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Competition as a Test of Territorial Scope of Protection of Trademarks and Tradenames

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COMPETITION AS A TEST OF TERRITORIAL SCOPE OF PROTECTION OF TRADEMARKS AND TRADENAMES

From early times the law has recognized the liability of one who fraudulently markets his goods or services as those of another by imitating the latter's trademark or tradename or trade symbols, or who, to use the commonly expressed term, "passed off" his goods as those of another.[1] As emphasized by the American Law Institute in the Restatement of Torts "historically, the term 'passing off' designates only the case in which one of two rivals diverts the other's custom to himself by fraudulently misrepresenting that the goods which he is selling are the goods of the other." [2] The question to be considered in this article is whether liability attaches in those cases where the litigants are not trade rivals and not in actual competition [3] and there is no diversion of trade from the complaining party to the alleged infringer.[4]

This problem may arise in two situations: (1) where the goods, services or businesses of the litigants are different and not in competition, and (2) where the alleged infringer operates in a territory different from that in which the complaining party operates. This note will concern itself only with the second situation although both situations raise the same fundamental problem and some of the questions considered are common to both situations.

The expression, sometimes met with, that a trademark right is

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[1] *See* 26 R. C. L. 875, Trademarks, Tradenames, and Unfair Competition, § 53.

[2] RESTATEMENT, TORTS Vol. III, Introductory Note to Ch. 35, p. 541 (1938). *See* H. Milgrim & Bros. v. Schlesinger, 168 Ore. 476, 123 P. (2d) 196 (1942), where the pertinent passage of the Restatement is quoted with approval; Time v. Viobin Corporation, 128 F. (2d) 860 (C. C. A. 7th 1942).

[3] Actual or direct competition, as the term is used in this article, exists where the litigants solicit the same trade from the same customers in the same territory at the same time. *See* National Picture Theatres v. Foundation Film Corp., 266 Fed. 208 (C. C. A. 2d 1920); Beech-Nut Packing Co. v. P. Lorillard Co., 7 F. (2d) 967 (C. C. A. 3d 1925). Actual or direct competition in that sense does not exist where the litigants although operating in the same geographical area, do not offer the same kind of goods or services or do not solicit trade from the same kind of customers or where the litigants although engaged in like lines of business, do not operate in the same geographical area.

[4] In the leading case of Yale Electric Corporation v. Robertson, 26 F. (2d) 972, 973 (C. C. A. 2d 1928), the problem has been stated by L. Hand, Circuit Judge, as follows: "The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second. This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, though it assumes many guises. Therefore it was at first a debatable point whether a merchant's good will, indicated by his mark, could extend beyond such goods as he sold. How could he lose bargains which he had no means to fill? What harm did it do a chewing gum maker to have an ironmonger use his trademark? The law often ignores the nicer sensibilities."

not limited in its enjoyment by territorial bounds, is certainly, if literally taken, not a correct statement of the law. However, in view of the development of the law in recent years, it can no longer be said that the above expression is, as frequently stated in the cases,[5] true *only* in the sense that wherever the trade goes attended by the use of the mark, the right of the trader to be protected against the sale by others of their goods in the place of his goods will be sustained.

There is one principle upon which courts seem to agree: The mere fact that one has first appropriated or used a trademark or tradename in a limited territory does not, by itself, operate to give the first user the exclusive right to use the mark or name everywhere, and it is certainly correct to say that "the mere use" of a tradename which one person has found highly successful in bringing his goods to the favorable attention of the public in one business territory, by another person in another business territory, does not of itself constitute an actionable wrong.[6]

However, the courts are in disagreement with respect to the question what additional factors, apart from prior appropriation, determine the territorial scope of the first user's rights.

Some authorities, particularly earlier ones, require actual competition in the sense that the territorial scope of the first user's rights is determined exclusively by the extension of his actual trade or business, that is, by the extension of his commercial transactions. But law is not static; it is an ever developing science and today in most of the recent decisions in our federal and our state courts, in actions based upon unfair trade practices, actual competition between the litigants has not been held to be an indispensable prerequisite to injunctive relief.[7]

Rule Requiring Actual Competition

There is a substantial body of authority which supports the rule that the first user of a trademark, or a tradename, which has acquired a secondary meaning, can obtain relief in an action for infringement of his mark or name or for unfair competition only upon a showing of actual competition with the alleged infringer by way

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[5] Hanover Milling Co. v. Metcalf, 240 U. S. 403, 60 L. ed. 713 (1916); United Drug Co. v. Rectanus Co., 248 U. S. 90, 63 L. ed. 141 (1918); General Baking Co. v. Goldblatt Bros., 90 F. (2d) 241 (C. C. A. 7th 1937), *cert. denied*, 302 U. S. 732, 82 L. ed. 566 (1937); Bisceglia Bros. Corporation v. Fruit Industries, 20 F. Supp. 564 (E. D. Pa. 1937), *aff'd*, 101 F. (2d) 752 (C. C. A. 3d 1939).

[6] The Tent v. Burnham, 269 Mass. 211, 168 N. E. 735 (1929); Loew's Boston Theatres Co. v. Lowe, 248 Mass. 456, 143 N. E. 496 (1924); Kaufman v. Kaufman, 223 Mass. 104, 111 N. E. 691 (1916).

[7] *See* Note, 148 A. L. R. 22 (1944), and collected authorities; 52 AM. JUR., Trade Marks, Trade Names, etc., §§ 93 and 109; RESTATEMENT, TORTS Vol. III, Introductory Note to Ch. 35, pp. 537, 540 (1938).

of actual commercial transactions in the market with respect to which protection is sought, and this rule has been applied *a fortiori* where the alleged acts of infringement were committed in another country than that in which the senior user had established his trade.[8] In keeping with this, it has been frequently stated that there cannot be unfair competition unless there be in fact competition;[9] that generically, the term "unfair competition" presupposes a real competition, present or prospective, of some kind; and that to invoke the aid of a court of equity the plaintiff must show that there is competition.[10]

The dogmatic basis of the rule is the view that not only an award of money damages at law but also injunctive relief in equity is dependent upon the plaintiff's showing an injury which will result in or threatens actual and substantial damages,[11] such damages, as a general proposition, meaning money damages or a financial, pecuniary, monetary loss.[12] Where a defendant, although concededly "palming off" his goods or services as those of the plaintiff, is not in actual competition with the plaintiff, there is no diversion of trade from the plaintiff to the defendant, and without such a diversion of trade it seemed inconceivable to the courts that the plaintiff might

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[8] Gauvin v. Smith, 26 F. Supp. 194 (D. Conn. 1939) (where it was held that use of a trademark in Canada does not preempt use by another of the same mark or name in the United States).

[9] *United States*—Carroll v. Duluth Superior Milling Co., 232 Fed. 675, (C. C. A. 8th 1916); New Discoveries v. Wisconsin Alumni R. Foundation, 13 F. Supp. 596 (W. D. Wis. 1936);

California—Yellow Cab Co. v. Sachs, 191 Cal. 238, 216 Pac. 33 (1923);

Illinois—Ambassador Hotel Corp. v. Hotel Sherman Co., 226 Ill. App. 247 (1922);

Iowa—Sartor v. Schaden, 125 Iowa 696, 101 N. W. 511 (1904);

Massachusetts—Kaufman v. Kaufman, 223 Mass. 104, 111 N. E. 691 (1916); Hub Dress Mfg. Co. v. Rottenberg, 237 Mass. 281, 129 N. E. 442 (1921); Loew's Boston Theatres Co. v. Lowe, 248 Mass. 456, 143 N. E. 496 (1924); Women's Mut. Ben. Soc. v. Catholic Soc., 304 Mass. 349, 23 N. E. (2d) 886 (1939) (involving protection of the plaintiff's corporate name);

Michigan—Good Housekeeping Shop v. Smitter, 254 Mich. 592, 236 N. W. 872 (1931);

Nebraska—Riggs Optical Co. v. Riggs, 132 Neb. 26, 270 N. W. 667 (1937);

New Jersey—National Grocery Co. v. National Stores Corp., 95 N. J. Eq. 588, 123 Atl. 740 (1924); Baltimore v. Clark, 131 N. J. Eq. 290, 25 A. (2d) 30 (1942);

New York—Astor v. West Eighty-Second St. Realty Co., 167 App. Div. 273, 152 N. Y. Supp. 631 (1st Dep't 1915) (where the court said that "without competition there can be no unfair competition, and hence no invasion of any equitable right");

Washington—Eastern Outfitting Co. v. Manheim, 59 Wash. 428, 110 Pac. 23 (1910).

[10] Simplex Automobile Co. v. Kahnweiler, 162 App. Div. 480, 147 N. Y. Supp. 617 (1st Dep't 1914).

[11] *See* 28 AM. JUR. 220, Injunctions, § 28.

[12] Astor v. West Eighty-Second St. Realty Co., 16 App. Div. 273, 152 N. Y. Supp. 631 (1st Dep't 1915); in general, *see* 15 AM. JUR. 387, Damages, § 2.

suffer a financial loss of a kind which justified either money damages or injunctive relief. Under this view diversion of trade is the exclusive test of an action of unfair competition,[13] and injury to the complainant's reputation and good will is not a sufficient basis for relief.

The rule that actual competition is an indispensable prerequisite to relief in an action for infringement of a trademark or tradename or for unfair competition has been applied to the situation where the parties, although dealing in the same or very closely related goods or services, solicit trade in different quarters or from different classes, and are, for this reason, not in direct competition with each other,[14] as where one of the parties is a wholesaler and the other a retailer;[15] or where the defendants do not manufacture and sell the goods in question to the trade, but merely certain parts thereof to one customer, as in *Canister v. Owens-Illinois Glass*,[16] where relief was denied because the basis of the complaint of unfair competition was that containers which were sold to the trade were manufactured in a certain distinct way resembling the plaintiff's products, but the defendants were not competitors of the plaintiff, since they did not manufacture and sell containers to the trade, but merely manufactured and sold to one customer; or where one of the parties was the manufacturer and the other the operator of taxicabs.[17]

Consistent with the dogmatic basis of the above rule, though inconsistent with the requirements of justice, relief has been denied

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[13] Borden Ice Cream Co. v. Borden's Condensed Milk Co., 201 Fed. 510 (C. C. A. 7th 1912); Simplex Automobile Co. v. Kahnweiler, 162 App. Div. 480, 147 N. Y. Supp. 617 (1st Dep't 1914). Thus in a suit to restrain the defendant, who held himself out to the public as an expert diamond appraiser, from appraising diamonds sold by the plaintiffs at prices greatly below the actual cost and market value of these diamonds the complaint contained no allegations that the litigants were competitors, but disclosed that they were not, and there was no contention that the defendant by his conduct was seeking to entice away the plaintiffs' customers so that they would purchase goods from him, it was held in Esskay Art Galleries v. Gibbs, 205 Ark. 1157, 172 S. W. (2d) 924 (1943), that the complaint wholly failed to state a case of unfair competition.

[14] *See* Apollo Bros. v. Perkins, 207 Fed. 530 (C. C. A. 3d 1913), where although both litigants were engaged in the business of selling cigarettes, the appellate court agreed with the trial court that the evidence did not support the charge of unfair competition because "The two brands of cigarettes are not offered to the same market, and do not compete in fact."

[15] Regent Shoe Mfg. Co. v. Haaker, 75 Neb. 426, 106 N. W. 595 (1906); *cf.* Nolan Bros. Shoe Co. v. Nolan, 131 Cal. 271, 63 Pac. 480 (1900); Ross v. Neuville, 34 F. Supp. 466 (E. D. N. Y. 1940) (where the fact that plaintiff was engaged in the wholesale business, and defendant in the retail business, of selling ladies' hosiery seems to be one of the factors which induced the court to deny a motion for a preliminary injunction).

[16] 95 F. (2d) 303 (C. C. A. 3d 1938).

[17] Yellow Cab Co. v. Sachs, 191 Cal. 238, 216 Pac. 33 (1923). For a case reaching the opposite result under substantially the same facts, *see* Checker Cab Corp. v. Sweeney, 119 Misc. 780, 197 N. Y. Supp. 284 (Sup. Ct. 1922).

even though at the time of the appropriation the junior user had knowledge of the complaining party's trademark or tradename or even though the infringer's intention to "palm off" his goods as those of the complaining party and to take advantage of the latter's reputation and to deceive the public was manifest.[18]

Rule Not Requiring Competition (Modern Rule)

Under some of the earlier [19] and most of the recent cases actual competition is no longer the essential test nor an indispensable prerequisite of injunctive relief in an action for infringement of a trademark or tradename or for unfair competition.[20] There has been an increasing tendency on the part of the courts to mould, and even to expand, the legal remedy in this field to conform to ethical business, and the emphasis is no longer on competition,[21] but rather on the injury suffered by the complaining party and the public from the confusion resulting from the infringer's acts.[22] It has been emphasized also that the doctrine of unfair competition is nothing but a convenient name for the doctrine that no one should be allowed to sell his goods as those of another, and while the doctrine is usually invoked when there is actual market competition between the litigants, there is no fetish in the word "competition" and the invocation of equity rests more vitally upon the unfairness.[23]

This view is applicable in the situation where there is no actual competition in the territory in dispute and rests upon a recognition that the owner of a trademark or tradename has a legally protected

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[18] Clark v. Freeman, 11 Beav. 112, 50 Eng. Rep. 759 (1848); Borthwick v. Evening Post, 37 Ch. D. 449 (1888).

[19] *See* Carroll v. Ertheiler, 1 Fed. 688 (E. D. Pa. 1880); The Collins Co. v. Oliver Ames & Sons Corporation, 20 Blatchf. 542, 18 Fed. 561 (S. D. N. Y. 1883); Kingsley v. Jacoby, 28 Abb. N. C. 451, 20 N. Y. Supp. 46 (Sup. Ct. 1892); Wamsutta v. Allen, 12 Phila. Leg. Int. 535 (Pa. 1878); Collins Co. v. Reeves, 28 L. J. Ch. 56 (1858).

[20] Kotabs v. Kotex Co., 50 F. (2d) 810 (C. C. A. 2d 1931); Wood v. Peffer, 55 Cal. App. 116, 130 P. (2d) 220 (1942); Lady Esther v. Lady Esther Corset Shoppe, 317 Ill. App. 451, 46 N. E. (2d) 165 (1943); Churchill Downs Distilling Co. v. Churchill Downs, 262 Ky. 567, 90 S. W. (2d) 1041 (1936); Armour & Co. v. Armour Shipping Corporation, 175 Misc. 695, 25 N. Y. S. (2d) 47 (Sup. Ct. 1941) (holding that absence of direct evidence of competition was immaterial).

[21] Stork Restaurant v. Marcus, 36 F. Supp. 90 (E. D. Pa. 1941); Lincoln Motor Co. v. Lincoln Automobile Co., 44 F. (2d) 813 (D. C. 1930); Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937).

[22] Stork Restaurant v. Marcus, 36 F. Supp. 90 (E. D. Pa. 1941).

[23] The statement given above in the text was made by Judge Denison in Vogue Co. v. Thompson-Hudson Co., 300 Fed. 509 (C. C. A. 6th 1924). Judge Denison's statement has been quoted in numerous cases, the latest case being 51 West Fifty-First Corporation v. Roland, 139 N. J. Eq. 156, 50 A. (2d) 369 (Ch. 1946).

interest in its good will, that is, the favorable consideration shown by the purchasing public to goods known to emanate from a particular source,[24] and that the right of the owner of good will to be protected is not limited to the prevention of actual market competition.[25] Thus the fact that the defendant does not and probably will not deprive the plaintiff of trade is no longer a valid defense.[26]

There are various theories upon which, despite the lack of actual competition and diversion of trade, injunctive relief may be granted; such as the theory that the injury to be prevented is that to the complaining party's reputation and good will, or to his right to expand his trade. But whatever may be the interest of the complaining party sought to be protected in cases of this kind, it has been held to be far less weighty than his interest in protecting his actual sales,[27] and it should be emphasized that each case presents a unique problem which must be answered by weighing the conflicting interests against each other.[28]

Theories of Relief

Where the goods, services, or businesses of the litigants are not in actual competition, a junior appropriator of a trademark or tradename or trade symbols ordinarily [29] is not actually diverting custom and trade from the complaining party. Consequently, it has been recognized that in this situation diversion of trade and the resulting direct loss of sales [30] or actual monetary loss [31] cannot be the basis

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[24] White Tower System v. White Castle System, etc., 90 F. (2d) 67 (C. C. A. 6th 1937).

[25] S. C. Johnson & Son v. Johnson, 116 F. (2d) 427 (C. C. A. 2d 1940); Bamberger Broadcasting Service v. Orloff, 44 F. Supp. 904 (S. D. N. Y. 1942).

[26] Stork Restaurant v. Marcus, 36 F. Supp. 90 (E. D. Pa. 1941).

[27] S. C. Johnson & Son v. Johnson, 116 F. (2d) 427 (C. C. A. 2d 1940); Dwinell-Wright Co. v. White House Milk Co., 132 F. (2d) 822 (C. C. A. 2d 1943); Durable Toy and Novelty Corporation v. J. Chein & Co., 133 F. (2d) 853 (C. C. A. 2d 1943).

[28] Emerson Electric Mfg. Co. v. Emerson Radio & P. Corp., 105 F. (2d) 908 (C. C. A. 2d 1939); Durable Toy & Novelty Corporation v. J. Chein & Co., 133 F. (2d) 853 (C. C. A. 2d 1943).

[29] In Wolff, *Non-Competing Goods in Trademark Law*, 37 COL. L. REV. 582, 590 (1937), it has been pointed out that the defendant's goods, though not the same as those of the plaintiff, may be in competition with plaintiff's in the sense that the consumer's need for the plaintiff's article could be met by his purchase of defendant's, as in regard to baking soda and baking powder (Layton Pure Food Co. v. Church & Dwight Co., 182 Fed. 35 (C. C. A. 8th 1910); Church & Dwight Co. v. Russ, 99 Fed. 276 (D. Ind. 1900)).

[30] Great Atlantic & Pacific Tea Co. v. A. & P. Radio Stores, 20 F. Supp. 703 (E. D. Pa. 1937); Vickers, Inc. v. Fallon, 48 F. Supp. 221 (E. D. Mich. 1943).

[31] Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937); Rainbow Shops v. Rainbow Specialty Shops, 176

of relief. However, the courts have also recognized that diversion of trade and the attendant direct loss of sales is not the only injury which may result, but that other injuries may follow, such as an injury to the complaining party's reputation and good will, the forestalling of the normal potential expansion of his business, or the "whittling away" or "dilution" of his trademark or tradename or symbols. Unjust enrichment has also been considered as a basis of relief.

Another theory of relief finds the complaining party's injury in the fact that by the acts of the junior appropriator there has been created a false impression of a trade connection between the parties, possibly subjecting the first appropriator to liability or to embarrassment of litigation.[32]

While all the theories above mentioned presuppose that the ultimate wrong is the confusion of source or origin of goods or services, there is one theory under which the "whittling away" or "dilution" of the selling appeal of a trademark or tradename is regarded as the essence of the wrong, and under which consequently, at least theoretically, relief may be available, even though there is no confusion, and no likelihood of confusion, as to source on the part of the customers.[33]

A. Reputation and Good Will: Where the goods, services, or businesses of the litigants are not in actual competition, the right to injunctive relief has frequently been rested upon the necessity of preventing injury to the complaining party's reputation and good will.[34] This injury has been said to result from the infringer's representation to the public that the complaining party produces a product which the latter does not in fact produce, and over which it has no control. As stated by Circuit Judge Learned Hand, a merchant's "mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control." [35] An unwarranted financial reliability may be

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Misc. 339, 27 N. Y. S. (2d) 390 (Sup. Ct. 1941); Grand Trunk R. Co. v. James, [1916] 10 Alberta L. R. 109, 29 D. L. R. 352.

[32] Great Atlantic & Pacific Tea Co. v. A. & P. Radio Stores, 20 F. Supp. 703 (E. D. Pa. 1937); Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937); Walter v. Ashton, [1902] 2 Ch. 282; Grand Trunk R. Co. v. James, [1916] 10 Alberta L. R. 109, 29 D. L. R. 352.

[33] T. A. Vulcan v. Meyers, 139 N. Y. 364, 34 N. E. 904 (1893); N. Y. World's Fair 1939, Inc. v. World's Fair News, Inc., 256 App. Div. 373, 10 N. Y. S. (2d) 56 (1st Dep't 1939); COLLMAN, THE LAW OF UNFAIR COMPETITION AND TRADE MARKS (1945), Ch. 20, § 80.6, pp. 1124-27.

[34] Rector v. Rector's Tavern, 163 Misc. 213, 299 N. Y. Supp. 26 (Sup. Ct. 1937); Bamberger Broadcasting Service v. Orloff, 44 F. Supp. 904 (S. D. N. Y. 1942); Lady Esther v. Lady Esther Corset Shoppe, 317 Ill. App. 451, 46 N. E. (2d) 165 (1943).

[35] Yale Electric Corporation v. Robertson, 26 F. (2d) 972, 974 (C. C. A.

credited to the infringer by third persons, and if such belief is unfounded, the complaining party's reputation [36] or credit and financial standing [37] may suffer. Injury, that is, a general loss of sales as distinguished from a direct loss on account of diversion of trade is evident where the defendant is competing with the complaining party's customers rather than with the plaintiff, as where the plaintiff is engaged in the business of selling materials for roofs to contractors and the plaintiff's trademark is used as a tradename and part of its corporate name by a defendant engaged in the roofing business,[38] or where the plaintiff is a wholesaler and the defendant is a retailer,[39] the essence of the injury being that the plaintiff's customers are misled to believe that the plaintiff has commenced competing with them.

Injury is evident also where the plaintiff's reputation has been, or is likely to be, tarnished by the use of his trademark or tradename in connection with an inferior product; [40] but the existence of an injury has also been recognized even though the infringer's goods or services are not such as would tarnish the complaining party's reputation.[41] Consequently, the fact that the complaining party's goods are of a quality inferior to those manufactured by the infringer has been held immaterial.[42] To use Circuit Judge Learned Hand's classic words, "a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask," [43] and the complaining party ". . . need not permit another to attach to its good will, the consequences of trade methods not its own," [44] and need not expose his good name to the hazards of another's conduct,[45] it

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2d 1928), quoted in Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937).

[36] Wall v. Rolls-Royce of America, 4 F. (2d) 333 (C. C. A. 3d 1925).

[37] Great Atlantic & Pacific Tea Co. v. A. & P. Radio Stores, 20 F. Supp. 703 (E. D. Pa. 1937); Rector v. Rector's Tavern, 163 Misc. 213, 299 N. Y. Supp. 26 (Sup. Ct. 1937).

[38] American Insulation Co. v. Eternit Roofing Corp., 14 F. (2d) 235 (E. D. N. Y. 1926).

[39] British-American T. Co. v. British-American C. S. Co., 211 Fed. 933 (C. C. A. 2d 1914); Coca-Cola Co. v. Brown & Allen, 274 Fed. 481 (N. D. Ga. 1921).

[40] Hydraulic Press Brick Co. v. Stevens, 15 F. (2d) 312 (C. C. A. 5th 1926); Vickers, Inc. v. Fallon, 48 F. Supp. 221 (E. D. Mich. 1943); Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937).

[41] Western Auto Supply Co. v. Knox, 93 F. (2d) 850 (C. C. A. 10th 1937); Maison Prunier v. Prunier's Restaurant & Cafe, 159 Misc. 551, 288 N. Y. Supp. 529 (Sup. Ct. 1936); H. Milgrim & Bros. v. Schlesinger, 168 Ore. 476, 123 P. (2d) 196 (1942).

[42] Yale Electric Corporation v. Robertson, 26 F. (2d) 972 (C. C. A. 2d 1928).

[43] *Id.* at 974.

[44] *Ibid.*

[45] *See* Landers, Frary & Clark v. Universal Cooler Corporation, 85 F. (2d) 46 (C. C. A. 2d 1936); H. Milgrim & Bros. v. Schlesinger, 168 Ore. 476, 123 P. (2d) 196 (1942).

being always troublesome and generally impossible to follow the business practices of a newcomer closely enough to be sure that they are not damaging.[46]

Where a court has weighed the conflicting interests of the litigants, it has been said that the interest in reputation is more substantial than the right to expand one's business to other goods.[47]

B. Right of Expansion: Where the goods, services, or businesses of the litigants are not in actual competition, the right to injunctive relief has been rested by some courts upon the necessity of preventing an infringer from forestalling the normal and natural expansion [48] or reasonable extension [49] of the complaining party's business or trade, at least with respect to markets which already identify his goods or business with his mark or name [50] or with respect to related goods.[51] The right to expand business to goods of a different class is impliedly recognized in some of the cases where the necessary competition has been defined as real, "present or prospective," and where relief has been denied because there was no evidence that the defendant ever intended "presently or prospectively" to compete in a different class of goods.[52]

The right to expand has been held to be less palpable than the right to protect one's reputation,[53] and it has also been said that the right to expand may perhaps to some degree be measured by what the newcomer's practice has been and is likely to be.[54] It has been intimated that the courts are reluctant to apply "the doctrine of natural expansion," since unless they be exceedingly careful, it would

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[46] S. C. Johnson & Son v. Johnson, 116 F. (2d) 427 (C. C. A. 2d 1940) (the court, however, remarking that it should not be forgotten that so long as the newcomer has not in fact misconducted himself the injury is prospective and contingent).

[47] Dwinell-Wright Co. v. White House Milk Co., 132 F. (2d) 822 (C. C. A. 2d 1943).

[48] Emerson Electric Mfg. Co. v. Emerson Radio & P. Corp., 105 F. (2d) 908 (C. C. A. 2d 1939); S. C. Johnson & Son v. Johnson, 116 F. (2d) 427 (C. C. A. 2d 1940).

[49] Henry Muhs Co. v. Farm Craft Foods, 37 F. Supp. 1013 (E. D. N. Y. 1941) (butter and meat products as compared with cheese).

[50] Landers, Frary & Clark v. Universal Cooler Corporation, 85 F. (2d) 46 (C. C. A. 2d 1936); National Fruit Product Co. v. Dwinell-Wright Co., 47 F. Supp. 499 (D. Mass. 1942).

[51] Florence Mfg. Co. v. J. C. Dowd & Co., 178 Fed. 73 (C. C. A. 2d 1910) (where it was held that a manufacturer of toilet brushes has the right to start the manufacture of tooth brushes under the tradename used for the toilet brushes).

[52] Beech-Nut Packing Co. v. P. Lorillard Co., 7 F. (2d) 967 (C. C. A. 3d 1925).

[53] Dwinell-Wright Co. v. White House Milk Co., 132 F. (2d) 822 (C. C. A. 2d 1943) (recognizing, upon principle, that the right of the senior user of a mark to pre-empt the market for later exploitation may be taken into consideration, but holding it "a very slender thread indeed").

[54] *Ibid.*

lead into "monopoly." [55] In some cases, the right of expansion has been denied with respect to goods not of the same class and description.[56]

C. Unjust Enrichment: Where the goods, services, or businesses of the litigants are not in actual competition, the right to injunctive relief has been rested by some courts on the ground that the infringer is unfairly enjoying an increase in his own business, paid for directly by the complaining party, yet without any return from the former to the latter on its investment,[57] the infringer thus "obtaining an unearned profit." [58]

Without expressly resting their decision on the ground of "unjust enrichment," the courts, in granting relief, occasionally have suggested that the infringer cannot be allowed to reap (the benefit of the complaining party's good will) where he has not sown [59] or to gain the advantage of the wide publicity which the complaining party has earned by the expenditure of a large sum of money in advertising.[60]

It is submitted that unjust enrichment is not a satisfactory theory upon which to rest relief in situations in which actual competition is lacking. It has correctly been pointed out,[61] that if the adoption of the complaining party's trademark or tradename by the defendant ". . . were merely to increase his business, yielding him higher profits, with no consequent injury to the plaintiff, no reason appears why the latter should have a remedy."

D. "Whittling Away" or "Dilution": Where the goods, services, or businesses of the litigants are not in actual competition, the right to injunctive relief has been rested by some courts upon the necessity of preventing "the gradual whittling away" [62] or "dilution"

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[55] *See* Kay Dunhill, Inc. v. Dunhill Fabrics, 44 F. Supp. 922 (S. D. N. Y. 1942).

[56] Holland Furnace Co. v. New Holland Mach. Co., 24 F. (2d) 751 (E. D. Pa. 1927); Parsons Trading Co. v. Hoffman, 107 Misc. 536, 177 N. Y. Supp. 713 (Sup. Ct. 1919), *aff'd,* 200 App. Div. 900, 192 N. Y. Supp. 942 (1st Dep't 1922).

[57] Dodge Bros. v. East, 8 F. (2d) 872 (E. D. N. Y. 1925).

[58] Bond Stores v. Bond Stores, 104 F. (2d) 124 (C. C. A. 3d 1939).

[59] Kotabs v. Kotex Co., 50 F. (2d) 810 (C. C. A. 3d 1931); Aetna Casualty & Surety Co. v. Aetna Auto Finance, 123 F. (2d) 582 (C. C. A. 4th 1941).

[60] Rosenberg Bros. & Co. v. Elliott, 7 F. (2d) 962 (C. C. A. 3d 1925); Tiffany & Co. v. Tiffany Productions, 147 Misc. 679, 264 N. Y. Supp. 459 (Sup. Ct. 1932), *aff'd,* 237 App. Div. 801, 260 N. Y. Supp. 821 (1st Dep't 1932), *aff'd mem.,* 262 N. Y. 482, 188 N. E. 30 (1933).

[61] *See* 37 COL. L. REV. 593, footnote 53 (1937).

[62] Tiffany & Co. v. Tiffany Productions, 147 Misc. 679, 264 N. Y. Supp. 459 (Sup. Ct. 1932), *aff'd,* 237 App. Div. 801, 260 N. Y. Supp. 821 (1st Dep't 1932), *aff'd mem.,* 262 N. Y. 482, 188 N. E. 30 (1933); Rainbow Shops v. Rainbow Specialty Shops, 176 Misc. 339, 27 N. Y. S. (2d) 390 (Sup. Ct. 1941); Lady Esther v. Lady Esther Corset Shoppe, 317 Ill. App. 451, 46 N. E. (2d) 165 (1943).

of the complaining party's trademark or tradename,[63] or the "dispersion" of its identity and hold upon the public mind.[64] Under this theory, the owner of a trademark or tradename is regarded as possessed of an interest in not having another destroy the distinctiveness of his mark by borrowing it.[65] "A mark is more than a symbol of existing good will or a mere commercial signature; it has a creative function; it serves as a 'silent salesman' to attract customers. The dilution of its selling powers and "the whittling away of its uniqueness" by use of noncompeting products, constitutes a real injury for which there should be redress." [66]

It will be observed that this theory does not rest upon, and is applicable irrespective of, confusion or likelihood of confusion as to source or origin of goods or services, but no cases have been found in which there was not present an element of confusion.[67]

Though the courts claim that the theories discussed above are not inconsistent with the general rule requiring competition but are merely exceptions and limitations, the fundamental policy followed in some of the more recent cases seems contrary to that underlying the earlier cases which support the general rule.

Effect of the Lanham Trade-Mark Act

In July, 1947 the new Lanham Trade-Mark Act [68] becomes effective and with its taking effect, we can look for far reaching changes to take place in American trademark law. This new legislation touches upon most phases of ownership, registration and use of trademarks in the United States as well as abroad but the only parts we will take up will be those that affect this discussion.

Until this Act came into being, federal registration of a trademark did *not* put all local users and newcomers on notice that the

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[63] Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937) (referring to Schecter, *Rational Basis of Trademark Protection* 40 HARV. L. REV. 813 [1927]; Schecter, *Fog and Fiction in Trademark Protection* 36 COL. L. REV. 60 [1936]).

[64] Rainbow Shops v. Rainbow Specialty Shops, 176 Misc. 339, 27 N. Y. S. (2d) 390 (Sup. Ct. 1941).

[65] National Fruit Product Co. v. Dwinell-Wright Co., 47 F. Supp. 499 (D. Mass. 1942).

[66] Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937). *See* Stork Restaurant v. Marcus, 36 F. Supp. 90 (E. D. Pa. 1941), where the court emphasized that "upon the strength of a single, if sustained, precedent the plaintiff could be literally 'hemmed in' by 'Stork Clubs' until the public was so surfeited with the same that the mere mention of the name would provoke contrary reactions."

[67] *See* Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N. Y. Supp. 176 (Sup. Ct. 1937), where it was pointed out that even in the famous *Tiffany* case there was evidence of public confusion, but that the court, in part at least, rested its decision on the broader ground.

[68] 60 STAT. 540 (1946), 15 U. S. C. § 1051 (1946 Supp.).

registered mark was no longer available for use in interstate commerce. This large gap in trademark protection is closed by the new bill.

Section 22 [69] specifies that registering on the Principal Register "shall be constructive notice of the registrant's claim of ownership. . . ." This is a vitally important change. It means that after July, 1947, a company that fails to register a trademark can expect no protection, whatsoever, outside the state in which he may have been the first user of the mark. However, once a federal registration is issued, there can be only *one* lawful user in interstate and foreign commerce. It is worthy of notice that this protection of "constructive notice" is also extended to include marks registered under the acts of 1881 and 1905.

Section 22 taken by itself would seem to render pointless and fruitless a discussion as to the need for actual competition before territorial protection will be expanded, if it weren't for the fact that the rule of there being only one lawful user in interstate and foreign commerce after a federal registration of the mark doesn't apply where we have cases involving concurrent registration.

Section 2 [70] of the new Act authorizes the Commissioner of Patents to register the same or similar mark "as concurrent registrations" to more than one registrant "where they have become entitled to use such marks as a result of their concurrent lawful use thereof, prior to any of the filing dates of the applications involved. . . ." Where such circumstances appear, the Commissioner may grant both registrations if he comes to the conclusion that confusion is not likely to result from the continued use of such marks. He may, in granting concurrent registrations, prescribe "conditions and limitations as to the mode, place of use or the goods. . . ." To predict the conditions and limitations the Commissioner may ultimately develop for concurrent registrations is, of course, impossible but the following conclusion would seem to follow from the language and legislative history of this provision: A search of the earlier drafts of this section reveals the words *"honest* concurrent use" to have been contemplated but the section, as finally adopted, refers instead to a "concurrent *lawful* use." We must assume that such *"lawful"* use exists in all cases in which the courts would recognize a separate ownership of the same mark as used in different parts of the country on the same or similar merchandise. Thus, any use the courts would consider an infringement could never constitute a *"lawful"* concurrent use. There can, of course, be no "concurrent *lawful* use" after a federal registration because such registration is "constructive notice" but where an application for concurrent regis-

[69] 60 STAT. 540 (1946), 15 U. S. C. § 1052 (1946 Supp.).
[70] 60 STAT. 540 (1946), 15 U. S. C. § 1072 (1946 Supp.).

tration is made, such concurrent use having occurred *prior* to federal registration by the first user, then the problem of determining what constitutes an infringement is still with us and the rules laid down by the courts in cases of infringement must be applied.

There is no provision under the new Act for the registration of tradenames and so we have no change in the extent of protection given the tradenames, whereas, it now appears that trademarks have national protection.

Conclusion

The general rule is that the scope of protection of a trademark or tradename is coextensive only with the territory throughout which it is known and from which it has drawn its trade, and the adoption and use of a tradename or trademark does not project the right of protection in advance of the extension of the trade, nor operate as a claim of territorial rights over areas into which it may thereafter be deemed desirable to extend the trade.

Many of the more modern cases, however, have held that actual competition isn't a necessary prerequisite for the expansion of trademark and tradename protection. Among the theories that these later cases rest upon are those of unjust enrichment, "whittling away" of the trademark or tradename, reputation and good will, and right of expansion. And although many of the principles underlying these latter day decisions are contrary to the principles underlying the general rule, the courts have stoutly maintained that these theories are merely exceptions and limitations on the general rule.

The Lanham Act extends national protection to a trademark once it has been registered because registration is constructive notice. However, the new Act provides for concurrent registration where there was a *"lawful* concurrent use" by the second user before the first user registered his mark and the Commissioner will have to look to decisional law in order to determine where a *"lawful* concurrent use" existed.

In closing, it should be noted that as tradenames cannot be registered under the Lanham Act they will not be subject to the expanded protection extended to trademarks.

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