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OVERVIEW

No thunder was cast from the legal summit of the Tenth Circuit with regard to commercial law this survey period. Certain rumblings, in the form of commercial law decisions, did make themselves heard, however, in the Survey Editor's office. Of particular interest was the circuit court's decision in *Scivally v. Time Insurance Co.*,[1] which distinguished between a negligent delay in issuing an insurance policy and a bad faith breach of the implied duty of fair dealing. In banking, the court enforced a loan agreement in excess of the bank's legal lending limit even though the borrower had knowledge of the limit.[2] Under the Uniform Commercial Code, the court rendered a questionable decision involving a bank's liability for a loss in a loan agreement resulting from a forged signature card.[3] Finally, in the area of trademark infringements, the court looked at the "Brew Nuts," "Beer Nuts" litigation.[4]

I. THE DUTY OF FAIR DEALING IN INSURANCE CONTRACTS

Can a bad faith delay in issuing an insurance policy, which results in a loss of coverage for an insured, expose an insurance company to damages for breach of the duty imposed upon the insurance industry to deal fairly with its customers? Under the Tenth Circuit's opinion in *Scivally*, without an issued, effective policy, no damages, punitive or otherwise, may be awarded for a breach of the implied duty of fair dealing.[5] The court stated that the implied duty arises only from the insurance contract.[6] Thus, when no such policy is issued, a plaintiff is limited to damages in tort for negligent delay in issuing a policy.[7]

In the *Scivally* case, Scivally contacted an insurance agent on February 21, 1980, to request a replacement for her health and accident insurance policy which was to expire on March 16, 1980.[8] She specifically asked that her new policy begin on March 15.[9] Scivally paid her first premium, signed the application form and was given a "conditional re-

1. 724 F.2d 101 (10th Cir. 1983) (a diversity action arising in Oklahoma).

2. *See* National Farmers Org., Inc. v. Kinsley Bank, 731 F.2d 1464 (10th Cir. 1984). *See infra* text accompanying notes 33-52.

3. *See* Bridgeport Firemen's Sick and Death Benefit Ass'n v. Deseret Fed. Sav. & Loan, 735 F.2d 383 (10th Cir. 1984). *See infra* text accompanying notes 53-81.

4. *See* Beer Nuts, Inc. v. Clover Club Foods Co., 320 F. Supp. 395 (D. Utah 1981), *rev'd*, 711 F.2d 934 (10th Cir. 1983). *See infra* text accompanying notes 82-109.

5. 724 F.2d at 104.

6. *Id.*

7. *Id.* The *Scivally* opinion conforms with settled law that a plaintiff may not recover for *both* negligent delay in tort and breach of the implied duty of fair dealing, an action sounding in contract, but the circuit court goes even further than this by holding that, under the facts of *Scivally*, no action for breach of the implied duty of fair dealing can lie at all. *See supra* notes 15-20 and accompanying text.

8. 724 F.2d at 102.

9. *Id.*

ceipt".[10] She was injured in a car accident on March 15 and subsequently requested coverage under her policy.[11] Time Insurance denied liability because it had not yet effectuated her policy.[12]

The Tenth Circuit upheld the trial court's directed verdict for Time on the issue of breach of the implied duty of fair dealing.[13] The circuit court also upheld the trial court's verdict in favor of Scivally for the negligent delay in issuing the policy.[14]

Had the circuit court simply held that because Scivally had succeeded on her tort claim she was precluded from maintaining her breach claim, a claim sounding in contract, the court's opinion in *Scivally* would be of little interest. The circuit court's opinion, however, does not so confine itself. Under *Scivally*, a well established remedy is eliminated; a breach claim is completely disallowed where the insurance company has not issued a timely policy, regardless of the reason, and the plaintiff is limited to the tort claim for negligent delay. The *Scivally* decision not only ignores Oklahoma precedent,[15] it ignores the policy underlying the implied duty of fair dealing, a policy eloquently espoused by the Tenth Circuit in a case decided during this same survey period: "Because of the special relationship between an insurer and its insured, and because of the quasi-public nature of the insurance industry . . . a duty [is imposed] upon the insurance carrier to deal fairly with their customers *apart from any contractual obligations owed.*"[16]

This language apparently recognizes an *implied* contract theory of recovery for the insured. Moreover, the Oklahoma Supreme Court, in *Peddicord v. Prudential Life Insurance Co.*,[17] has also approved actions based upon an implied insurance contract. *Peddicord* held that an applicant whose insurance contract was not issued within a reasonable time could sue on the implied promise to act reasonably, or waive the contract and sue in tort.[18] According to the Oklahoma Supreme Court, an action for delay in issuing a policy actually sounds more in contract than in tort, especially where the first premium has already been paid,[19] as in Scivally's case.[20]

The only feature distinguishing *Peddicord* from *Scivally* is that the receipt tendered to Peddicord at the signing of the insurance agreement stated simply that the policy would not be issued until approved.[21] The

10. *Id.*
11. *Id.*
12. *Id.*
13. The court found that the trial court granted the directed verdict on erroneous grounds, but upheld the directed verdict because of the non-issuance of the policy. *Id.* at 103.
14. *Id.*
15. *See* Peddicord v. Prudential Life Ins. Co., 498 P.2d 1388 (Okla. 1972).
16. McCarty v. First Ga. Ins. Co., 713 F.2d 609, 611 (10th Cir. 1983) (emphasis added).
17. 498 P.2d 1388 (Okla. 1972).
18. *Id.* at 1390.
19. *Id.* at 1389.
20. 724 F.2d at 102.
21. 498 P.2d at 1388.

Scivally receipt stated that the effective date of the policy would be either the "requested date" or when medical examinations were completed, if required.[22] No medical examinations were required in *Scivally*. The court, however, deemed the policy not in effect when Scivally's injury occurred because it was issued with riders after the March 15 date.[23] Despite the factual differences between these two cases, the rule in *Peddicord* and the Tenth Circuit's own prior case law warranted a recognition of an implied contract theory of recovery in the *Scivally* case.

The Alabama Supreme Court was also presented with questions very similar to those raised in *Scivally* in *Barnes v. Atlantic and Pacific Life Insurance Co.*[24] The conditional or "binding receipt" in *Barnes* was similar to the one in *Scivally*.[25] In both cases, for the policies to become effective, the receipts required that the policies had to be issued within a certain time limit and issued according to the exact terms of the application. In both cases the conditions of the receipts were not met, triggering the defense arguments that the policies were not issued at the time of the injury.[26] The *Barnes* decision stated that the trier of fact should determine whether the insurer unreasonably delayed in issuing the policy. A finding of unreasonable delay would estop the insurer from denying coverage.[27] The *Scivally* court did not address this estoppel theory. The *Scivally* decision permits the conclusion that if a company decides not to issue a policy it can avoid liability for breach of the implied duty of fair dealing and thus insulate itself from punitive damages based on such a theory.[28]

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22. The "effective date" language of the receipt given to Scivally reads:

> "Effective Date" as used herein:
> Means the later of (a) *the date the application is signed, (b) the date of completion of all medical examinations, if required,* and (c) the Requested Policy Date shown on the application, but for health insurance, not more than 10 days prior to the receipt of the application by the Company.

724 F.2d at 102 n.1 (emphasis added).

23. *Id.* at 103.

24. 325 So. 2d 143 (1975). The Court of Appeals for the Fifth Circuit certified unsettled questions of insurance law in *Barnes* to the Alabama Supreme Court. 514 F.2d 704 (1975). The Fifth Circuit accepted the Alabama Supreme Court's answers and vacated and remanded the case to the trial court for a resolution of the material issues of fact presented in light of the supreme court's answers to the certified questions. 530 F.2d 98 (1976).

25. *See* 325 So. 2d at 146, and 724 F.2d at 102 n.1.

26. The *Barnes* policy was issued one day after Barnes' injury. 325 So. 2d at 147. The *Scivally* policy was issued twelve days after Scivally's injury. 724 F.2d at 103.

27. 325 So. 2d at 150.

28. In asserting her claim that Time acted in bad faith, Scivally relied on Christian v. American Home Assurance Co., 577 P.2d 899 (Okla. 1978). In analyzing *Christian*, the Tenth Circuit stated:

> In *Christian*, the Oklahoma Supreme Court approved and adopted "the rule that an insurer has an implied duty to deal fairly and act in good faith with its insured and that the violation of this duty gives rise to an action in tort for which consequential and, in a proper case, punitive damages may be sought." 577 P.2d at 904. The source of the implied duty is the contract between the insurer and the insured.
>
> . . .
>
> Consequently, if there is no contract—no policy of insurance—then there is no implied duty upon which to base the cause of action.

Scivally, 724 F.2d at 103-04.

Under general contract theory, the *Scivally* decision might be supported by the rule that an application for insurance is a mere offer, and if the policy is issued with riders it is a counteroffer.[29] Thus, reasonableness may not be an issue when there is no contract as a matter of law. This was considered in *Barnes* but rejected because, according to the court, where the occurence of a condition is wholly controlled by one party, "there is an implied duty of good faith and fair dealing" owing from the insurer.[30] Thus, the *Barnes* court pointed out that there is a duty to act reasonably in processing an applicant's insurance policy, and to act unreasonably can expose an insurance company to liability for breach of the implied duty of fair dealing.[31] The logic of this rule should be especially persuasive in the Tenth Circuit in light of the court's recognition of the quasi-public nature of the insurance industry.[32] Perhaps the circuit court should consider these factors in deciding a future case similar to *Scivally*, and in so doing overrule the broad language of *Scivally*.

II. LEGAL LENDING LIMITS IN BANKING

In *National Farmers Organization, Inc. v. Kinsley Bank*,[33] the defendant bank agreed to loan the plaintiff, a Kansas sheep farmer, enough money to finance the purchase of 17,000 Colorado sheep.[34] After advancing the farmer enough money for the down payment, and after the first sheep were delivered, the bank dishonored the farmer's checks and refused to loan him any further funds.[35] The sheep farmer sued the bank to enforce the loan contract and was awarded damages by the trial court.[36]

On appeal, the bank argued as a defense that the loan contract was unenforceable because the final amount of the loan exceeded Kansas' legal lending limit to a single borrower—15% of the banks unimpaired capital and surplus.[37] In spite of its illegality, the Tenth Circuit held the loan to be enforceable.[38]

There is a split of authority on the issue of whether a bank loan in

29. *See, e.g., Barnes*, 325 So. 2d at 148-49 (citing Life Ins. Co. v. Miller, 292 Ala. 525, 529, 296 So. 2d 900, 903 (1974)).

30. *Barnes*, 325 So. 2d at 150.

31. See Annot., 18 A.L.R. 4th 1115 (1982) for an annotation covering the liability of an insured for delay in issuing a policy of insurance.

32. *See supra* note 16 and accompanying text.

33. 731 F.2d 1464 (10th Cir. 1984).

34. *Id.* at 1466.

35. *Id.* at 1466-67.

36. *Id.* at 1466.

37. *Id.* at 1467. *See* KAN. STAT. ANN. § 9-1104 (1982). All states in the Tenth Circuit and most other states have similar laws limiting either the amount of a single loan or the amount of total outstanding loans. *See, e.g.*, COLO. REV. STAT. § 11-7-108(e) (1973 & Supp. 1984) (15%); N.M. STAT. ANN. § 58-1-21(e) (1977) (10%); OKLA.STAT. ANN. tit. 6, § 802 (West Supp. 1983-84) (20%); UTAH CODE ANN. § 7-3-19 (1982) & Supp. 1983) (15%); WYO. STAT. § 13-3-402 (1977) (20%). *See also* 12 U.S.C. § 84(a)(a)(2) (1972) (governing federal banks) (15%).

38. 731 F.2d 1469. Other, less significant, issues decided in *National Farmers Organization* but not covered in this survey included a brief discussion of agency law, the appropri-

excess of the bank's legal lending limit is enforceable.[39] In *Jaynes v. First National Bank*,[40] the borrower's knowledge of the fact that his loan was in excess of the legal lending limit was held to make the loan unenforceable. The Ninth Circuit in that case did not enforce a loan agreement in excess of the legal amount where a cashier of the bank was the recipient of the loan.[41] In pertinent part, the Ninth Circuit stated: "If this were the plight of an innocent borrower who had assumed the bank knew what it was doing . . . we could at least express our sympathy."[42] The *Jaynes* court then found that the cashier knew the amount of the bank's capital and surplus, presuming he had heard of the bank's ten percent limit.[43]

The Tenth Circuit in *National Farmers Organization* took a different approach regarding the borrower's knowledge of the bank's lending limit. Mr. Burkhart, the plaintiff, presumably knew of the bank's lending limit because he was well acquainted with the bank's president.[44] Apparently, the Tenth Circuit set Mr. Burkhart apart from the loanless cashier in *Jaynes* on the ground that Burkhart also knew that the bank could have legally exceeded its lending limit by working through a correspondent bank.[45] This knowledge precluded any culpability on Burkhart's part,[46] and rendered moot the issue of his knowledge of the lending limit.

The primary reason for the court's enforcement of the loan was based on its view of the nature of loan limitation laws. The laws are intended as rules for the government of the bank, in the sense that they impose no penalty on the borrower.[47] The court noted the general rule that borrowers are still obliged to pay back excessive loans,[48] and concluded that lenders, therefore, should not be able to avoid liability, especially where the borrower has concluded an agreement in reliance on the

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ateness of allowing the jury to decide the issue of the definiteness of the loan agreement, lost profits and incidental and punitive damages. *Id.* at 1469-73.

39. *See, e.g.*, Jaynes v. First Nat'l Bank of Ketchikan Ala., 236 F.2d 1956 (9th Cir. 1956) (unenforceable: invalidity of contract as exceeding loan limit not a valid basis for defense of borrower to avoid liability); International Dairy Queen, Inc. v. Bank of Wadley, 407 F. Supp. 1270 (M.D. Ala. 1976) (unenforceable: contracts that require the doing of an illegal act are void and unenforceable); First Am. Nat'l Bank v. Alcorn, Inc., 361 So. 2d 481 (Miss. 1978) (enforceable: loan limits are not so commonly known that knowledge of them could be imputed to the borrower); Labor Discount Center, Inc. v. State Bank & Trust Co., 526 S.W.2d 407 (Mo. App. 1975) (enforceable: no knowledge on the part of the borrower as to existence of a lending limit).

40. 236 F.2d 1956 (9th Cir. 1956).

41. *Id.* at 259.

42. *Id.*

43. *Id.* at 259-60.

44. 731 F.2d at 1469. The bank was so familiar with Burkhart that it was standard practice for the bank to honor Burkhart's checks before he had signed any loan agreement for the funds. *Id.* at 1460.

45. 731 F.2d at 1469.

46. *Id.*

47. *Id.* at 1468 (citing Bank of College View v. Nelson, 106 Neb. 129, 130, 183 N.W. 100, 101 (1921)).

48. 731 F.2d at 1468.

loan.[49]

In essence, the court held that loans in excess of the legal lending limit are nonetheless enforceable against both contracting parties. The question arises: is the legislative intent behind such laws being accomplished? Could it have been the legislature's intent in passing such a law to provide sanctions[50] only against a violating bank, or is there also an important economic reason for prohibiting such loans? If the object of lending limit laws is to protect the bank's depositors, stockholders, and the public in general from extremely speculative loans,[51] then perhaps such loans should not be enforced. While it is true in this case that the bank was capable of financing the loan through a correspondent bank, much of the language of *National Farmers Organization* implies that logic and equity demand the general enforcement of excessive loans, regardless of such capability.[52]

It is unclear whether the probable use of a correspondent bank in *National Farmers Organization* was the primary reason for the holding or merely a consideration. How the Tenth Circuit would hold in a case involving a completed loan in excess of the legal amount, with no use of a correspondent bank, is therefore uncertain.

III. Bank Liability on Forged Commercial Paper

A leading UCC case decided by the Tenth Circuit during this survey period also involved the banking industry. The case, *Bridgeport Firemen's Sick and Death Benefit Association v. Deseret Federal Savings and Loan Association*,[53] involved an ingenious embezzlement scheme designed by a corporate officer, a motion for summary judgment granted in favor of the embezzled corporation, and a convoluted Tenth Circuit opinion, per Judge Doyle, suggesting that under the UCC the loss should fall back on the bank—barring a finding by the trial court, on remand, that the plaintiff corporation was negligent[54] or that the Utah Fiduciaries Act applied.[55] This section of the survey focuses primarily on the UCC portion of the *Bridgeport* decision.

Bridgeport obtained a $100,000, ten-year certificate of deposit from Deseret.[56] At the time the certificate was obtained, Bridgeport submit-

49. *Id.* at 1469.

50. In Kansas it is a misdemeanor for any banker, officer, employee, director or agent of a bank to fail to perform a duty required by the banking statute. Kan. Stat. Ann. § 9-2001 (1982).

51. *See* Dove Creek St. Bank v. Lawrence Warehouse Co., 157 Colo. 263, 274, 402 P.2d 369, 375 (1965) (business of banking bears such a relation to the economic security of the public so as to be a proper subject of regulation by the state in the exercise of its police power).

52. *See* 731 F.2d at 1468 (citing Bank of College View v. Nelson, 106 Neb. 129, 131, 183 N.W. 100, 101 (1921)). The Court considers the fact that many of the cases denying enforcement were decided before the widespread use of correspondent banks, 731 F.2d at 1467, but cites *Nelson*, a 1921 case, as persuasive authority. *Id.* at 1468.

53. 735 F.2d 383 (10th Cir. 1984).

54. *Id.* at 387.

55. *Id.* at 387-88. *See infra* note 64.

56. *Id.* at 384.

ted a signature card authorizing four of its corporate officers to transact business.[57] Among those authorized were Bernard Packo, Treasurer, and William Egan, Secretary.[58] The account remained unused for two years. Then Mr. Packo, in a well planned scheme, decided to embezzel $90,000 from the account.[59]

Packo walked into the Deseret Bank one day with the following: 1) the certificate of deposit; 2) a letter ostensibly signed by Packo and Egan notifying the bank of the recent election of a Mr. Coffin, Secretary, and three other new officers (all fictitious); 3) a letter bearing the fictitious Coffin's signature, authorizing Packo to borrow $90,000 for the company; 4) a new signature card containing Coffin's and Packo's signature along with a resolution authorizing any two officers to transact business; and 5) a promissory note bearing Coffin's signature.[60] With these documents Packo was allowed to sign the promissory note, pledging the certificate of deposit as collateral, and walk out of the bank with a check written to Bridgeport for $90,000. Deseret retained the certificate, refusing to return it to Bridgeport.[61] Mr. Packo was, of course, never heard from again.[62]

Bridgeport sued Deseret to recover the certificate of deposit. At the trial court, Bridgeport prevailed on a motion for summary judgment. The trial court declared that the loan and related pledge of the certificate were made without authority and were therefore void, and that Deseret had converted Bridgeport's certificate of deposit.[63]

On appeal, the Tenth Circuit addressed, to varying degrees, three arguments raised by Deseret: 1) that the Utah Fiduciaries Act[64] sheltered Deseret from liability; 2) that Deseret did not breach the contract with Bridgeport because the transaction with Packo "was authorized by virtue of the fact that the documents contained the requisite two signatures and/or by Packo's indicia of authority"; and 3) that Deseret had a complete defense in that it was a holder in due course of the certificate.[65] Neither Deseret nor Bridgeport argued that the UCC applied to the case. Nevertheless, Judge Doyle embarked upon a confusing and unnecessary UCC discourse by announcing: "The applicability of the UCC to this transaction was not specifically argued by the parties. However, the parties have *implicitly* assumed applicability of the Code."[66]

Judge Doyle reasoned that under the UCC an unauthorized signature is wholly inoperative as that of the person whose name is signed,[67]

57. *Id.*
58. *Id.*
59. *Id.*
60. *Id.* at 384-85.
61. *Id.* at 385.
62. *Id.*
63. *Id.*
64. UTAH CODE ANN. §§ 22-1-1 to -10 (1953 & Supp. 1983).
65. 735 F.2d at 385.
66. *Id.* at 386 (emphasis added).
67. U.C.C. § 3-404(1) (1977). The section reads in full:
Any unauthorized signature is wholly inoperative as that of the person whose

and an instrument bearing such a signature is not properly payable.[68] Furthermore, both forgeries and signatures made in excess of an agent's authority are within the UCC's definition of "unauthorized."[69] The Tenth Circuit then determined that the signature of the fictitious Coffin was a forgery, and it therefore need not reach the issue of whether Packo's signature alone was an unauthorized signature.[70] The Court concluded that the bank could be found liable for the loss provided that Bridgeport was not precluded from recovery because of its own negligence.[71]

This reasoning, however, is significantly complicated by the particular facts of *Bridgeport*. In *Bridgeport*, the bank paid funds out of its own account to Packo, not out of the certificate of deposit account, and simply took a pledge of the certificate of deposit funds. The only negotiable instrument bearing a forgery was the promissory note.[72] No funds were actually "paid" on the note, in the ordinary sense of the term, in that no debit was specifically charged against the certificate of deposit account. The bank simply refused to deliver the certificate upon Bridgeport's request.[73]

In order to justify its discussion of the UCC, the court made a strained analogy: "Here, the defendant, in essence, made a payment out of the plaintiff's account which was not properly payable . . . because of the forged signature on the promissory note . . . . Defendant did this by giving Packo a check for $90,000 and retaining the certificate of deposit."[74] When does one sign a promissory note in order to draw on his own funds? This question was not answered by the Bridgeport decision.

In fitting this case within the parameters of the UCC, the Tenth Circuit has tread upon new ground. This probably accounts for the notable lack of case authority in the opinion.[75] The court has presented few guidelines for similar fact situations which might arise in the future. Perhaps it should have followed the district court's lead and focused primarily on the forged signature cards.[76] Instead, the Tenth Circuit reasoned that although a signature card is "perhaps not a negotiable instrument," it should not be viewed in isolation.[77] Rather than raise issues which were neither pleaded nor proven in the lower court, the Tenth Circuit could have correctly and adequately resolved the appeal,

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name is signed unless he ratifies it or is precluded from denying it; but it operates as the signature of the unauthorized signer in favor of any person who in good faith pays the instrument or takes it for value.

Id.

68. 735 F.2d at 387. *See also* U.C.C. § 3-401 (1977).
69. 735 F.2d at 386. *See* U.C.C. § 3-404 (1977) (Comment 1).
70. 735 F.2d at 386.
71. *Id.* at 387. *See* U.C.C. § 3-406 (1977).
72. *Id.*
73. *Id.*
74. *Id.* (citing UCC §§ 4-401, 3-404 (1977)).
75. The court cites only one case, Perini v. First Nat'l Bank of Habersham County, 553 F.2d 398 (5th Cir. 1977), in the entire UCC portion of the opinion. *See* 735 F.2d at 386-87.
76. 735 F.2d at 385.
77. *Id.* at 386.

as presented by the parties, based on the common law. Under the common law, not only is a bank charged with knowledge of its depositer's signatures,[78] but also the bank is under a duty to inquire into an individual's corporate authority.[79] If the Tenth Circuit had chosen this course, it could have held the bank liable without discussing the UCC.

Ultimately, advocates may convincingly maintain that Judge Doyle's UCC discussion was not necessary for the resolution of the case and is therefore mere dicta. The court's only clear holding is that under the Utah Fiduciaries Act,[80] the question of whether Packo had apparent authority to pledge the certificate is a question of fact. Therefore, the trial court erred in determining that, as a matter of law, Packo had no apparent authority.[81] On the other hand, the UCC language of the *Bridgeport* decision may be cited as persuasive authority for the following propositions: the presence of a forgery on a negotiable instrument which requires two signatures may result in the burden of loss being carried by the lender accepting the instrument;[82] and the presence of a forgery on such a negotiable instrument renders the instrument not properly payable, regardless of the presence and validity of other signatures.

IV. TRADEMARK INFRINGEMENT

Is the use of "Brew Nuts" as a logo on a package of sweetened, salted nuts an infringement of the "Beer Nuts" registered trademark? The trial court had answered this question in the negative in *Beer Nuts, Inc. v. Clover Club Foods Co.*,[83] and found the case remanded to it by the Tenth Circuit.[84]

The trial court had based its decision primarily on a side-by-side comparison of the packages and found the "Brew Nuts" product packaging and wording sufficiently unique.[85] According to the trial court, the "Beer Nuts" trademark has two functions, to describe the contents of the package, and to identify to the consumer the corporate source of the product, the latter referred to as the trademark's "secondary meaning".[86] The trial court determined that the trademark was only entitled to protection as to its "secondary meaning".[87] Noting the packages were dissimilar in color, lettering, and style, and that the Clover Club trademark appeared conspicuously on every "Brew Nuts" package, the trial judge surmised: "The eye of this court is not confused, nor is the

78. *See, e.g.*, Sabatino v. Curtis, 446 F.2d 1046 (5th Cir. 1971).
79. *See* Wheat State Ser. Corp. v. Colfax Nat'l Bank, 44 Colo. App. 376, 618 P.2d 698 (1980).
80. *See supra* note 64.
81. 735 F.2d at 388.
82. The court gave only cursory attention to Deseret's claim of being a holder in due course (and, presumably, not a payer, drawee bank). *Id.* at 386.
83. 520 F. Supp. 395 (D. Utah 1981).
84. 711 F.2d 934 (10th Cir. 1983).
85. 520 F. Supp. at 398. Copies of the packages appear in the text of the opinion. *Id.* at 401-02.
86. *Id.* at 398.
87. *Id.*

eye of the consuming public likely to be."[88] The question of confusion being one for the finder of fact and determinative of the infringment claim, Beer Nuts was denied relief.[89] A quick perusal of the packages in question[90] left little doubt in this author's mind as to the soundness of the district court's opinion. The Tenth Circuit Court of Appeals, however, was not so moved, and in a complex decision, remanded the case pointing out that the district court did not apply the appropriate legal standards or weigh all the relevant evidence.[91]

It is not difficult to extract from the circuit court's decision exactly where the district court erred. "[I]t is axiomatic in trademark law that side-by-side comparison is not the test."[92] It is difficult, however, to assimilate the myriad of factors mentioned as components of an infringement determination.[93] According to the court, it is not simply similarity in sight or sound which constitutes infringement; infringement can also be found where concepts or ideas are commingled.[94] The court minimized the importance of the dissimilarity in packaging, focusing instead on whether confusion, sensory or conceptual, would result if the "mark"[95] were singly presented to the public.[96]

What was important to the court was not so much the similarity of the names as the extenuating circumstances. The court indicated the importance of considering whether the market channels are convergent, increasing the likelihood of confusion,[97] whether the products themselves are very much alike,[98] the degree of care the ordinary purchaser exercises in buying a product of the same general nature,[99] and the intention of the actor in adopting the mark.[100] The Tenth Circuit re-

88. *Id.*

89. *Id.* at 397. "The pivitol question still remains the same, are the terms used so similar that the public is likely to be confused as to the origin of the product." *Id.*

90. *See* 520 F. Supp. at 401-02.

91. 711 F.2d at 940-42.

92. *Id.* at 941 (citing Levi Strauss & Co. v. Blue Bell, Inc., 632 F.2d 817, 822 (9th Cir. 1980)); American Home Products Corp. v. Johnson Chem. Co., 589 F.2d 103, 107 (2d Cir. 1978); James Burrough Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 275 (7th Cir. 1976); Fotomat Corp. v. Cochran, 437 F. Supp. 1231, 1244 (D. Kan. 1977)).

93. These were components the trial court ignored, according to the Tenth Circuit. "[T]he [trial] court erroneously equated likelihood of confusion with similarity. Similarity must be considered along with other factors. . . ." 711 F.2d at 942.

94. *Id.* at 940. "Confusion of origin of goods may be caused by confusing similarity in the *meaning* of the designations employed." *Id.* at 940-41 (quoting Standard Oil Co. v. Standard Oil Co., 252 F.2d 65, 74 (10th Cir. 1958)) (emphasis added).

95. Despite the conspicuousness of the Clover Club registered trademark on the "Brew Nuts" packages, the court apparently determined that the "Brew Nuts" logo was being used as a trademark, noting the much larger lettering and distinctive style of the "Brew Nuts" mark. *Id.* at 938. At the end of its infringement discussion, however, the court stated: "*Although we offer no opinion* regarding the merits of this case, we remand for a proper evaluation of similarity and a reconsideration of likelihood of confusion. . . ." *Id.* at 942 (emphasis added).

96. *Id.* at 941.

97. *Id.* The trial court did note that both products were sold in supermarkets and the like. 520 F. Supp. at 397.

98. 711 F.2d at 941.

99. *Id.* In this respect, the Tenth Circuit noted that purchasers of inexpensive or "impulse" items are more likely to be confused than purchasers of more costly items. *Id.*

100. *Id.* at 940 (citing RESTATEMENT OF TORTS § 729 (1938)).

manded the case with instructions for the trial court to consider these alternative factors.[101]

The *Beer Nuts* case is significant because it will affect the decision-making process of marketers. The court explored this process, noting the testimony of the president of Clover Club concerning his decision to use the "Brew Nuts" name.[102] The court stated, however, that the intent of the alleged infringer is only part of the complete test and not in itself determinative.[103]

The *Beer Nuts* case presented a compounded problem in that the product in question is hard to describe as other than "Beer Nuts." Nuts can be sweetened and salted in a number of different ways, thus making an attempt to describe the nuts merely as sweetened and salted somewhat hopeless.[104] The Court did discuss the possibility of a "fair use" defense,[105] the use of a trademark for descriptive purposes only, but dismissed its application in *Beer Nuts* because it was not raised.[106]

In attempting to move trademark infringement law away from the subjective "side-by-side comparison" test, the Tenth Circuit may have made the test even more subjective. Determining when "ideas" are commingled and sufficiently similar as to cause confusion among ordinary shoppers will not be an easy task for judges, let alone marketing executives. The complexity of factors can only be viewed as somewhat subjective in themselves, despite their objective language.[107]

V. CONCLUSION

The cases examined in this survey article do not represent the entirety of the noteworthy commercial cases recently decided by the Tenth Circuit. Two cases concerning the effects of declarations made by insurance agents when issuing insurance policies are recommended for com-

101. 711 F.2d at 942.

102. *Id.* at 938 n.4. The company also considered the name "Ah Nuts", but was concerned that the nature of the product inside would be a mystery, even with "sweetened salted peanuts" written on the package. *Id.* Perhaps Clover Club should have considered the possibilities: "Brew Ha Ha Nuts," "Nutz fer Beer," or "Suds Nuts."

103. *Id.* at 941. The court stated that the intent to pass one's goods off as another's raised an inference of confusion. *Id.*

104. *See supra* note 102.

105. 711 F.2d at 937-38. *See* 15 U.S.C. § 1115(b) (1982), which provides for the use of registered trademarks by persons other than the registrant under certain conditions.

106. 711 F.2d at 937.

107. For an informative case discussing the general area of trademark infringement law, see Soweco, Inc. v. Shell Oil Co., 617 F.2d 1178 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). *See also* Beatrice Foods Co. v. Neosho Valley Coop. Creamery Ass'n, 297 F.2d 447 (10th Cir. 1961) ("Meadow Sweet" and "Meadow Gold"); Nebraska Consol. Mills Co. v. Shawnee Milling Co., 198 F.2d 36 (10th Cir. 1952) ("Mother's Best" and "Mother's Pride"); Hesmer Foods, Inc. v. Campbell Soup Co., 346 F.2d 356 (7th Cir. 1965) (the somewhat humorous contrast of "Beanee Barbeque" and "Barbeque Beans"). For discussions concerning the descriptive nature of certain trademarks, see Kellog Co. v. National Biscuit Co., 305 U.S. 111 (1938) ("Shredded Wheat"); Dixi-Cola Laboratories v. Coca-Cola, Co., 117 F.2d 352 (4th Cir. 1941) ("Cola"); American Aloe Corp. v. Aloe Creame Laboratories, Inc., 420 F.2d 1248 (7th Cir.), *cert. denied*, 400 U.S. 820 (1970) ("Aloe"). A trademark can be cancelled because of its long continued use as a generic term. *See, e.g.*, Haughton Elevator Co. v. Seeberger, 85 U.S.P.Q. 80 (1950) ("Escalator").

parison.[108] Bank counsel might also note *Hibernia National Bank v. Federal Deposit Insurance Corp.*,[109] which outlines a depositor's right to set off his deposit accounts against any loan obligations he has with an insolvent bank, despite the fact that his loans were participated in or purchased by another bank. *CMI Corp. v. Leemar Steel Co. Inc.*[110] provides an excellent factual vehicle for a discussion of the closely wed theories of rejection of goods and revocation of acceptance of goods.

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108. *Compare* McGehee v. Farmers Ins. Co., 734 F.2d 1422 (10th Cir. 1984) (insurer estopped from asserting interest uninsurable where agent wrote policy with full knowledge of circumstances) *with* Catts Co. v. Gulf Ins. Co., 723 F.2d 1494 (10th Cir. 1983) (insurer not estopped from asserting no coverage even though agent informed insured that goods would be covered as long as insured retained an interest).

109. 733 F.2d 1403 (10th Cir. 1984).

110. 733 F.2d 1410 (10th Cir. 1984).