Torts--Unfair Competition--Bakery Route Considered "Goodwill," Therefore Held Not the Proper Subject of Action in Conversion (Stern v. Kaufman's Bakery, Inc., 191 N.Y.S.2d 734 (Sup. Ct. 1959))

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TORTS — UNFAIR COMPETITION — BAKERY ROUTE CONSIDERED

"GOODWILL," THEREFORE HELD NOT THE PROPER SUBJECT OF ACTION IN CONVERSION.—Plaintiff’s testator was the owner of a bakery. Plaintiff’s complaint alleged that defendant had unlawfully converted testator’s bakery route to its own use. The Supreme Court dismissed the complaint, and held, a door to door bakery route consists solely of goodwill, and as such, it is intangible and thus not the proper subject of an action in conversion. Stern v. Kaufman’s Bakery, Inc., — Misc.2d —, 191 N.Y.S.2d 734 (Sup. Ct. 1959).

Mr. Justice Cardozo in referring to the goodwill of a business stated: “Men will pay for any privilege that gives a reasonable expectancy of preference in the race of competition.” In an age that places such meticulous concern on methods of “selling the public” there can be little doubt that men will pay a high price to acquire this “privilege” referred to by the famous jurist. The goodwill of an established business is probably its primary asset.

Goodwill, which usually includes trade names within its scope, was apparently acknowledged as a valuable intangible worthy of judicial protection as early as the 16th century. Today it is a well accepted property right, widely recognized by the courts, and the subject of much discussion.

In New York the business man may validly transfer this intangible property right either upon his death or during his lifetime.

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1 See also Mr. Justice Story’s sweeping definition of goodwill, Wright, Tort Responsibility for Destruction of Goodwill, 14 CORNELL (L.Q. 298, 300 n.15 (1929).
2 Matter of Brown, 242 N.Y. 1, 6, 150 N.E. 581, 582 (1929).
3 See Mitchell, Unfair Competition, 10 HARV. L. REV. 275, 280 (1896).
5 Wright, supra note 1, at 298.
6 In 1851 a New York court granted an injunction against a defendant who was trying to adopt the same name for his hotel as that used by the plaintiff. The court stated that it was protecting “some portion of the fruits of that good will which honestly belong to him [plaintiff] alone.” Howard v. Henriques, 5 N.Y. Super. Ct. Rep. 725, 726 (1851).
7 See 17 GEO. L.J. 67, 70 (1928); Mitchell, note 3 supra.
8 As early as 1837 an English judge stated: “The good will of a trade is a subject of value and price. It may be sold, bequeathed, or become assets in the hands of the personal representative of a trader.” (per Tindal, C.J., in Hitchcock v. Coker, 6 AD. & E. 438, 454, 112 Eng. Rep. 167, 174 (EX. 1837)).
9 For a discussion of the various aspects of goodwill and a full citation of authorities, see Note, An Inquiry into the Nature of Goodwill, 53 COLUM. L. REV. 660 (1953).
10 “The testator’s gift to his son of ‘the store, with all its furnishings, fixtures,’ included the testator’s jewelry business conducted in the specified store and its stock in trade and good will, together with the right to occupy the premises.” In re Keem’s Will, 156 Misc. 259, 264, 281 N.Y. Supp. 591, 596 (Surr. Ct.), aff’d mem., 248 App. Div. 697, 298 N.Y. Supp. 819 (1st Dep’t 1936); see also Matter of Ulrici, 111 Misc. 55, 182 N.Y. Supp. 517 (Surr. Ct. 1920).
11 See Wood v. Whitehead Brothers Co., 165 N.Y. 545, 59 N.E. 357 (1901);
when it has been acquired as a result of more or less impersonal
elements such as "reasonable prices, good quality of merchandise and
fair dealing." However, goodwill which is solely attributed to
personal and professional skill, as that of a doctor, lawyer or ac-
countant, terminates upon the death of such person and is not con-
considered part of his estate.

The question in the present case was whether the goodwill of a bakery route is the proper subject of a conversion.

A conversion is considered "an act of wilful interference, without
lawful justification, with any chattel in a manner inconsistent with
the right of another, whereby that other is deprived of the use and
possession of it." This tort was born out of the old common-law
action of trover, which in turn was based upon a fiction. Today

Shubert v. Columbia Pictures Corp., 189 Misc. 734, 72 N.Y.S.2d 851 (Sup.
Ct. 1947). The sale of goodwill as part of a business was apparently first
recognized in 1620 by the English courts. Wright, supra, note 1.


However, there is dicta in New York which appears to recognize the
right of a professional man to transfer the goodwill of his business during
425, 427 (Surr. Ct. 1919).

13 It should be noted that the goodwill in the present case was probably
inherited as part of a business as in, In re Keehn's Will, supra note 9.

14 A chattel is "an article of personal property; any species of property
not amounting to a freehold or fee in land." BLACK, LAW DICTIONARY
316 (3d ed. 1933).

A New York court defined conversion as "any distinct act of dominion
wrongfully exerted over another's personal property in denial of or incon-
sistent with his [the owner's] rights therein." Meyer v. Price, 250 N.Y. 370,
381, 165 N.E. 814, 819 (1929).

15 SALMOND, TORTS 323 (11th ed. 1953).
16 Id. at 316-17; Warren, Qualifying as Plaintiff in an Action for a
17 "The classic count in trover alleges that the plaintiff was possessed, as
of his own property, of a certain chattel; that he afterwards casually lost it;
that it came to the possession of the defendant by finding; that the defendant
refused to deliver it to the plaintiff on request; and that he converted it to
his own use, to the plaintiff's damage." Ames, The History of Trover,
11 HARV. L. REV. 277 (1897).

"The fictitious allegations survived . . . even into our own century, in
jurisdictions where the lost art of common law pleading lingered on; and
there are quite modern cases in which it was alleged that the plaintiff casually
lost, and the defendant found, something like a steamboat or twenty carloads
of grain." Frosser, The Nature of Conversion, 42 CORNELL L.Q. 163, 170
(1957).

However, "trover has had its long day," and in the usual case today the
conversion includes within its scope situations which had previously been covered by trespass and detinue, and it has become "a more or less universal remedy applicable to all cases in which a plaintiff has been deprived of his goods, whether by a wrongful taking, a wrongful detention, or some wrongful disposal." 19

During the early history of the common law it was supposed that there could not be a conversion of intangible property. 20 This, however, is not the true state of the law today. 21 In recognition of the significant role which credit plays in our present economic structure, the courts have extended conversion to include within its scope many choses in action, which might be considered tangible evidence of intangible property rights. 22 The courts of New York have indicated that stocks, bonds, checks, a promissory note and a draft are all proper subjects of conversion.

Does this extension of conversion to include intangible property rights bring goodwill within its sweep?

The question is answered in the negative. "An action in the

plaintiff brings his action in tort for conversion rather than trover. Warren, supra note 16.

18 Prosser, TORTS 66 (2d ed. 1955).
19 Id. at 67.

In addition to showing a wrongful interference with the property, the plaintiff must also evidence that he had possession or the right to possession of the property in order to recover in conversion. McCoy v. American Express Co., 253 N.Y. 477, 481, 171 N.E. 749, 752, reargument denied, 254 N.Y. 550, 173 N.E. 861 (1930). But see Warren, supra note 16, at 1100-09.

20 "Another ancient restriction, based on the fiction of losing and finding, was that trover would not lie for intangible property, because it could not be 'found.'" Prosser, supra note 18, at 69. See Comment, 10 Fordham L. Rev. 415 (1941).

21 See Prosser, op. cit. supra note 18, at 69-70. See Ayers v. French, 41 Conn. 142, 151 (1874).
22 Comment, note 20 supra.
23 Whether conversion will lie only for choses in action which are evidenced by tangible property is seriously questioned. Ibid. The author states that, "the upholding of actions for conversion of shares of stock not yet issued, for debts, causes of action and perhaps for ideas when unlawfully appropriated (all without any tangible writing to represent the choses in action) has reached the stage where it is no longer entirely a series of exceptions to a general rule." Id. at 431.

Dean Prosser points out that "there may be an action for conversion, not only of the intangible rights represented by special instruments ... but also of such rights alone, as in the case of the corporate stock apart from the certificate." Prosser, TORTS 69-70 (2d ed. 1955).

nature of trover lies only for the conversion of tangible personal property, or tangible evidence of title to intangible or real property," which does not include goodwill since it is neither tangible property nor tangible evidence of intangible property. This seems to sum up the general view of the courts.

In Taft v. Smith, Gray & Co., the plaintiff, a former clothing salesman for the defendant, brought an action for conversion of a book which contained a list of customers compiled by the plaintiff during a period of about twenty years. The court, acknowledging the fact that the book had no market or other probable value, sustained a verdict of $500 for the plaintiff on the basis that his earning power was increased by the use of the book. It would appear that the court's reference to earning power was merely a reference to the goodwill of certain customers which the plaintiff had acquired over a period of years. The court stated:

The author or compiler of a manuscript has a property right in it. This property right attaches not only to the physical or corporeal substance which composes the manuscript but includes the incorporeal right to the exclusive use of its contents. . . .

The book contained the names of those who entertained a kind of good-will to the plaintiff. . . .

Although it was the book itself which was the subject of the conversion, the plaintiff's damages were estimated solely in terms of customer goodwill which might have materialized into clothing sales commissions.

Thus, the authority in New York which includes the Taft case appears to indicate that even though goodwill is not the proper subject of a conversion, it may be the sole basis for damages in such an action.

The refusal of the courts to include goodwill within conversion's scope seems justified. Not only has the value of goodwill "taxed the best minds of the legal and accounting professions," but the vagueness and flexibility of this intangible property right is by its very nature outside the realm of conversion.

See note 23 supra, wherein two references are mentioned which seem to indicate that the word only should be removed from this general rule.


Id. at 286-87, 134 N.Y. Supp. at 1013-14.

See New York cases cited in note 31 supra.

Comment, supra note 31, at 425.
The usual damages in a conversion action are measured by the market value of the property converted, which in effect is a forced sale. In order "to force" such a sale upon a defendant, it should be determined that he has actually converted the plaintiff's property. But who can ascertain just how much customer goodwill the defendant has brought within his control and how much still remains with the plaintiff? If goodwill means that "the old customers will resort to the old place," isn't it more likely that the plaintiff's business rather than the defendant's is still the "old place," especially since the conversion action must be instituted within three years from the time of the actual conversion. For that matter, who can establish when the actual conversion took place and whether and how long the "converted" customer will continue dealing with the "converter"? The answers to such questions are of such a speculative nature that they apparently cannot be justly determined by the courts.

Since the businessman does not have a remedy in conversion for the wrongful interference with his customer goodwill, is he to be left completely at the mercy of his shrewd competitors? In the interest of the public and the competitors themselves the courts of equity have provided relief in certain cases where a rival business has been guilty of what is nebulously termed "unfair competition." This relief may be granted in the form of an in-

38 N.Y. CIV. PRAC. ACT § 49(5), (7).
39 Has the customer been "converted" as soon as he makes one purchase from the defendant, or must he make many purchases? Suppose the customer is dealing with both the defendant and plaintiff. In such a case has the plaintiff's customer goodwill been partially converted? Is not this partial conversion a subject of great flux as the customer either increases or decreases his dealings with the defendant?
40 But see Prosser, TORTS 70 (2d ed. 1955): "There is perhaps no essential reason why there might not be a conversion of . . . the good will of a business." Ibid.
41 "[T]he question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business. The question . . . is not so much the rights of either party as against the public but their rights as between themselves." International News Service v. Associated Press, 248 U.S. 215, 236 (1918); W. Walley, Inc. v. Saks & Co., 266 App. Div. 193, 198, 41 N.Y.S.2d 739, 744 (1st Dep't 1943).
42 "What shall constitute unfair competition tomorrow cannot be clearly determined by what has been declared unfair competition today or yesterday. Even as there are no bounds to human invention when it comes to disposing of a product, so too there can be no arbitrary rules of thumb of inclusion or exclusion as to constituents of unfair competition. . . . Thus one finds in the field of unfair competition a welter of legal concepts borrowed from tort law, property law, etc., by which the courts have justified in judicial robes their
The problem facing the courts in each specific case in this area of competition is to determine exactly what constitutes an unfair business practice. This must be done in light of the traditional American notion of free enterprise without placing unnecessary stress upon restraint of trade at the expense of fair competition. The modern attitude is clearly expressed in a recent New York case:

Property rights of commercial value [in which goodwill is certainly included] are to be and will be protected from any form of unfair invasion or infringement and from any form of commercial immorality, and a court of equity will penetrate and restrain every guise resorted to by the wrongdoer.

Whether the defendant in the present case has been guilty of unfair competition, which would warrant relief, is unascertainable on conclusions on purely factual situations." Sadtler, Unfair Competition—Past and Present Trends, 16 TENN. L. REV. 400 (1940). See Grismore, Are Unfair Methods of Competition Actionable at the Suit of a Competitor?, 33 MICH. L. REV. 321, 323 (1935).


See note 42 supra.

"[F]or seven centuries English speaking peoples have struggled to keep the market free. . . . [T]here has thus come about a fundamental change in the relationship of government to business. A policy of fostered and protected monopoly after a trial of five centuries was discarded and the opposite extreme, a policy of wholly unrestricted competition, was for a time adopted. The unhappy effects of that policy within less than a century resulted in the adoption of a compromise—a policy of government regulation designed to maintain a status of free and fair competition protecting alike against the dangers of monopoly and the evils of uncurbed competition." Jones, Historical Development of the Law of Business Competition, 36 YALE L.J. 351, 382-83 (1926).


9 Misc.2d at 434, 155 N.Y.S.2d at 455.
the basis of the plaintiff's complaint. However, it may be safely stated that the mere solicitation of the plaintiff's customers by the defendant bakery, without an agreement to the contrary, will not and should not warrant judicial intervention. However, should the defendant's conduct evidence "deceit, fraud, or abuse of confidence" the plaintiff might very well receive judicial redress. "The trader has not a free lance. He may fight but as a soldier, not as a guerilla." Business ethics need not unduly suffer at the hands of a distorted rugged individualism.

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49 The complaint (at least on the basis of the reported opinion) merely stated that the defendant wrongfully and unlawfully converted plaintiff's testator's bakery route. Exactly what plaintiff contends is wrongful and unlawful is not stated.

50 "There is no clear evidence of deceit, fraud, or abuse of confidence by the defendant [competitor]. No trade secrets are involved. Plaintiff had no vested right to the patronage of its customers, and it may well be that its former customers, from whim, caprice or the winning qualities of the defendant, had transferred their business liking to him. . . . Mere solicitation does not constitute unfair competition in the absence of an express agreement to the contrary." Standard Library, Inc. v. Addis, 167 Misc. 469, 471, 3 N.Y.S.2d 488, 490 (Sup. Ct. 1938). Accord, Apollo Stationery Co. v. Pilmar, 15 Misc.2d 91, 93, 182 N.Y.S.2d 637, 640 (Sup. Ct. 1958).


52 See note 50 supra.
