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IMMORTALITY AT THE CANDY COUNTER— THE STORY OF NATIONWIDE TRADEMARK PROTECTION*

Roger A. Stetter**

THE "HORNBOOK" LAW PRIOR TO 1966 A COMMON LAW TRADEMARK IS GOOD EVERYWHERE

Toward the end of the last century an eastern wholesale drug company desired to adopt a certain trademark for a cough remedy.¹ The company, having made a diligent but fruitless search to determine whether the proposed trademark was already in use in the United States, extensively advertised its cough remedy bearing the particular trademark and met with considerable commercial success. Eventually the company learned that a retail druggist in a small city in the West was using the same trademark for a cough remedy and had been using it long before the company first used it.

Although the druggist had made no claim of infringement against the drug company and perhaps was entirely ignorant of the latter's cough remedy, the law was by no means clear

* The title was suggested by A. BARACH, *FAMOUS AMERICAN TRADEMARKS* (1971), a collection of stories which originally appeared as a regular feature of *Changing Times* magazine on the birth of well-known American trademarks. One of these stories relates how a poor candymaker from Vienna, upon arriving in New York City, settled down in a combined apartment and candy shop and proceeded to sell a penny candy which he called "Tootsie Roll" after his childhood sweetheart, "Tootsie." Sales increased from two hundred rolls a day to millions, and the candymaker thus "gave his sweetheart a sort of immortality at the candy counter." *Id.* at 173.

The "Tootsie Roll" story, paralleling that of many other famous trademarks, vividly illustrates the Lanham Trademark Act's rationale for nationwide protection, summed up by a trade witness testifying at the Congressional hearings preceding its enactment, who remarked, "No one knows when he adopts a trade-mark how extensive his business will become. It may spread over the whole country, or it may not." *Hearings on H.R. 82 Before the Subcomm. on H.R. 82 of the Senate Comm. of Patents, 78th Cong., 2d Sess.* 46 (1944).

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1. See F. MOORE, *LEGAL PROTECTION OF GOODWILL* 139-41 (1936). *But cf.* *Tetlow v. Tappan*, 85 F. 774 (C.C.S.D.N.Y. 1898). See also *Hearings on H.R. 102 Before the Subcomm. on Trade-Marks of the House Comm. on Patents, 77th Cong., 1st Sess.* 75-76 (1941) [hereinafter cited as 1941 *Hearings*].

that the druggist could not enjoin the drug company from further use of the trademark based upon the simple fact of his prior appropriation, should he choose to enforce it. At the very least, the druggist could exclude the drug company from his trade territory while continuing to enjoy the benefit of the latter's reputation and advertising. He might exact an exorbitant price for the surrender of his trademark rights, or he might hasten into territory that was within his "natural" field of expansion, but that the drug company was arranging to occupy with its national brand. In these circumstances, the company felt it was imprudent to expend any more money in building up the trademark.

One of the company's lawyers then concocted and executed an ingenious plan for rescuing the goodwill associated with its successful trademark. He journeyed to the western city where the retail druggist was located, took lodgings in a local boarding house, and proceeded to become a resident of that city. In time he made the acquaintance of the retail druggist and for a handsome price purchased the druggist's business, lock, stock and barrel, including the trademark and goodwill for his cough remedy. Some time later, the attorney told the druggist that he desired to resell him the drugstore in order that he might return East. The druggist reacquired his drugstore for less money than he had received for it, but the attorney reserved to himself and his assigns the trademark for the cough remedy, including that part of the goodwill of the business connected with it. When he returned home, the attorney assigned to his client, the drug company, the rights which he had reserved from the resale.

The anecdote illustrates the plight of a junior user of a trademark who has expended money and talent in its successful exploitation in ignorance of prior use² by someone else. If the means for ascertaining prior user are inadequate, it is inequitable to permit a static senior user, such as the retail druggist, to take over, under claim of prior right to the trademark, territorial markets that are beyond his provincial trade area and that have been developed by a dynamic, good faith junior user. On the other hand, consider the hardship of

2. On the requirements of user, see Handler & Pickett, *Trade-Marks and Trade Names—An Analysis and Synthesis* II, 30 COLUM. L. REV. 759, 764-68 (1930). For a recent case illustrating the complexity of the concept, see *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260 (5th Cir. 1975).

requiring a senior trademark user who has diligently expanded his business from the east to the west coast to abandon his trademark at the California border, where he is met for the first time by a good faith junior user who claims the exclusive right to use the trademark in California. Not only is it expensive and difficult to use different trademarks on the same goods in different territory,³ but if the good faith junior user is granted exclusive rights in California, the senior user has lost whatever benefits might be expected to accrue from the introduction into new territory of a popularly trademarked article, one that has caught on elsewhere. The point of the comparison with the dynamic junior user is to emphasize the interest of the first user of a trademark to extend his trade into new territory as the popularity of his trademarked goods grows. How should the law balance these competing interests?

One might suppose that the proper way to resolve conflicts respecting the right of a person to use a trademark upon his goods in a disputed territory or to retain whatever territorial markets he previously exploited would be to inquire who was there first. That facile answer would completely ignore the interest of the first person to use a trademark for his goods in gradually extending his trade into new territory as his business grows, or would place a premium on overextended advertising and rash selling efforts not warranted by a concern's resources.⁴ Only the vastly wealthy corporations could immediately occupy every market in the country. On the other hand, if priority of appropriation should settle these conflicts, how can one know before he selects a trademark and expends a fortune in building up trade under it whether it is already being used by another in some remote corner of our

3. See 1941 *Hearings* at 76; cf. *Maatschappij Tot Exploitatie v. Kosloff*, 45 F.2d 94 (2d Cir.), *on rehearing*, 45 F.2d 98 (1930) (commercial impracticability of printing distinguishing phrase on candy wrapper no excuse). *But cf.* *W.E. Bassett Co. v. Revlon Inc.*, 354 F.2d 868 (2d Cir. 1966) (modifying preliminary injunction to allow defendant to market existing inventories of articles already marked with an infringing trademark).

4. See J. HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* § 14, at 24-25 (4th ed. 1924) [hereinafter cited as HOPKINS]; H. NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* § 218b, at 573-75 (3d ed. 1936), for this same criticism of *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916), discussed *infra* in text at note 12 *et seq.*, which adopts a qualified version of this position.

broadly extended country? Any solution failing to address these competing considerations would be unsatisfactory.

Prior to 1916, when the United States Supreme Court was first called upon to settle an issue respecting the territorial claims of different trademark users, the law on this question was scanty and confused. Some cases held that priority of appropriation settled the question, whether the prior user had extended his trade to the infringer's territory and irrespective of the good faith or length of time during which the junior user had been exploiting the trademark.⁵ Possibly diverting to the distinction between the quantum of proof necessary to sustain an injunction against the use of a valid technical trademark and that proof required to suppress rival use of a trade name,⁶ some courts facing the question of the

5. See *Standard Brewery Co. v. Interboro Brewing Co.*, 229 F. 543 (2d Cir. 1916) (registered trademark); *Hygeia Distilled Water Co. v. Consolidated Ice Co.*, 144 F. 139 (C.C.W.D. Pa. 1906), *aff'd*, 151 F. 10 (3d Cir. 1907); HOPKINS at § 14.

6. Assuming the presence of actual market competition between the parties, the trademark owner needed only to prove that the defendant, subsequent to plaintiff's prior user, put the same or a confusingly similar trademark upon competing goods. He did not have to show that he had used the trademark for a particular period of time or that the mark had achieved any public recognition. See 2 H. NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* § 319 (4th ed. 1947) [hereinafter cited as NIMS]; cf. *RESTATEMENT OF TORTS* § 717, comment a, at 562 (1938); *RESTATEMENT (SECOND) OF TORTS* §§ 715, 719-20, and comments (Tent. Draft. No. 8, 1963). See, e.g., *Kathreiner's Malzkaffee Fabriken v. Pastor Kneipp Medicine Co.*, 82 F. 321 (7th Cir. 1897).

In contrast, the holder of a brand name not a technical common law trademark could seek relief only via suit for unfair competition and would be protected only if he could establish actual or probable deception of the public to his harm. To prove the actual or probable deception he had to establish that the name denoted to an appreciable segment of the purchasing public that the goods bearing the brand were of his make, or had acquired a secondary meaning, thereby achieving "trade name" status. See, e.g., *G. & C. Merriam Co. v. Saalfield*, 198 F. 369, 373 (6th Cir. 1912); *RESTATEMENT OF TORTS* § 716, comments a, b, at 559-60 (1938); cf. *Upjohn Co. v. William S. Merrell Chemical Co.*, 269 F. 209 (6th Cir. 1920), *cert. denied*, 257 U.S. 638 (1921) (appearance of product as trade name).

Hence, a trade name could not travel to territory where its owner had no trade, and once such a trade name did make its appearance in territory distinct from its previous use, the holder would have to establish its secondary meaning in the new territory before he could claim any legal protection against its use by a rival trader. See, e.g., *Kaufman v. Kaufman*, 223 Mass. 104, 111 N.E. 691 (1916); *C.A. Briggs Co. v. National Wafer Co.*, 215 Mass. 100, 102 N.E. 87 (1913); 1 NIMS at § 35a; W. DERENBERG, *TRADE-MARK PROTEC-*

territorial scope of protection of trademarks and nearly all of the treatise writers on trademarks concluded that the exclusive right to use a common law trademark was, according to the weight of authority,⁷ or should be, according to the proper function of a trademark,⁸ co-extensive with the territory of the United States.

Even after the United States Supreme Court rejected the view that the right of a trademark owner could be projected in advance of actual trade,⁹ or that the owner could preempt markets previously exploited by others,¹⁰ the courts continued to apply the previous law that very slight use of a trademark, as distinguished from a trade name, in a disputed field of trade would establish that territory as belonging exclusively to the trademark owner as against any subsequent user.¹¹

HANOVER STAR MILLING COMPANY V. METCALF:
THE NEIGHBORHOOD THEORY OF TRADE

In 1916 the United States Supreme Court announced an opinion in two combined cases on an important issue of trademark law that had divided the courts of appeals.¹² The litigation arose when an Alabama merchant, unable by reason of an exclusive dealership to procure the plaintiff's "Tea Rose" flour, received a carload of another concern's flour, also labeled "Tea Rose," and sold it in packages so closely resembling the plaintiff's as might well mislead the public.¹³ As the

TION AND UNFAIR TRADING § 44 (1936) [hereinafter cited as DERENBERG] (citing many cases); *cf.* Thomas G. Carroll & Son Co. v. McIlvaine & Baldwin, Inc., 171 F. 125 (C.C.S.D.N.Y. 1909).

7. See HOPKINS at § 14.

8. See H. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS § 218b, at 569 (3d ed. 1936) (no settled rule as to territorial extent of common law rights, but advocating no territorial limitation). *But cf.* DERENBERG § 39, at 452-55 (qualified praise for narrower recognition based on idea of state sovereignty, notwithstanding well-founded contrary views). For later discussion of the problem see 1 NIMS at § 218b.

9. See Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).

10. See United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1918) (actual market competition).

11. See text at note 57, *infra*.

12. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).

13. The statement of facts is taken in part from the lower court reports of the circuit courts of appeals decisions. Hanover Star Milling Co. v. Allen & Wheeler Co., 208 F. 513 (7th Cir. 1913); Metcalf v. Hanover Star Milling Co., 204 F. 211 (5th Cir. 1913).

federal court had no jurisdiction over the other manufacturer, the Steelville Company, plaintiff immediately brought suit against the merchant for contributory infringement of its alleged trademark "Tea Rose" and for unfair competition in trade, alleging a fraudulent intent by the merchant, by means of misrepresentations and of substantially identical brands and make-up of packages, to palm off upon customers the Steelville Company Tea Rose flour as being the same Tea Rose flour made by plaintiff, the Hanover Star Milling Company. The district court granted a temporary injunction restraining Metcalf, the merchant, from selling within its district flour labeled "Tea Rose" not made by plaintiff.¹⁴ Upon appeal from the order, the decree was reversed with directions to dismiss plaintiff's suit.¹⁵

Within a few months of the first suit, a third concern, Allen & Wheeler Company, which had been using the words "Tea Rose" as a trademark for flour from a date prior to either Hanover or the Steelville Company, sued to restrain Hanover from infringing Allen & Wheeler's common law trademark, alleging that it had learned recently that Hanover was using the same trademark for flour made by it, and, notwithstanding notice of infringement, persisted in the sale of its flour under that name. Plaintiff's suit presented no question of unfair competition, but rested upon trademark infringement, pure and simple. The federal district court in Illinois granted plaintiff's request for a temporary injunction restraining Hanover from using "Tea Rose" as a trademark for flour anywhere in the United States, although there was no actual market competition between the parties.¹⁶ Upon appeal from the order, the Seventh Circuit Court of Appeals reversed the decree in an opinion concluding that plaintiff had no cause of action in equity.¹⁷

The bewildering history of these two cases gives credence to Harry Nim's statement that until 1916, when the United States Supreme Court decided *Hanover Star Milling Co. v. Metcalf*,¹⁸ the law applicable to the territorial extent of tech-

14. The district court decision is unreported. See 240 U.S. at 407.

15. See *Metcalf v. Hanover Star Milling Co.*, 204 F. 211 (5th Cir. 1913).

16. The district court decision is unreported. See 240 U.S. at 407-08.

17. See *Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513 (7th Cir. 1913).

18. 240 U.S. 403 (1916).

nical trademark rights was doubtful and unsatisfactory.¹⁹ In *Hanover* the court launched its opinion in the combined cases by noting that, first, Allen & Wheeler had established beyond question that it had used the words "Tea Rose" as a trademark for flour long before either Hanover or the Steelville Company. However, although Allen & Wheeler stated in its bill and affidavits that its trade in "Tea Rose" flour extended throughout the United States and that since its incorporation in 1904 it had continuously used this trademark on flour, the court noted a "remarkable absence of particular statements as to time, place, or circumstances; in short, no showing whatever as to the extent of the use or the markets reached."²⁰ Furthermore, the record contained positive proof that Allen & Wheeler's "Tea Rose" flour had neither been offered for sale nor heard of by the flour trade in Alabama or adjoining states; the only sales of its "Tea Rose" actually proven were in territory north of the Ohio River during the 1870's. Second, "upon the question of trademark rights as between the Hanover and Steelville companies, the proofs [were] somewhat conflicting."²¹ Hanover's trademark user of "Tea Rose" antedated the Steelville Company's by approximately a decade, but the particulars and extent of use by both concerns before 1903 was in doubt. The proofs did not show any business done by the Steelville Company in the southeastern states, apart from the shipment to Metcalf in Alabama in 1912 which precipitated the litigation, since 1905, when it retreated from the Mississippi market leaving Hanover in complete control. On the other hand, the proofs did show that beginning in the year 1904 Hanover vigorously promoted its "Tea Rose" flour throughout the state of Alabama and adjoining states, so that its sales in that territory exceeded \$150,000 a year when suit was filed against Metcalf, and that the words "Tea Rose" had acquired a "secondary meaning" in that market denoting flour made by Hanover. Third, Hanover had adopted the "Tea Rose" trademark in complete ignorance of Allen & Wheeler's use of that term.

Without reaching Hanover's claim of affirmative trademark rights, the Court, differing sharply with the circuit

19. See H. NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* § 218b, at 568 (3d ed. 1936).

20. 240 U.S. at 409.

21. *Id.* at 421.

court's evaluation of the evidence, had little difficulty in concluding that "Metcalf's purpose to take advantage of the reputation of the Hanover Company's 'Tea Rose' flour [was] so manifest"²² that he was guilty of unfair competition in attempting to palm off upon customers the Steelville "Tea Rose" flour as being the same as Hanover's established brand. It reversed the decree of the circuit court which had acquitted Metcalf of unfair competition and trademark infringement and had allowed concurrent user of the trademark and confusingly similar trade dress by both parties.

The Court's disposition of the case, leaving Allen & Wheeler out of the question, did nothing to alter hitherto accepted principles of unfair competition, since the circuit court of appeals, misapplying the fraud rule, denied relief under the head of unfair competition on the untenable ground that "[t]o entitle the plaintiff to protection against unfair competition in the dress of goods, it should be clearly shown that he had established the exclusive right *by prior adoption* to dress his goods in the manner claimed."²³

Turning to the more important case of *Allen & Wheeler Co. v. Hanover Star Milling Co.*,²⁴ both the equitable rule against unjust enrichment and the public interest in preventing deception by a look-alike trademark bade well for Hanover. Denying Allen & Wheeler's *pro forma* pleading for an accounting of defendant's profits²⁵ would not avoid the appearance of unjust enrichment if Allen & Wheeler could still dominate the southeastern territory which Hanover had developed so assiduously. On the other hand, granting Hanover the right to continue using "Tea Rose" on its flour in the southeastern territory without recognizing any right by it to exclude the prior user, Allen & Wheeler, in that same territory would not solve the problem of public confusion;²⁶ on the

22. *Id.* at 423.

23. *Metcalf v. Hanover Star Milling Co.*, 204 F. 211, 216 (5th Cir. 1913) (emphasis added).

24. Consolidated with *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916).

25. *Id.* at 408.

26. The Court declined to rule on the Hanover Company's right to such relief, not requested below, since resolution of the Allen & Wheeler case did not demand it, and also remarked, incomprehensibly, "In view of possible consequences to the rights of parties not before the court, it is desirable to

contrary, the "Tea Rose" trademark would thereby lose its usefulness as a means of enabling the public to get what it wanted.

In order for the Court to maintain persuasively, as it sought to do, that it would indeed be "unjust" to allow Allen & Wheeler to exclude Hanover from the southeastern territory, first it had to establish that Hanover was not a trespasser, or, at the very least, that its trespass had ripened into an irrevocable license. The Court, not content to rest its holding on either ground, proffered both: Hanover was not a trespasser since there is no such thing as "property" in a trademark otherwise than with reference to a trade; whatever trademark rights Allen & Wheeler might be able to assert against others in the southeastern territory, it was "estopped" to assert trademark infringement against Hanover as to that territory.

In partially resting its holding on the legal conclusion that Allen & Wheeler was estopped to assert trademark infringement against Hanover in the southeastern territory, the Court went further than any existing precedent in recognizing the defense of laches as a bar to injunctive relief in cases of trademark infringement. Apart from two unusual cases²⁷ an injunction in a trademark case had never been denied on the ground of "estoppel by negligence."²⁸

Since every sale under the infringing trademark constitutes a new invasion of the original trademark owner's legal right, and the remedy of injunction is merely in aid of the legal right, the injunction is "a matter of course" if the legal right is proved to exist.²⁹ Inexcusable delay in seeking relief may well bar an account of profits,³⁰ but the right to an

limit the range of our decision as much as practicable. . . ." *Id.* at 411. A year later, in *United Drug Co. v. Théodore Rectanus Co.*, 248 U.S. 90 (1918), the Court again left the question dangling since the good faith junior user of plaintiff's trademark had not requested such relief. 248 U.S. at 104.

27. *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19 (1900) (Court's disposition of trademark count and one for package and trade-dress simulation inconsistent); *Theodore Rectanus v. United Drug Co.*, 226 F. 545, 552 (6th Cir. 1915) (on petition for rehearing), *aff'd*, 248 U.S. 90 (1918).

28. *Theodore Rectanus v. United Drug Co.*, 226 F. 545, 552 (6th Cir. 1915) (on petition for rehearing), *aff'd*, 248 U.S. 90 (1918).

29. *See Menendez v. Holt*, 128 U.S. 514, 523 (1888), *citing Fullwood v. Fullwood*, [1878] 9 Ch. D. 176, discussed in 2 NIMS at § 409.

30. *See Gilka v. Mihalovitch*, 50 F. 427, 428 (C.C.S.D. Ohio 1892) (relief denied because "a complainant might conclude that it would answer his

injunction against future acts of infringement is not lost by delay without more.³¹ The facts and circumstances of the case also must render it inequitable to grant the trademark owner any relief. Then injunctive relief as well as an accounting is denied pursuant to the maxim, "He who seeks equity must do it."³² If the owner had actual knowledge of the wrong and thereafter unreasonably delayed in bringing suit to put a stop to it,³³ and if in the meantime the "innocent"³⁴ infringer had expended money and effort in enhancing the reputation of the particular trademark, it would be unjust to stop him from continuing to use it, and equity would decline to interfere with his established business.³⁵

Allen & Wheeler did not know that Hanover was using its trademark "Tea Rose" on flour until a short time before suit was commenced. Therefore the Court broke new ground when it said, "Even if [Allen & Wheeler] did not know—and it does not appear that they did know—that the Hanover Company was doing so, they must be held to have taken the risk that some innocent party might, during their forty years of inactivity, hit upon the same mark and expend money and effort in building up a trade in flour under it."³⁶

The only interest of a trademark owner in preventing future use of a mark in a market where his goods are not sold

purpose to let the defendant go on selling four or five years, and at the end of that time call him to an account of profits as if he were the complainant's salesman").

31. See *Menendez v. Holt*, 128 U.S. 514 (1888); *McLean v. Fleming*, 96 U.S. 245 (1878); *Bissell Chilled Plow Works v. T.M. Bissell Plow Co.*, 121 F. 357 (C.C.W.D. Mich. 1902); cf. *Richardson v. D.M. Osborne & Co.*, 82 F. 95 (C.C.S.D.N.Y. 1897) (patent expiry precluded injunctive relief); *Estes v. Worthington*, 22 F. 822 (C.C.S.D.N.Y. 1885) (preliminary injunction). *But see Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19 (1900).

32. See *Menendez v. Holt*, 128 U.S. 514, 524 (1888).

33. See *French Republic v. Saratoga Vichy Spring Co.*, 191 U.S. 427 (1903); *Valvoline Oil Co. v. Havoline Oil Co.*, 211 F. 189 (S.D.N.Y. 1913); *Gilka v. Mihalovitch*, 50 F. 427 (C.C.S.D. Ohio 1892) (sufficiency of defensive pleading). *But cf. Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19 (1900).

34. See, e.g., *Menendez v. Holt*, 128 U.S. 514, 523 (1888) (emphasizing fraud of defendant); cf. *Gillot v. Esterbrook*, 47 Barb. 455, 480 (Sup. Ct. 1867) (knowledge of others' widespread use of trademark does not constitute abandonment when infringer is guilty of fraud), *aff'd*, 48 N.Y. Rep. 374, 379 (Ct. App. 1872) (sustaining trial judge who found trademark owner had no knowledge of adverse use). For a discussion of the related defenses of abandonment and acquiescence, see 2 NIMS at §§ 407-08, 416.

35. See *Valvoline Oil Co. v. Havoline Oil Co.*, 211 F. 189 (S.D.N.Y. 1913).

36. 240 U.S. at 419.

or known is to preempt the market for later exploitation or to avoid any tarnishment to his trademark which may come about through the latecomer's business practices. The fact that the trademark owner has made some belated efforts to sell his goods in the new market just prior to bringing suit should not have any bearing on the relative weight his interest in territorial expansion receives as against the latecomer's right to continue using the mark.³⁷ And, although the inferiority of the infringer's goods and resultant harm to the trademark's reputation is usually presumed from the fact of his adoption of another's trademark,³⁸ it may be appropriate in the class of cases now under consideration to require affirmative proof that defendant's product is substandard or his business methods unethical.³⁹

Perhaps the attenuated interests of the trademark owner in safeguarding the integrity of his trademark in an area of potential future market expansion should give way more readily to any conflicting interests of the latecomer than when the junior user enters an existing market, especially if the latecomer's use of the trademark in an appendent market has continued so long or under such circumstances that the trademark denotes goods made by him rather than by the prior user.⁴⁰ Public recognition of the trademark is more likely to occur in an appendent market where the latecomer's use of the mark has been exclusive than when two concerns have concurrently used the trademark in the same market. An injunction that allows the prior user to step into the infringer's shoes under these circumstances will result in deception of purchasers.⁴¹

37. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918), discussed in text at note 54, *infra*.

38. See *Gillot v. Esterbrook*, 47 Barb. 455, 467-68 (Sup. Ct. 1867).

39. Cf. *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607 (2d Cir. 1960); *S.C. Johnson & Son v. Johnson*, 175 F.2d 176 (2d Cir. 1949); *Triangle Publications Inc. v. Rohrlich*, 167 F.2d 969, 981 (2d Cir. 1948) (Frank, J., dissenting). *But cf.* *Yale Electric Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928); *Philadelphia Storage Battery Co. v. Mindlin*, 163 Misc. 52, 296 N.Y.S. 176, 179 (Sup. Ct. 1937).

40. See *Dwinell-Wright Co. v. White House Milk, Inc.*, 132 F.2d 822 (2d Cir. 1943) (related but non-competing goods).

41. One way of expressing these different considerations is by varying the content of the defense of laches. Dereliction of duty to police appendent markets, rather than actual knowledge of infringement, would bar injunctive relief in different territory. See *Menendez v. Holt*, 128 U.S. 514, 524 (1888)

In passing to the broader ground of decision rejecting Allen & Wheeler's claim of trademark property independent of an existing trade, the Court approved the argument, advanced so ably by the appellate judge,⁴² that trade names came to be protected along the same principles as trademarks since the essence of the wrong in both kinds of cases is the same, consisting in the sale of the goods of one manufacturer for those of another. The appellate judge had concluded: "They are all cases of unfair competition in trade. . . . To the extent that differences exist, they pertain, not to the underlying principle, but to the methods and degrees of proof required to enforce the principle."⁴³ It necessarily resulted that the plaintiff's technical trademark did not make an iota of difference, for he could suffer no cognizable legal harm if there was "no article to wear the badge and no trader to offer the article."⁴⁴

The doctrine that disparate treatment of trade names and trademarks is unsound because it is rooted in an irrational fear of monopoly has found great proponents.⁴⁵ The assimilation of trade names to trademarks is the chief hallmark of modern trademark law.⁴⁶ However, the proponents of this view have argued for wider recognition of the true function of trademarks and trade names, with correspondingly greater protection with reference to the kinds of goods and

(dictum); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 535 (2d Cir. 1964); RESTATEMENT OF TORTS § 751, comments b & d, at 666-68 (1938); cf. *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 497-98 (2d Cir. 1961); *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 614 (2d Cir. 1960).

In passing upon the respective claims of the parties, no question of federal or state registration of trademarks was involved, as neither party had taken the trouble to register its claimed trademark. The Court left open what the effect of registration by a prior user might be on the defense of "good faith" and the acquisition by a junior user of concurrent territorial rights in the trademark.

42. *Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513, 517 (7th Cir. 1913). See generally F. SCHECTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 150-60 (1925); Handler & Pickett, *Trade-Marks and Trade Names—An Analysis and Synthesis* I, 30 COLUM. L. REV. 168 (1930) [hereinafter cited as Handler & Pickett].

43. *Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513, 518 (7th Cir. 1913).

44. *Id.* at 519.

45. See Handler & Pickett at 168, *passim*.

46. See text at notes 244-53, *infra*.

territorial markets in which the exclusive right to use a trademark or trade name is claimed, not for the balkanization of commerce under a "neighborhood theory of trade."⁴⁷

The difficulty with the Court's opinion is therefore not in its premise that the law of trademarks is but part of the broader law of unfair competition, but in the inadequate recognition which is given to other interests of a trademark owner, apart from preventing the diversion of his custom which results when a second trader competes under the same mark in the same market.⁴⁸ Although the Court used a qualifying phrase and a caveat that leaves the trademark owner some elusive amount of room to grow, the opinion, in its essential features, advances a theory of trademark protection that is out of step with the times.

Writing for a unanimous court, Mr. Justice Pitney said:

In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question [because the use by a second trader amounts to an attempt to sell his goods as those of his competitor]. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant [because a trademark is not the subject of property except in connection with an existing business, and its adoption does not project the right of protection in advance of trade]; unless, at least, it appears that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.⁴⁹

The opinion contains qualifying language recognizing that a trademark owner may obtain redress in territory where no business is done because his goodwill may precede his trade, and a second comer may not take the benefit of the reputation of the trademark owner's goods. Later cases, fall-

47. See Handler & Pickett at 168, *passim*; Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 824 (1927).

48. For trenchant criticism of the case, see the treatises cited in notes 4 & 8, *supra*.

49. 240 U.S. at 415.

ing within this "Hanover exception," protect the trademark owner against invaders of his so-called "reputation zone."⁵⁰ An intent to forestall the trademark owner's trade by hastening into markets he was arranging to occupy has been given similar recognition in subsequent cases.⁵¹

The only recognition given to the interest that the trademark owner has in expanding his business under a successful trademark is contained in a parting caveat that reads: "We are not dealing with a case where the junior appropriator of a trademark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and need pass no judgment upon such a case."⁵² It is hardly an exaggeration to say that the caveat proved to be more important than the rest of the opinion, as the federal and state courts were immediately confronted with the reality of the marketplace where the "neighborhood theory of trade" had already been supplanted by the goal of national distribution by every manufacturer, just as the horse and buggy had been passed over by the automobile. The Court had solved the legal dilemma of the eastern wholesale drug company which had built heavily on a trademark for a cough remedy unaware that a retail druggist in a small city in the West had a prior claim on that particular trademark. But it had left to the lower courts the unenviable task of figuring out whether the junior user of a trademark was "occupying territory that would probably be reached by the prior user in the natural expansion of his trade."

THE AFTERMATH OF THE HANOVER DOCTRINE AND ITS EXTENSION TO FEDERALLY REGISTERED TRADEMARKS

A senior trademark user may claim exclusive territorial rights in a field or zone of natural expansion of his business, consistent with the disclaimer language in *Hanover*.⁵³ Although he cannot prove prior sales penetration or advance goodwill in a disputed trade area as of the date the junior user first started using his trademark there, the senior user

50. See text at notes 55-56, *infra*.

51. See, e.g., *Tillman & Bendel, Inc. v. California Packing Corp.*, 63 F.2d 498 (9th Cir. 1933); *Chapin-Sacks Mfg. Co. v. Hendler Creamery Co.*, 254 F. 553 (4th Cir. 1918), discussed at note 65, *infra*.

52. 240 U.S. at 420.

53. *Id.*

may nonetheless assert that the law recognizes an inchoate right in the elder trader to precedence in territory that is within his zone of reasonable expansion for the future. Since the judicial task in such cases is to define this zone of natural expansion as it existed when the junior user first started using plaintiff's trademark in the disputed territory, it is no aid to plaintiff's case that he has in fact entered the disputed territory as of the date of litigation or that his trademark has lately become known there. This was impliedly held in a sequel to the *Hanover* case in which the plaintiff, whose predecessor first coined the trademark "Rex" for dyspepsia pills, did not gain any legal advantage by introducing its pills to the Louisville market a short time before suit was brought, after 27 years of adverse use in that market area by the defendant and its predecessor of "Rex" as a trademark for a blood purifier.⁵⁴

In many of the opinions declaring, as a proffered ground for relief, that the senior user probably would have reached the disputed territory in the natural expansion of his business, he also introduced proof of advance goodwill or actual market penetration from a date prior to the infringer's first use of the trademark. Illustrative of these cases is *White Tower System, Inc. v. White Castle System*,⁵⁵ in which the court awarded territory to the senior user although he did not open a "White Castle" stand in Detroit until a year after the junior user had established his "White Tower" hamburger stand there. The fact of the senior user's rapid business expansion to new locations in the principal cities of the midwest and north central states in the years immediately preceding the junior user's first adoption of "White Tower" in Detroit justified the district court's prediction that Detroit was within the normal scope of expansion of the senior user's business at the time the junior user located there. However, the senior user had also shown the existence of significant advance goodwill for its trademark in Detroit before the junior user located there, based on evidence of advertising and the testimony of Detroit residents. In affirming the award to the senior user, the appellate court also noted, from the fact of the location of the senior user's hamburger stands along arterial highways, that the traveling public carried its

54. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

55. 90 F.2d 67 (6th Cir. 1937).

reputation far and wide, and by personal recommendation its good name became an asset in Detroit before the junior user located there. The decision in such a case can just as well be explained because a business rival will not be allowed to make sales by trading upon another's reputation.⁵⁶

No strict necessity exists for estimating the future probable course of the senior user's business when the senior user has already made sales in the disputed locale before the junior user got there. *Hanover* did nothing to disturb the well-settled rule that very slight use of a technical common law trademark in a disputed field of trade by its senior user will preempt any rights to the mark by a junior user in that area.⁵⁷ *Sweet Sixteen Co. v. Sweet "16" Shop, Inc.*⁵⁸ held that sales of trademarked goods and some efforts by the senior user to extend his business to the disputed territory in advance of any adverse use by the junior user, including mailing of printed catalogues and tentative but never consummated plans to establish a store there, were sufficient to constitute that territory part of the senior user's exclusive market area. The statement by the court that the senior user, which had increased the scope of its business from one store in San Francisco to five stores encompassing three other west coast cities and had established a multi-state mail order business through which it sold some trademarked goods, would, as of the date defendant opened its "Sweet 16 Shop" in Salt Lake City, probably have reached that city in the natural expansion of its business, is therefore a make-weight.

Not infrequently courts presented with the elusive claim to an expansion zone⁵⁹ have focused primary attention on the bona fides of the junior user, rather than hazard any cocksure estimate of the senior trademark user's growth potential. Perhaps in no other case was the pertinency of the junior user's bad faith as sharply focused as in that of the celebrated

56. See, e.g., *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348 (9th Cir. 1948); *Chopra v. Kapur*, 185 U.S.P.Q. 195 (N.D. Cal. 1974).

57. *Sweet Sixteen Co. v. Sweet "16" Shop, Inc.*, 15 F.2d 920 (8th Cir. 1926), overruled in *Sweetarts v. Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971), *rev'g in part* 299 F. Supp. 572 (E.D. Mo. 1969), *on remand from* 380 F.2d 923 (8th Cir. 1967) (different panel), *rev'g* 255 F. Supp. 771 (E.D. Mo. 1966).

58. *Id.*

59. See *beef & brew, inc. v. Beef & Brew, Inc.*, 185 U.S.P.Q. 531, 535 (D. Ore. 1974) (noting imprecision of the concept); 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* § 76.3(b)(2) (3d ed. 1969) (prediction of probable expansion zone extremely risky).

Parisian seafood restaurant "Prunier."⁶⁰ Defendants, doing business in New York City, confessed they had taken the name "Prunier's Restaurant & Cafe" and advertised it as "The Famous French Sea-Food Restaurant" because of the plaintiff's well-known reputation and goodwill. But plaintiff's closest branch restaurant was located across the Atlantic Ocean in London, England, and the only evidence of likelihood of future expansion was that some of their American patrons had urged them to open a branch restaurant in New York City and they had a desire to undertake such a venture at a propitious time. The defendants contended that "whatever may be said about their conduct from an ethical point of view, they [were] doing nothing illegal" since the plaintiff had no legal right to protection against the use of a trade name beyond the territory of its exploitation. Noting that the *Hanover* doctrine did not apply when the second adopter was guilty of bad faith, the court said defendant's deliberate appropriation of the name "Prunier" was some evidence of plaintiff's wide repute, warranting issuance of a preliminary injunction.

In many other cases courts have looked to the junior user's good or bad faith as the decisive factor in determining whether to grant a senior user extraterritorial trademark or trade name protection.⁶¹ Although proof of deliberate appropriation of a strong technical trademark beyond the territory of its present exploitation may have probative value in establishing the boundaries of a potential expansion zone for the senior trademark user's business, the true reason why the federal courts have unanimously held, absent any defense of laches or acquiescence, that such bad faith bars the second user's claim of concurrent territorial rights is that he is in no position to claim hardship.

On occasion, the bona fides or unclean hands of the senior user has played a similarly decisive role. Thus, one court turned a deaf ear on a senior user whose financial success was built on fraudulent advertising, notwithstanding that his

60. *See* *Maison Prunier v. Prunier's Restaurant & Cafe, Inc.*, 159 Misc. 551, 288 N.Y.S. 529 (Sup. Ct. 1936).

61. *See, e.g.*, *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609 (7th Cir. 1965); *Food Fair Stores, Inc. v. Lakeland Grocery Corp.*, 301 F.2d 156 (4th Cir. 1962); *Pike v. Ruby Foo's Den, Inc.*, 232 F.2d 683 (D.C. Cir. 1956) (remanding for further proceedings); *Katz Drug Co. v. Katz*, 89 F. Supp. 528 (E.D. Mo. 1950), *aff'd*, 188 F.2d 696 (8th Cir. 1951).

subsequent sales of "Bond" bread⁶² in the disputed territory was both a logical and natural step in the expansion of his business, considering his ownership of a bakery plant in that territory going back several years before the defendant adopted the name "Liberty Bond" bread.

The courts have been divided in granting similarly broad protection in cases involving so-called "weak" trademarks⁶³ or trade names, and in these cases they have employed most often the legal talisman of good faith with mischievous effect upon the public interest in consumer identification of a trademark or trade name. Even though change has been indicated by the enactment of "superior" federal legislation, the dogma of these precedents enlists present-day adherents.⁶⁴

*Chapin-Sacks Manufacturing Co. v. Hendler Creamery Co.*⁶⁵ must take first prize as an example of the courts' unfortunate use of labels to becloud legally sound results. Having brushed aside plaintiff senior user's federal registration of the trademark "The Velvet Kind" for ice cream, a trademark that the Patent Office found to be only remotely descriptive of the goods, we are told in the confines of a single opinion: (1) plaintiff is entitled to exclusive trade name rights in Washington, D.C., where "The Velvet Kind" is associated in the public mind with ice cream of its make; (2) the defendant junior user, who established a large trade in Baltimore, said territory being "remote" from Washington since "ice cream is not usually transported from one city to another," is entitled under *Hanover* to continue marketing its ice cream there under that designation; however, and here's the rub, since the defendant "received the idea" of "The Velvet Kind" as a brand name from the plaintiff and knowingly took the words

62. See *General Baking Co. v. Gorman*, 295 F. 168 (D.R.I. 1924), *aff'd*, 3 F.2d 891 (1st Cir. 1925). In accord is *Tillman & Bendel, Inc. v. California Packing Corp.*, 63 F.2d 498 (9th Cir. 1933), in which plaintiff senior user was granted exclusive territorial trademark rights in six western states where it and its predecessor had been selling "Del Monte" brand coffee for forty years before defendant entered that product line. Plaintiff was enjoined from marketing "Del Monte" coffee elsewhere, since extension of its trade after 1926 was found to take unjust advantage of the junior user's reputation for its entire line of "Del Monte" food products.

63. Compare *Pabst Brewing Co. v. Decatur Brewing Co.*, 284 F. 110 (7th Cir. 1922), with *Anheuser-Busch, Inc. v. Budweiser Malt Products Corp.*, 295 F. 306 (2d Cir. 1923).

64. See text at notes 216-43, *infra*.

65. 254 F. 553 (4th Cir. 1918).

to Baltimore, thus forestalling any extension by plaintiff of the "supposed" trademark words to Baltimore, both parties may sell "The Velvet Kind" ice cream there, and the defendant will be required to exercise the "utmost good faith" to distinguish its ice cream from plaintiff's; (3) although the plaintiff entered the Annapolis market a few years after the defendant, he succeeded where the defendant had failed in associating the words in the public mind with ice cream of his make, and defendant will be enjoined from selling its ice cream in that market under the designation "The Velvet Kind" until it submits to the lower court a "plan of business" that satisfies the court that defendant's ice cream will not be confused by the public with plaintiff's ice cream. The upshot of the court's handiwork presents a narrow vision of what words may properly serve as a trademark, united to an outmoded theory of trade coupled with a legal epithet to yield the incredible result that the consuming public in Baltimore and Annapolis must rely upon the defendant's good faith and a "plan of business" to determine whose make of "The Velvet Kind" ice cream it is buying. Even the most wary purchaser could not be expected to subject every carton of ice cream he buys to such meticulous scrutiny as the court's decree envisioned.

The "Food Fair" litigation⁶⁶ in Massachusetts illustrates how a court may employ the "good faith" label in the case of a laudatory trade name to bring about public confusion. The district court⁶⁷ found that when the junior user opened its "Food Fair" supermarket in Brookline: the senior user, then the eighth largest retail food chain in the United States, had a trade name with some secondary meaning in Massachusetts among perambulating customers; Massachusetts was within the senior user's expansion zone, and it was reasonable to conclude that the senior user would establish one or more Massachusetts supermarkets in "the near future"; the junior user selected the trade name "Food Fair" while fully cognizant of plaintiff's prior use and the expanding character of its food chain. Nonetheless, since the senior user knew that the

66. See *Food Fair Stores, Inc. v. Food Fair, Inc.*, 83 F. Supp. 445 (D. Mass. 1948), *aff'd*, 177 F.2d 177 (1st Cir. 1949), and its sequel, *Food Center, Inc. v. Food Fair Stores, Inc.*, 356 F.2d 775 (1st Cir. 1966), *vacating and remanding* 242 F. Supp. 785 (D. Mass. 1965).

67. *Food Fair Stores, Inc. v. Food Fair, Inc.*, 83 F. Supp. 445 (D. Mass. 1948).

words served a utilitarian function, having been used since time immemorial to describe extemporary community and church markets, in addition to any recognitional function they might perform as distinguishing its supermarkets, others might share the words without incurring the stigma of bad faith, and the plaintiff was held entitled to only qualified injunctive relief against concurrent use of its trade name.⁶⁸ The junior user might continue to call its supermarket "Food Fair" provided it also used a distinguishing prefix which, the court held, would be sufficient to avoid confusion.

The decree was innocuous for almost two decades, during which time "the unforeseen happened" and the senior user did not exercise its trade name rights in Massachusetts.⁶⁹ In the meantime, the junior user, trading as "New England Food Fair," had opened two additional supermarkets in the eastern part of the state and had, through the medium of advertising, achieved public recognition in an undefined area of eastern Massachusetts. When the possibility of market entry by the senior user seemed imminent, "New England" brought suit to prevent the senior user from operating "Food Fair" supermarkets anywhere in the state, claiming that sixteen years non-exercise should work a forfeiture of expansionary rights.⁷⁰ "Food Fair" countered with a similar request for exclusive trade name rights in Massachusetts, pitching its entire case on the fact that "New England" had been adjudicated an infringer by the prior decree.

The closest the appeals court came to repudiating the reasoning of the earlier decree, which would have produced full-scale confusion of trade names through state-wide competition, was in its statement, "In retrospect both we and the district court might have been better advised to have set a time limit for the exercise by Food Fair of trade name rights in Massachusetts."⁷¹ It left both parties the right to use their present trade names, despite potential customer confusion. Outlandish as it might seem, several modern cases involving

68. *But cf.* Food Fair Stores, Inc. v. Lakeland Grocery Corp., 301 F.2d 156 (4th Cir. 1962).

69. *See* Food Center, Inc. v. Food Fair Stores, Inc., 356 F.2d 775, 780 (1st Cir. 1966).

70. *Id.* at 779.

71. *Id.* at 780.

statutory trademarks have reached similarly harmful results.⁷²

In a unique precedent⁷³ involving a strong, picturesque trademark, the court's obsession with the mala fides of the defendant's subsequent conduct is the only plausible explanation for the bizarre result it reaches. The defendant, ignorant of plaintiff's prior use or federal registration of a flying red horse trademark for gasoline, commenced using a flying white horse on its service stations in Ohio, territory then remote from the senior user's field of exploitation. Sometimes the defendant used a flying red horse, sometimes more than one horse, but usually it used a flying white horse. About a year after the defendant began to use the horse symbol, the senior user entered Ohio under its registered flying red horse trademark, making extensive use of the trademark. After the senior user had built up a reputation in Ohio for the flying red horse, the defendant changed the color of his horse to red. The senior user then brought suit asking only that the defendant be enjoined from using the symbol of a flying *red* horse.

Notwithstanding his finding that the defendant had established trademark rights in a flying white horse in Ohio, impliedly conceded by the terms of the plaintiff's bill, the master recommended that he be enjoined from further use of *any* flying horse symbol since horses of different color would not avoid public confusion. The trial court adopted only part of the master's recommendation. It agreed that the defendant could not prevent the senior user from using a flying red horse in Ohio, an issue which the Supreme Court had left dangling in the *Hanover* case but which subsequent enlightened rulings had settled in favor of the good faith junior user.⁷⁴ It did not agree that the relief for the senior user

72. See text at notes 216-43, *infra*.

73. *Socony-Vacuum Oil Co. v. Oil City Refiners, Inc.*, 44 F. Supp. 439 (N.D. Ohio 1942).

74. See *Food Fair Stores, Inc. v. Square Deal Market Co.*, 206 F.2d 482 (D.C. Cir. 1953); *Cohn-Goldwater Mfg. Co. v. Wilk Shirt Corp.*, 147 F.2d 767 (2d Cir. 1945); *Tillman & Bendel, Inc. v. California Packing Corp.*, 63 F.2d 498 (9th Cir. 1933); *cf. Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co.*, 477 F.2d 150 (6th Cir. 1973) (ordering concurrent registration to good faith junior user for six-state area); *Katz Drug Co. v. Katz*, 89 F. Supp. 528, 536 (E.D. Mo. 1950) (junior user introduced no evidence to warrant trade name rights in St. Louis). See also *Standard Oil Co. v. Standard Oil Co.*, 252 F.2d 65 (10th Cir. 1958).

should be broader than requested in its bill, concluding: "[E]ach party had established rights in a flying horse different in color from the other, [and] neither should be expected to surrender its established rights merely because of some confusion in the public mind."⁷⁵

One wonders why, if the court felt bound to uphold the right of the junior user to a flying white horse and agreed with the master's finding that horses of different color would not avoid public confusion, did it nonetheless adopt the master's recommendation that the senior user be permitted to continue using a flying red horse in Ohio? The reason given by the master for denying the defendant such affirmative trademark rights was that its prior use of a flying horse symbol in Ohio was neither confined to a single horse nor to a red horse, and had been "intermittent."⁷⁶

Review of the natural zone of expansion cases illustrates the wisdom of Justice Holmes' dictum in *Hanover Star Milling Co. v. Metcalf* that the territorial scope of trademarks should be co-extensive with the bounds of the sovereignty which recognizes the right.⁷⁷ The difficulty with applying his insight to the resolution of territorial trademark disputes is that common law trademark rights were held in that very same case to be co-extensive with established commercial markets,⁷⁸ and these, in turn, do not usually coincide with state boundaries.⁷⁹ Furthermore, registration of a trademark under state law did not then and does not now have the effect of granting statewide rights or eliminating the defense of good faith in connection with the acquisition of concurrent territorial rights by a junior user.⁸⁰ Separate trade areas,

75. *Socony-Vacuum Oil Co. v. Oil City Refiners, Inc.*, 44 F. Supp. 439, 440 (N.D. Ohio 1942).

76. *Id.*

77. 240 U.S. at 426 (Holmes, J., concurring).

78. 240 U.S. 403.

79. See *Food Fair Stores v. Square Deal Market Co.*, 206 F.2d 482, 484-85 (D.C. Cir. 1953); cf. *Jacobs v. Iodent Chemical Co.*, 41 F.2d 637 (3d Cir. 1930) (senior user estopped to assert state-wide rights).

80. *Hot Shoppes, Inc. v. The Hot Shoppe, Inc.*, 203 F. Supp. 777, 781-82 (M.D.N.C. 1962); 2 J.T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 22:3-4 (1973); cf. *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 844 (9th Cir. 1969) (purported state law no bar to federal statutory defense of good faith junior user); *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904, 907-08 (7th Cir. 1968) (good faith junior user's prior state registration cannot enlarge common law rights vis-à-vis federal registrant). *But see Forzly v. American Distilling Co.*, 142 F. Supp. 210 (E.D.N.Y. 1956).

“remote” from each other, have been found to exist within the same state,⁸¹ and sometimes even within different sections of the same city.⁸² Finally, the effect of federal trademark legislation, at least prior to July 5, 1947, the effective date of the Lanham Act,⁸³ was no different.

In the 1916 “Bismark” beer case⁸⁴ the plaintiff, who had obtained a certificate of federal registration of its trademark under the Act of 1905, sued to restrain the defendant from marketing its beer as “Bismark” beer in New York City, although plaintiff’s trade up to the time of suit had been confined to Baltimore and the West Indies. Reversing the district judge, who had concluded that each party might continue to sell “Bismark” beer in its own territory, the Second Circuit Court of Appeals held, “The rights which a person obtains by registration of a trade-mark under those statutes [the federal Act of 1905] are coterminous with the territory of the United States.”⁸⁵ But in 1929, when the United States Supreme Court came to pass upon the identical statute,⁸⁶ it preferred to cite the “Bond Bread”⁸⁷ case, in which the First Circuit Court of Appeals held that registration under the federal statute is not such notice as will prevent subsequent good faith adoption of a confusingly similar trademark in intrastate commerce and the acquisition of concurrent territorial rights by a good faith junior user.⁸⁸

Respondent, plaintiff below, which had registered the trademark “Home Brand” under the Act of 1905 for various grocers’ goods which it sold in the Northwest, sued to restrain the defendant, a printing company, from selling labels displaying the word “Home” for any groceries which the plaintiff

81. *E.g.*, General Baking Co. v. Goldblatt Bros., Inc., 90 F.2d 241 (7th Cir. 1937).

82. *E.g.*, Pioneer Savings & L. Ass’n v. Pioneer Finance & Thrift Co., 18 Utah 2d 106, 417 P.2d 121 (1966).

83. Pub. L. No. 489, ch. 540, § 46(a), 60 Stat. 427 (approved July 5, 1946), as amended 15 U.S.C. §§ 1051-1127 (1970) [hereinafter referred to as the “Act of 1946” or the “Lanham Act”].

84. Standard Brewery Co. v. Interboro Brewing Co., 229 F. 543 (2d Cir. 1916).

85. *Id.* at 544.

86. United States Printing & Lithograph Co. v. Griggs, Cooper & Co., 279 U.S. 156 (1929).

87. General Baking Co. v. Gorman, 295 F. 168 (D.R.I. 1924), *aff’d*, 3 F.2d 891 (1st Cir. 1925).

88. *Id.* at 893-94.

sold. In affirming a judgment for plaintiff notwithstanding that the defendant's customers used the labels to effectuate sales in geographically remote markets, the state supreme court held, in line with the "Bismark" beer case, that federal registration of a trademark under the Act of 1905 projected the rights of the registrant into all states even in advance of actual trade.⁸⁹ In his United States Supreme Court brief, counsel for the grocery company advanced the more modest proposition that a federally registered trademark owner is entitled to protection in interstate commerce against any infringer when it appears that goods bearing the infringing labels have moved in the channels of interstate commerce. The Court did not accept this interpretation.

After opening with the ambiguous statement, "No interference with interstate or foreign commerce is alleged,"⁹⁰ the Court, speaking in reference to the Act of 1905, said, "[N]either authority nor the plain words of the Act *allow a remedy* upon it for infringing a trade mark registered under it, within the limits of a State and not affecting the commerce named. More obviously still it does not enlarge common law *rights* within a State where the mark has not been used."⁹¹ The Court's opening statement, read in conjunction with the first underlined words, suggests that its intended holding was merely that the Act of 1905, enacted under the commerce power, did not and possibly could not authorize relief against solely intrastate use of the mark *until* the registrant had entered the disputed territory. On the other hand, the second sentence of the quoted opinion, unless it is surplusage, bespeaks a decimating holding that registration under the Act of 1905 adds nothing whatever to the scope of territorial protection for a trademark owner, which is governed by the *Hanover* case. If the latter interpretation is correct, it is surprising that *Hanover* is not cited in the opinion. Reference to the particular page of the "Bond Bread" case cited in the opinion does not resolve the ambiguity, for that case also covers the waterfront in its exposition of reasons why federal registration of the trademark there in question did not affect the legal result. The decision leaves an inscrutable precedent, but

89. 279 U.S. at 158.

90. *Id.* at 157.

91. *Id.* at 158-59 (emphasis added), citing *General Baking Co. v. Gorman*, 3 F.2d 891 (1st Cir. 1925).

the judiciary interpreted the case to mean that registration under the Act of 1905 had no bearing on the resolution of territorial trademark disputes, which continued to be governed by the *Hanover* doctrine.⁹²

Curiously, Justice Holmes delivered the "Home Brand" opinion. He alone had the perspicacity to recognize the impossible task of setting boundaries to an imaginary zone of expansion for a trademark owner's business. He suggested that "questions of penumbra, of shadowy marches where it is difficult to decide whether the business extends to them" could be eliminated if the scope of territorial protection for common law trademarks were determined "upon the fundamental consideration of the jurisdiction originating the right."⁹³ For a man of Holmes' views nothing was radical in the proposition that Congress might enact a law making federal registration of a common law trademark the basis for an exclusive right to use the mark in domestic commerce. His famous dissent in the Child Labor case,⁹⁴ when he parted company with the majority's effort to divine whether national legislation in form a regulation of interstate commerce was in fact an attempt at usurpation of the states' prerogative in matters of police regulation, dispels any doubt that he may have regarded so-called substantive trademark legislation as beyond Congress's lawmaking authority.⁹⁵ Yet curiously Holmes rejected out of hand the state court's interpretation of the Act of 1905, even if all he meant to do was to construe faithfully Congress's intent regarding the effect of registration on the right of subsequent user. A paramount purpose of the federal Trademark Act of 1946 was to abrogate the Court's holding that registration in the Patent Office is not constructive notice.

92. *E.g.*, *Griesedieck W. Brewery Co. v. Peoples Brewing Co.*, 149 F.2d 1019 (8th Cir. 1945).

93. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. at 426 (Holmes, J., concurring).

94. *Hammer v. Dagenhart*, 247 U.S. 251, 277 (1918) (Holmes, J., dissenting).

95. For a discussion of the constitutionality of substantive trademark legislation, see the influential article by F. Schechter, *Fog and Fiction in Trade-Mark Protection*, 36 COLUM. L. REV. 60 (1936), and ABA SECTION OF PATENT TRADE-MARK AND COPYRIGHT LAW, REPORT OF THE SUB-COMMITTEE TO THE JOINT MEETING OF THE COMMITTEES ON TRADE-MARK LAW 26-29 (Sept. 27-28, 1937).

THE LANHAM ACT: NATIONWIDE HORIZONS FOR THE
FEDERAL TRADEMARK REGISTRANT

Edward S. Rogers,⁹⁶ first witness called to testify before Chairman Fritz Lanham's House Subcommittee on Trade-Marks at its 1938 hearings on the first "Lanham Bill" for revision of the federal trademark laws,⁹⁷ understated the truth of the matter when he remarked that the project for general revision of the trademark laws "is more than a mere brainstorm and not the happy thought that comes to a man in the morning when he is shaving."⁹⁸ The draft of a new act which Mr. Rogers personally gave to Representative Lanham in 1937⁹⁹ and which served as the forerunner of the present Trademark Act¹⁰⁰ traced its origin to a standing committee of the Section of Patent, Trade-Mark, and Copyright Law of the American Bar Association appointed in 1920, with Mr. Rogers as its chairman, to study the desirability of revision of the federal trademark laws.¹⁰¹

Rogers' ABA-sponsored committee prepared a draft of a new federal trademark bill which was introduced in the 68th Congress by Senator Richard Ernst.¹⁰² Ernst's bill, popularly named "The American Bar Association Trade-Mark Bill,"¹⁰³ was favorably reported but did not come to a vote.¹⁰⁴ In each succeeding Congress through the 72nd, bills modeled on the ABA Trade-Mark Bill were introduced and extensive hearings were held to consider them.¹⁰⁵ Three of them, introduced

96. On his great contribution to the law of trademarks, including a bibliography of his work, see *Edward S. Rogers Memorial Edition*, 62 Trade-Mark Rep. 175-265 (1972).

97. *Hearings on H.R. 9041 Before the Subcomm. on Trade-Marks of the House Comm. on Patents*, 75th Cong., 3d Sess. 11 (1938) [hereinafter cited as 1938 *Hearings*].

98. *Id.* at 13.

99. See Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMP. PROB. 173, 180 (1949) [hereinafter cited as Rogers].

100. See D. ROBERT, THE NEW TRADE-MARK MANUAL 234-37 (1947) [hereinafter cited as ROBERT]. See generally Carter, *Legislative History of the New Trade-Mark Act*, 36 Trade-Mark Rep. 121 (1946) [hereinafter cited as Carter]; S. REP. NO. 1333 (May 14, 1946), U.S. Code Cong. & Ad. News, 79th Cong., 2d Sess. 1274, 1277-78.

101. See Rogers at 177-80; 1938 *Hearings* at 11.

102. See *Hearings on S. 2679 Before the Joint Comm. on Patents*, 68th Cong., 2d Sess. 3-4 (1925) [hereinafter cited as 1925 *Hearings*].

103. *Id.*

104. ROBERT at 233.

105. *Id.* at 233-34; Carter at 121-22.

by Representative Albert Vestal and collectively known as the "Vestal Bill," passed the House in three successive Congresses, but none of them ever came to a vote in the Senate, and the matter of general revision of the federal trademark laws accordingly came to a halt in the 72nd Congress.¹⁰⁶

In 1934 the situation changed. Prompted by trademark "protective bureaus" which charged fees for effecting state registration, a concerted effort was made to secure enactment in the states of mandatory trademark registration statutes which purported to make ownership of a trademark and the right to its exclusive use within an enacting state depend solely upon registration in that state.¹⁰⁷ The prospect that many states, greedy for revenue, would enact such compulsory registration laws alarmed the business community and provided the impetus for renewed efforts to pass a federal trademark law¹⁰⁸ that would outlaw such parochial state legislation.¹⁰⁹ Representative Lanham¹¹⁰ again took up the fight for general revision of the federal trademark laws in the 75th Congress by introducing Mr. Rogers' draft of a new act. After more than twenty years of attempted reform, Representative Lanham is largely credited with effecting passage of the present Trademark Act of 1946,¹¹¹ popularly named the Lanham Act in his honor.

"[A] sound public policy requires that trade-marks should receive nationally the greatest protection that can be given them," stated the Senate report on the Lanham trademark bill which was signed by the President.¹¹² Obviously this public policy, which was grounded in the recognition "trade is no longer local, but is national,"¹¹³ could not be achieved so long as even a brilliant judge might pronounce: "Registration con-

106. *Id.*

107. Rogers at 178; 1938 *Hearings* at 11-12, 63. See *Hearings on H.R. 4744 Before the Subcomm. on Trade-Marks of the House Comm. on Patents*, 76th Cong., 1st Sess. 195 (1939) [hereinafter cited as 1939 *Hearings*] (statement by sponsor of mandatory state trademark movement).

108. 1938 *Hearings* at 11-12, 63.

109. See 15 U.S.C. § 1127 (1970) (intent clause), discussed in 1941 *Hearings* at 124-29.

110. 1938 *Hearings* at 10 (preliminary statement by Fritz Lanham, chairman).

111. ROBERT at 234-37; Rogers at 180.

112. S. REP. NO. 1333 at 1277.

113. *Id.* See Schechter, *Fog and Fiction in Trade-Mark Protection*, 36 COLUM. L. REV. 60, 68, 69-70 nn.25-26 (1936).

fers no right, and limits none; it is a mere procedural advantage, depending upon common-law 'ownership,' which can exist quite as well without it."¹¹⁴ In order to remedy constructions of prior acts that in several instances had obscured and perverted the original purposes and due to the fact that "these constructions [had] become so ingrained that the only way to change them is by legislation," Congress wrote the present Act.¹¹⁵ Its legislative history and explicit provisions defining the effect of principal registration in the Patent Office of a common law trademark upon the right of others to take up a confusingly similar mark in commerce¹¹⁶ left no doubt that registration both conferred definite rights on the registrant and limited the rights of others. The *Hanover* doctrine, while still supreme in territorial battles involving unregistered trademarks, was made to play a decidedly smaller role in statutory trademark infringement suits founded under the Act.

One of the many witnesses testifying at the hearings on the Lanham Act summed up the attitude of its supporters in the following remarks:

A man comes to my office and wants to adopt and use a certain trade-mark in New England. I tell him that if he does not know of the use of that mark in that territory he can go ahead and adopt it. I tell him that there may be a registration of the same mark in the Patent Office in Washington by somebody in Illinois, but if that man is not using the mark in New England my client may adopt and use the mark in New England. If he searches the records in Washington and finds that registration, then he will know about it and he would not be adopting it in good faith and he should not adopt it. But if he does not search,

114. *Waldes v. International Mfrs.' Agency, Inc.*, 237 F. 502, 506 (S.D.N.Y. 1916) (L. Hand, J.).

115. S. REP. NO. 1333 at 1276.

116. The provision of the Lanham Act defining infringement as a "use in commerce" of any colorable imitation of the registered mark, *see* 15 U.S.C. § 1114(1)(a) (1970), has been liberally construed. *See Pure Foods, Inc. v. Minute Maid Corp.*, 214 F.2d 792 (5th Cir. 1954). Whether the Act was intended to reach such intrastate acts of infringement is left in limbo by the legislative history. *Compare* 1941 *Hearings* at 191 (no) *with* 1938 *Hearings* at 55 (Rogers: only a clairvoyant would know) *and* 1944 *Hearings* at 43-44 (Moyer: the bill leaves the matter in doubt but Congress has authority to regulate the whole subject matter of trademarks throughout the United States).

if he just goes ahead and adopts and uses it, then he may avoid trouble.

That is a bad situation. That is what is occurring at the present time. People are adopting marks without searching the records or investigating. This bill will require a search of the records at Washington.¹¹⁷

The Act's supporters, echoing views espoused many years earlier when the Vestal Bill was under consideration,¹¹⁸ saw the need for nationwide protection. In the words of one trade witness, speaking on behalf of the National Association of Manufacturers, "No one knows when he adopts a trade-mark how extensive his business will become. It may spread over the whole country, or it may not."¹¹⁹ As the testimony about the client from New England revealed, the Act reconciled the perceived need for nationwide protection of trademarks with elemental notions of justice by proclaiming that registration is notice,¹²⁰ providing for publication for opposition applications to register trademarks in the "Official Gazette" of the Patent Office,¹²¹ and mandating maintenance of a permanent register where interested parties could discover whether a

117. 1944 *Hearings* at 130.

118. See *Hearings on H.R. 2828 Before the House Comm. on Patents*, 71st Cong., 2d Sess. 19-28 (1930) [hereinafter cited as 1930 *Hearings*] (statement by Robert Watson).

119. 1944 *Hearings* at 46.

120. See 15 U.S.C. § 1072 (1970). There is dispute whether marks registered under the 1881 and 1905 Acts became constructive notice on the effective date of the Lanham Act without republication of such registrations in the Official Gazette pursuant to section 1062(c) of the Act. Compare E. VANDENBURG, TRADEMARK LAW AND PROCEDURE § 2.42, at 55 (1959)(no) with R. DOLE, TERRITORIAL TRADEMARK RIGHTS AND THE ANTITRUST LAWS 40, 57 (1965) (yes) and Halliday, *Constructive Notice and Concurrent Registration*, 38 Trade-Mark Rep. 111, 117 n.36 (1948) (yes). Although the constructive notice provision of the Act of 1946, 15 U.S.C. § 1072 (1970), also applies to registrations under the previous Acts, it does not specify when or how such registrations may become constructive notice. Since a new registration on the principal register established by the Act of 1946 must be published in the Official Gazette, 15 U.S.C. § 1062(a) (1970), it is appropriate to exact the same requirement of old registrations published many years earlier when the law did not make registration constructive notice of nationwide rights in a mark. Until such registrations are republished in conformity with § 1062(c), their only significance with reference to the Act of 1946 should be to preclude the issuance of a new registration under circumstances likely to cause confusion of purchasers. See 15 U.S.C. § 1052(d) (1970). *But cf.* Nielsen v. American Oil Co., 203 F. Supp. 473, 477 (D. Utah 1962) (alternative holding).

121. 15 U.S.C. §§ 1062(a), 1063 (1970).

certain trademark was registered.¹²² Accordingly, the principle of priority did not need to be bounded by artificial territorial limitations in order to assure a measure of fairness to second comers. The person who first used a trademark could lay claim to its exclusive use in the whole country by making a few shipments of trademarked goods into an adjoining state, a "use in commerce" within the meaning of the Act,¹²³ then applying for registration of his trademark, thereby giving others notice of his rights.

But the Act did not stop there. In order to protect a junior user who honestly availed himself of nationwide registration, and, at the same time, provide an "incentive" to register all trademarks in Washington, thereby providing as complete a register of trademarks as was possible to provide¹²⁴ without adopting the controversial requirement of compulsory deposit,¹²⁵ some freedom from attack based on an earlier common law trademark had to be devised.¹²⁶ The incontestability provision of the Act,¹²⁷ missing from the Vestal

122. 15 U.S.C. § 1051 (1970); TRADEMARK RULE OF PRAC. 2.27(d), 37 C.F.R. § 2.27(d) (1975) (file of registered marks open to public inspection, copies of records furnished upon payment of fee set by Patent Office). *See also* Act of July 5, 1946, ch. 540, § 31, 60 Stat. 437 (§3 statutory fee payable to Patent Office for certificate that a trademark has not been registered), amended 15 U.S.C. § 1113(b) (1970) (empowering Commissioner of Patents to establish charges for copies of records, or services furnished by the Patent Office).

123. *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 841 (9th Cir. 1969), thus construing the Lanham Act, 15 U.S.C. § 1127 (1970).

124. *Hearings on H.R. 82 Before the House Comm. on Patents*, 78th Cong., 1st Sess. 31-32 (1943) [hereinafter cited as 1943 *Hearings*] (statement of Wallace Martin).

125. H.R. 9041, 75th Cong., 3d Sess. §§ 27-32 (1938), containing provisions for a "search-file" of registered trademarks as well as those in actual use to be open for public inspection, directed the Commissioner of Patents to include in such file "any mark . . . used for the purpose of identifying merchandise" deposited in the Patent Office for a fee of \$2, and made unlawful the use in commerce of any such mark unless and until it was deposited in conformity therewith. Like its predecessor contained in the Ernst bill, *see* S. 2679, 68th Cong., 1st Sess. § 5 (1924), the purpose of such a provision was to establish a complete list of all trademarks actually in use in the United States in order to aid prospective adoptors of a new trademark. *See* text at note 1, *supra*. The basic criticism of any kind of deposit file was that it would defeat the very purpose of the Lanham bill to give incentive to trademark owners to obtain a federal registration of their marks. *See* 1941 *Hearings* at 233, 258.

126. Martin, *Incentives to Register Given by the New Trade-Mark Act*, 36 Trade-Mark Rep. 213 (1946).

127. 15 U.S.C. § 1065 (1970).

Bill,¹²⁸ remedied this defect of earlier federal trademark legislation by immunizing a 5-year-old registration from attack based on prior use.¹²⁹ In this respect, the Act subordinated the principle of priority to the fact of registration, and did so to an extent even greater than the *Hanover* defense of good faith remote use,¹³⁰ relegating the nonregistrant senior user who slept on his rights to the lowly status of a junior user who starts using a trademark before it is registered by the first user.¹³¹

Generally speaking, prior registration of a trademark was made to confer distinct substantive, and not merely procedural, advantages on the registrant, irrespective of whether use of a confusingly similar trademark by a nonregistrant user preceded or followed either registration or first use by the federal registrant and notwithstanding the fact that the nonregistrant user owned a prior registration under a state or previous federal trademark registration statute. Two propositions that result from the Act's explicit provisions capsule the foregoing observations. First, a federal registrant senior user obtains the exclusive nationwide right to use his trademark¹³² with only one important exception:¹³³ a "Hanover defendant"¹³⁴ who continuously¹³⁵ uses the

128. See, e.g., H.R. 2828, 71st Cong., 2d Sess. (1929), and 1930 *Hearings* at 79.

129. Prior use is not listed as one of the enumerated grounds upon which such a registration may be cancelled. 15 U.S.C. § 1064 (1970). The Patent Office and the courts have acknowledged that this section of the Act shields five-year-old registrations from attack based on prior use. Compare *Dunleavy Co. v. Koeppl Metal Furn. Corp.*, 150 U.S.P.Q. 395 (TTAB 1959) and *Schwinn Bicycle Co. v. Murray Ohio Mfg. Co.*, 339 F. Supp. 973, 982 (M.D. Tenn. 1971), *aff'd*, 470 F.2d 975 (6th Cir. 1972), with *Blanchard Importing & Distrib. Co. v. Charles Gilman & Sons, Inc.*, 353 F.2d 400 (1st Cir. 1965), *cert. denied*, 383 U.S. 968 (1966) (contestable registration). But cf. *Morehouse Mfg. Corp. v. J. Strickland & Co.*, 150 U.S.P.Q. 688 (TTAB 1966), *aff'd*, 407 F.2d 881, 888-89 (CCPA 1969) (dictum) (suggesting viable ground for attack by such a prior user). For a discussion of these matters see Fletcher, *Incontestability and Constructive Notice: A Quarter Century of Adjudication*, 63 Trade-Mark Rep. 71 (1973).

130. Cf. 1938 *Hearings* at 88-89 [Edward Rogers noting that immunization of five-year-old registrations from attack by a prior user is consistent with the holding of *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916)].

131. See text at note 141, *infra*.

132. 15 U.S.C. §§ 1057(b), 1065 (1970).

133. 15 U.S.C. § 1115(b)(5) (1970).

134. The defense is unavailable to a junior user if the mark was not adopted "without knowledge of the registrant's prior use." See 15 U.S.C. § 1115(b)(5) (1970). Incorporation of this requirement was an application of

trademark from a date prior to registration has limited territorial rights which are "frozen,"¹³⁶ notwithstanding his prior registration under a state¹³⁷ or previous federal¹³⁸ trademark registration law, at the time of registration under the Act. Second, a federal registrant *junior* user whose registration is over 5 years old retains the benefits of nationwide rights in the trademark,¹³⁹ limited only by the geographically restricted rights of the nonregistrant senior user,¹⁴⁰

the *Hanover* doctrine to statutory trademarks. See 1941 *Hearings* at 170, and text at notes 60-62, *supra*; Aluminum Fabricating Co. v. Season-All Window Corp., 160 F. Supp. 41 (S.D.N.Y. 1957), *aff'd*, 259 F.2d 314 (2d Cir. 1958) (knowledge of registrant's prior use precludes limited area defense to infringement). A similar requirement is not imposed with respect to trademark owners whose marks were registered (under previous acts) and used prior to registration or republication under the Act of 1946 because of the manifest unfairness of stripping such an older registrant of his trademark rights unless he can show what the state of knowledge was of people who may now be deceased. See 15 U.S.C. § 1115(b)(6) (1970); 1941 *Hearings* at 44-46; 1943 *Hearings* at 20.

135. 15 U.S.C. § 1115(b)(5) (1970). See *Hot Shoppes, Inc. v. The Hot Shoppe, Inc.*, 203 F. Supp. 777 (M.D.N.C. 1962).

136. *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838 (9th Cir. 1969); *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968). Of course, if the junior user is using the mark in a market in which the senior user has superior common law rights, for example, in his reputation zone or an area where his trade was likely to expand, the limited area defense to suits founded under the Lanham Act will not prevent the senior user from enjoining such use under the common law. See Comment, *The Scope of Territorial Protection of Trademarks*, 65 NW. U.L. REV. 781, 810 (1970); cf. *Hot Shoppes, Inc. v. The Hot Shoppe, Inc.*, 203 F. Supp. 777 (M.D.N.C. 1962) (registrant also lost on alternative common law ground).

137. See *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968); 1944 *Hearings* at 47-48.

138. Until such a previous federal registration is republished in conformity with the Lanham Act it cannot obtain the benefits of qualified immunity from cancellation, and may therefore be cancelled upon the ground of prior use of the mark. See 15 U.S.C. § 1064(d) (1970) and text at note 129, *supra*. If the prior federal registrant were also senior in use of the mark, the Patent Office would not grant another a registration under circumstances likely to cause confusion of purchasers. 15 U.S.C. § 1052(d) (1970). If it did through error grant such a registration, then the senior user would be in a position to cancel it within five years of the date of the second registration. See 1943 *Hearings* at 47-48; text at note 129, *supra*.

139. See text at note 129, *supra*.

140. Assuming compliance with statutory formalities which are conditions precedent to incontestable status under the Act of 1946, *e.g.*, an affidavit of continuous use must be filed with the Commissioner of Patents within one year after the trademark has been registered for five years. 15

whose territory is frozen in precisely the same way as the *Hanover* defendant in the first proposition above.¹⁴¹ Indeed, the incentive to register that is given by the Act is so strong that the second proposition may apply even to less than 5-year-old registrations,¹⁴² although it is not so strong that a prior application to register will defeat the right of a senior user to a nationwide registration, limited, of course, by the junior user's geographically restricted registration.¹⁴³

Happily, the Act has been construed by the courts, in accordance with the intent of its framers, to affirm the foregoing propositions, thus making federal registration of a trademark an extremely effective and just means of resolving the issue posed at the outset of this article: how best to reconcile

U.S.C. § 1065(3) (1970). If the registration is contestable the junior user will be able to avail himself of numerous defenses, for example, that the mark was descriptive of the goods, and will not be limited to the enumerated defenses made applicable to incontestable registrations. See Comment, *The Scope of Territorial Protection of Trademarks*, 65 NW. U.L. REV. 781, 809-10 (1970). If the five-year-old registration is contestable it will be subject, at least, to the defenses, including the limited area defense described in the text, made applicable to incontestable registrations. *Forstmann Woolen Corp. v. Murray Sices Corp.*, 86 U.S.P.Q. 209, 40 Trade-Mark Rep. 830 (S.D.N.Y. 1950).

141. See 15 U.S.C. § 1115(b)(5) (1970). Since the Act grants a limited area defense to the nonregistrant junior user vis-à-vis a senior user who holds an incontestable registration, the nonregistrant senior user should fare no worse. But he cannot fare better, for the Act freezes the territory of a registered (under previous acts) senior trademark owner vis-à-vis a junior user who holds an incontestable registration. 15 U.S.C. § 1115(b)(6) (1970) and 1943 *Hearings* at 44 (meaning of the words "used prior to" contained in section 1115(b)(6)), 49-50 (limited area defense applicable to older registrations).

142. Compare *Coastal Chem. Co. v. Dust-A-Way, Inc.*, 139 U.S.P.Q. 208, 54 Trade-Mark Rep. 325 (Comm'r Pats 1963) (laches of senior trademark user justifies refusal to cancel prior registrant's nationwide registration in concurrent use proceeding), *rev'd*, 263 F. Supp. 351 (W.D. Tenn. 1967) with *In re Beatrice Foods Co.*, 429 F.2d 466, 477 n.13 (C.C.P.A. 1970) (policy of rewarding first who federally registers may justify retention by prior registrant of nationwide trademark rights restricted only by territory of prior user). See also Schwartz, *Concurrent Registration Under the Lanham Act of 1946: What is the Impact on Section 2(d) of Section 22?*, 55 Trade-Mark Rep. 413 (1965). For a discussion of concurrent registration, a subject which is beyond the scope of this article, see R. DOLE, JR., TERRITORIAL TRADEMARK RIGHTS AND THE ANTITRUST LAWS 74-80 (1965); Comment, *The Scope of Territorial Protection of Trademarks*, 65 NW. U.L. REV. 781, 807-18 (1970).

143. See *In re Beatrice Foods Co.*, 429 F.2d 466 (C.C.P.A. 1970). See also *Haas Bros. v. Charles Jacquin et cie, Inc.*, 143 U.S.P.Q. 36, 54 Trade-Mark Rep. 636 (TTAB 1964), *rev'd*, 143 U.S.P.Q. 37, 55 Trade-Mark Rep. 598 (Comm'r Pats 1964).

the competing interests—expanded horizons for the first user as his business grows versus the race to the luckless junior user who builds up a trade in reasonable ignorance of the facts—at stake in territorial trademark contests. By granting the federal registrant exclusive nationwide rights, the Act has also gone a long way, although not as far as was envisioned by its sponsors,¹⁴⁴ to eliminate the problem of concurrent use of trademarks, a source of great confusion and wonder to the consuming public. We are less likely to encounter the phenomenon decried by a spokesman for the Vestal Bill that

when you drive from here [Washington, D.C.] to Chicago, Denver, Seattle, or California in a week, you could ask for the same thing and get it from 48 different manufacturers within one day and one night, if you could go that distance that quickly.¹⁴⁵

However, a myopic judicial precedent,¹⁴⁶ widely approved,¹⁴⁷ regarding the ripeness of a request for injunctive relief under the Act has compromised the statutory goal of prompt relief against infringement of registered trademarks,¹⁴⁸ thereby ushering in a host of related serious evils, utterly at odds with the reasonably discernible intent of Congress.

DAWN DONUT COMPANY V. HART'S FOOD STORES, INC.:
DASHED HOPES BY JUDICIAL PROSTRATION OF
FEDERALLY REGISTERED TRADEMARKS

The pathbreaking *Dawn Donut* case,¹⁴⁹ construing the Lanham Act's constructive notice¹⁵⁰ and infringement provi-

144. See 1944 *Hearings* at 45-46 (Henry Savage); Halliday, *Constructive Notice and Concurrent Registration*, 38 Trade-Mark Rep. 111 (1948).

145. 1930 *Hearings* at 53, 54-55 (statement of Karl Fenning).

146. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959).

147. *E.g.*, *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838 (9th Cir. 1969); *Holiday Inns of America, Inc. v. B & B Corp.*, 409 F.2d 614 (3d Cir. 1969); *John R. Thompson Co. v. Holloway*, 366 F.2d 108 (5th Cir. 1966); *Modular Cinemas of America, Inc. v. Mini Cinemas Corp.*, 348 F. Supp. 578 (S.D.N.Y. 1972).

148. See S. REP. NO. 1333, *supra* note 100.

149. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959).

150. 15 U.S.C. § 1072 (1970).

sions,¹⁵¹ held that the senior user-certificate holder of the "Dawn" trademark for doughnut mixes had, by virtue of his earlier renewal registration,¹⁵² a paramount federal right to exclusive use of the "Dawn" trademark in defendant's retail market area, but no presently enforceable remedy to enjoin defendant's retail "Dawn" doughnut sales.

Plaintiff's sales representatives made regular calls upon bakers in the Rochester area for the purpose of soliciting orders for its "Dawn" trademarked bags of doughnut mix for a period of over a decade before defendant started using the same mark on its baked goods distributed through its retail grocery chain, also located in the Rochester area. But none of the Rochester bakers who purchased plaintiff's mix sold doughnuts to the public under the "Dawn" trademark, and plaintiff's licensing of the trademark for use in retail sales, *viz.* principally to franchisees operating "Dawn Donut Shops," was confined to an area not less than 60 miles away from defendant's trading area for the past 30 years.

Noting the fact it took plaintiff three years to discover defendant's use of the "Dawn" trademark despite the regular solicitation of wholesale business by its sales representative, and taking judicial notice that retail purchasers of baked goods usually make such purchases reasonably close to their homes, the Second Circuit Court of Appeals reasoned no actual confusion of purchasers was generated from concurrent use of the marks at different market levels in the same geo-

151. Trademark Act of 1946, ch. 540, § 32(1)(a), 60 Stat. 437, *as amended* 15 U.S.C. § 1114(1)(a) (1970).

152. Plaintiff's unexpired federal trademark registration, issued in 1927, was renewed in 1947 pursuant to section 9 of the Act of 1946, *see* Trademark Act of 1946, ch. 540, § 9, 60 Stat. 431, *as amended* 15 U.S.C. 1059(a) (1970), by filing an application with the Patent Office accompanied by an affidavit of current use in commerce and the statutory renewal fee. *See also* Trademark Act of 1946, ch. 540, § 46(b), 60 Stat. 445, 15 U.S.C. § 1051 (1970) (note: existing registrations and rights under prior acts). The court held plaintiff's renewed registration constituted constructive notice of exclusive nationwide rights on the effective date of the Lanham Act when the constructive notice provision became legally operative. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 362 (2d Cir. 1959). *See also* *Sweetarts v. Sunline, Inc.*, 255 F. Supp. 771 (E.D. Mo. 1966) (statutory trademark infringement claim failed due to invalid renewal registration), *rev'd on other gnds*, 380 F.2d 923 (8th Cir. 1967). Renewal *per se* should not entitle registrants under prior acts to the benefits of registration or republication under the Lanham Act for reasons noted earlier in connection with unexpired registrations under such prior acts. *See* note 120, *supra*.

graphic area or at the retail level in geographically separate areas miles apart. However, since the touchstone for the invocation of injunctive relief under § 32(1), clause (a) of the 1946 Act¹⁵³ is the likelihood of confusion rather than actual confusion, the court did not end its inquiry there.

Taking what it apparently regarded as a generous view of the Act's infringement provision, the court ruled that concurrent use of marks would give rise to a likelihood of confusion if expansion by the registrant into the defendant's market is likely in the normal course of his business. In a footnote,¹⁵⁴ the court remarked that any narrower interpretation would mean a registrant's common law right to relief under the *Hanover* doctrine¹⁵⁵ would outstrip his remedy under the Act, and that this would not comport with Congress's intent to give a registrant nationwide protection.¹⁵⁶

Applying its test, in light of the evidence of plaintiff's past record of licensing its trademark for retail sales and the declining nature of this aspect of its business, the court found no present likelihood that plaintiff would expand its retail use of the mark into the Rochester area, and, therefore, denied present right to relief under the Act. However, said the court, "This is not to say that the defendant has acquired any permanent right to use the mark in its trading area. On the contrary, we hold that because of the effect of the constructive notice provision . . . should the plaintiff expand its retail activities into [the Rochester area], upon a proper application

153. See 15 U.S.C. § 1114(1)(a) (1970).

154. 267 F.2d at 364 n.4.

155. See text at notes 53-54, *supra*.

156. A number of federal circuits have adopted a "likelihood of entry" test of infringement that may make relief under the Act more restricted than at common law. Compare *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838 (9th Cir. 1969) (existence of bona fide prospective franchisees in defendant's market area establishes impending entry and requisite likelihood of confusion warranting injunctive relief) with *Holiday Inns of America, Inc. v. B & B Corp.*, 409 F.2d 614, 616-19 & 618 n.13 (3d Cir. 1969) (withholding injunctive relief until commencement of construction of a motel in disputed market area, notwithstanding (1) actual receipt of franchise applications, (2) common law reputation zone, and (3) *Dawn Donut* likelihood of expansion test of outer limits of statutory infringement satisfied) and *Gastown, Inc. of Delaware v. Gastown, Inc.*, 331 F. Supp. 626 (D. Conn. 1971) (dynamic senior registrant of marks for gasoline and filling stations entitled to enjoin concurrent user although defendant's nearest filling station 443 miles distant from plaintiff, in view of proximity of filling stations to interstate super-highways and testimony of consumer witnesses of actual confusion).

and showing to the district court, it may enjoin the defendant's use of the mark."¹⁵⁷ In other words, as one commentator has put it, the defendant who uses another's registered mark is "living on borrowed time."¹⁵⁸

The Second Circuit's coup in *Dawn Donut*, containing only a muted signal to an earlier contrary federal precedent,¹⁵⁹ has been widely followed without further reflection, and, from at least one scholarly quarter, has been praised as a reasonable interpretation of the Act which allows a "period of grace to effect an orderly transition to a new mark."¹⁶⁰ Even if a prudent businessman would not take *Dawn Donut* as "an invitation to gamble that the plaintiff would never be in a position to exercise his superior rights . . . [because of] the ever-present possibility that the registered mark could be assigned to a more dynamic firm or licensed to a local user in defendant's territory,"¹⁶¹ the pernicious effects of the holding would only be mitigated, not eliminated. In fact, those using another's registered trademark sometimes stubbornly resist a demand letter based on an erroneous view of their legal rights.¹⁶² Moreover, as registrant "might conclude that it would answer his purpose to let the defendant go on selling four or five years, and at the end of that time call him to an account of profits as if he were the [registrant's] salesman,"¹⁶³ in which case he would do nothing to apprise the junior user of his registration until he was ready to strike. As long as the registrant remained outside the junior user's market area, he

157. 267 F.2d at 360.

158. 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION at 228 (1973).

159. *Sterling Brewing, Inc. v. Cold Spring Brewing Corp.*, 100 F. Supp. 412 (D. Mass. 1951) (enjoining defendant junior user from use of republished mark in New England area despite finding that plaintiff's common law territorial rights limited to the mid-west), *modified on rehearing*, 92 U.S.P.Q. 37 (D. Mass. 1952) (excluding intrastate use of mark from operation of injunction).

160. R. DOLE, JR., TERRITORIAL TRADEMARK RIGHTS AND THE ANTI-TRUST LAWS at 50 (1965); *cf. Developments in the Law—Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 859 (1955). *But see* Derenberg, *The Twelfth Year of Administration of the Lanham Trademark Act of 1946*, 49 Trade-Mark Rep. 1019, 1070-72 (1959).

161. R. DOLE, JR., TERRITORIAL TRADEMARK RIGHTS AND THE ANTI-TRUST LAWS 50 (1965).

162. *See, e.g., John R. Thompson Co. v. Holloway*, 366 F.2d 108, 114 n.10 (5th Cir. 1966).

163. *Gilka v. Mahalovitch*, 50 F. 427, 428 (C.C.S.D. Ohio 1892).

would have no right to sue for infringement, and, as one judge noted, "To hold plaintiffs guilty of laches for failing to institute a suit which the courts have held would have been futile, would produce a ludicrous result."¹⁶⁴

While the Second Circuit's factual conclusions are unexceptionable, its reading of the statute, uninformed by any consideration of the legislative history or its own landmark precedents, should appeal only to those persons who possess, at best, a perfunctory understanding of trademarks. The court reasons from the faulty premise that the statutory language of § 32(1), clause (a)¹⁶⁵ was an invitation by Congress for the courts, in cases involving competing goods or services in a different trade territory, to forecast whether the goods or services of the parties would have common purchasers or users in the reasonably foreseeable future, rather than an attempt to substitute the "*Aunt Jemima* doctrine"¹⁶⁶ for the "same descriptive properties" language of the Act of 1905¹⁶⁷ which had given the courts so much trouble and outlived its time.¹⁶⁸

Section 16 of the Act of 1905¹⁶⁹ imposed liability for infringement only on persons who should "reproduce, counterfeit, copy, or colorably imitate" the registered mark and "affix the same to *merchandise of substantially the same descriptive properties* as those set forth in the registration" (emphasis added). Section 5(b),¹⁷⁰ defining what marks might be registered, forbade the registration of any trademark "which so nearly resemble[d] a registered or known trade-mark owned and in use by another and appropriated to merchandise of the

164. *Aluminum Fabricating Co. v. Season-All Window Corp.*, 160 F. Supp. 41, 46 (S.D.N.Y. 1957), *aff'd*, 259 F.2d 314 (2d Cir. 1958).

165. See 15 U.S.C. § 1114(1)(a) (1970). The 1962 amendment to subsection (1) of section 32, *see* Act of October 9, 1962, Pub. L. No. 87-772, § 17, 76 Stat. 773 [codified at 15 U.S.C. § 1114(1)(a) (1970)], did not materially change the infringement provision in regard to the matter under consideration in the text. *See* S. REP. NO. 2107 (Sept. 18, 1962), U.S. Code Cong. & Ad. News, 87th Cong., 2d Sess. 2844, 2850-51.

166. From *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407 (2d Cir. 1917) (trademark protection not limited to precisely the same goods), *cert. denied*, 245 U.S. 672 (1918).

167. Act of February 20, 1905, ch. 592, § 16, 33 Stat. 728.

168. *See* Lunsford, *Trademark Infringement and Confusion of Source: Need for Supreme Court Action*, 35 VA. L. REV. 214 (1949).

169. Act of February 20, 1905, ch. 592, § 16, 33 Stat. 728.

170. Act of February 20, 1905, ch. 592, § 5(b), 33 Stat. 725 (first proviso).

same descriptive properties as to be likely to cause confusion or mistake in the mind of the public or to deceive purchasers." The parallel § 32(1), clause (a) of the Lanham Act,¹⁷¹ beginning at its second sentence, was practically the same, except that it eliminated the language that one must "affix" the registered mark to "merchandise of substantially the same descriptive properties," and permitted a broad recovery for a use "likely to cause confusion or mistake or to deceive purchasers as to the source of origin"; its parallel registration § 2(d)¹⁷² was similarly extended to forbid registration when the mark sought to be registered would be "likely, when applied to the goods of the applicant, to cause confusion or mistake or to deceive purchasers." As Judge Learned Hand, who understood as well as anyone the development of the modern law relating to the enlarged scope of protection for trademarks, said, "It is quite enough to explain the change of diction in the Lanham Act that Congress wished to do no more than clear up this doubt [whether the "*Aunt Jemima* doctrine" could be applied in a case decided under the restrictive "same descriptive properties" language of § 16 of the Act of 1905]¹⁷³—if indeed it was not more than a doubt—and make the protection of the new right coextensive with the law of unfair competition as it was in 1946. . . ."¹⁷⁴

The only discussion in the hearings on the Lanham Act relative to the phraseology of § 32(1), clause (a) indicates that Congress's sole concern and preoccupation was to rid the statutory test of any artificial limitation on the class of goods or services in connection with which a registered mark would be protected when likelihood of confusion of purchasers was proved to exist, thus mirroring perfectly Judge Hand's interpretation. Not a word of testimony in regard to the infringement provision lends support to the Second Circuit's *Dawn Donut* rule.

Testifying at the first round of hearings on trademark reform before Fritz Lanham's House Subcommittee on Trademarks, Edward S. Rogers commented upon an early version

171. 15 U.S.C. § 1114(1)(a) (1970).

172. See Trademark Act of July 5, 1946, ch. 540, § 2(d), 60 Stat. 428, as amended 15 U.S.C. § 1052(d) (1970).

173. See *Yale Electric Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928).

174. *S.C. Johnson & Son, Inc. v. Johnson*, 175 F.2d 176, 179 (2d Cir.), cert. denied, 338 U.S. 860 (1949); Note, *Unfair Competition From Non-Competing Goods*, 2 WYO. L.J. 66 (1948).

of the infringement provision which defined as an act of infringement:

to use in commerce any such copy, counterfeit, or colorable imitation [of a registered trademark] upon or in connection with the merchandise set forth in the certificate or registration or *merchandise of such a character that the use of the copy, counterfeit, or colorable imitation in connection therewith is likely to cause confusion or mistake or to deceive purchasers.*¹⁷⁵

His testimony was as follows:

The second paragraph of the sentence [just quoted] covers the use of the goods, and there is a change in existing law in that connection. Existing law [referring to § 16 of the Act of 1905] prohibits the use of deceptive similar trade-marks on goods—now, may I particularly call your attention to this language—of substantially the same descriptive properties of the goods mentioned in the certificate of registration.

Now the phrase “goods of substantially the same descriptive properties” must have been evolved by a virtuoso in vagueness. . . .

Recently, the courts . . . have held that goods are of the same descriptive properties if they fit into a recognized trade class, and they have gone to the extent of holding that groceries, for example, olive oil, on the one hand, and coffee, on the other, are goods of the same descriptive properties and, incidentally, they always have, and the present law is that goods are the same in legal contemplation if the use of the same mark on the two varieties would suggest to the consumer that they came from the same place, or were made by the same concern. . . .

That seems to all of us to be a sensible interpretation and we have scrupulously avoided the use of this “bug-bear” phraseology, “goods of the same descriptive properties,” and have tried to put it in this way. . . .¹⁷⁶

175. H.R. 9041, 75th Cong., 3d Sess. § 1 (1938) (emphasis added) (incorporated by reference in section 34(a) of the same bill, setting forth remedies for infringement).

176. 1938 *Hearings* at 52.

Such clear evidence of lack of support for the *Dawn Donut* rule in the infringement provision, which also states an infringer "shall be liable in a civil action by the registrant for the remedies hereinafter provided,"¹⁷⁷ should be sufficient to turn the tide of judicial precedent, unless the rule finds support in some other provision of the Lanham Act, or serves some just purpose. Some courts¹⁷⁸ have apparently taken refuge in the first sentence of the remedies provision, § 34,¹⁷⁹ stating that the courts shall have power to grant injunctions to prevent the violation of any right of a registrant "according to the principles of equity and upon such terms as the court may deem reasonable." But the first sentence of § 34 is taken almost verbatim from the Act of 1905,¹⁸⁰ and its inclusion in the Act apparently was considered too trivial to merit any discussion in Congress. Moreover, violation of a statutory right carries its own indicia of irreparable injury,¹⁸¹ and when a court stays its hand until such time as the registrant can show impending entry into a junior user's market area, it is acting contrary to the public interest.

Unfortunately, no provision in the Lanham Act corresponds to § 18(h) of the Ernst Bill¹⁸² which granted injunctive relief coextensive with the United States. Nor is there a similar report of a prestigious patent law association,¹⁸³ which, commenting upon § 18(h) stated:

Under section 16 of the act of 1905 it appears that infringement of a registered trade-mark in interstate or foreign commerce is actionable if it occurs anywhere in the United States, and irrespective of whether the registrant's trade has extended into the territory in which the

177. Trademark Act of July 5, 1946, § 32, as amended by 15 U.S.C. § 1114(1) (1970), formerly ch. 540, § 32(1), 60 Stat. 437-38. The present version quoted in the text is virtually identical to the former version in the particular noted.

178. *E.g.*, *Holiday Inns of America, Inc. v. B & B Corp.*, 409 F.2d 614, 618 (3d Cir. 1969).

179. 15 U.S.C. § 1116 (1970).

180. Act of February 20, 1905, ch. 592, § 19, 33 Stat. 729.

181. *Cf. Culpepper v. Reynolds Metals Co.*, 421 F.2d 888, 894-95 (5th Cir. 1970) (irreparable injury presumed from fact of statutory violation of Title VII of 1964 Civil Rights Act).

182. S. 2679, 68th Cong., 1st Sess. § 18(h) (1924).

183. 1925 *Hearings* at 93 (New York Patent Law Association, Report of the Committee on Trade-Mark Legislation on the American Bar Association's Proposed Federal Trade-Mark Bill).

defendant's trade occurs. Section 18(h) of the bill is equally broad.¹⁸⁴

Moreover, one searches in vain the legislative hearings preceding the Act's passage for any explicit resolution of the territorial extent problem. Indeed, one gathers the distinct impression from the record made at the hearings on the Act that one of its chief supporters artfully dodged the issue of immediate availability of injunctive relief in "remote" territory in the face of stiff, unrelenting opposition to any change in then existing law. One of the Lanham bill's opponents propounded the direct question, "Suppose I use a mark only within the District of Columbia, and I secure registration. Suppose someone wants to use that same mark in some town in Oregon or California, may I enjoin that use under this section?"¹⁸⁵ Mr. Rogers declined to answer, stating: "That is something I would like to discuss in its order when we get to the question of notice. . . ."¹⁸⁶

Despite Mr. Rogers' equivocation with respect to the practical consequences of nationwide registration, the vivid critique made at the hearings in regard to the possible unjust operation of one of the Act's related provisions highlights the strong policy reasons against the *Dawn Donut* rule. At several points in the hearings criticism was directed to the manner in which it was feared "notice" registration restricted pre-existing common law concurrent trademark rights. The debate focused principally on the so-called "mini-Hanover" or "limited area" defense, now embodied in § 33(b)(5) of the

184. *Id.* at 100 (footnotes omitted). Trademark hearings on the Vestal Bill, which contained a similarly worded provision, see H.R. 2828, 71st Cong., 2d Sess. § 18-H (1930), revealed considerable contrariety of views on whether the section was intended to enlarge the scope of territorial trademark protection beyond that afforded by the common law. Compare 1930 *Hearings* at 19, 24, 27-28 (statement by Robert Watson) (purpose of bill is to nationalize trademark ownership, thus flying in the face of U.S. Supreme Court rulings) and 1930 *Hearings* at 72, 76 (statement of A.C. Paul) (bill will enable registrant to enjoin junior user in remote section of interstate commerce) with 1930 *Hearings* at 49-51 (Mr. Frazer) (bill is merely declaratory of common law, quoting other sections of bill which indeed cast doubt on efficacy of section 18-H) and 1930 *Hearings* at 53-55 (statement of Karl Fenning) (registration should confer exclusive nationwide rights, and bill should be amended to outlaw use in commerce of registered trademarks adopted after the date of registration).

185. 1938 *Hearings* at 30 (statement of Chauncey Carter).

186. *Id.* at 69.

Act,¹⁸⁷ which qualifies the registrant's exclusive nationwide right to use the mark if the junior user can establish that he adopted the mark without knowledge of the prior use and has continuously used it from a date prior to registration.

On the one hand, the Act's critics charged that the limited area defense could be used only defensively as a shield against a charge of infringement, not offensively as a sword to exclude the federal registrant from the good faith junior user's market area.¹⁸⁸ The Act would then produce a double-barrelled harmful result: unfairness to the good faith junior user by enabling the federal registrant to obtain a free ride on the reputation that the junior user had earned for the mark and making him the guardian of that reputation, and deception of the purchasing public by permitting the registrant to sell his goods, possibly inferior, under the identical trademark that had come to signify the junior user's product.¹⁸⁹

On the other hand, an attack was made on the limited area proviso.¹⁹⁰ Mounting their strongest possible case, the critics claimed that the incontestability feature of the Act, which immunizes a 5-year-old registration from cancellation based on an earlier common law trademark,¹⁹¹ coupled with the limited area proviso, which likewise "freezes" the territory of an unregistered common law *senior* user to the area in which he has used the mark prior to the date of registration,¹⁹² unduly penalized the small businessman who had been using his trademark for years without any claims of adverse user.¹⁹³ His failure to avail himself of registration

187. 15 U.S.C. § 1115(b)(5) (1970) (in part): "That the mark whose use . . . is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by him or those in privity with him from a date prior to registration of the mark under this Act. . . . *Provided*, however, that this defense . . . shall apply only for the area in which such continuous prior use is proved."

188. 1939 *Hearings* at 37 (Stewart Whitman); 1941 *Hearings* at 181-83 (Louis Robertson).

189. *Id.*

190. See text of proviso at note 187, *supra*; 1944 *Hearings* at 47 (Senate chairman Claude Pepper); 1941 *Hearings* at 181-83, 186 (Louis Robertson), 168-69, 192-95 (Milton Handler criticizing limited area proviso as applied to contests involving registrants under previous federal acts when one party is first to republish his trademark under the Lanham Act).

191. See text at note 129, *supra*.

192. See text at note 141, *supra*.

193. See 1941 *Hearings* at 181-83, 186 (Louis Robertson), 168-69 (Milton Handler); 1939 *Hearings* at 37.

under the Act for five years or, at least, to keep a careful watch on the Official Gazette or the trade, in case his trademark were claimed by another, would entitle the five-year registrant to take over any new territory developed by the senior user after the registration date.¹⁹⁴ The critics also indicted the proviso for being only a "shield": once the registrant effected a take-over the public would be deceived into purchasing the registrant's spurious goods for the genuine article. Appealing to emotion, the critics said, "It may be a matter of health; it may be a sleeping tablet, which the public is accustomed to under one strength, and when incontestability takes over, a sleeping pill perhaps two or three times the strength may come in under the same name."¹⁹⁵

Despite the strong appeal of such arguments, Congress was persuaded that the limited concessions that the Act makes to common law trademark users who fail to take advantage of registration are dictated by the need for an effective federal law. "I understand," said Chairman Lanham, "but we have got to have the reverse of the general maxim that ignorance of the law is no excuse, where the law is readily available to the man."¹⁹⁶ However, Congress rejected the compulsory deposit proposal of more "radical" reformers who would have limited common law trademark rights much more than the Act does, despite the quite forceful presentation they made favoring such a provision.¹⁹⁷

Congress's preference for a trademark law with teeth in it does not render irrelevant the critique of notice registration. Even the loser's arguments may sometimes supply evidence of shared concerns, thus furnishing a persuasive rationale for applying an ambiguous statutory provision in one way rather than another. For example, the courts have held sensibly that a good faith junior user may exclude a Lanham Act regis-

194. *Id.*

195. 1941 *Hearings* at 183.

196. *Id.* at 185.

197. A persuasive case was made for compulsory deposit of all common law trademarks at hearings held to consider H.R. 5461. *See* 1941 *Hearings* at 75-77 (statement of Hugo Mock). But chairman Lanham expressed doubt regarding the constitutionality of such a mandatory provision, *id.* at 80, and even the proposed permissive deposit provision embodied in section 29 of the committee print containing amendments to H.R. 5461 approved by the ABA Committee on Trade-Mark Legislation faced rather heavy sledding. *Id.* at 36, 233-34 (Wallace H. Martin), 257-58 (Walter Derenberg). *Contra, id.* at 213-14.

trant from his pre-existing market area despite the fact that § 33(b)(5) is cast as a "defense" and the legislative history is unauthoritative.¹⁹⁸ How could the courts have done otherwise, especially in light of the Act's twofold goal "to protect the public so that it may be confident that, in purchasing a product bearing a trade-mark which it favorably knows, it will get the product which it asks for and wants to get," and to protect "the owner of a trade-mark . . . in his investment from its misappropriation by pirates and cheats?"¹⁹⁹

By the same token, the courts should recognize that the stated goal of the Act's sponsors to afford "prompt" relief against infringement is related functionally to accomplishment of these other goals. Justice delayed is justice denied. Congress accorded courts vested with jurisdiction of civil actions arising under the Act leeway to grant injunctions or to make an award of profits and damages²⁰⁰ "according to the principles of equity" precisely to achieve these goals under varying factual situations revealed by trademark litigation.

Courts should hold that a registrant who knowingly waits in ambush for an ignorant infringer's business to grow and prosper under the registered trademark has not availed himself of the prompt relief against infringement to which the Act entitles him. His knowing laches is an equitable ground for denying him injunctive relief.²⁰¹ Moreover, the court, which is expressly given broad power over registrations,²⁰² should sustain the unknowing infringer's counterclaim requesting a territorial decree which awards him concurrent trademark rights in the separate market area that the plaintiff has unconscionably permitted him to develop, albeit the

198. See *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904, 909 (7th Cir. 1968); *Mister Donut of America, Inc. v. Mr. Donut, Inc.* (unreported case), 2 J.T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 26.18 at 237 (1973), *on remand from* 418 F.2d 838 (9th Cir. 1969); *cf. Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co.*, 477 F.2d 150, 154 n.3 (6th Cir. 1973) (dictum).

199. S. REP. NO. 1333, 79th Cong., 2d Sess. at 1274.

200. 15 U.S.C. § 1117 (1970).

201. See text at notes 32-35, 40-41, *supra*; *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 954-55 (S.D.N.Y. 1967); *cf. Alfred Dunhill of London, Inc., v. Dunhill Tailored Clothes, Inc.*, 293 F.2d 685 (C.C.P.A. 1961) (acquiescence); 1941 *Hearings* at 190-91 (registrant must act diligently, law of acquiescence preserved).

202. 15 U.S.C. § 1119 (1970). See also 15 U.S.C. § 1052(d) (1970) (proviso, second sentence).

defendant has either expanded his business²⁰³ or adopted the registered trademark with constructive notice of plaintiff's superior rights.²⁰⁴ The decree may also appropriately contain an order, certified to the Commissioner of Patents, directing him to rectify the register by partially cancelling plaintiff's nationwide registration and issuing a concurrent but territorially limited registration to the defendant.²⁰⁵ Indeed, the courts may dispense with proof that the original registrant had actual knowledge of the defendant's infringing use. His failure to police the trade in order to safeguard his rights in appendant markets might be held a sufficient bar to relief with corresponding relief for the defendant,²⁰⁶ just as failure to police the trade adequately may result in only a qualified right to the enjoyment of a trademark,²⁰⁷ or possibly its total forfeiture²⁰⁸ if the mark has become an appellation for the article in connection with which it is used.²⁰⁹

Yet, the weird logic of *Dawn Donut* counsels inaction by the registrant and logically precludes the application of the equitable defense of laches.²¹⁰ The statutory "penalty" for failure to register, indispensable for effective trademark legislation, has been transformed judicially into a policy of overkill. The consuming public, an innocent bystander that knows not of such judicial legerdemain, may be duped by the registrant's use of the familiar trademark into getting what it does not want.

The second goal of the statute, to protect the investment of the trademark registrant from misappropriation by trade

203. Cf. *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607 (2d Cir. 1960) (use of registered mark on related goods).

204. See Halliday, *Constructive Notice and Concurrent Registration*, 38 Trade-Mark Rep. 111, 124 (1948); cf. *Alfred Dunhill of London, Inc. v. Dunhill Tailored Clothes, Inc.*, 293 F.2d 685 (C.C.P.A. 1961).

205. Cf. *Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co.*, 477 F.2d 150 (6th Cir. 1973) (good faith junior user).

206. See text at note 41, *supra*.

207. See, e.g., *Havana Cigar & Tobacco Factories Ltd. v. Oddenino*, 130 L.T.R. (n.s.) 428 (C.A. 1923); *Dupont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75 (2d Cir. 1936).

208. See, e.g., *McKesson & Robbins, Inc. v. Charles H. Phillips Chemical Co.*, 53 F.2d 342, 344 (2d Cir.), *modified*, 53 F.2d 1011 (2d Cir. 1931), *cert. denied*, 285 U.S. 552 (1932) ("Milk of Magnesia").

209. See generally *Diamond, How to Use a Trademark Properly*, 61 Trade-Mark Rep. 431 (1971).

210. See text at note 164, *supra*.

"pirates and cheats," is also sacrificed on the altar of the *Dawn Donut* rule. The honest registrant who vigilantly polices the trade in order that his trademark will not be tarnished by an infringer's shoddy business practices is politely turned out of court "without prejudice"! Immediately he learns another is using a confusing mark in appendant territory; he bids his attorney draft a demand letter telling the latecomer he is infringing a registered trademark and must cease and desist forthwith. Latecomer's attorney replies that his client has priority of use of the mark in stated territory and therefore has superior rights there. Registrant then brings an injunction suit. The court, in goose-step reliance upon the *Dawn Donut* rule, solemnly pronounces that the defendant can acquire no superior right in plaintiff's registered trademark, and even commends plaintiff's attorney for filing suit prematurely in the face of such obstinacy by defendant's lawyer.²¹¹ But plaintiff's complaint is dismissed as unripe. The dismissal is without prejudice to plaintiff's right to bring another suit based upon "subsequently occurring events which may make it likely that the uses of the respective marks . . . are likely to cause confusion, deception or mistake."²¹² Until subsequent events unfold, plaintiff is told he has not suffered any harm that is worthy of equitable relief.

Plaintiff's right to bring fresh suit when subsequent events unfold is small consolation. He must expand his business prematurely to defendant's field of operations as the price for immediate equitable relief. Otherwise, he must forego such relief; meanwhile the defendant, possibly undeterred by the court's solemn pronouncement as would be any commercial racketeer,²¹³ gives plaintiff's trademark a dirty name. No registered trademark owner can feel secure in the face of the *Dawn Donut* rule.²¹⁴ What is more, the rule serves no useful purpose since the court can in any event effectively fashion its decree to permit the defendant a reasonable amount of time to dispose of goods on hand and to make a

211. See *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 114 n.10 (5th Cir. 1966).

212. *Id.* at 116.

213. See generally *Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co.*, 349 F.2d 389 (2d Cir. 1965), *cert. denied*, 383 U.S. 942 (1966) (accounting necessary to render infringement by non-competitor unprofitable).

214. See ROBERT at 129-30.

transition to a new trademark.²¹⁵ If the courts will not overrule the *Dawn Donut* rule, Congress must do so.

JUDICIAL EXTENSION OF DAWN DONUT: WATERED-DOWN
PROTECTION FOR FEDERALLY REGISTERED
SECONDARY MEANING TRADEMARKS

Effective relief against infringement of federally registered trademarks is also jeopardized by judicial extension of the *Dawn Donut* test of infringement to secondary meaning trademarks registered under the five-year clause of § 2(f),²¹⁶ although the legal issues raised by this line of cases are far from being settled. Cases in three circuits of the federal courts of appeals, reverting to common law principles governing the territorial scope of protection for trade names in clear derogation of the Act's purpose to assimilate common law trade names and trademarks, have held that injunctive relief is not available to protect a registered secondary meaning trademark in geographic areas where the mark has not yet acquired secondary meaning.²¹⁷

The result in two of these cases, in which there was neither actual market competition between the parties nor present likelihood of expansion by the federal registrant senior user into the defendant's trade territory,²¹⁸ would have been the same under *Dawn Donut's* different market limitation. But the *ratio* of all three is an extension of *Dawn Donut*, since it calls for exoneration of a defendant who takes up a registered mark and uses it upon competing goods in the same market area as that in which the registrant is using it. Injunctive relief is withheld upon the ground that until a registered secondary meaning mark has gained public recognition as the registrant's commercial signature (secondary meaning) in the particular locale where he seeks to enjoin concurrent use, no likelihood of confusion, ergo infringement, is created by such use. Once again the little phrase "likely to

215. *E.g.*, *W.E. Bassett Co. v. Revlon Inc.*, 354 F.2d 868 (2d Cir. 1966).

216. 15 U.S.C. § 1052(f) (1970).

217. *See National Automobile Club v. National Automobile Club, Inc.*, 365 F. Supp. 879 (S.D.N.Y. 1973), *aff'd mem.*, 502 F.2d 1162 (2d Cir. 1974); *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974); *Anheuser-Busch, Inc. v. Bavarian Brewing Co.*, 264 F.2d 88 (6th Cir. 1959).

218. *National Automobile Club v. National Automobile Club, Inc.*, 365 F. Supp. 879 (S.D.N.Y. 1973); *Anheuser-Busch, Inc. v. Bavarian Brewing Co.*, 264 F.2d 88 (6th Cir. 1959).

cause confusion," Achilles' heel of the Lanham Act, has been made the vehicle for an outmoded doctrine of trademark protection.

In *Anheuser-Busch, Inc. v. Bavarian Brewing Co.*,²¹⁹ which launched the theory of watered-down protection for registered secondary meaning trademarks, plaintiff, owner of a contestable registration of the term "Bavarian's" as a trademark for beer, could get only a territorially limited injunction restraining defendant's use of "Busch Bavarian" beer, restricted to the Cincinnati trade area. With respect to this locale, the district court found plaintiff had carried his burden of proving that the "Bavarian's" mark, though originally geographically descriptive, had acquired through his long and exclusive use secondary meaning denoting beer made by him.²²⁰ The court of appeals, whose opinion preceded *Dawn Donut* by a few months, skirted plaintiff's argument, raised for the first time in his brief on appeal,²²¹ that the Lanham Act gave his registration nationwide scope under § 22, by holding that the Act only protects a § 2(f) mark in territorial markets where it has acquired a secondary meaning. The holding, propped up by a misapplication of the non-denominative use defense,²²² is wrought by fitting the elements of a common law action for unfair competition in the use of a trade name into the infringement provision where they do not belong.

However, the Sixth Circuit achieved by indirection a just result, one more in keeping with appropriate statutory prerequisites for nationwide registration of secondary meaning marks than the Patent Office's underlying disposition of plaintiff's § 2(f) application. The defendant overstated his case when he counterclaimed for total cancellation of plaintiff's registration upon the ground of complete absence of secondary meaning for the term "Bavarian's," which he claimed was the designation for a kind or type of beer.²²³ The Court of

219. 264 F.2d 88 (6th Cir. 1959).

220. *Bavarian Brewing Co. v. Anheuser-Busch, Inc.*, 150 F. Supp. 210, 216 (S.D. Ohio 1957).

221. R. Bonyng, *The Effect of Registration in Trademark Litigation*, 50 Trade-Mark Rep. 902, 909 (1960) (counsel for defendant, Anheuser-Busch, Inc.).

222. *Anheuser-Busch, Inc. v. Bavarian Brewing Co.*, 264 F.2d 88, 92-93 (6th Cir. 1959).

223. 150 F. Supp. at 213-14.

Appeals, in affirming dismissal of the counterclaim, relied upon the finding of the Patent Office that the mark had acquired secondary meaning in plaintiff's limited distribution area, whatever connotation the term "Bavarian's" might have in other territory.²²⁴ But plaintiff's less than five-year-old nationwide registration for the "Bavarian's" trademark was invalidly issued because of inadequate evidence that the mark had become distinctive over a sufficiently widespread area of the United States, and the court should have ordered its partial cancellation upon this ground.²²⁵ There was virtual consensus among the Lanham Act's supporters that the evidence supporting an application to register a secondary meaning mark should show that the mark had acquired secondary meaning generally throughout the country,²²⁶ but, unfortunately, such "matters of procedure" were left to the administrative wisdom of the Commissioner of Patents with no method provided in the statute, apart from the five-year clause, for determining when such a mark "has become distinctive of the applicant's goods in commerce."²²⁷

Although the reasoning of the court's holding, which invited piecemeal adjudication of plaintiff's territorial rights, is wholly irreconcilable with its recognition of a validly issued nationwide registration, the result of the decision gave plaintiff what he deserved by leaving him, in practical effect, with a territorially restricted registration confined to his distribution area. Ironically, a related case decided several years later, foreshadowed by the instant controversy, attributed absolute finality to the Sixth Circuit holding.

Plaintiff, the dynamic successor in interest to the "Bavarian's" beer trademark, asked a federal district court in Florida to enjoin the instant defendant's competing sales of "Busch Bavarian" beer sold in common market areas with

224. 264 F.2d at 90-91.

225. See 15 U.S.C. § 1119 (1970) (power of court over registrations). Section 1(a)(1) of the Lanham Act, 15 U.S.C. § 1051(a)(1) (1970) (proviso), makes express provision for territorially restricted applications to register trademarks, and there does not appear any reason why local secondary meaning trademarks, covering a limited portion of the United States, should be excluded from its limited benefits. See 4 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 98.4(a) at 666 & n.46 (3d ed. 1970).

226. 1938 *Hearings* at 104-09.

227. Hancock, *Evidence Under Sec. 2(f) of the Trade-Mark Act of 1946*, 42 Trade-Mark Rep. 877, 881 (1952); 1939 *Hearings* at 22-23; 1938 *Hearings* at 106.

plaintiff's "Bavarian's Select" beer.²²⁸ The district court, applying the doctrine of *res judicata*, held that the right of defendant to use the word "Bavarian" as part of its trademark in any area of the United States not covered by the Sixth Circuit injunction, absent proof that the term "Bavarian's" or "Bavarian's Select" had acquired secondary meaning in the area where the registrant or his privy sought an injunction, had been settled in defendant's favor by the earlier litigation. Since the plaintiff had not submitted any evidence that "Bavarian's" or "Bavarian's Select" had acquired such secondary meaning denoting beer made by it in any of the market areas where it sought an injunction, the court denied it any relief. On appeal to the Fifth Circuit, which affirmed the district court judgment, the court quixotically stated that the right of defendant to use its "Busch Bavarian" trademark anywhere outside the Cincinnati trade area had been settled *for all time* in defendant's favor by the Sixth Circuit holding.²²⁹

Almost fifteen years after the *Bavarian Brewing* case was decided, the Eighth Circuit Court of Appeals, in an apparent steady retreat from its earlier enlightened stand favoring wide protection of trademarks²³⁰ that surfaced a few years previously in a topsy-turvy nonstatutory infringement suit²³¹ adopted its disparate approach to registered secondary meaning trademarks.²³² The court held that plaintiff, owner of an incontestable federal registration for the term "Pestlur" as a trademark for rat killer flavor additive, apparently obtained under § 2(f),²³³ could not enjoin defendant's sales of the same product under the brand name "Rat Lure" in any of 38 "Lanham Act states" concededly belonging to plaintiff because of his "notice" registration, unless and until his registered trademark acquired secondary meaning in any of them. In a footnote, which calls to mind the horrors of the post-

228. *International Breweries, Inc. v. Anheuser-Busch, Inc.*, 230 F. Supp. 662 (M.D. Fla. 1964), *aff'd*, 364 F.2d 261 (5th Cir. 1966).

229. *Id.* at 264.

230. *Sweet Sixteen Co. v. Sweet "16" Shop, Inc.*, 15 F.2d 920 (8th Cir. 1920).

231. *Sweetarts v. Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971).

232. *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974).

233. *Id.* at 282-83 (neither application to register nor certificate of registration indicated whether mark was registered as a fanciful trademark or under § 2(f), but district court's finding that mark was descriptive upheld).

Hanover trade name cases,²³⁴ the Eighth Circuit invoked the familiar shibboleth of *Dawn Donut*, to the effect that defendant can not acquire any permanent rights in such Lanham Act states; on the contrary, he must surrender such territory to plaintiff anytime the earlier registered trademark acquires secondary meaning, "regardless of whether [his] "LURE" mark has previously acquired a secondary meaning."²³⁵ The Eighth Circuit case, although the only one decided to date wherein the theory of qualified protection for registered secondary meaning trademarks was necessarily involved in the decision,²³⁶ has weak precedential value because its holding is premised on a patently unsound construction of the Lanham Act.

The court's guiding principle, to wit, that a "distinctive" or secondary meaning mark registered under § 2(f) is afforded substantially the same protection by the Lanham Act as is provided by the common law,²³⁷ was applied on the erroneous legal assumption that such a mark cannot become incontestable. The district court rested its finding that plaintiff's mark was descriptive, hence the *Bavarian Brewing* doctrine apposite, on the view that his more than five-year-old registration constituted but prima facie evidence of ownership, shifting the burden of going forward with rebuttal evidence to show that it had not acquired secondary meaning in the disputed territory to the putative infringer.²³⁸ The court of appeals, mindful that a registration becomes incontestable after five years and constitutes "conclusive evidence of the registrant's right to use the mark in commerce," not merely a rebuttable presumption of ownership,²³⁹ had to rule that plaintiff's registration fell under one of the specified statutory exceptions to incontestability or was otherwise cancellable upon one of the express grounds stated in the Act if it would uphold the district court.

234. See text at notes 65-75, *supra*.

235. *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275, 282 n.11 (8th Cir. 1974).

236. See text at note 218, *supra*.

237. *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275, 282 (8th Cir. 1974).

238. *Flavor Corp. of America v. Kemin Industries, Inc.*, 358 F. Supp. 1114, 1125 (S.D. Iowa 1973).

239. *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275, 281-82 (8th Cir. 1974), quoting 15 U.S.C. §§ 1065, 1115(b) (1970) (incontestability and registration as evidence, respectively).

In a classic example of the blind leading the blind, plaintiff's counsel invited error when he argued on the appeal that the district court's finding that the mark was descriptive should be reversed as clearly erroneous "because 'Pestlur' is a fanciful mark entitled to incontestable status under the Lanham Act."²⁴⁰ Since the district court was not unreasonable in finding that the term "Pestlur" is descriptive of a product that lures the pest to eat poison, only the Lanham Act stood in the way of seizing upon counsel's affirmative pregnant which implied that descriptive marks are ineligible for incontestable status. However, the court, falling into the familiar pitfall of assuming that words of art must mean the same thing wherever they appear in a single statute, found support for this conclusion in the generic word exception to the incontestability provision, which denies incontestable status to the "common descriptive name of any article or substance."²⁴¹ It goes without saying that the term "Pestlur," cleverly combining two descriptive words into a new term, is not the product name for rodenticide flavoring.

Since the court expressly reserved judgment on what effect incontestable status might have on the scope of injunctive relief,²⁴² the *Pestlur* case may at best be cited as dictum that a putative infringer, in the case of a § 2(f) contestable registration, may avoid liability by going forward with evidence²⁴³ to show that the registrant's mark has not acquired secondary meaning in the disputed market area. Even such a qualified rule, applying only to less than five-year-old § 2(f) registrations, is out of line with the Lanham Act.

The Act's functional definition of a trademark as "any word, name, symbol, or device or combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others"²⁴⁴ embraces technical common law trademarks, *viz.* coined or made-up words like "Kodak" for cameras and arbi-

240. *Id.* at 281.

241. *Id.* at 282, citing 15 U.S.C. § 1065(4) (1970).

242. *Id.* at 281 n.8.

243. The trial court stated it was unnecessary to decide which party has the burden of persuasion on this issue in view of its finding that absence of secondary meaning for the term "Pestlur" in all but two states was free from doubt. *Flavor Corp. of America v. Kemin Industries, Inc.*, 358 F. Supp. 1114, 1125 (S.D. Iowa 1973).

244. 15 U.S.C. § 1127 (1970).

trary or fanciful designations like "Mars" for candy bars, as well as common law trade names, *viz.*, descriptive or geographically descriptive words like "Dynashine" for shoe polish and "Waltham" for watches and personal names like "Stetson" for hats. This new semantic classification is reflected appropriately in the Act's provision for principal registration of a mark which, though etymologically descriptive of the goods or their origin or a personal name not classifiable as a technical common law trademark, has become distinctive of the applicant's goods.²⁴⁵ Many brand names which had become potent instruments of goodwill such as "Cadillac" for automobiles, which is a geographical name, and "Ford" for automobiles, which is a personal name, could not be registered as trademarks under the ten-year proviso of the Act of 1905²⁴⁶ because the applicant could not make the requisite statutory showing of exclusive use for 10 years prior to 1905.²⁴⁷ One purpose of the open-ended provision contained in § 2(f) was to permit the registration of such widely known trade names by incorporating in full the common law principle of secondary meaning as interpreted by the courts up to the date of the Lanham Act's passage in 1946.²⁴⁸

The courts, applying principles of unfair competition, came to recognize that personal names or words descriptive of the goods or their origin, though less suitable for the purpose of distinguishing one merchant's goods from those sold by others, could in fact perform the identifying function of trademarks and should therefore be protected against misappropriation.²⁴⁹ The early common law theory for limitation as to the character of a mark was based largely on the fear that judicial recognition of a proper name or descriptive term as subject to exclusive appropriation by one trader would handicap competitors by abridging their right to use their own names in their own businesses²⁵⁰ or foster monopolies in trade

245. 15 U.S.C. § 1052(f) (1970).

246. Act of February 20, 1905, ch. 592, § 5(b), 33 Stat. 726 (second further proviso).

247. See 1939 *Hearings* at 23.

248. *Id.* at 22-24.

249. See RESTATEMENT (SECOND) OF TORTS § 715, comments (a)-(c), at 34-36 (Tent. Draft No. 8, 1963).

250. Compare *Hilton v. Hilton*, 89 N.J. Eq. 182, 104 A. 375 (Ct. Err. & App. 1918), *modifying* 89 N.J. Eq. 149, 102 A. 16 (Ch. 1917), with *Hat Corp. of America v. D.L. Davis Corp.*, 4 F. Supp. 613, 622-23 (D. Conn. 1933).

by depriving them of the normal ways of describing their products.²⁵¹ But the early common law failed to distinguish between denominative use of a person's name or a descriptive word to indicate goods made by him, and their use in a primary lexicographical sense merely to identify a person or locality or to describe to users of the goods their ingredients, quality, properties, functions or uses.²⁵² More enlightened courts, at first imperfectly by means of the explanatory phrase or distinguishing prefix or suffix, in time came to protect trade names like trademarks by absolutely prohibiting denominative use and otherwise carefully circumscribing a subsequent user's privilege to use descriptive or generic language which was confusingly similar with the brand name, although the decisions were not uniform.²⁵³

By according equal status, via principal registration, to secondary meaning marks, the Lanham Act removed whatever vestiges of a judicial double standard still existed at the time of its passage. Etymology was simply thrown out as a criterion of whether a given brand is a trademark or trade name, and marks registered under § 2(f) were accorded the same advantages as coined or fanciful trademarks. However, Congress, cognizant that an immediate grant of nationwide trademark rights in personal name or descriptive word brand names would run counter to the public interest in maximum competition without serving any countervailing public policy, reserved § 2(f) registration for the "exceptional" case in which through extended use or advertising of a brand name it has become widely known to the public as an indication of source.²⁵⁴ Moreover, special precautions were taken in connection with recognition of such marks to insure that rival traders could proclaim commercially significant qualities of their merchandise without incurring liability for infringement.²⁵⁵ Generic words, as distinguished from descriptive designations, exclusive right to which was early seen as incom-

251. See, e.g., *Canal Co. v. Clark*, 80 U.S. 311, 323 (1871) ("Lackawanna Coal").

252. See RESTATEMENT (SECOND) OF TORTS § 720, comments (a), (d) & (h), at 78-89 (Tent. Draft No. 8, 1963).

253. See Handler & Pickett, *Trade-Marks and Trade Names—An Analysis and Synthesis* (pt. 1), 30 COLUM. L. REV. 168, 189-90 (1930).

254. 1938 *Hearings* at 105-06 (Edward S. Rogers).

255. 15 U.S.C. § 1115(b)(4) (1970); 1941 *Hearings* at 63-64 *passim*.

patible with the right of competition,²⁵⁶ cannot be registered as trademarks under the Act.²⁵⁷

Properly construed, the five-year clause of § 2(f) does not authorize registration of a mark that has become distinctive of the applicant's goods in only one part of the United States; a defendant should be able to defeat a claim for statutory trademark infringement, though not ipso facto one for unfair competition, by proving that plaintiff's mark was not widely known in commerce at the time of registration and the registration was therefore invalidly issued. However, absent proof that the registration was obtained fraudulently,²⁵⁸ such a defense would be legally immaterial if plaintiff's mark were registered at least five years since descriptiveness is not included among the specified grounds upon which such registrations may be cancelled.²⁵⁹

Recognition of such a blanket defense to statutory infringement, asserting basic invalidity of a less than five-year-old § 2(f) registration, bears no resemblance to the *Bavarian Brewing* doctrine, which casts upon the registrant the burden of proving secondary meaning in the disputed territory as a condition precedent to injunctive relief, or to the more recent *Pestlur* dictum which would presumably allow the putative infringer to introduce evidence of lack of local secondary meaning by way of affirmative defense. The slight additional authority evincing the same position²⁶⁰ is

256. See, e.g., *Choynski v. Cohen*, 39 Cal. 501 (1870); RESTATEMENT OF TORTS § 721 (1938).

257. Section 2 of the Lanham Act recites: "No trade-mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register . . ." 15 U.S.C. § 1052 (1970). A generic word is incapable of performing this identifying function of a trademark, thus it cannot be registered. Cf. 15 U.S.C. § 1064(c) (1970) (registered trademark which becomes product name may be cancelled at any time).

258. Fraud in procuring the registration is always grounds for cancellation. 15 U.S.C. § 1064(c) (1970). But counterclaims in statutory infringement suits seeking cancellation of plaintiff's registration upon the ground of fraudulent claims of exclusiveness of use supporting applications to register have not fared well in court. See, e.g., *Anheuser-Busch, Inc. v. Bavarian Brewing Co.*, 264 F.2d 88, 91-92 (6th Cir. 1959); *Aluminum Fabricating Co. v. Season-All Window Corp.*, 259 F.2d 314, 317-18 (2d Cir. 1958); *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 936-37 (S.D.N.Y. 1967). *Contra*, *E. Vandenburg, III*, TRADEMARK LAW AND PROCEDURE § 2.42, at 53 & n.6 (1959).

259. 4 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 98.8(b)(3), at 754-56 (3d ed. 1970); 1941 *Hearings* at 186-87.

260. E.g., *Drug Fair-Community Drug Co. v. Drug Fair, Inc.*, 453 Pa. 454,

equally unsound and is contradicted by the better reasoned decisions.²⁶¹

A frontal assault upon a contestable § 2(f) registration is permitted. Guerilla warfare is not. The only relevance of evidence that the registered mark has not achieved local secondary meaning is on the issue of whether the infringer must account for profits. He should be able to keep whatever profits were realized through sales of goods bearing the infringing mark by demonstrating that such sales were not attributable to his use of said mark because it had no secondary meaning, therefore no commercial magnetism, in the disputed market area.²⁶²

If § 2(f) is construed in accordance with Congressional intent, the crux of the problem that was originally perceived in allowing one merchant to take as his mark a word that is descriptive of significant qualities of his product will be largely avoided. Extensive use of a brand name so descriptive as to give one competitor an edge in the market will inspire imitations by his trade rivals before expiration of the five-year "gestation" period presumptive of the right to register, thus precluding registration in most instances.²⁶³ Exceptions would be rare, limited by the rather extraordinary combination of events that can give such a descriptive brand name wide currency overnight, as happened with "Dynashine" shoe polish after World War I.²⁶⁴ Moreover, assuming even an incontestable registration for such an exceptional mark, and notwithstanding there are many ways to describe a shoe polish preparation, the Act carefully preserves the right of a competitor to inform prospective purchasers that his product

460 n.3, 309 A.2d 363, 366 n.3 (1973) (but no market competition); *Union Carbide Corp. v. Ever-Ready, Inc.*, 185 U.S.P.Q. 464 (N.D. Ill. 1975) (related but non-competing goods).

261. *E.g.*, *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44 (5th Cir. 1975); *Tisch Hotels, Inc., v. Americana Inn, Inc.*, 350 F.2d 609 (7th Cir. 1965); *cf.* *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 113-14 (5th Cir. 1966) (defense that registered trademark "primarily merely a surname" foreclosed by incontestable registration).

262. *See* *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203 (1942) (burden is on infringer to show profits are not attributable to unlawful use of registered trademark); *accord*, *Williamson-Dickie Mfg. Co. v. Davis Mfg. Co.*, 251 F.2d 924 (3d Cir. 1958).

263. *See, e.g.*, *Andrew J. McPartland, Inc. v. Montgomery Ward & Co.*, 164 F.2d 603 (C.C.P.A. 1947).

264. *Barton v. Rex-Oil Co.*, 2 F.2d 402, 404-05 (3d Cir. 1924), *modified on petition for rehearing*, 29 F.2d 474, 475 (3d Cir. 1928).

both dyes and shines,²⁶⁵ provided only he does not use the words as a trademark and does not give them undue prominence on the package.²⁶⁶

The only way a manufacturer could widely market a product for five years under a highly descriptive brand name free of imitations is under letters patent for the product. However, the trademark examiner in the Patent Office, in passing upon an application to register a descriptive brand name for a patented article under the five-year clause of § 2(f), should not credit periods of exclusive use of the brand name which transpired during the life of the patent. Even though no rule disallows acquisition of a trademark for a patented article²⁶⁷ and the patent monopoly may facilitate the development of secondary meaning for its descriptive brand name, such exclusiveness of use is not sufficiently probative of the fact that the applicant's mark has become distinctive and therefore does not warrant application of the statutory presumption.²⁶⁸ Customer preference for the descriptive brand name of the patented merchandise may be attributable to a difficult or hard to remember product name, hence reflecting that the public is using the brand name generically, not that it has acquired secondary meaning.²⁶⁹

CONCLUSION: RIGHTS NOT ENFORCED AMOUNT ONLY TO PARCHMENT LAW

Like its fellow traveler the *Dawn Donut* rule, the *Bavarian Brewing* doctrine sabotages the Act's twofold goal of protecting the purchasing public against fraud and the trademark owner's investment from misappropriation by in-

265. See 15 U.S.C. § 1115(b)(4) (1970).

266. See, e.g., *Frostie Co. v. Dr. Pepper Co.*, 341 F.2d 363 (5th Cir. 1965).

267. See RESTATEMENT (SECOND) OF TORTS § 735, comment (b) on subsection (1) at 120-21 (Tent. Draft No. 8, 1963) ("patented goods"); Derenberg, "Shredded Wheat"—*The Still-Born Trade-Mark*, 16 N.Y.U.L. REV. 376, 382 (1939).

268. 1 NIMS § 207 at 576-78. See also Moy, *Lanham Act Registration of a Container or Product Shape as a Trademark*, 60 Trade-Mark Rep. 71, 87 (1970).

269. 1 NIMS at 579-80. Cf. *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921) ("Aspirin" for acetyl salicylic acid); *Rice-Stix Dry Goods Co. v. J.A. Scriven Co.*, 165 F. 639, 644-45 (8th Cir. 1908) ("Elastic Seam" for "Scriven's Elastic Seam" men's underwear); accord, *Newcomer & Lewis v. Scriven Co.*, 168 F. 621 (6th Cir.), cert. denied, 214 U.S. 518 (1909).

definitely postponing effective relief against infringement of federally registered trademarks. Distortion of the statutory phrase "likely to cause confusion" is again the formula for reentry of parochial habits of judicial thought into the realm of federal statutory trademark law. Nationwide protection for federally registered trademarks has all too often received only abstract recognition from courts that have lost sight of the Lanham Act's noble purpose to promote fair dealing among businessmen and to protect the purchasing public from fraud and deception. An enlightened trademark bar must now fight to make the principle of nationwide protection a living reality in the courts rather than a prophecy of things to come.