

Unfair Competition--Injunction--Trade Names-- "Shredded Wheat" (Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938))

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untary act, places himself in a position of danger, he cannot recover for the resultant injury. The rule of contracts that the law will not allow the plaintiff to take advantage of his own default to the detriment of the innocent defendant would be applied. The fundamental basis of a warranty is the reliance by the buyer on the superior knowledge of the seller; thus where both parties have the same knowledge the law does not imply a warranty. Here the dangerous properties of the fluid were made known to the plaintiff. It was because of this that the plaintiff had no remedy.¹⁵

H. P. M.

UNFAIR COMPETITION—INJUNCTION—TRADE NAMES—"SHREDDED WHEAT".—The complainant, National Biscuit Co., sought to enjoin the defendant, Kellogg Co., from manufacturing shredded wheat biscuits in a pillow-shaped form and from selling them under the name of "Shredded Wheat". The complainant claimed the exclusive right to make shredded wheat biscuits in a pillow-shaped form, and the exclusive right to designate them by the trade name "Shredded Wheat". The defendant was accused of unfair competition on the ground that its use of the form and the trade name was, allegedly, calculated to "pass off" the defendant's goods for those of the complainant. It was shown that although the basic patent for the manufacture of shredded wheat by the Shredded Wheat Co.¹ had expired in 1912, the Kellogg Co. did not compete with the Shredded Wheat Co. until 1927, after the said company had expended over seventeen million dollars in creating a great demand for its product. However, in competing for the same market in which the complainant sold its goods, the defendant used all reasonable means to prevent the public from confusing the source of the goods. The standard Kellogg cartons were strikingly dissimilar in size, form and color from the cartons of the complainant. They were distinctively labeled "Kellogg Shredded Whole Wheat Biscuit" so as to strike the eye of even an unwary purchaser as being a Kellogg product. The defendant's cartons con-

cleaning fluid which had been spilled on the floor. Judgment was given for the plaintiff on the ground that the defendants were chargeable with negligence in marketing into homes such quantities of a dangerous fluid. Unanimously affirmed without opinion, 248 App. Div. 697 (1st Dept. 1936).

¹⁵ The basis of an implied warranty is justifiable reliance on judgment and skill of the warrantor, as shown by the particular circumstances. *Ford v. Waldorf System*, — R. I. —, 188 Atl. 633 (1936). "The purpose and use of the implied warranty is to promote high standards in business and to discourage sharp dealings. It rests upon the principle that honesty is the best policy and contemplates business transactions in which both parties may profit. *Bekkevold v. Potts*, 173 Minn. 87, 216 N. W. 790 (1927).

¹ To whose business and goodwill the complainant had succeeded in 1930.

tained fifteen biscuits; those of the complainant contained twelve biscuits. On *certiorari* to review the decree granting an injunction against the defendant, *held*, reversed. The above facts do not present evidence of unfair competition. Upon the expiration of the basic patents not only the right to manufacture the biscuits in pillow-shaped form, but also the right to designate them as "Shredded Wheat" were dedicated to the public. The name, shredded wheat, is a generic term, and since it had never acquired a "secondary meaning", the complainant could not claim an exclusive right to its use. *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111, 59 Sup. Ct. 109 (1938).

In 1742, failing to find any precedents in favor of an injunction in competition cases, Lord Hardwicke refused to enjoin a trader from using another's mark.² But in 1886 this holding was rejected when Judge Wallace said: "All practices which tend to engender unfair competition are odious and will be suppressed by injunction."³ Unfair competition, strictly speaking, consists in so dressing or representing one's own goods, whether by a deceptive use of another's trademark or in whatsoever manner possible by human ingenuity, so as to enable one to pass off upon the public his own goods or business as and for the goods or business of another.⁴ The underlying principle of the law of unfair competition is that one is not entitled to reap profits from the goodwill and reputation which another has built up for his goods and business,⁵ and that such goodwill and reputation is a *property right*, or a business right.⁶ It is because unfair competition is an invasion of this property right⁷ that equity is warranted in exercising its extraordinary power in granting relief against such com-

² *Blanchard v. Hill*, 2 Atk. 484 (1742).

³ *Estes v. Leslie*, 27 Fed. 22 (C. C. S. D. 1886); *Cox, The Prevention of Unfair Competition in Business* (1891) 5 HARV. L. REV. 139, 145.

⁴ *Elgin Nat. Watch Co. v. Illinois Watch Case Co.*, 179 U. S. 665, 21 Sup. Ct. 270 (1901); *Sayre v. McGill Ticket Punch Co.*, 200 Fed. 771 (N. D. Ill. 1912).

⁵ *McLean v. Fleming*, 96 U. S. 245 (1877); *Criterion Advertising Co. v. Seely*, 4 F. (2d) 932 (D. C. Mass. 1925).

⁶ *Shaver v. Heller & Merz Co.*, 108 Fed. 821 (C. C. A. 8th, 1901). Such business rights are incorporeal property rights, which include copyrights, patents, trade secrets, trade names, trade-marks and the right to make profits by carrying on business. WALSHE, EQUITY (1930) §41. Each of these rights affords different protection in enabling the one protected to realize profits. *Baker v. Libbie*, 210 Mass. 599, 97 N. E. 109 (1912) (copyrights protect the peculiar juxtaposition of the words of the particular author, but not the author's ideas embodied in his composition); *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405, 28 Sup. Ct. 748 (1906) (patents protect the inventor's ideas); *Bristol v. Equitable Life Assurance Society*, 132 N. Y. 264, 30 N. E. 506 (1892) (trade secrets are protected as long as the inventor refrains from publishing them); *Waterman Pen Co. v. Modern Pen Co.*, 235 U. S. 88, 35 Sup. Ct. 91 (1914) (trade-marks are given exclusive use to the first appropriator); *Howe Scale Co. v. Wyckoff, Seamans & Benedict*, 198 U. S. 118, 25 Sup. Ct. 609 (1905) (trade names are afforded protection against fraudulent simulation).

⁷ *Vacuum Oil Co. v. Eagle Oil Co.*, 122 Fed. 105 (C. C. N. J. 1903) (unfair competition is a tort).

petition.⁸ Thus equity, in requiring competitors to act fairly in soliciting the public patronage, is, in effect, setting up a code of ethics for business.⁹ The courts uniformly hold that a complainant must show a fraudulent intent on the part of the defendant as a prerequisite to his obtaining an injunction in cases of competition.¹⁰ Yet it is conceded that, where the defendant's goods are mistaken for those of the complainant, the injury to the complainant is the same whether or not the defendant intended to deceive the public as to the true source of the goods.¹¹ The purchaser will frequently confuse the producers of a product when two competing manufacturers offer a similar product for sale under the same trade name, and a buyer asking for shredded wheat, intending to buy the product of the National Biscuit Co., may be handed the product of Kellogg Co. Such confusion of source results in an injury to the goodwill and reputation of the manufacturer who had first appropriated the trade name and expended a large sum of money in making it a household term.¹²

It is the general rule that a generic term, accurately describing a product, cannot be exclusively appropriated as a trade name.¹³ Where a producer first begins to manufacture a product and procures a patent to protect the process of the manufacture he will have the exclusive right to call that product by its descriptive name, as long as the monopoly created by the patent exists.¹⁴ But, upon the expiration of the patent, the right to manufacture the product is dedicated to the public, and, in conjunction therewith, the right to call the prod-

⁸ This is in accordance with the maxim, "*aequitas agit in personam*," where a property right is involved. See *Elgin Nat. Watch Co. v. Illinois Watch Case Co.*, 179 U. S. 665, 21 Sup. Ct. 270 (1901). There is no adequate remedy at law. WALSHE, *EQUITY* (1930) § 41. Though some cases hold that relief is also granted on the theory of protecting the public from being deceived into accepting the defendant's goods as those of complainant (*Kentucky Distilleries & Warehouse Co. v. Wathen*, 110 Fed. 641 (W. D. Ky. 1901)), the greater weight of authority seems to hold that the sole basis for relief in unfair competition is to protect the complainant's property right in his trade. *Reynolds Tobacco Co. v. Allen Bros. Tobacco Co.*, 151 Fed. 819 (W. D. Va. 1907).

⁹ *Armour & Co. v. Master Tire & Rubber Co.*, 34 F. (2d) 201 (S. D. Ohio 1925). However, it may be safely said that the present standard of business ethics is not very high. Indeed, the evolution of the law of unfair competition is, as yet, not complete. But the general trend is towards the application of more ethical standards in response to the agitations of the administrative agencies and legislative bodies. For an interesting treatment of the development of the law see Note (1933) 46 *HARV. L. REV.* 1171.

¹⁰ *United Lace & Braid Mfg. Co. v. Barthels Mfg. Co.*, 221 Fed. 456 (E. D. N. Y. 1915).

¹¹ *American Products Co. v. American Products Co.*, 42 F. (2d) 488 (E. D. Mich. 1930).

¹² *Singer Mfg. Co. v. June Mfg. Co.*, 163 U. S. 169, 16 Sup. Ct. 1002 (1896).

¹³ *DuPont Cellophane Co. v. Waxed Products Co.*, 85 F. (2d) 75 (C. C. A. 2d, 1936), *cert. denied*, 299 U. S. 601, 57 Sup. Ct. 193 (1936).

¹⁴ *Singer Mfg. Co. v. June Mfg. Co.*, 163 U. S. 169, 16 Sup. Ct. 1002 (1896).

uct by its generic or descriptive name also vests in the public.¹⁵ This public right to manufacture a product, not protected by a patent, and to designate it by its generic name, cannot be lost by delay,¹⁶ for any member of the public may elect to exercise such a right at any time. It is true, however, that a generic term acquiring a "secondary meaning" may confer upon the original producer an exclusive right to its use.¹⁷ But, to be entitled to protection under the principle of "secondary meaning" it must be shown that the *producer* and not the product has become primarily associated with the generic term in the minds of the consuming public.¹⁸ There is no doubt but that the defendant, in selling his product under its generic name, causes damage to the original producer of the same product under the same name; for, even though the defendant uses all means to identify the product as his own, short of completely dropping the name necessary to describe it, still he will inevitably share in the business and good will of the original producer.¹⁹ But it must be remembered that the generic name describing a product, unprotected by any patent, is "*publici juris*".²⁰ And thus, one cannot be accused of doing any wrong if he does that which he has a right to do, even though the exercise of such right consequently redounds to another's damage. It is, in such a case, "*damnum absque injuria*".²¹

E. S. S.

¹⁵ Shredded Wheat Co. v. Humphrey Cornell Co., 250 Fed. 960 (C. C. A. 2d, 1918); Wm. Worner & Co. v. Eli Lilly & Co., 265 U. S. 526, 44 Sup. Ct. 615 (1924) (the name and the form of a product together pass to the public upon the expiration of a patent).

¹⁶ Singer Mfg. Co. v. June Mfg. Co., 163 U. S. 169, 16 Sup. Ct. 1002 (1896).

¹⁷ Barton v. Rex-Oil Co., 2 F. (2d) 402 (C. C. A. 3d, 1924), *modified*, 29 F. (2d) 474 (C. C. A. 3d, 1928).

¹⁸ Richmond Remedies Co. v. Dr. Miles Medical Co., 16 F. (2d) 598 (C. C. A. 8th, 1926).

¹⁹ *Ibid.*

²⁰ DuPont Cellophane Co. v. Waxed Products Co., 85 F. (2d) 75 (C. C. A. 2d, 1936), *cert. denied*, 299 U. S. 601, 57 Sup. Ct. 193 (1936).

²¹ Shredded Wheat Co. v. Humphrey Cornell Co., 250 Fed. 960 (C. C. A. 2d, 1918).