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## The New Interstate Conspiracy Doctrine

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### NEW CONCEPTS IN TRADE-MARK LEGISLATION

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FEDERAL registration of an interstate trade-mark prior to the Lanham Act of 1946<sup>1</sup> added nothing to the owner's substantive rights.<sup>2</sup> Under both the 1881 and 1905 Acts<sup>3</sup> registration conferred procedural benefits and the right to a federal trial irrespective of diversity of citizenship. However, the registrant's rights remained dependent wholly upon common law, or, since *Erie Railroad v. Tompkins*,<sup>4</sup> upon the laws of the states.

The widely favored Lanham Act makes important changes in the former picture, chief of which perhaps is the unprecedented effect now given trade-mark registration. The new act does not alter the common law concept that trade-mark rights must arise first out of actual use of the mark in trade. However, the owner of a valid interstate mark can now strengthen and even expand his rights substantively by registration, and, conversely, his failure to register promptly can result in serious losses.

The recent stir of interest in state registration laws seems more the result of momentum from activity surrounding the Lanham Act than any necessary result of the latter's provisions, through which Congress presumably "occupied the field" and thereby limited the power of the states to regulate. The states have traditionally relied upon their courts and the common law in this field of regulation; consequently they have

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<sup>1</sup> 60 STAT. 427; 15 U.S.C., Chap. 22.

<sup>2</sup> NIMS, UNFAIR COMPETITION AND TRADE-MARKS 524 (4th ed. 1947).

<sup>3</sup> Act of March 3, 1881; Act of February 20, 1905; 15 U.S.C. §§ 81 to 109 inclusive.

<sup>4</sup> *Erie Railroad Company v. Tompkins*, 304 U.S. 64 (1938).

few statutes which could conflict with the new federal policy. The serious concern, however, is that if there are to be new state laws they should be reasonably uniform, drafted in the light of the Lanham Act, and not impair existing local common law rights.<sup>5</sup> In particular, as the United States Trade-Mark Association and other informed sources have warned, the states should be alert against any proposals which would make local registration of trade-marks compulsory, *i.e.*, as a condition precedent to establishment of rights locally.

In 1949 the House of Representatives of Washington passed Substitute House Bill No. 149, which would have completely revised the existing laws in force since 1897,<sup>6</sup> but the bill was introduced so late in the session that it failed to reach the Senate in time for vote. A continuing interest in revising the state laws makes it likely that the Washington Legislature may soon again be considering that subject.

#### SCOPE AND PURPOSE

The intent of the Lanham Act being “. . . to regulate commerce within the control of Congress . . . ; to protect registered marks used in such commerce from interference by State, or territorial legislation . . .”<sup>7</sup> it follows that any review of state trade-mark legislative problems necessarily entails a preliminary inquiry into the nature and effect of federal registration and a little of its background. While by no means an exhaustive analysis, this paper undertakes a general review of that character, touching on high points thought to be of general interest and importance with relation to any legislative efforts concerning trade-marks in Washington. In general, Lanham Act sections dealing with procedures and remedies are outside the scope of the article, as are its important sections bearing upon the general law of unfair competition, and those implementing this country's obligations under international treaties. Likewise not all sections of the existing local laws nor of Substitute House Bill No. 149 are mentioned, but only those which seemed best suited for integration into a review of the nature here undertaken.

#### TWO DISTINCT TRADE-MARK REGISTERS UNDER LANHAM ACT

Two registers of trade-marks are contemplated by the Lanham Act, the “principal” and “supplemental” registers. The main benefits of registration under the Act, as mentioned in this article, apply only to

<sup>5</sup> Perry, *State Trade-Mark Registration*, 37 T.M. REP. 283 (1948).

<sup>6</sup> Chap. XLVII (47), Laws 1897.

<sup>7</sup> Sec. 45.

those marks which have qualified for the principal register.<sup>8</sup> All lesser marks, including those which are not technical trade-marks under common law rules incorporated in, or recognized by, the Act, but nevertheless which are capable of distinguishing goods or services, may be recorded on the supplemental register. The latter's only declared purpose is to afford a basis for obtaining foreign trade-mark registration in countries requiring homeland registration before they will recognize the mark of a foreigner within their own borders. The 1920 Act was intended for a similar purpose.<sup>9</sup> International coöperative efforts may ultimately eliminate all legitimate reason or need for the supplemental register.<sup>10</sup>

#### NATURE OF A TRADE-MARK

Used in the sixteenth century by the guilds to distinguish their products from contraband and to identify the work of individual craftsmen, the trade-mark today as then remains merely a symbol of business good will. It is created only by actual use on the owner's goods in the regular course of business, cannot exist apart from the good will associated with such business, and is ordinarily assignable only in connection with a transfer of the business itself. The right is extinguished through unexcused cessation of use of the mark or its abandonment, and cannot be revived in the sense of relation back.

Out of the principles of trade-mark law grew the law of unfair competition, broadened to cover all forms of passing off and deception.<sup>11</sup> Because of this relationship, causes of action sounding in both theories often arose in the same cases. The two are treated differently, however. Trade-mark infringement is in the nature of a trespass to property and is made out simply by proof of the right and of the unauthorized use which is likely to cause confusion as to the origin of the goods. Intent of the infringer is immaterial. On the other hand, unfair competition is regarded as a tort and is established by proof of an unfair competitive practice of the defendant resulting in likelihood of confusion or passing off his goods or services for those of the plaintiff. Here if injunction is sought the evidence must show intent to deceive, actual or constructive.

Under either concept, unfair competition or trade-mark infringe-

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<sup>8</sup> Sec. 26.

<sup>9</sup> Sec. 23.

<sup>10</sup> DERENBERG, *The Third Year of Administration of the Lanham Trade-Mark Act of 1946*, 86 U.S.P.Q. 22 (1950).

<sup>11</sup> 2 CALLMANN, *UNFAIR COMPETITION AND TRADE-MARKS*, § 67 (1945).

ment, the ultimate issue is always whether or not the practice of the defendant is or is not likely to result in confusion of the public as to the origin of the goods or services.

A trade-mark, therefore, is not a monopoly by any ordinary standards. To regard it as such would be equivalent to viewing the right to protection against unfair competition as a form of monopoly, a suggestion which refutes itself. "The owner of a trade-mark may not, like the proprietor of a patented invention make a negative and merely prohibitive use of it as a monopoly."<sup>12</sup> Yet it is suggested that the apparent reluctance of past Congresses to give trade-marks comprehensive protection perhaps can be traced to a fear of fostering monopoly.<sup>13</sup> With the courts themselves vacillating on the technicalities of that question as they have in the past, it would be no great wonder that Congress has been slow to protect trade-marks as fully as it could.<sup>14</sup>

A chief virtue of the Lanham Act in that regard is that it takes the trade-mark at face value, as being a necessary incident of our present economic system, so that any dissection of its legal implications in order to give it a label, whether of monopoly or otherwise, is of little consequence.<sup>15</sup>

#### REGISTRABILITY UNDER FEDERAL LAW

Many important nationally recognized trade-marks were denied registration under the 1905 Act by failing to meet all requirements for a true technical mark. Excluded were marks descriptive of the goods to which they were applied:<sup>16</sup> e.g., "Dyanshine"—shoe polish,<sup>17</sup> "Nu-enamel"—paints,<sup>18</sup> geographical term marks<sup>19</sup> (e.g., "Elgin"—watches,<sup>20</sup> "Columbia"—flour);<sup>21</sup> marks constituting surnames<sup>22</sup> (e.g., "Chickering"—pianos,<sup>23</sup> "Edison"—phonographs);<sup>24</sup> and others. Al-

<sup>12</sup> 284 U.S. 90, 97-98 (1918).

<sup>13</sup> NIMS, *op. cit.*, *supra*, note 2, at 524.

<sup>14</sup> NIMS, *op. cit.*, *supra*, note 2, § 190A.

<sup>15</sup> 1 CALLMANN, *op. cit.*, *supra*, note 11, § 15.5. Pursuant to Article I § 8 of the federal Constitution, Congress in 1870 enacted a joint patent, trade-mark, and copyright law, thus classifying the trade-mark as a monopoly along with patents and copyrights. This statute was held unconstitutional in the *Trade-Mark Cases*, 100 U.S. 82, wherein the Supreme Court decided that Congress exceeded its power in not limiting its control to marks used in interstate and foreign commerce.

<sup>16</sup> Sec. 5(b).

<sup>17</sup> *Barton v. Rex-Oil Co.* 2 F. (2d) 402 (C.C.A. 3rd 1925).

<sup>18</sup> *Armstrong Co. v. Nu-Enamel Co.*, 305 U.S. 315 (1938).

<sup>19</sup> Sec. 5(b).

<sup>20</sup> *Elgin National Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665 (1901).

<sup>21</sup> *Columbia Mill Co. v. Alcorn*, 150 U.S. 460 (1893).

<sup>22</sup> Sec. 5(b).

<sup>23</sup> *Chickering v. Chickering & Sons*, 215 F. 490 (C.C.A. 7th 1914).

<sup>24</sup> *Edison v. Hawthorne*, 108 F. 839 (C.C.A. 3rd 1901).

though not qualified for registration under the technically restricted 1905 Act, many marks in these categories were valid nevertheless at common law under the doctrine of "secondary meaning."<sup>25</sup>

In line with the general aim of the Lanham Act to provide statutory benefits for all marks valid at common law,<sup>26</sup> such trade-marks as those named above may now be registered upon proof of their distinctiveness in trade, *i.e.*, acquisition of secondary meaning.<sup>27</sup>

In addition to excluding marks dependent for validity on secondary meaning, the Act of 1905 also denied registration even to some marks which the courts themselves would uphold as technical trade-marks. For example, all "merely" surnames or geographical terms were denied registration under the 1905 Act. The new Act seeks to be more liberal by excluding from its principal register only those surnames which are "primarily merely" surnames and those geographical terms which are "primarily" geographical terms. This change of wording as applied to geographical term marks, for example, will result in registrability of a mark like "Kem" for playing cards (Kem being a river in Russia), whereas that particular mark was previously held unregistrable because it was "merely geographical."<sup>28</sup>

Under the Lanham Act "service" marks, which are those used to identify and distinguish the services of one person or group from those of another,<sup>29</sup> are now registrable for the first time. Examples of service marks recently registered are: the musical notes G-E-C played on

<sup>25</sup> G. C. Merriam Co. v. Saalfeld, 198 F. 369 (C.C.A. 6th 1912): "Primarily it would seem that one might appropriate to himself for his goods any word or phrase that he chose; but this is not so, because the broader public right prevails, and one may not appropriate to his own exclusive use a word which already belongs to the public and so may be used by any of the public. Hence came the rule, first formulated in trade-mark cases, that there can be no exclusive appropriation of geographical words or words of quality. This is because such words are, or may be, aptly descriptive, and one may properly use for his own product any descriptive words, because such words are a public or common right. It soon developed that this later rule, literally applied in all cases, would encourage commercial fraud, and that such universal application could not be tolerated by courts of equity; hence came the 'secondary meaning' theory. There is nothing abstruse or complicated about this theory, however difficult its application may sometimes be. It contemplates that a word or phrase originally, and in that sense primarily, incapable of exclusive appropriation with reference to an article on the market, because geographically or otherwise descriptive, might nevertheless have been used so long and so *exclusively* by one producer with reference to his article that, in that trade and to that branch of the purchasing public, the word or phrase had come to mean that the article was his product; in other words, had come to be, to them, his trade-mark. So it was said that the word had come to have a secondary meaning, although this phrase, 'secondary meaning,' seems not happily chosen, because in the limited field, this meaning is primary rather than secondary; that is to say, it is, in that field, the natural meaning." (Italics supplied.)

<sup>26</sup> Callmann, *The New Trade-Mark Act of July 5, 1946*, 37 T.M. REP. 3 (1947).

<sup>27</sup> Lanham Trade-Mark Act, *supra*, note 1, § 2 (f).

<sup>28</sup> *Ex parte Kem Card Sales Corp.*, 29 U.S.P.Q. 354 (C.P. 1938).

<sup>29</sup> Sec. 3.

chimes—to the National Broadcasting Company, Inc.; “Duffy’s Tavern”—to Edward F. Gardner; “Sleep Like a Kitten”—to Chesapeake and Ohio Railroad Co.; Monogram design—to Public Service Co. of Colorado; “The Future Belongs to Those Who Prepare for It”—to the Prudential Insurance Company of America. It should be mentioned in passing that the only basis for registering a slogan as a mark is where it functions as a service mark.

The new Act also offers greater protection for “certification” and “collective” marks. As defined by the Lanham Act, a certification mark is one “used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such goods or services, or that the work or labor on the goods or services was performed by members of a union or other organization.”<sup>30</sup> A collective mark is defined by the Act as a “trade-mark or service mark used by the members of a coöperative, association or other collective group or organization and includes marks used to indicate membership in a union, an association or other organization.”<sup>31</sup> The 1938 Amendment to the Act of 1905 had permitted registration of only certain collective marks, and with them incidentally a restricted class of what are now identified as certification marks. It is of interest to note that the Lanham Act recognizes certification and collective marks as registrable even though they may be highly descriptive of regional origin.

#### EXISTING 1881 AND 1905 ACT REGISTRATIONS

In addition to the right of obtaining an original registration under the new Act, the registrant under the 1881 Act or 1905 Act may also either renew his old registration before expiration of its twenty-year term,<sup>32</sup> or may bring such registration within the operation of the Lanham Act by “republication,” claiming its benefits.<sup>33</sup> If such prior registrant does not wish to obtain both an original registration under the Lanham Act and republication of his old registration, the choice of the latter procedure has the advantage that the resulting converted registration, although endowed with the Lanham Act benefits, is not subject to cancellation by the Federal Trade Commission upon grounds stated in Section 14 (*i.e.*, loss of trade-mark significance, abandonment,

<sup>30</sup> Sec. 45.

<sup>31</sup> *Ibid.*

<sup>32</sup> Sec. 46(b).

<sup>33</sup> Sec. 12(c)

fraudulent registration, etc.).<sup>34</sup> Original registrations under the new Act are always open to such attack, however.

#### NEW RESTRICTION ON REGISTRABILITY

Section 5(b) of the 1905 Act provided that a mark was registrable unless, among other things, it was "identical with a registered or known trade-mark owned and in use by another and appropriated to *merchandise of the same descriptive properties*. . . ." (Emphasis supplied.) Thus the Commissioner of Patents had no alternative other than to register the same or a similar mark repeatedly. To obtain registration it was merely necessary that a new applicant show his goods to be of a different class than those of a prior registrant. In that way questionable marks could be clothed with a semblance of validity, even though the public in a given case might well be confused into thinking of the goods of one registrant as being those of a prior registrant.

Section 2(d) of the Lanham Act in effect permits the Patent Office to create in the trade-mark register a more accurate reflection of court-enforceable rights than was previously possible. This it does by abandoning the former requirement that applications for registration should be allowed if the descriptive properties of the goods differ from those of prior existing registrants of the same mark. This section provides that a mark may not be registered if it "so resembles a mark registered in the Patent Office or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion or mistake or to deceive purchasers." In accordance with this language it is necessary that the Patent Office consider jointly both the respective goods and marks of the different owners involved before passing on the question of likelihood of confusion—hence of registrability. Thus the position of a prior registrant is stronger if his mark is highly distinctive than if it has a commonplace appearance or sound, because in the former case the public is more likely to be confused as to the origin of the goods of a newcomer than in the latter case. In other words, repeated registrations of highly distinctive marks for differing goods will be less likely than for comparatively indistinctive marks.

#### CONCURRENT LAWFUL USE

A serious shortcoming of the 1905 Act was its failure to authorize the Patent Office to issue more than a single registration for a given

<sup>34</sup> Federal Trade Commission v. Elder Manufacturing Co., 84 U.S.P.Q. 429 (C.P. 1950); Liddy, *A Legislative Report*, 40 T.M. REP. 644 (1950).



mark on a particular type of goods, that registration going by right to the first user in point of time anywhere in the country.<sup>35</sup> As a result other fully lawful users of the same mark on similar goods in other parts of the country were denied the benefits of trade-mark registration entirely.

Under the Lanham Act, Section 2(d), the Commissioner of Patents is authorized for the first time to register the same or a similar mark to more than one lawful owner when the applicants have "become entitled to use such marks as a result of their concurrent lawful use thereof in commerce prior to any of the filing dates of the applications involved and the Commission or a Court on appeal determines that confusion or mistake or deceit of purchasers is not likely to result from the continued use of said marks under conditions and limitations as to the mode or place of use of the goods. . . ." The grant of registration itself incorporates the applicable conditions and limitations with respect to the mode or place of use or the goods of the respective parties.

#### USE OF A MARK BY RELATED COMPANIES DISTINGUISHED FROM CONCURRENT LAWFUL USE

In the case of concurrent lawful users, each is claiming independent rights, which differ as to mode or place of use, etc. The Lanham Act also recognizes that a given trade-mark may properly be used without conflict by "related companies."<sup>36</sup> In this latter type of use there is but one true owner of the mark, hence one possible registrant. However, the Act gives such owner the benefit of a related company's use of the mark if the conditions specified in Section 5 are met.<sup>37</sup> This type of recognition may be important in various situations where rights depend upon priority or continuity of use, which the owner cannot establish through proof of its own activities, but can through those of a related company.

#### REGISTRATIONS MAY NOW BECOME "INCONTESTABLE"

Under the 1905 Act registrations were subject to cancellation at any time upon proceedings instigated by an individual who claimed injury

<sup>35</sup> *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916).

<sup>36</sup> Section 45 defines the term "related company" as "any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used."

<sup>37</sup> "Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public." Sec. 5.

by the registration.<sup>38</sup> Moreover, equitable defenses were not applicable in any cancellation proceedings. Because of some technicality, therefore, a registration formerly might have been cancelled through proceedings in the Patent Office, although the owner's common law rights were perfectly valid in any court.

Much greater security against inequitable loss of registrations is provided by the Lanham Act. If after five consecutive years following registration (or republication of an 1881 or 1905 Act registration) under this Act, the registrant files an affidavit showing that he used the mark continuously over that period and is still using it, such registration then becomes "incontestable," except to the extent, if any, to which the use of a mark registered in the principal register infringes a valid right acquired under the common law of any state or territory by use of a mark or trade name continuing from a date prior to the date of the publication under this Act of the registered mark.<sup>39</sup>

If the "incontestability" of a registration is established by following the procedure just mentioned, and is not overturned by proof that one of the exceptions to incontestability applies,<sup>40</sup> the certificate of registration is *conclusive* evidence of the registrant's exclusive right to the mark. It is not conclusive evidence, however, if the defendant establishes any of the grounds stated in Section 33(b) of the Act.<sup>41</sup> If a

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<sup>38</sup> White House Milk Products Co. v. Dwinell-Wright Co., 111 F. (2d) 490 (C.C.P.A., 1940).

<sup>39</sup> Sec. 15.

<sup>40</sup> "(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and (2) there is no proceeding involving said rights pending in the Patent Office or in a court and not finally disposed of; and . . . (4) no incontestable right shall be acquired in a mark or trade name which is the common descriptive name of any article or substance, patented or otherwise."

<sup>41</sup> "(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or (2) That the mark has been abandoned by the registrant; or (3) That the registered mark has been assigned and is being used, by or with the permission of the assignee, so as to misrepresent the source of the goods or services in connection with which the mark is used; or (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to the publication of the registered mark under subsection (a) or (c) of section 12 of this Act: PROVIDED, HOWEVER, That this defense or defect shall apply only for the area in which such continuous prior use is proved. (6) That the mark whose use is charged as an infringement was registered and used prior to the publication under subsection (a) or (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned: PROVIDED, HOWEVER, That this defense or defect shall apply only where the said mark has been published pursuant to subsection (c) of section 12 and shall apply only for the area in which

registration has not become incontestable, or its incontestability is disproved, the registration is merely prima facie evidence of the validity of the registration and of the registrant's ownership of the mark.<sup>42</sup>

In all contested proceedings under the new Act, the principles of equity apply.<sup>43</sup>

#### REGISTRATION AS CONSTRUCTIVE NOTICE OF CLAIM OF OWNERSHIP

It will be seen from the foregoing that the incontestability provision leaves the registrant's rights completely open to challenge until five years after the registration date and filing of the affidavit. Section 22 was added presumably to remove much of the uncertainty during that initial period and to give maximum protection to marks, which, for some reason or other, might never become "incontestable." This section provides:

Registration of a mark on the principal register provided by this Act or under the Act of March 3, 1881, or the Act of February 20, 1905, shall be *constructive notice* of the registrant's claim of ownership therein. (Italics supplied.)

The logical effect of such constructive notice, as discussed under the next heading, can only be to prevent newcomers, who for the first time commence using a registered mark after its registration date, from becoming concurrent lawful users with the registrant. The latter is thereby in a position to assert priority against such newcomers anywhere in the country during or after the five-year period pending incontestability of his registration. Moreover, if he has suitably displayed with the mark as applied to the goods a printed notice of the registration, such registrant may recover both profits and damages from an infringer who is bound by the effect of constructive notice.<sup>44</sup>

#### SCOPE OF THE LANHAM ACT WITH RELATION TO PURELY INTRASTATE USE OF TRADE-MARKS

Some uncertainty exists as to whether Section 22 (constructive notice) operates against a purely intrastate trade-mark user (*i.e.*, one confining his use of a mark entirely within the borders of one state). The question is, may the owner of a registration under the Lanham

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the mark was used prior to the date of publication of the registrant's mark under subsection (a) or (c) of section 12 of this Act. (7) That the mark has been or is being used to violate the antitrust laws of the United States. (15 U.S.C. 1115b)."

<sup>42</sup> Sec. 7(b), Sec. 33(a).

<sup>43</sup> Sec. 19.

<sup>44</sup> Lanham Trade-Mark Act, *supra*, note 1, § 29.

Act bring an action *in federal court* against such a purely intrastate infringer solely on the jurisdictional basis of the registration?

The first inquiry to be made is with respect to the power of Congress to confer such jurisdiction on the federal courts. Cases decided under the earlier trade-mark acts will not be in point, as such acts had no purported substantive effect on trade-marks, and they expressly limited federal jurisdiction to actions brought on the basis of registered marks and involving defendants using allegedly infringing marks in interstate or foreign commerce.

The source of its power in the case of trade-marks being the "commerce clause" of the Constitution, the power of Congress to regulate to the extent indicated must, therefore, be determined with reference to commerce clause cases from other fields of regulation. A detailed analysis of these will not be undertaken in the present discussion. In general, local activities which burden or restrict the free flow of interstate commerce, which have a "substantial economic effect on,"<sup>45</sup> or which "interfere"<sup>46</sup> with, such commerce are within the regulatory power of Congress. It is generally agreed that the trend of recent decisions is to require very little actual interference before the regulatory power is found to exist.

In the case of a federal registrant expanding the use of his trade-mark into a particular state in which a purely local user *later* adopts and uses a conflicting mark (even though in a different part of the state), a court would probably encounter no difficulty in finding actual interference with the registrant's activities "in commerce." The local common law itself would cover that situation. However, a more difficult case is presented where the local use begins before the interstate user begins to use the mark in the particular state, and a still more difficult case where such local use is attacked by the federal registrant at a time before the latter has yet actually entered the state with his mark, or engaged in some activity (such as extensive advertising) which would, at common law, prevent the acquisition of rights by the local user.

In the latter situation especially, interference with a federal right is speculative, because the registrant bringing the action may never actually enter the state for business under the trade-mark. If he never does so, it might seem that an injunction restraining the defendant

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<sup>45</sup> *Wickard v. Filburn*, 317 U.S. 111,125 (1942); *Consolidated Edison v. NLRB*, 305 U.S. 197 (1938).

<sup>46</sup> *U.S. v. San Francisco Electrical Contractors Association Inc.*, 57 F. Supp. 57.

against further use of the mark locally would be a misapplication of the federal power. On the other hand, it is reasonable to suppose that most registrants in this situation who go to the trouble and expense of bringing such an infringement action do intend in time to come into the state with their marks as a natural expansion of their interstate operations. "Interference" with interstate commerce in that case could be strongly argued. Since the power of Congress will apply too late to prevent the injury if its application is delayed until the interstate user actually enters the state with his mark, it seems evident that our federal courts should have little difficulty in holding that the power exists from the beginning.

It is concluded, therefore, that constructive notice of federal registrations as applied to purely intrastate users in all cases is a legitimate exercise of federal power. Actually such a jurisdictional result should prevent more hardship than it would cause, because it would be much easier, by exercise of moderate care, for a new business operating within a particular state to select a trade-mark which does not conflict with any federally registered mark than it would be for the federal registrant to adopt a new mark for every new state he enters as his business expands.

Leaving the question of federal power, the next question is that of Congress' intent in the Lanham Act to extend its control to protect registrants against purely intrastate users. The Act has numerous provisions, which seem to indicate that Congress intended to exercise all of its legitimate power to protect registered marks. The Act defines the term "commerce" as being "all commerce which may lawfully be regulated by Congress." Section 33(a) declares the registration certificate to be prima facie evidence of the "registrant's exclusive right to use the mark in commerce"; and Section 33(b) states that such certificate is to be regarded as conclusive evidence of the owner's exclusive right. Section 22 gives registrations the effect of constructive notice without limitation as to the extent thereof. Moreover, the stated intent of the Act is to regulate commerce and protect registered marks from interference by state or territorial legislation. It seems difficult to assume that Congress incorporated these and other sweeping and broadly worded provisions with the intention that they be given less than their normal full meaning or that they be restricted by hidden reservations of power nowhere expressed in the Act.<sup>47</sup>

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<sup>47</sup> 2 CALLMANN, *op. cit.*, *supra*, note 11, § 93.1(b); Diggins, *Lanham Trade-Mark Act*, 37 T.M. REP. 305 (1947).

The full scope of Congress' intentions with respect to exercise of jurisdiction or power in cases involving registered marks is also important for another fundamental reason. If Congress has truly "occupied the field" with respect to registered marks, such that *Erie Railroad v. Tompkins*<sup>48</sup> no longer applies in cases involving such marks, as is presumably the case, federal trade-mark registrants have another advantage. They may now enjoy the comparative uniformity of federal law rather than being confronted with varying state law provisions, although in trade-mark cases the differences in the laws and decisions of different states has not been as great as in unfair competition cases. In that connection it should be mentioned in passing that the Lanham Act is generally thought to stand also for an occupation of the field of all interstate unfair competition cases.<sup>49</sup>

#### CONCURRENT USE REGISTRATION, CONSTRUCTIVE NOTICE, INCONTESTABILITY—CONTROLLING DATES

A clearer conception of the combined effect of the foregoing "concurrent use registration," "constructive notice," and "incontestability" provisions, and their controlling dates may be obtained by following the general sequence of events in an ordinary registration proceeding.

The first dividing line set up by the Act in point of time was July 5, 1947, when all 1881 and 1905 Act registrations continuing in force became constructive notice of their owners' claims of exclusive rights in their respective marks. Newcomers commencing to use conflicting marks after that time could not become concurrent lawful users nor, presumably, acquire any rights in a federal court.

The second dividing line is that of filing by lawful owners of either an application to republish their 1881 or 1905 Act registrations or application for original registration under the Lanham Act. Neither use "in commerce" commencing after any such application date, nor use in a single state commencing before such date, can serve as a basis for concurrent registration to the newcomer, if the wording of Section 2(d) is interpreted literally.

In point of time, publication of the applicants' mark in the *Official Gazette of the Patent Office*, after allowance of the application, establishes a third dividing line. This may occur ordinarily from nine months

<sup>48</sup> *Op. cit.*, *supra*, note 4.

<sup>49</sup> ROBERT, *THE NEW TRADE-MARK MANUAL* (Introduction, by Edward S. Rogers), XV *et seq.* (1947); 2 CALLMANN, *op. cit.*, *supra*, note 11, § 93.1, *et seq.*; Lunsford, *Trade-Marks & Unfair Competition—the Demise of Erie v. Tompkins*, 40 T.M. REP. 169 (1950).

to some two or more years after filing of the application. The publication date as such is significant evidently only in the case of "incontestable" registrations. Registrations cannot become incontestable "to the extent" that the registrant's use of the mark "infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication. . . ." Whether or not a third person can raise such a circumstance as a defense against the registrant's assertion of incontestability, like raising the *jus tertii*, is not yet clear.

#### GENERAL POLICY OF STATE LEGISLATION

Trade-marks owned and used solely in local commerce have usually received adequate court protection without benefit of statute. What the state courts lack in guidance from their own precedents can readily be supplied by reference to the general common law, and especially the large body of federal decisional law.<sup>50</sup> It seems fair to say that trade-mark statutes in our own state have had but minor influence upon trade-mark practices. The absence of noteworthy pressure on the legislature over the years to adopt more forceful measures than the laws of 1897 disproves the urgency of adopting any pioneering legislation at this time. This is not to say that revision of the present laws is unnecessary. On the contrary, it is generally known that they contain a number of bad features which should be changed if a trade-mark registration system is to be retained and serve a useful purpose. It is obvious, however, that as against interstate trade-mark owners located outside this state there is little or nothing our Legislature can or need do to mother purely local rights. Favoritism acts would only tend to conflict with the Lanham Act and might induce reciprocal legislation elsewhere, injurious to locally owned interstate business as well as being against the national interest.

Apart from those considerations much of the burden of protecting the rights of purely intrastate users of trade-marks should in fairness fall on their own shoulders. A mark which is carefully selected to begin with, by searching available records to be certain it is clear of existing marks, is not likely to become entangled locally or elsewhere with interstate marks. Moreover it is possible in the case of many businesses even in their earliest stages to branch out quickly, although perhaps on a small scale, and qualify for federal registration by making interstate sales. Under the new Act the registrant's claim of ownership would

<sup>50</sup> 1 CALLMANN, *op. cit.*, *supra*, note 11, § 13.2.

then be a matter of constructive notice over the entire nation, and the possibility of later serious conflicts at home and in other states greatly lessened.

STATE LEGISLATION WHICH DOES NOT INTERFERE  
WITH FEDERAL REGISTRATIONS

*Registration Noncompulsory.* So-called "compulsory trade-mark registration" bills have been proposed now and then in different states.<sup>51</sup> Their effect would be to compel local registration of trade-marks as a basis of priority of rights in the particular state. Such a concept would, of course, be directly in conflict with long established principles of the common law, under which date of *first use* is the controlling factor in questions of priority. Moreover, it is probable that compulsory registration laws in the states would impose such a heavy burden on interstate users who wished to preserve their rights in all or most states as to constitute actual interference with the rights of federal registrants under the Lanham Act, and hence be held invalid.<sup>52</sup>

Substitute House Bill No. 149, 31st Session of the Washington Legislature, was not what may be termed a compulsory registration measure.

*Cancellation of Local Registrations.* Provision in a state registration statute for cancellation of local registrations which conflict with superior rights of federal registrants would seem to be necessary to satisfy fully the Lanham Act requirements against state interference. Substitute House Bill No. 149 would provide:<sup>53</sup>

Any person who believes that he is or will be damaged by the registration of a mark under this act or a registration under Chapter XLVII (47), Laws of 1897, may institute suit against the registrant . . . in a Superior Court for the State of Washington having jurisdiction of said registrant to cancel said registration.

The policy basis for effecting cancellations in case of conflicts with federal trade-mark rights is set forth separately in the succeeding subsection of the bill:

Any person who has a registration of a trade-mark in the United States Patent Office of a prior filing date to the filing date of a person having a registration in the State of Washington . . . may apply to have said registration . . . cancelled by filing with the Secretary of State . . . (c) a state-

<sup>51</sup> Perry, *State Trade-Mark Registration*, 37 T.M. REP. 283 (1948); Broman, *State Trade-Mark Registration Statutes*, 39 T.M. REP. 673 (1949).

<sup>52</sup> *Ibid.*; Derenberg, *At the Threshold of the Lanham Trade-Mark Act*, 37 T.M. REP. 297 (1947).

<sup>53</sup> Substitute House Bill No. 149, § 17(a).



ment under oath by the applicant for cancellation showing . . . that said applicant for cancellation is the lawful owner of the mark on the merchandise mentioned in commerce which may be lawfully regulated by the State of Washington.

The wording of this latter section raises questions of interpretation. If the applicant for cancellation proves lawful ownership of the mark in this state, as required, then he should prevail irrespective of his federal registration or filing date. In that event, however, the relative filing date test set up by this section would have no significance. In order to give meaning to that test, therefore, it should be concluded that the applicant for cancellation need not show he is the "lawful owner" in the absolute or local law sense, but only that he is now using the mark in interstate commerce and claims the right to use it in this state based upon the seniority given by his federal registration. This interpretation then throws the major emphasis of the section upon the relative filing date test.

Our inquiry then turns to the validity or logic of a provision permitting *any* federal registrant having a filing date earlier than that of the local registrant to procure cancellation of the latter's registration on that basis. Does the Lanham Act require deference that broadly by the states to all kinds of federal registrations? Certainly it would not seem to do so in the case of registrations under the supplemental register and under the 1920 Act, as such registrations had no effect whatever upon trade-mark rights in this country. They were not even *prima facie* evidence of ownership. The privilege of cancelling local registrations based on federal registrations under the 1881 or 1905 Acts would also be pointless unless limited to cases in which the state registrant-defendant did not commence using his mark here until after July 5, 1947, the date on which 1881 and 1905 Act registrations first operated as constructive notice. Only in the latter cases and those involving registrations on the Lanham Act *principal* register or replications of 1881 and 1905 Act registrations, does the Lanham Act appear to confer rights requiring any such special recognition by the states.

After one determines what kinds of federal registrations should thus be recognized for local cancellation proceedings, the next inquiry might be as to the propriety of using the federal registrant's filing date as a controlling date. The Lanham Act specifies that federal registrations be accorded the benefits of constructive notice as of their Patent Office *registration* dates, if such registrations were obtained after July 5,

1947, or as of the latter date if they were obtained earlier under either the 1881 or 1905 Acts. If the local user's rights were perfected in this state after the registration date of the interstate competitor, then it might be reasonable to give the latter a superior position locally on the theory of removing obstacles to interstate commerce pursuant to the Lanham Act. It is going much beyond that, however, to eradicate local rights by reference to federal filing date, as it often precedes the registration date by three years or longer.

As previously mentioned, the "publication" date in a federal trademark registration proceeding is controlling as to territorial rights of a registration which becomes "incontestable." Accordingly any registration cancellation provision in a state law should also permit the owner of an "incontestable" federal registration to rely on his publication date, if necessary, instead of limiting him to his later registration date, as a basis for cancelling a local registration.

After determining whether the controlling federal date should be the registration date, publication date or application filing date, there yet remains the parallel question of whether local cancellations should hinge on a comparison between the controlling federal date and the local registrant's filing date. Such a test might spur local users to register their marks promptly and thereby tend to insure having a complete up-to-date state register. On the other hand, is it not of greater importance that local registrations be protected against cancellation unless a federal registrant can prove actually superior rights in the mark in this state? Assuming that that is the governing consideration, then it follows that the local owner's date of first use of the mark and not his date of filing application for registration would be controlling.

#### LOCAL ASPECTS OF STATE TRADE-MARK LEGISLATION

A complete analysis of this particular subject would, of course, in itself constitute the basis for an entire treatise. All that is attempted in the following remarks is to mention very briefly a few more or less well-known difficulties of the present registration statutes, and in several instances the bearing which Substitute House Bill No. 149 would have had upon them, while, in a few instances, with some suggested modifications with reference to that bill.

An interesting feature of the present registration laws in Washington results from the requirement that the person filing for registration include in his application "the class of merchandise and a description of

the goods. . . .”<sup>54</sup> It was found that some of the filings conforming to that requirement were so broadly worded as to cover almost every description of goods having any possible relationship to the particular goods of the registrant. An example is “foods and ingredients of foods of every description for human, animal, fowl and fish consumption.” Clearly such a registration could not correspond to the actual common law trade-mark rights of a registrant who manufactured only cat food, for example. The particular difficulty with allowing a registration of that nature to be filed is that it has sometimes prevented legitimate owners of a valid mark for distinct merchandise from placing it on the register because within the broadly worded description of merchandise in a previous registration. This barred registration of marks which the state courts would uphold; hence it precluded completeness in the register.

Substitute House Bill No. 149 would require the registrant to specify the class of merchandise and add a *particular* description of the goods comprised in each class for which the mark is being used, a separate registration being required for each general class of goods according to the classification system to be established by the Secretary of State.<sup>55</sup>

Another generally recognized difficulty with the present state law is the lack of any provision under which registrations not renewed would expire after a definite length of time. Many marks became abandoned after registration and yet could not conveniently be removed from the records to make way for new registrations if, for instance, their former owners were not available to verify the abandonment. Moreover, it was entirely possible for marks to be registered and never used, the law permitting registration on the basis of mere intention to use. The existence of such a registration nevertheless could bar the true owner of a similar mark from placing it on the register thereafter.

Substitute House Bill No. 149 would partly rectify that situation by requiring renewal of registrations at the end of every twenty years, as in the Lanham Act. Also under this bill no mark could be registered until the right actually existed by virtue of actual trade-mark use beforehand. Still further improvement along the same lines—that is, to reduce the amount of “dead wood” on the register—could be had by requiring of every registrant an affidavit of present use at the end of five years after registration, as in the Lanham Act. If a mark were

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<sup>54</sup> REM. REV. STAT. § 11539 (P.P.C. § 987-5).

<sup>55</sup> Substitute House Bill No. 149, § 10.

no longer in use and no affidavit filed, the registration would be cancelled by the Secretary of State.

Substitute House Bill No. 149 would also provide for expiration of registrations under the present law one year after the effective date of the proposed new law or twenty years from the date of their registrations under the present law, whichever date is later, and would permit renewal of these old registrations in the same manner as registrations under the proposed new Act.<sup>56</sup> However, in view of the objectionable features of some of the old registrations, such as failing to define the goods specifically, for example, would it not be better that any new act should start out with a clean slate and require new registrations to be filed by everyone able to meet its requirements? It would seem that renewal of former registrations should entail at least correction thereof into conformity with the standards of any new law, where the disparities would not otherwise be so great.

The liberal federal policy reflected in the Lanham Act as previously discussed is to provide registration benefits for all valid trade-marks used in commerce. This would include not only "technical" trade-marks, but also marks which have become valid through acquisition of secondary meaning. Substitute House Bill No. 149 would deny registration to marks which are "merely geographical,"<sup>57</sup> merely descriptive . . . or primarily merely a surname" while not recognizing that they may become valid through acquisition of secondary meaning. However, if the new state register is to be truly representative of common law rights, should not the doctrine of secondary meaning also be included as a basis of registration?

Another provision which should be considered for a new state law purporting to be as comprehensive as Substitute House Bill No. 149, is one authorizing "disclaimers" in connection with applications for registration of trade-marks. Trade-marks frequently are composed of registrable and unregistrable parts, the latter of which in a given case, unless they can be disclaimed, may bar registration of the whole mark. The disclaimer practice followed by the federal office enables the owner to obtain the benefits of registration for at least the registrable portions separately and in combination with the unregistrable portions.<sup>58</sup> Any state law provision authorizing disclaimers should also provide,

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<sup>56</sup> *Ibid.*, § 8.

<sup>57</sup> Lanham Trade-Mark Act, *supra*, note 1, § 2(e) uses the term "primarily geographical," instead of "merely geographical," but the wording in Substitute House Bill No. 149 is otherwise similar.

<sup>58</sup> Lanham Trade-Mark Act, *supra*, note 1, § 6.

however, as does the Lanham Act, that the fact of a disclaimer shall not "prejudice or affect the applicant's or owner's rights of registration on another application of later date if the disclaimed matter has become distinctive [*i.e.*, through acquisition of secondary meanings] of the applicant's or owner's goods or services."<sup>59</sup> (Parenthetical matter supplied) Substitute House Bill No. 149 would not provide for disclaimers.

Section 13(b) of Substitute House Bill No. 149 would provide as a ground for injunctive relief the "Likelihood of injury to business reputation or of *dilution of the distinctive quality* of a trade-mark registered under this Act . . . *notwithstanding the absence of competition or confusion*, mistake or deception." (Italics supplied) While the doctrine of dilution is often advocated, it has not yet been generally accepted by the courts because it is at odds with traditional concepts of trade-mark law.<sup>60</sup> The Lanham Act does not go so far as to espouse this doctrine. It is doubtful that this step should be taken by this state at the present time.

#### CONCLUSION

If a comprehensive state trade-mark registration statute is deemed feasible by the Legislature of this state, such a measure should be as specific as possible, both as to its policy with relation to recognition of federal rights and as to the mechanics of administration on a local basis. Quasi-judicial determinations required of the Secretary of State's office should be kept at a minimum. On the other hand, if such a law is not reasonably simple then perhaps the limited purposes and value of any proper state registration act would not justify the complications imposed on trade-mark owners nor the cost involved to the state. However, if registered trade-marks are to receive special recognition by registration, then all valid marks should be treated on equal terms. State registration should be strictly subordinate to common law rights and should not interfere with federal rights under applicable portions of the Lanham Act. No state law should compel registration as a prerequisite to establishing or confirming trade-mark rights.

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<sup>59</sup> 2 NIMS, *op. cit.*, *supra*, note 2, § 374.

<sup>60</sup> 2 CALLMANN, *op. cit.*, *supra*, note 11, § 84.2 *et seq.*