case the court, reversing the district court, rejected the contention that either record companies or performers who made records for these concerns could restrain the playing of these records in a commercial manner by their purchasers. It is important that the court reached this result even though the state courts in Pennsylvania had shortly prior thereto held that such commercial use by broadcasting companies and others constituted "unfair competition." Judge Hand emphasized that to grant the record owner the right to restrict its subsequent commercial use after it had been sold would be "contrary to the whole policy of the Copyright Act and of the Constitution. Any relief which justice demands must be found in extending statutory copyright to such works, not in recognizing perpetual monopolies, however limited their scope."<sup>99</sup>

The court expressly rejected also the argument that the doctrine of unfair competition expressed in the *International News Service* case,<sup>100</sup> constituted precedent for affording the plaintiffs the rights that they sought, limiting that decision in the light of subsequent cases to its particular facts.<sup>101</sup> Arguments based upon "natural rights and property rights" were also rejected in clear and unambiguous language:

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97. *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111, 121 (1938).

98. *R. C. A. Manufacturing Co. v. Whiteman*, 114 F. (2d) 86 (C. C. A. 2d, 1940), *cert. denied*, 311 U. S. 712 (1940).

99. *Id.* at 89.

100. *International News Service v. Associated Press*, 248 U. S. 215 (1918).

101. Compare the interpretation of the case law subsequent to the *International News Service* case as presented by Callman, *supra* note 42, Chafee, *supra* note 90, who expressly took the position that the *International News Service* case had to be considered as "... limited

" 'Property' is a historical concept; one may bestow much labor and ingenuity which inures only to the public benefit; 'ideas,' for instance, though upon them all civilization is built, may never be 'owned.' . . . an author has no 'natural right' even so far, and is not free to make his own terms with the public. In the case at bar if Whiteman and RCA Manufacturing Company, Inc., cannot bring themselves within the law of common-law copyright, there is nothing to justify a priori any continuance of their control over the activities of the public to which they have seen fit to dedicate the larger part of their contribution. We are adjured that courts must adjust themselves to new conditions, and that in the case at bar justice clearly points the way to some relief. We cannot agree; no doubt we should be jealous to execute all reasonable implications of established doctrines; but we should be equally jealous not to undertake the composition of substantial conflicts of interests, between which neither the common-law, nor the statute, has given any clue to its preference. We cannot know how Congress would solve this issue; we can guess—and our guess is that it would refuse relief as we are refusing it—but if our guess were the opposite, we should have no right to enforce it." <sup>102</sup>

Apparently the question whether local or federal law governed the issues was not considered and conclusions were based without discussion upon federal rather than local law. In the light of the history of the *Erie v. Tompkins* doctrine in the Supreme Court, this approach would seem questionable.<sup>103</sup> Indeed a number of circuit courts have decided unfair competition claims of the character under discussion in this section—where the basis of the court's jurisdiction was simply diversity of citizenship—upon the theory that local rather than federal law now governs such questions.<sup>104</sup>

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to its own subject-matter of news." Chafee, *supra* note, 90 at 1314. Moreover, the reasons which Professor Chafee presented as calling for the limitation of the doctrines of the majority in the *International News Service* case, foreshadowed those presented by Judge Learned Hand in the *R. C. A. Manufacturing* case: "The general doctrine laid down in Pitney's opinion would enable the courts to set up a monopoly conflicting with the patent scheme provided by Congress and in a situation which the Constitution has entrusted to Congress alone." *Id.* at 1314-15. Compare this language, written at a time when the district court in the *R. C. A.* case had granted the plaintiff the relief sought, with the language on this point in Judge Hand's opinion (discussed *supra* page 548) on behalf of the Second Circuit Court of Appeal's reversal of the lower court.

102. *R. C. A. Manufacturing Co. v. Whiteman*, 114 F. (2d) 86, 90 (C. C. A. 2d, 1940).

103. See the discussion of the history of the *Tompkins* doctrine in the courts in Zlinkoff, *supra* note 74, at 955-74.

104. *Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co.*, 133 F. (2d) 266 (C. C. A. 7th, 1943); *Gum, Inc. v. Gumakers of America, Inc.*, 136 F. (2d) 957 (C. C. A. 3d, 1943); *Addressograph-Multigraph Corp. v. American Expansion Belt Co.*, 124 F. (2d) 706 (C. C. A. 7th, 1941), discussed in Zlinkoff, *supra* note 74, at 962-66. Like the *R. C. A. Manufacturing* case, however, a number of the courts have simply decided the issue on the basis of federal law without mentioning the *Tompkins* case. See *American Fork & Hoe*

It is, therefore, worth noting that the applicable law, as found by the court in a number of these cases, has been characterized by the same trend already noticed in recent federal decisions. Thus the Seventh Circuit Court of Appeals found, in the *Addressograph* case,<sup>105</sup> that Illinois law required denial of a plaintiff's claim to injunctive relief against the defendant's supplying unpatented materials prepared in a form that could be used with the plaintiff's patented machines. The Court's opinion pointed out that two Illinois appellate decisions had rejected the doctrines of the *International News Service* case.<sup>106</sup> Similarly, in the recent case of *Gum v. Gum-makers of America*,<sup>107</sup> the Third Circuit Court of Appeals held that in an action where the federal court's jurisdiction was predicated simply on diversity, the applicable local law governed a claim for unfair competition based upon alleged deceptive similarity between the plaintiff's chewing gum and the combination of shape, size, weight, and wrapper color used by the defendant on its chewing gum. Although Pennsylvania law was, therefore, deemed to govern, the Court found no Pennsylvania precedent precisely in point, and concluded:

"We find that the law of Pennsylvania is consistent with the general law of unfair competition as reflected in the federal cases. . . . It is our opinion that if a Pennsylvania court were called upon to determine the law of that state on the point now under consideration, it would accord with the rule enunciated by the Supreme Court of the United States in the *Kellogg Company* case. It follows that the complaint was properly dismissed."<sup>108</sup>

Although the trends in the law of trademarks and unfair competition in the various states cannot be treated within the compass of this article, it

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Co. v. Stampit Corp., 125 F. (2d) 472 (C. C. A. 6th, 1942); *J. C. Penney Co. v. H. D. Lee Mercantile Co.*, 120 F. (2d) 949 (C. C. A. 8th, 1941).

105. *Addressograph-Multigraph Co. v. American Expansion Belt Co.*, 124 F. (2d) 706 (C. C. A. 7th, 1941).

106. *Id.* at 708-09.

107. 136 F. (2d) 957 (C. C. A. 3d, 1943).

108. *Id.* at 960. This decision serves to bear out the prediction in the writer's earlier article, to the effect that in many instances *Erie R. R. v. Tompkins* would not create the difficulties one might suppose because of the absence of local precedents directly in point: "Repeatedly courts, that have had their decisions reversed for failure to apply local law, have adhered to their original decisions, declaring that there were no contrary local cases in point. The position of the federal courts with respect to local law is that of trying to arrive at the same decision it thinks the state courts would reach if they had the same issue before them. The entire body of jurisprudence upon which the state courts would draw is the material out of which the federal court is free to mold its decisions. Like the state courts it is bound only by *stare decisis*, and the flexibility for the exercise of judicial technique which that doctrine allows—as Llewellyn's writings have so repeatedly emphasized, and which every lawyer who had tried to find non-distinguishable cases knows at first hand—is amply demonstrated by the decisions that have come from the federal courts since the *Erie* case." Zlinkoff, *supra* note 74, at 966-67.

is significant that a number of recent decisions on this subject by the highest courts of New York and Massachusetts, two commercially-important States, have rejected claims of unfair competition where these were predicated upon unpatented or uncopyrighted business methods,<sup>109</sup> or the form in which the plaintiff's or defendant's article was vended.<sup>110</sup> Moreover, the opinions in these state cases show that they have been influenced by the trends in the federal cases reviewed above.<sup>111</sup> This trend in commercially important states is very significant because, as has been indicated, local law will probably govern unfair competition actions of the character discussed in this section. Therefore, the future direction of federal decisions in this field will necessarily be affected by state court rulings.

### CONCLUSION

The foregoing review of developments in the fields of patent, anti-trust, trademark, and unfair competition litigation reveals a similar decisional trend in each field. It reveals also that the *rationale* underlying the conclusions reached by the Supreme Court and the various circuit courts of appeals in their treatment of each of these subjects is fundamentally identical. This identity of results as well as *rationale* springs from the identity of the central problem involved. For at the heart of these suits lies the problem of determining the extent to which the social policy in favor of the freest possible competitive economy shall be modified or limited in

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109. *Germanow-Simon Machine Co. v. Standard Unbreakable Watch Crystals, Inc.*, 283 N. Y. 1, 27 N. E. (2d) 212 (1940): Defendant used a system of numbering its supplies so that they could be used in connection with a cabinet developed by the plaintiff. The Court of Appeals reversed the Appellate Division's judgment in favor of the plaintiff and dismissed the complaint upon the ground that what the plaintiff was seeking to appropriate exclusively was "a system of doing business." Recent federal decisions were cited by the Court as its precedents; and the *International News Service* case was given a restricted interpretation.

110. *Pocket Books, Inc. v. Meyers*, 292 N. Y. 58, 50 N. E. (2d) 646 (1944). Reversing an Appellate Division decision which had granted the plaintiff an injunction against the defendant's marketing its product in a form similar to that utilized by the plaintiff, the opinion of the Court of Appeals reveals the effect which the *Shredded Wheat* and other recent federal decisions have had. Thus, the Court said: "Stated otherwise, by employing in the design of their own format the several features used by the plaintiff-elements which had passed into the domain of things public and which gave to the defendants' reprints an appearance similar to the plaintiff's product—fairness in competition required of the defendants that their reprints convey to the purchasing public information which identified their product and reasonably distinguished it from that of the plaintiff [citing, among others, the *Shredded Wheat* and the *Gumakers* cases]." See also *Barrett v. Goodwin*, 50 N. E. (2d) 9 (Mass. 1943) [plaintiff may not enjoin defendant's use of a buckle having an appearance exactly like that of the plaintiff. Since no patent covers the design, "a competing manufacturer has the right to copy an unpatented article."]

111. See discussion of these cases, *supra* notes 103, 109.

favor of the furtherance of other social policies which may result in the creation of monopolies of varying degrees. Judicial concern with the problem of preserving free competition in a world where both freedom of competition as well as political freedom have rapidly disappeared from many areas of the globe during the past decade is but a reflection "of the basic philosophy of our American economy," that competition must be strengthened and revived, for the "alternative to competition is some form of concentrated government authority."<sup>112</sup>

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112. TNEC FINAL REPORT AND RECOMMENDATIONS (1941) 25.