

Michigan Law Review

Volume 30 | Issue 4

1932

THE ASSIGNMENT OF TRADE MARKS AND TRADE NAMES

Grover C. Grismore
University of Michigan Law School

Follow this and additional works at: <https://repository.law.umich.edu/mlr>



Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Grover C. Grismore, *THE ASSIGNMENT OF TRADE MARKS AND TRADE NAMES*, 30 MICH. L. REV. 489 (1932).

Available at: <https://repository.law.umich.edu/mlr/vol30/iss4/2>

This Article is brought to you for free and open access by the Michigan Law Review at University of Michigan Law School Scholarship Repository. It has been accepted for inclusion in Michigan Law Review by an authorized editor of University of Michigan Law School Scholarship Repository. For more information, please contact mlaw.repository@umich.edu.

MICHIGAN LAW REVIEW

VOL. 30

FEBRUARY, 1932

No. 4

THE ASSIGNMENT OF TRADE MARKS AND TRADE NAMES

*Grover C. Grismore**

UNFORTUNATELY there is much confusion in the books in regard to the transferability of trade marks and trade names. The law on the matter is neither clearly stated nor always uniformly applied. The generalization that one finds most frequently, both in cases and in text books, is the categorical assertion that trade marks and trade names are not assignable in gross — that they can be transferred only as incidental to a transfer of the business or property in connection with which they have been used.¹ Rightly interpreted, this statement is doubtless a truism. However, the implications frequently drawn from it are palpably erroneous. For example, it is sometimes assumed that a trade mark can never be assigned apart from the physical location or the going business in connection with which it has been used.² Also that the transfer is not effective if the transferor continues to manufacture or sell, though under a different mark, an article identical with that on which the assigned trade mark was used.³ These propositions, if true, are clearly inconsistent with the expectations of many a business man, for attempted transfers under such circumstances are not unusual. In view of the uncertainty which exists it seems worth while to examine the question in some detail to determine, insofar as we can, the proper limits on the transferability of trade marks and trade names.⁴

* Professor of Law, University of Michigan. A.B., J.D., Michigan. S.J.D., Harvard. Author, *CASES ON CONTRACTS*, and articles in various law reviews.

¹ See *Rodseth v. Northwestern Marble Works*, 129 Minn. 472, 152 N.W. 885, Ann. Cas. 1917A 257 (1915); *NIMS, UNFAIR COMPETITION AND TRADE MARKS*, 3d ed., sec. 22 (1929); *I SHOEMAKER, TRADEMARKS*, sec. 155 (1931).

² See *Kidd v. Johnson*, 100 U. S. 617, 620 (1879); *Mayer Fertilizer and Junk Co. v. Virginia-Carolina Chem. Co.*, 35 App. D. C. 425 (1910).

³ See *Eiseman v. Schiffer*, 157 Fed. 473 (1907).

⁴ It has sometimes been asserted that different considerations are involved in

The whole difficulty seems to arise out of a failure to make a proper analysis of the nature of a trade mark user's rights. Courts frequently fail to recognize that the trade mark user does not and cannot, in view of the way in which our law has developed, in any true sense acquire the ownership of a mark.⁵ Consequently, when he makes a transfer, he does not and cannot transfer ownership of the word or mark. Neither does the assignee, in the normal case, need a transfer of the word or mark as such, in order to get the protection which he seeks. What he needs is a transfer of that which will give him the right to avail himself of the expectation of custom which a particular mark symbolizes and which it makes possible of realization. In any case this is as much as he can have. As Mr. Justice Holmes has said,

"A trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. . . . When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo."⁶

the assignment of a so-called technical trade mark as distinguished from a trade name. See 28 COL. L. REV. 353 (1928). Such a distinction simply adds to the confusion which already exists. As has been ably demonstrated, there is no fundamental difference between a trade mark and a trade name. See Handler and Pickett, "Trade Marks and Trade Names," 30 COL. L. REV. 168, 759 (1930).

⁵ The question of ownership is, of course, largely a matter of the definition of terms. Whenever one has rights in rem with relation to a thing he may be said to own the thing. However, the trade mark user's rights in relation to the mark are very limited in number and in character, a fact which is apt to be overlooked if we lump them together and call them ownership.

See *Beech-Nut Co. v. Lorillard Co.*, 273 U. S. 629, 632, 47 Sup. Ct. 481 (1927), where Mr. Justice Holmes said: ". . . in a qualified sense the mark is property, protected and alienable, although as with other property its outline is shown only by the law of torts, of which the right is a prophetic summary."

⁶ *Prestonettes Inc. v. Coty*, 264 U. S. 359, 368, 44 Sup. Ct. 350 (1924). Mr. Justice Pitney has expressed the same idea thus:

"Common Law trademarks, and the right to their exclusive use, are of course to be classed among property rights, Trade-Mark Cases, 100 U. S. 82, 92, 93; but only in the sense that a man's right to the continued enjoyment of his trade reputation and the good-will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trade-mark is an instrumentality." *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 413, 36 Sup. Ct. 357 (1916).

The cases which give protection against the use of a given mark on dissimilar goods are not inconsistent with this proposition since the right to relief in these cases is commonly predicated on the protection of trade reputation. For the cases, see Lukens, "The Application of The Principles of Unfair Competition To Cases of Dissimilar Products," 75 U. OF PA. L. REV. 197 (1927).

In other words, what the user of the mark owns is not the mark itself but rather the expectation of custom — the good will, if you please — which has been developed in connection with the mark in question and which inheres in and clusters about it.⁷ It is this and this only which gives the mark its value in the normal case.⁸ As has been said, “In fact, a trade-mark is merely one of the visible mediums by which the good will is identified, bought, and sold, and known to the public.”⁹ Looked at in this way it is obviously a truism to say that one cannot assign a trade mark in gross. Of course one cannot do this, since one does not own a mark in gross, or at all, for that matter. Indeed, I would go even further and say that one cannot in any true sense assign a trade mark at all; that all one can do is to transfer to another one’s acquired good will or expectation of custom, and confer upon that other the right which one had of keeping third persons from stealing it by preventing them from simulating the marks and symbols by which it is realized. To speak of the ownership and transfer of a trade mark as such is to speak metonymically. This does no harm if the fact is realized. Unfortunately this has not always been the case.

That good will in general — the expectation of custom which one has acquired as the result of business endeavor — is property, in the enjoyment of which the possessor is entitled to be protected and which he has the power to transfer to others, has been so long and so universally recognized that no citation of authority for the proposition is necessary. Is there any limitation on this power? Does the fact that the good will with which we are concerned is symbolized by a trade mark or trade name make it any the less alienable? These are pertinent inquiries.

Before we attempt to answer these questions we ought to have some definite notion as to what it is we call good will, and what we mean when we speak of its ownership and transfer. These questions are crucial. Too often good will has been looked upon as Lord Eldon defined it in *Crutwell v. Lye*,¹⁰ as “nothing more than

⁷ For the further elaboration of this view see Grismore, “Fraudulent Intent In Trade Mark Cases,” 27 MICH. L. REV. 857 (1929).

⁸ See, however, Schechter, “The Rational Basis of Trademark Protection,” 40 HARV. L. REV. 813 (1927). Mr. Schechter argues for a somewhat broader measure of protection for trade marks on the ground that part of the value of many marks lies in their capacity for demand creation, which value is lost if their uniqueness is destroyed by too common use even on wholly dissimilar goods.

⁹ *The Coca-Cola Bottling Co. v. The Coca-Cola Co.*, 269 Fed. 796, 806 (1920).

¹⁰ 17 Ves. Jr. 355, 346, 34 Eng. Repr. 129, 134 (1810).

the probability, that the old customers will resort to the old place." This definition gives it a fixed habitat. It is clear on the slightest reflection that good will is much less tangible than this; for example, it is freely admitted that doctors, lawyers, and brokers have a good will which can be passed on to successors, even though no physical location is transferred.¹¹

What then is good will? Actually, of course, it means that state of mind in people which causes them to continue to patronize a certain place, or person, or to purchase a certain commodity, or to seek certain services. This state of mind is engendered by the existence of certain factors which cause people to continue to act in a certain way. In other words, good will may be said to exist whenever those factors are present which have been the basis of patronage in the past and which make future patronage reasonably predictable, that is, those factors which give rise to a habit of patronage.

These factors are various. It may be merely a matter of place. People naturally tend to continue to resort to the same place for certain purposes if their experiences there have been agreeable. It may be a matter of the person dealt with. One may acquire the habit, for one reason or another, of dealing with a particular person or of seeking the goods or services of a particular person. It may be a matter of name or trade mark. Customers are inclined to develop the habit of buying goods from, or dealing with, a certain firm to whose name they have become accustomed, without regard to the place or person; or to buy goods sold under a certain mark because they have found the particular goods bearing that mark to be satisfactory, or because they like the mark, etc.¹²

¹¹ See *Webster v. Williams*, 62 Ark. 101, 34 S.W. 537 (1896); *Beatty v. Coble*, 142 Ind. 329, 41 N.E. 590 (1895); *Whittaker v. Howe*, 3 Beav. 383, 49 Eng. Repr. 150 (1841); *French v. Parker*, 16 R. I. 219, 14 Atl. 870 (1888); *Brett v. Ebel*, 29 App. Div. 256, 51 N. Y. S. 573 (1898); *Wood v. Whitehead Bros. Co.*, 165 N. Y. 545, 59 N.E. 357 (1901); *Rowe v. Toom*, 185 Iowa 848, 168 N.W. 38 (1918); *McClurg's Appeal*, 58 Pa. 51 (1868); *Hoyt v. Holly*, 39 Conn. 326 (1872).

¹² The difficulty that courts have in getting away from the notion that good will must have a physical location is well exemplified in the judgment of Lord Macnaghten, in *Commissioners of Inland Revenue v. Muller & Co.'s Margarine, Ltd.*, [1901] A. C. 217, where he said, at page 223:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be,

Presumably, what we mean when we say that one owns good will is simply that the person who is said to own it, and who is the beneficiary of the habit of patronage that has been described above, has certain legal rights which enable him to prevent others from disturbing the factors that give rise to that habit, or from depriving him of the benefits which flow from it. Accordingly, when we say that good will is transferable, what we must mean is that the transferor can make the transferee the beneficiary of this habit of patronage (1) by binding himself to refrain from continuing to profit from it; (2) by giving the transferee the right to do whatever may be reasonably necessary to enable him to acquire the benefits, as, for example, to hold himself out as the successor of the transferor, to use the latter's names, marks, and other means for realizing the benefits in question; and (3) by conferring upon him the rights which the transferor had of preventing third persons from disturbing the factors that give rise to it, or from depriving him of the benefits that flow from it.

As I have pointed out above, a trade mark or trade name may itself be one of the factors which give rise to good will; people may acquire the habit of buying goods bearing a certain mark because the mark itself is attractive for one reason or another. On the other hand, a trade mark or trade name may be simply one of the means by which good will based upon other factors is perpetuated or controlled and made easy of realization. For example, people may acquire the habit of buying goods made by a particular person; if that person adopts a distinctive mark which denotes to the prospective customer that the goods have been made by him, the realization of the benefits of the good will which the maker has established will be made easier. In fact, in the course of time the good repute of the maker may become so identified with the mark that it becomes the only medium through which the benefits that flow from that good repute can be realized. In other words, trade marks and trade names do not all serve exactly the same purpose; they may serve various purposes — a fact which has too often been lost sight of.

In approaching the problem of transfer in a given case, one of the first questions of importance is to determine what the function

goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here, and another element there. . . .

"For my part, I think if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent exist-

of the mark in that case is. Is the mark itself the factor which has engendered the good will sought to be transferred, or is it simply one of the mediums through which the benefits that flow from good will are made possible of realization? If it is merely one of the mediums, then the further question arises as to what the factor or factors are to which the mark points and on which the good will is based; what the particular mark denotes to the prospective patron of the so-called owner of the mark; by what means it succeeds in making its appeal to the customer.

Too often these questions have been slighted, if not entirely ignored. The cases are full of statements to the effect that the purpose of the trade mark, and its only purpose, is to point distinctively to the origin or ownership of the goods to which it is affixed.¹³ With this statement the court is apt to be content to let the matter rest. Historically this was probably true, but as has been ably demonstrated by Mr. Schechter,¹⁴ it is no longer true. At least not unless we are prepared to give to the word "origin" a much broader connotation than it ordinarily bears.

In modern business practice the trade mark has come to possess many different legitimate functions. No attempt will be made to catalogue all of them. It is sufficient for our present purpose to call attention to some of those that have been recognized in judicial decisions.¹⁵

It may point to the maker of the goods, either as a distinct person¹⁶ or as an impersonal organization;¹⁷ it may point to the place of making;¹⁸ it may denote that the goods are of a "certain quality, or grade, or formula, whether secret or public";¹⁹ it may denote that

ence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again. No doubt, where the reputation of a business is very widely spread or where it is the article produced rather than the producer of the article which has won popular favor, it may be difficult to localize goodwill."

¹³ See *Canal Company v. Clark*, 80 U. S. 311, 322; *1 SHOEMAKER, TRADE-MARKS*, sec. 5 (1931).

¹⁴ *THE HISTORICAL FOUNDATIONS OF THE LAWS RELATING TO TRADE-MARKS*.

¹⁵ For an able analysis of the function of a trade mark, see Isaacs, "Traffic in Trade Symbols," 44 *HARV. L. REV.* 1210 (1931).

¹⁶ See *Falk v. American West Indies Trading Co.*, 180 N. Y. 445, 73 N.E. 239 (1905).

¹⁷ See *Probasco v. Bouyon*, 1 Mo. App. 241 (1876).

¹⁸ See *Johnson v. Schenck*, Fed. Cas. No. 7412 (1877); *Pepper v. Labrot*, 8 Fed. 29 (1881); *Prince's Metallic Paint Co. v. Prince Mfg. Co.*, 57 Fed. 938 (1893).

¹⁹ See *Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc.*, 38 F.(2d) 287 (1929), s. c. 43 F.(2d) 937 (1930).

they have been selected by a certain person;²⁰ it may indicate that they have come from a certain natural source;²¹ it may point to the source of the principal ingredient of the goods.²² If the law were to say that the use of a mark can be protected only in so far as it points to origin or ownership, it would be opening a wide field for the business pirate who already has too much scope for his nefarious practices. In fact, the law does not take so narrow a view of the permissible use of a trade mark in spite of frequent utterances to the contrary.

Two limitations on the power to transfer good will are clearly recognized. They are limitations that grow out of considerations of public policy. These limitations are that the transferee will not be protected (1) if an unreasonable restraint of trade results from the transfer, or (2) if the public will be deceived as a consequence of it.

The first of these we need not discuss here, since it does not involve any problems peculiar to trade marks or trade names. The second is particularly important for our purpose inasmuch as deception of prospective customers is very frequently a consequence of the attempted transfer of that good will which is symbolized in or represented by a trade mark or trade name.

If deception of prospective customers is likely, then a sound public policy prohibits the transfer, unless it is accompanied by such safeguards as will prevent the threatened deception. As applied to the transfer of that good will which is bound up with a trade mark or trade name, this means that the transfer will be effective only provided the connotation of the name or mark after the transfer is still true, as it was before the transfer; or that the transferee in his use of it makes clear the changed meaning. As we have seen, a mark or name is valuable because it connotes something with reference to the goods to which it is affixed, or to the business in connection with which it

²⁰ See *Nelson v. J. H. Winchell & Co.*, 203 Mass. 75, 89 N.E. 180 (1909), in which the court said, at page 82:

"The use of a trademark does not necessarily and as matter of law import that the articles upon which it is used are manufactured by its user. It may be enough that they are manufactured for him, that he controls their production, or even that they pass through his hands in the course of trade, and that he gives to them the benefit of his reputation, or of his name and business style."

See also, *Lindner Co. v. Myrod Shoe Co.*, 33 Ohio App. 182, 175 N.E. 879 (1930).

²¹ See *A. I. M. Percolating Corp. v. Ferrodine Chem. Corp.*, 139 Va. 366, 124 S.E. 442 (1924).

²² See *Ralston Purina Co. v. Saniwax Paper Co.*, 26 F.(2d) 941 (1928).

has been used, or because it itself attracts custom. If the fact is contrary to this connotation after the transfer, then prospective customers are likely to be deceived, and the transfer should be declared to be of no effect.

An examination of the decided cases will, it is believed, make clear that this is in fact the full extent of the limitations on the assignability of trade marks and trade names, in spite of many obiter dicta to the contrary. This principle is expressly recognized in *Falk v. American West Indies Trading Co.*,²³ a case which is frequently cited as a leading one for a much narrower view. In that case the user of a mark for cigars, which mark apparently denoted the personal maker of the cigars, upon going out of business, purported to assign the mark to another, together with the labels and devices used with it. The assignee began the use of the mark at a different place, making no reference in his advertising or use of the mark to the fact that he had succeeded to the rights of the original user of it. In a suit brought against one who thereafter began the use of a similar mark, the assignee was denied relief, the court saying:²⁴

“There is no allegation, proof or finding in this case that the plaintiffs, upon the execution of the writing referred to or at any other time, succeeded in any way to the business of the assignor or any part of it, or to the good will to which up to that time the trade mark had been attached. It was, as already suggested, simply a written transfer of the naked trade mark and labels detached from the business in which it had been theretofore used, and when used by the plaintiffs no longer denoted or distinguished the article or business to which it had been attached. We do not say that the principle above suggested would apply to an assignment of all trademarks made in a similar way. There are, doubtless, some trade marks that consist of words that identify an article produced by some secret process and without the use of which the article could not be described. In other words, the name used may be inherent in the article itself and is not used as in this case to distinguish one cigar from another. The celebrated cordial, which is in use the world over, known as ‘Chartreuse’ is a sample of a trade mark, the bare assignment of which might confer upon the assignee the right to manufacture and sell that article. Other examples might be cited that would not come within the rule above suggested, but in the case at bar the trade mark was originally adopted by the Lichtensteins to

²³ 180 N. Y. 445, 73 N.E. 239 (1905).

²⁴ *Ibid.*, at p. 451.

distinguish a cigar manufactured by themselves. The trade mark in their hands represented their own article, their own skill and business experience. When used by the plaintiffs in their business it does not truly denote anything of the kind and the plaintiffs' claim really is that they have acquired the right to sell their own goods as the goods of someone else."²⁵

In such a case, if the assignee makes it clear, in his use of the mark, that the goods are no longer made by the original user of the mark, then there would seem to be no good reason for not giving effect to the assignment, even though no physical assets have been transferred along with the good will symbolized by the mark.²⁶ There is no good reason why the assignee should not get what benefit he can from the fact that he is enabled to represent himself as the successor of the original user of the mark, or why the latter should not be allowed to profit financially by permitting such a representation.

Even where the assignee of the mark also acquires the physical plant and all the other adjuncts of the old business along with the good will symbolized by the mark, if the mark is one which denotes the product of a particular proprietor, the assignee will not be entitled to protection unless in his use of the mark he makes it clear that he is the successor of the original proprietor, and that the latter is no longer concerned in the production of the goods.²⁷

This would obviously be true when the assignee does not take over the original business, and that business is continued, though perhaps under a different name.²⁸

The assignment of a mark by one who has never used it in business confers no rights upon the assignee, since in such a case there is no symbolized good will to be transferred, and the assignee gets nothing which entitles him to protection.²⁹

If the mark or name simply denotes that the goods are made in a given place or come from a given physical source, and if the assignee

²⁵ Similar cases are: *Bulte v. Igleheart Bros.*, 137 Fed. 492 (1905); *Lindner Co. v. Myrod Shoe Co.*, 33 Ohio App. 182, 175 N.E. 879 (1930); *Lea v. New Home Sewing Machine Co.*, 139 Fed. 732 (1905); *Manhattan Medicine Co. v. Wood*, 108 U. S. 218, 2 Sup. Ct. 436 (1883).

²⁶ Apparently *contra*, see *In re Jaysee Corset Co.*, 201 Fed. 779 (1911).

²⁷ *Alaska Packers' Ass'n. v. Alaska Imp. Co.*, 60 Fed. 103 (1894); *Symonds v. Jones*, 82 Me. 302, 19 Atl. 820, 17 A. L. R. 485 (1890).

²⁸ See *Eiseman v. Schiffer*, 157 Fed. 473 (1907), which appears to be a case of this kind. See also, *MacMahan Pharmacal Co. v. Denver Chem. Mfg. Co.*, 113 Fed. 468 (1901).

²⁹ *Sexton Mfg. Co. v. Chesterfield Shirt Co.*, 24 F.(2d) 288 (1928); *Standard Brewery Co. v. Interboro Brewing Co., Inc.*, 229 Fed. 543 (1916).

acquires the physical source and continues to produce the product there, no deception results, even though the mark is used by him without indicating the fact of a change of ownership.³⁰ So, also, if the mark denotes that the product is that of a certain business, then the transferee of the business and the mark may continue to use it even though the mark was originally the personal name of one of the original proprietors of the business.³¹

If the mark in question denotes that the goods to which it is affixed possess a certain quality or characteristic, as is frequently the case, an assignment should be possible without the transfer of any physical plant or going business. Neither should any statement by the assignee be necessary to the effect that he is a successor of the originator. The only limitation on his right to use the mark would seem to be that he do not deceive the prospective purchaser by applying it to goods of a substantially different kind or quality.

The implications to the contrary in the case of the *Independent Baking Powder Co. v. Boorman*,³² a frequently cited case, may well be questioned. In that case a manufacturer of alum baking powder marketed identical powder under four or five different trade marks. Thereafter, while continuing his business, he purported to sell and transfer one of the marks to another, confining his business to the remaining group of marks. The court, in denying any validity to the assignment of the mark in question, said:³³

“But neither the good will of a business, nor the business itself, can be thus split up. I am persuaded that the use of decimal fractions will not be adopted for the purpose of determining just how much or how little of the good will of a business, or of the business itself, must be transferred with a trade-mark, in order that its assignment should be valid. It is sufficient to say in this connection, however, that the assignor cannot, after the assignment, continue the same identical business and at the same places as before, under unassigned trade-marks, and at the same time authorize his assignee to conduct the same business elsewhere under an assigned trade-mark. In either case the same business would be conducted.”

³⁰ *Congress Spring Co. v. High Rock Spring Co.*, 45 N. Y. 291 (1871); *Pepper v. Labrot*, 8 Fed. 29 (1881); *Atlantic Milling Co. v. Robinson*, 20 Fed. 217 (1884); *Kidd v. Johnson*, 100 U. S. 617 (1879).

³¹ *Probasco v. Bouyon*, 1 Mo. App. 241 (1876).

³² 175 Fed. 448 (1910).

³³ *Ibid.* at pp. 453-454.

Is this reasoning sound? It seems to assume that the good will of a business is in every case an indivisible whole. But is this necessarily so? It may be true if all of the good will which the proprietor has is based upon a single factor as, for example, his personal reputation. Thus, if all the trade marks and trade names which the proprietor employs involve the same connotation, as, if they all denote the maker of the goods, then a transfer of one mark, while the original business is continued under other names, would be a palpable fraud. On the other hand, if each mark simply denotes to the consumer that the goods to which it is affixed possess certain qualities or characteristics or that they contain certain ingredients, then each mark carries with it its own portion of the good will of the whole business, and no deception results though each of the marks gets into separate hands. The good will in such a case is not an indivisible whole, since it is based on separable and multiplicable factors. From all that appears, the marks used in the principal case were marks that simply indicated that the goods to which they were affixed were of a uniformly good quality. However, the decision in the case, denying relief to the complainant, was clearly sound, because the complainant, after taking an assignment of the mark in question, used it on a phosphate powder instead of on an alum powder, as had been done by the assignor and originator. He was therefore perpetrating a fraud upon prospective purchasers of the goods and thus had put himself in a position in which he was not entitled to relief for infringement.³⁴

On the other hand, when the mark denotes that the goods are made according to a secret recipe, then even though the business in which it has been used is assigned along with the mark, it is obvious that the assignee is not entitled to protection in the use of it unless he also gets the secret recipe. Any other rule would not only work a fraud upon the public but would prevent their getting the genuine article under the name by which it has always been known.³⁵ When

³⁴ The following cases seem to support the text: *Griggs, Cooper & Co. v. Erie Preserving Co.*, 131 Fed. 359 (1904); *Skinner v. Oakes*, 10 Mo. App. 45 (1881) *semble*. *Contra*, and in support of the dictum in *Independent Baking Powder Co. v. Boorman*, *are*, *Hall v. Barrows*, 4 De G. J. & S. 150, 157-158, 46 Eng. Repr. 873, 876-877 (1863); *Mayer Fertilizer and Junk Co. v. Virginia-Carolina Chem. Co.*, 35 App. D. C. 425 (1910).

³⁵ *Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc.*, 43 F.(2d) 937 (1930). This case holds this to be true even though the assignee of the mark puts out a product which is sufficiently like the original so that if the same article had been put out under the mark by the original proprietor of the recipe it would not have been regarded as sufficiently deceptive to subject him to the defense of unclean hands.

the assignee does get the secret recipe along with the mark the assignment is effective, regardless of whether any physical assets or other adjuncts of the old business were also transferred.³⁶

It has been held that a mark which has been affixed by the originator to several different articles, as to one of which it denotes that the product is made according to a secret formula, and as to the others of which it denotes the source, may be effectively assigned in part and retained in part.³⁷

When a trade mark denotes only that the goods to which it is affixed have certain characteristics, as, for instance, that they are made in conformity with a patent, the patentee may effectively license another to make the article and to use the mark on it without thereby losing his exclusive right to the mark upon the termination of the license.³⁸ So also when the trade mark denotes the source of the principal ingredient of the goods, the owner of the mark may license others to use it on goods containing this ingredient without losing his exclusive right to the mark on the termination of the license.³⁹

It has been held that a manufacturer of syrup for soda fountain use, which he continues to sell under a trade mark, can effectively give another the right to use the same mark on a bottled beverage containing the trade marked syrup without thereby destroying his own right to protection in the use of the mark as before.⁴⁰

That a middleman's mark can be effectively assigned to the manufacturer of the goods on which the dealer used the mark has been recognized.⁴¹

It has been held that a trade mark user, who has an established trade in several countries and who assigns the exclusive right to manufacture and trade, together with the right to use his marks and names in one of those countries, has made an effective assignment or license,

³⁶ *Tuttle v. Blow*, 176 Mo. 158, 75 S.W. 617 (1903). However, even then there may be no right to exclude someone else from using the mark if the second user also rightfully acquires the secret recipe and his use of the mark is not deceptive. *Chadwick v. Covell*, 151 Mass. 190, 23 N.E. 1068 (1890).

³⁷ *Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc.*, 43 F.(2d) 937 (1930), s.c. 48 F.(2d) 206 (1931); *American Crayon Co. v. Prang Co.*, 28 F.(2d) 515 (1928).

³⁸ *Mathy v. Republic Metalware Co.*, 35 App. D. C. 151 (1910); *Hoffman v. B. Kuppenheimer & Co.*, 183 Fed. 597 (1910).

³⁹ *Ralston Purina Co. v. Saniwax Paper Co.*, 26 F.(2d) 941 (1928).

⁴⁰ *The Coca-Cola Bottling Co. v. The Coca-Cola Co.*, 269 Fed. 796 (1920).

⁴¹ *Witthaus v. Braun*, 44 Md. 303 (1875).

even though the transferor had not maintained any established place of business in such country.⁴²

One case has gone so far as to hold that the user of a mark can give an effective license to one who intends to use it in territory in which it has not been previously used by the licensor.⁴³

It has also been decided that where an ancestor who employed a distinctive mark died, and several of his heirs, each acting separately, used the mark, they were entitled to its exclusive use as against outsiders, there being no deception involved in the use which they made of it.⁴⁴

Until the courts realize more fully than they have in the past the true nature of good will and the varying functions of a trade mark or trade name, some unfortunate decisions will continue to be made. Thus, in the case of *Bailly v. Betti*,⁴⁵ the court of appeals of New York held that the Flonzaley Quartet, a partnership engaged in rendering personal services of a unique character, had no good will capable of transfer through the medium of the trade name or otherwise. The court said,⁴⁶ "It has, however, never been held that a business dependent solely on the personal skill and professional qualifications of the persons carrying it on possessed a good will or copartnership name which could be sold or be transferred to any one who might desire to purchase on a sale."

So also in *Everett O. Fisk & Co. v. Fisk Teachers' Agency, Inc.*,⁴⁷ it was held that one who had developed the business of finding positions for teachers until he had a large clientele, and who had licensed others to engage in the same work under his name, not only transferred nothing to the licensee but lost the right to the exclusive use of his trade name, in spite of the fact that the licensor had maintained some connection with the licensee in the way of supervising his relations with other licensees.

These decisions and others like them⁴⁸ have generally been said

⁴² Battle Creek Toasted Corn Flake Co. v. Kellogg Toasted Corn Flake Co., 54 Ont. L. Rep. 537 (1923).

⁴³ Vermont Maple Syrup Co. v. F. N. Johnson Maple Syrup Co., 272 Fed. 478 (1921).

⁴⁴ Pratt's Appeal, 117 Pa. St. 401, 11 Atl. 878 (1888).

⁴⁵ 241 N. Y. 22, 148 N.E. 776 (1925).

⁴⁶ *Ibid.* at p. 26.

⁴⁷ 3 F.(2d) 7 (1924); commented on in 20 ILL. L. REV. 90 (1925).

⁴⁸ See *Blakely v. Sousa*, 197 Pa. St. 305, 47 Atl. 286 (1900); *Messer v. The Fadettes*, 168 Mass. 140, 46 N.E. 407 (1897); *Rice v. Angell*, 73 Tex. 350, 11 S.W. 338 (1889); *In re Leslie-Judge Co.*, 272 Fed. 886 (1921).

to rest upon either one or both of two grounds, viz., (1) that there is nothing to transfer in such a case, since there is no tangible business to which the good will may attach, and (2) that such a sale would be a fraud upon the public. The first of these reasons we have already shown to be inconsistent with the more mature conception of good will which now generally prevails. The second objection is not valid, since the danger apprehended can always be avoided by requiring the transferee to indicate in connection with his use of the name the fact that he is the successor of the originator. Transfers of good will of a similar kind have been permitted in the case of the patronage of doctors and lawyers and of other businesses not having a tangible physical location. No good reason appears why one who has undertaken to render personal services of a character similar to those rendered by a predecessor, who has made a reputation for himself, should not in this way make known the fact that he has the recommendation of that predecessor. Certainly if a doctor or a lawyer⁴⁹ may do this, in spite of the fact that he has paid for that recommendation, it is difficult to see why a musician or an employment agent should not do the same.

It is worthy of note that there is nothing in the Federal Trade Mark Act which requires a different result as regards a mark registered in accordance with its provisions. That act simply provides that a registered mark "shall be assignable in connection with the good will of the business in which the mark is used."⁵⁰ All that is necessary

⁴⁹ See the cases cited in note 11, supra, and *Bunn v. Guy*, 4 East. 190, 102 Eng. Repr. 803 (1803); *Aubin v. Holt*, 2 K. & J. 66, 69 Eng. Repr. 696 (1855).

As an original question, the policy of permitting this might well be questioned, as indeed it has been. In *Whittaker v. Howe*, 3 Beav. 383, 389-390, 49 Eng. Repr. 150, 153 (1841), Lord Langdale, in dealing with a contract involving the sale of a lawyer's practice, said:

"I confess there is something in all contracts of this nature of which I have entertained some doubt. Where clients rely on the professional skill and knowledge of the individual they have long employed, I have some doubt as to the policy of sanctioning the purchase of their recommendation of the clients to other persons. These doubts have not originated with myself, because I recollect very well their being long dwelt upon, and commented on by Lord Eldon, not only in the case of a solicitor and his clients, but in the cases of medical men and their patients. . . . It is not, however, for me to act upon any doubts I may entertain of that nature, because agreements of this description have been too often sanctioned to be now questioned."

⁵⁰ Act of Feb. 20, 1905; 33 Stat. 727, c. 592, sec. 10 (1905) 15 U. S. C. A., sec. 90 (1927). However, in order to make the assignment of a registered trade mark fully effective it must be in writing, acknowledged, and recorded in the Patent Office. *Ibid.*

to make the same principles applicable here is to give a fairly liberal interpretation to the phrase "good will," and to recognize the fact that good will may be based on factors other than those of place or person. While the Trade Mark Act speaks of the registrant as owner of the mark, it is clear from the decisions interpreting it, as well as from the act itself, that his ownership is of the same kind as that which the user of a mark possesses at the common law — he owns the mark only in the sense that he has the right to control the good will which the mark symbolizes. This follows, since it is clear that the Trade Mark Act does not create any substantive rights but simply gives recognition to rights already existing at common law.⁵¹

⁵¹ See *Macaulay v. Malt-Diastase Co.*, 4 F.(2d) 944 (1925); *Pulitzer Pub. Co. v. Houston Printing Co.*, 4 F.(2d) 924 (1925).