

The Inventor's Dilemma: The Right to Copy v. Proprietary Rights

William J. Keating

Follow this and additional works at: <https://scholarship.law.stjohns.edu/lawreview>

Recommended Citation

Keating, William J. (1967) "The Inventor's Dilemma: The Right to Copy v. Proprietary Rights," *St. John's Law Review*: Vol. 42 : No. 1 , Article 11.

Available at: <https://scholarship.law.stjohns.edu/lawreview/vol42/iss1/11>

This Article is brought to you for free and open access by the Journals at St. John's Law Scholarship Repository. It has been accepted for inclusion in St. John's Law Review by an authorized editor of St. John's Law Scholarship Repository. For more information, please contact lasalar@stjohns.edu.

THE INVENTOR'S DILEMMA:
THE RIGHT TO COPY v. PROPRIETARY RIGHTS

WILLIAM J. KEATING †

WHILE imitation may be the sincerest form of flattery, in the market place it represents the most invidious form of competition. It is the purpose of this article to compare the right of the innovator with the right of the copier.

The inventor, designer and author all receive the homage of a society grateful for the contribution which improves the standard of living, or otherwise renders life more enjoyable. However, the copier, imitator or literary thief receives the financial rewards. The copier does not encounter the engineering expenses incurred through abortive failures experienced and paid for by the discoverer. He does not have the expense of product design, nor does he bear the expense of preparing the market for product acceptance. He appears on the scene only after the product has been given public approval. Since he does not bear any of these costs, he can manufacture for less and sell for less. The purchasing public buys on impulse and part of the impulse is the incentive of a lower price.

It is not suggested that the purchasing public reward the inventor by buying the more expensive article, since usually the public does not know which product is the original and which is the copy. However, there has been a gradual erosion of proprietary rights in industrial property which reached a climax in a coup de grace administered by the Supreme Court in two recent companion cases.

† B.S., Canisius College; LL.B., Georgetown University School of Law; Ass't Prof. of Law, Dickinson School of Law; Member of the Pennsylvania Bar.

In *Stiffel v. Sears, Roebuck & Co.*,¹ the plaintiff, Stiffel, designed and marketed a "pole light" consisting of a telescoping rod having lamp fixtures secured to the rod. The rod was adapted to be mounted between the floor and the ceiling so that the lights were set at various heights. The plaintiff's device was not eligible to receive a valid patent in the United States, since pole lamps were not basically new. Stiffel had sold three and one-quarter million dollars worth of these lamps from 1956 to 1960. Sears was attracted to the market and began selling lamps of this type at a retail price which was the equivalent of Stiffel's wholesale price.²

The district court held that the defendant was guilty of unfair competition and the circuit court of appeals affirmed. The latter court's comparison of defendant's product with that of the plaintiff illustrated their remarkable similarity in appearance. The court also noted there was evidence of customer confusion as to the source of defendant's lamp.³

Sears argued unsuccessfully in the circuit court of appeals that plaintiff's proofs failed to establish "secondary meaning"⁴ or "palming off"⁵ under the law of the State of Illinois. The court held that it was not necessary to prove "actual confusion" but merely a "likelihood of confusion,"⁶ citing *Day-Brite Lighting, Inc. v. Compco Corp.*⁷

¹ *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d 115 (7th Cir. 1963), *rev'd*, 376 U.S. 225 (1964).

² *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d 115, 118 (7th Cir. 1963).

³ *Ibid.*

⁴ "Secondary meaning" in trademark law refers to public acceptance of a trademark. It usually refers to words having an ordinary English definition or "first meaning," that have been used as a trademark on goods which have achieved sufficient popularity whereby the "second meaning" of the word is to define goods made by that manufacturer.

⁵ "Palming off" refers to a misrepresentation by a second merchant that his goods are from the same source as the goods offered by the trademark proprietor.

⁶ *Supra* note 2.

⁷ 311 F.2d 26 (7th Cir. 1962).

Compco was based on a similar fact situation. The plaintiff designed, manufactured and marketed reflectors for commercial fluorescent lights. The plaintiff's design was ineligible for a valid United States patent. However, the plaintiff charged the defendant with unfair competition in marketing devices having an appearance which was confusingly similar to the plaintiff's product. The district court again ruled for the plaintiff, and the circuit court of appeals affirmed.⁸ The district court did not specifically find "secondary meaning," but it did find that the appearance of plaintiff's devices had the "capacity to identify the plaintiff in the trade and does, in fact, so identify the plaintiff to the trade."⁹

The defendant unsuccessfully urged that a charge of unfair competition required a showing of fraud and since the plaintiff had not proved fraud, the defendant was entitled to prevail. The circuit court dismissed this argument¹⁰ by quoting from *Independent Nail & Packing Co. v. Stronghold Screw Prods., Inc.*:¹¹ "The test should be whether the public is *likely* to be deceived,"¹² and by further quoting from *G. Leblanc Corp. v. H. & A. Selmer, Inc.*:¹³

"[I]n all cases of unfair competition, it is the [sic] principles of old fashioned honesty which are controlling."¹⁴

The United States Supreme Court granted certiorari in both cases,¹⁵ and simultaneously handed down companion decisions reversing the circuit court of appeals.¹⁶

The Supreme Court, while not repealing the principles of old-fashioned honesty, greatly encouraged those who

⁸ *Ibid.*

⁹ *Id.* at 29.

¹⁰ *Day-Brite Lighting, Inc. v. Compco Corp.*, 311 F.2d 26 (7th Cir. 1962).

¹¹ 205 F.2d 921 (7th Cir. 1953).

¹² *Id.* at 926. (Emphasis added.)

¹³ 310 F.2d 449 (7th Cir. 1962).

¹⁴ *Id.* at 460.

¹⁵ *Compco Corp. v. Day-Brite Lighting, Inc.*, 374 U.S. 825 (1963); *Sears, Roebuck & Co. v. Stiffel Co.*, 374 U.S. 826 (1963).

¹⁶ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

would ignore them. With a shocking lack of preciseness, if not bad law, the Court stated that if the article is unpatented or uncopyrighted, the state may not prohibit the copying of the article.¹⁷

The decision pointedly ignores the Lanham Act, which defines the nature of a trademark as: "[A] mark may consist of any trade-mark, symbol, label, package, *configuration of goods*. . ." ¹⁸

Statutes similar to the Lanham Act have been adopted by many states, including Illinois.¹⁹ Trademark law is of dual authority with the federal government controlling trademarks on goods moving interstate, and the local state government controlling trademarks on goods moving intrastate.

Under federal law, Stiffel was entitled to a trademark registration covering the configuration of the goods, as was Day-Brite. Under Illinois statutes, they were also entitled to register the configuration of the goods they sold as their trademark. Apparently what the Supreme Court found was that the states had no authority to grant common-law rights in protection of configurations of goods. Under the doctrine of *Erie Railroad v. Tompkins*,²⁰ no federal common-law right existed.

The Supreme Court also feared that, under the guise of trademark protection, the states would give exclusive design rights to manufacturers who were unable to obtain patent protection. A patent grant lasts for seventeen years and may not be renewed except by an act of Congress.²¹ A trademark registration is perpetual as long as the trademark proprietor continues to use the mark on the goods as a means of identifying the source.²² Obviously, a merchant, having an option, would prefer to receive trademark protection in preference to patent protection.

¹⁷ Sears, *id.* at 232-33; Compco, *id.* at 237.

¹⁸ 76 Stat. 773 (1962), 15 U.S.C. § 1091 (1964). (Emphasis added.)

¹⁹ ILL. ANN. STAT. ch. 140, §§ 8-27 (Smith-Hurd 1955).

²⁰ 304 U.S. 64 (1938).

²¹ 79 Stat. 261 (1965), 35 U.S.C. § 154 (Supp. 1966).

²² 76 Stat. 770 (1962), 15 U.S.C. § 1059 (1964).

The classical trademark, *e.g.*, the word or symbol, presents no problem because it is not subject to patent protection. However, a manufacturer who designs and markets a new product has the option of applying for patent protection on the design of the new product, or alternatively taking the position that the shape (or configuration) of the goods is his trademark. To establish trademark rights, however, the trademark proprietor must show that the purchasing public recognizes the configuration of the goods and identifies him as the source of such goods, *i.e.*, secondary meaning.

The question arises as to whether or not the merchant may issue a patent on the design, and subsequently register it as his trademark. By coincidence, three days after the Supreme Court's decision, the Court of Customs and Patent Appeals handed down a decision in the case of *In re Mogen David Wine Corp.*,²³ affirmatively holding that an applicant was entitled to a design patent covering the fanciful shape of a wine bottle, as well as a trademark registration denominating the shape of the bottle as indicating the source of the goods. The court reasoned that the trademark right and the patent right were unrelated and neither one enlarged or diminished the other. Furthermore, nothing in either the patent statute or the trademark statute prohibited this.

Judge Rich, concurring,²⁴ distinguished a trademark registration covering the *package* containing the goods from the *configuration* of the goods themselves. He reasoned that the package containing the goods was registrable if it performed a trademark function. With regard to the configuration of the goods themselves, he further distinguished between situations wherein the shape of the goods was purely arbitrary and situations wherein the shape of the goods contributed some utilitarian function to the use or enjoyment of the goods. He felt the configuration of goods, based on ornamental consideration, was regis-

²³ 51 C.C.P.A. 1260, 328 F.2d 925 (1964).

²⁴ *Id.* at 1269, 328 F.2d at 932.

trable as a trademark, assuming it identified the source of goods to the purchasing public.

However, he went on to state that any configuration of goods dictated by the use or construction of the goods (what he termed an "engineering" function) was not registrable as a trademark. The judge also indicated that granting such a registration would give the applicant a perpetual monopoly on a functional design. Such protection comes only within the purview of the patent statutes, and then only for a limited period of time, as noted above.²⁵

Subsequent to the Supreme Court's rulings, a plethora of cases were decided by various tribunals interpreting these decisions. The earliest case arose on a motion for summary judgment in *Duplex Straw Dispenser Co. v. Harold Leonard & Co.*,²⁶ on a set of facts virtually identical to the *Sears/Compco* cases. The plaintiff's design patent was held invalid. On the issue of unfair competition, Judge Crary was moved to remark:

Although copying a device may prompt the cry of 'foul' where the originator has not protected the device with a valid patent, the copying thereof is not prohibited by law . . .²⁷

and quoted copiously from the Supreme Court's decisions.

At approximately the same time, the New York Supreme Court refused to apply the doctrine in a case involving misleading advertising. In *Mastro Plastics Corp. v. Emence Industries Inc.*,²⁸ the defendant used reproductions of the plaintiff's bongo drums in its advertising in order to sell competing drums. The court held that this constituted a commercial practice condemned in law, and nothing in the United States Supreme Court's decisions sanctioned it or limited the State of New York's right to declare it unlawful.

²⁵ For the final disposition of this case, see *In re Mogen David Wine Corp.*, 152 U.S.P.Q. 593 (1967).

²⁶ 229 F. Supp. 401 (D.C. Cal. 1964).

²⁷ *Ibid.*

²⁸ 141 U.S.P.Q. 311 (N.Y. Sup. Ct. 1964).

The Massachusetts Supreme Court refused to apply the doctrine of the *Sears/Compco* cases in *Edgar H. Wood Associates, Inc. v. Skene*.²⁹ The plaintiff had designed an apartment building and filed plans with the local building authority. Defendants obtained access to the plans and intended to construct similar buildings according to these plans. The court ruled for the plaintiff, and distinguished the *Sears/Compco* cases on the grounds that nothing in these cases forbids the states from protecting common-law copyrights. A similar result was reached by the New York Supreme Court in the case of *Flamingo Telefilm Sales v. United Artists Corp.*³⁰ The court held that the *Sears/Compco* decisions did not abolish the right of the states to enforce common-law copyrights.

Shortly thereafter, the Court of Appeals for the Seventh Circuit (wherein the *Sears/Compco* cases originated) had occasion to review the district court's finding, in the light of the Supreme Court's decisions, in the case of *Aerosol Research Co. v. Scovill Mfg. Co.*³¹ The patent was held valid by the district court and defendant was found guilty of unfair competition for copying plaintiff's patented device (aerosol valves). The court of appeals affirmed the holding of patent infringement but reversed on the question of unfair competition under the doctrine of the *Sears/Compco* cases. The appellate court also reversed the district court's award of treble damages and attorneys' fees, and restricted the scope of the injunction to the matter claimed by the patent.

The World's Fair was drawn into the controversy in the case of *New York World's Fair 1964-65 Corp. v. Colourpicture Publishers, Inc.*³² The defendant, Colourpicture Publishers, attempted to obtain permission from exhibitors at the fair to use reproductions of their exhibits on postcards, albums, etc. The plaintiff, New York World's Fair 1964-65 Corporation, filed suit and the New York Supreme

²⁹ 347 Mass. 351, 197 N.E.2d 886 (1964).

³⁰ 141 U.S.P.Q. 461 (N.Y. Sup. Ct. 1964).

³¹ 334 F.2d 751 (7th Cir. 1964).

³² 21 App. Div. 2d 896, 251 N.Y.S.2d 885 (2d Dep't 1964).

Court ruled in favor of the plaintiff on a motion for preliminary injunction. The Court held that the *Sears/Compco* doctrine did not strike down all state regulations on unfair competition. The rationale was that the Fair would run only two years, and thus was not subject to the "perpetual monopoly" danger referred to by the Supreme Court. It was also the court's opinion that the defendant interfered with plaintiff's business rights. This ruling was affirmed by the New York Supreme Court, Appellate Division, in a three-to-two decision.³³

The New York Supreme Court applied the *Sears/Compco* doctrine in discussing a complaint for unfair competition brought by the designer of mannequins against a copier, *Wolf & Vine v. Pioneer Display Fixture*,³⁴ and refused to grant the plaintiff relief.

A number of federal courts have applied the doctrine in cases decided since the Supreme Court's rulings and refused to apply it in others. The District Court for the Southern District of California, in the case of *Jerrold Stephens Co. v. Alladin Plastics*,³⁵ granted partial summary judgment on a set of facts that were identical with the *Sears/Compco* decisions. The plaintiff sued for declaratory judgment of invalidity of defendant's design patent relating to bucket seats. The defendant counter-claimed for patent infringement and unfair competition. The court held the design patent invalid for lack of invention. Applying the doctrine of the *Sears/Compco* cases, it went on to hold, as a matter of law, that the plaintiff was entitled to copy defendant's product.

The District Court for the Eastern District of New York was requested to consider the doctrine in a motion for preliminary injunction. The case of *International Biotical Corp. v. Federated Department Stores*³⁶ involved infringement of a design patent on a combined massager and infra-red heat lamp. Traditionally, a preliminary in-

³³ *Ibid.*

³⁴ 142 U.S.P.Q. 112 (N.Y. Sup. Ct. 1964).

³⁵ 229 F. Supp. 536 (S.D. Cal. 1964).

³⁶ 229 F. Supp. 528 (E.D.N.Y. 1964).

junction will not be granted in a patent infringement case unless the patent is valid beyond all doubt.³⁷ The plaintiff argued that in view of the Supreme Court's action (*i.e.*, reducing the basis for granting relief for acts of unfair competition), the court should extend the scope of the protection by granting a preliminary injunction in cases of this type. The court refused to grant the injunction and rejected the plaintiff's novel argument by stating that if the rule is to be discarded, the decision to do so must emanate from the Court of Appeals.

The District Court for the Eastern District of Missouri was called upon to apply the *Sears/Compro* doctrine in the case of *Kingsway, Inc. v. Werner*.³⁸ The plaintiff manufactured and sold chessmen of a "Florentine" design. The plaintiff charged the defendant with unfair competition because of its acts of copying and simulating the design of chessmen sold by plaintiff. The court interpreted the Supreme Court's decisions as affirming prior law, that copying a competitor's product constituted unfair competition only if the product had acquired secondary meaning. Accordingly, the court held for the defendant.

In the case of *Piel Mfg. Co. v. George A. Rolfes Co.*,³⁹ the court went so far as to indicate that products achieving secondary meaning might no longer be protectable.⁴⁰

In *Spangler Candy Co. v. Crystal Pure Candy Co.*,⁴¹ the District Court for the Northern District of Illinois again considered the matter as applied to lollipops. The plaintiff sold confections of this type under the trademark "Dum-Dums," and the defendant sold identical goods under the trademark "Pop-Pops." The plaintiff charged the defendant with unfair competition, alleging the defendant's packaging format was virtually identical with that of the plaintiff. The Illinois court, apparently chastened by

³⁷ *Zandelin v. Maxwell Bentley Mfg. Co.*, 197 F. Supp. 608 (S.D.N.Y. 1961).

³⁸ 233 F. Supp. 102 (E.D. Mo. 1964).

³⁹ 233 F. Supp. 891 (S.D. Iowa 1964).

⁴⁰ *Id.* at 897.

⁴¹ 235 F. Supp. 18 (N.D. Ill. 1964).

the Supreme Court's reversal of its decisions in the *Sears/Compc* cases, read the Supreme Court's decision as doing away with state common-law rights, while leaving unaffected state statutory rights.⁴²

The United States Court of Appeals for the Ninth Circuit applied the *Sears/Compc* doctrine in a case unrelated to trademarks.⁴³ The defendant was an Idaho television station having contractual rights in the Idaho area for all first-run network television programs. Plaintiffs built a community antenna and received, from more distant stations, the identical programs broadcast by the defendants and re-broadcast them for profit at the same time as defendant's programs. The plaintiffs sued for violation of the antitrust laws, and defendants counter-claimed for unfair competition. The district court ruled (prior to the *Sears/Compc* cases) in favor of the defendants, and awarded an injunction on the basis of a common-law right of freedom from contractual interference.

The court of appeals decision was rendered after the *Sears/Compc* cases. It reversed the district court in view of the language in the *Sears/Compc* cases, holding that the defendants had no common-law right to prevent copying by the plaintiffs, and defendants could not generate such a right by contract with a third party.

This is one of the few cases where a court has applied the *Sears/Compc* doctrine to literary property (*i.e.*, plays, books, movies, etc.). It would seem the doctrine is more applicable to cases involving consumer goods, and less applicable to cases involving literary property.

Where some previous contractual relationship existed between the plaintiff and defendant, the courts will hold the defendant to a more strict standard of conduct than might otherwise apply. In *Flexitized, Inc. v. National Flexitized Corp.*,⁴⁴ defendants had contracted with the plaintiffs to sell plaintiffs' collar stays and use the plaintiffs' trademark. The collar stays were unpatented; de-

⁴² *Id.* at 29-30.

⁴³ *Cable Vision, Inc. v. KUTV Inc.*, 335 F.2d 348 (9th Cir. 1964).

⁴⁴ 335 F.2d 774 (2d Cir. 1964), *cert. denied*, 380 U.S. 913 (1965).

defendants breached the agreement and sold competitive collar stays in competition with the plaintiffs under the trademark "FLEXITIZED." The court distinguished the *Sears/Compco* cases and ruled for the plaintiffs, in spite of the finding that plaintiffs' product had not developed any "secondary meaning" and a finding that the term "FLEXITIZED" was merely descriptive of the product despite a finding there was no "palming off."

The United States Court of Appeals for the Fourth Circuit also refused to apply the *Sears/Compco* doctrine in a case involving a breach of a confidential relationship between the plaintiff and defendant.⁴⁵ Again, the case involved invalid patents, in this instance directed to railroad "hot box detectors." The plaintiff disclosed all its engineering data to defendant, permitted the defendant to inspect the devices and copy its engineering drawings, and installed experimental devices for the defendant. The court held that, in spite of the fact that the patents were invalid, the defendant was guilty of unjust enrichment through breach of confidential relationship, and the court's authority to grant a remedy is derived from its power to award general equitable relief.

The Trademark Trial and Appeal Board, in *Electric Storage Battery Co. v. Mine Safety Appliances Co.*,⁴⁶ interpreted the Supreme Court's rulings to mean that a three-dimensional configuration of goods was registrable as a trademark if the elements of the configuration did not serve a utilitarian purpose.

The District Court for the Western District of Kentucky distinguished between copying the product and copying the trade dress. While recognizing copying an unpatented product was permissible under the *Sears/Compco* doctrine, they went on to hold that a spiral spot pattern on a sash cord was a distinctive trade dress which identified the source of the goods and, therefore, granted the plaintiff injunctive relief.⁴⁷

⁴⁵ *Servo Corp. v. General Elec. Co.*, 337 F.2d 716 (4th Cir. 1964).

⁴⁶ 143 U.S.P.Q. 163, 54 Trademark Rep. 995 (1964).

⁴⁷ *Samson Cordage Works v. Puritan Cordage Mills*, 243 F. Supp. 1 (W.D. Ky. 1964).

A motion to dismiss a complaint charging patent infringement and unfair competition was denied by the District Court for the Southern District of New York, on the theory that the patents might be held valid and, therefore, the state could institute prohibitions against copying an article which was the subject of a valid United States patent.⁴⁸ The same court refused to rule, as a matter of law, that the *Sears/Compco* doctrine permitted defendants to publish "Tarzan" stories which were not written by Edgar Rice Burroughs.⁴⁹

The District Court for the Northern District of Ohio refused to dismiss a complaint for copying, in view of allegations in the complaint, charging that the defendant is engaged in actual misrepresentation which was facilitated by the copying of plaintiff's product.⁵⁰

The Supreme Judicial Court of Massachusetts reversed the lower court's award of damages and injunction to an employer whose former employee went into competition selling elevator lubricators, patterned from and similar in appearance to the plaintiff's devices. The prior fiduciary relationship was insufficient to take the case out of the *Sears/Compco* doctrine.⁵¹

The Tappan Company sued General Motors Corporation in the District Court for the Northern District of Ohio, wherein plaintiff alleged infringement of a design patent on kitchen ranges, and unfair competition for selling ranges which were identical to those of the plaintiff except for the labeling. The court granted a motion for summary judgment on the unfair competition count, holding that it did not state a cause of action.⁵²

The District Court for the Eastern District of Pennsylvania remanded a case, involving a radio station's

⁴⁸ Parker Metal Goods Co. v. R.M.S. Electronics, Inc., 243 F. Supp. 15 (S.D.N.Y. 1965).

⁴⁹ Edgar Rice Burroughs, Inc. v. Charlton Publications, Inc., 243 F. Supp. 731 (S.D.N.Y. 1965).

⁵⁰ AMCO Engineering v. Bud Radio Inc., 145 U.S.P.Q. 609 (1965).

⁵¹ Angell Elevator Lock Co. v. Manning, 348 Mass. 623, 205 N.E.2d 245 (1965).

⁵² Tappan Co. v. General Motors Corp., 248 F. Supp. 978 (N.D. Ohio 1965).

appropriating news from a newspaper, to the state court holding the *Sears/Compc* doctrine did not preclude an action, based upon a state unfair-competition law, for an invasion of a property right in uncopyrighted news.⁵³

A trademark case, wherein the marks were identical but the goods dissimilar, held that the *Sears/Compc* doctrine prohibited injunctions in cases where the defendant had only pirated the "good will" of the trademark proprietor. The defendant was selling "Haig & Haig" pinch-bottle bubble bath in spite of plaintiff's rights in "Haig & Haig" pinch-bottle scotch whiskey.⁵⁴

The District Court for the Southern District of New York denied relief on a complaint charging unfair competition by reason of defendants' imitation of plaintiff's hair curlers, alleging that defendants copied plaintiff's color scheme, packaging, dress of goods, etc. The court held that plaintiff had not shown "secondary meaning," and in any event was precluded from basing any part of its claim upon similarity of the goods themselves, citing *Sears/Compc*.⁵⁵

CONCLUSION

The Supreme Court has ruled that the states do not have a common-law right to preclude competitive copying of consumer goods. The federal patent statute has preempted the field although the states are still free to enact statutes to prevent deception of the public. The lower courts, which have considered the question since the *Sears/Compc* cases were handed down, will follow the decisions only in fact situations which are nearly identical with the fact situations in the *Sears/Compc* cases. However, where fact situations differ, the courts tend to distinguish these cases and reapply the old-fashioned principles of honesty.

⁵³ Pottstown Daily News Publishing Co. v. Pottstown Broadcasting Co., 247 F. Supp. 578 (E.D. Pa. 1965).

⁵⁴ Haig & Haig v. Maradel Products, 249 F. Supp. 575 (S.D.N.Y. 1966).

⁵⁵ Delamere v. Taylor-Bell, 249 F. Supp. 329 (S.D.N.Y. 1966).