

INCONTESTABILITY

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"Incontestability"¹ is a term of art new to the law of trade-marks. Although the roots of the underlying concept may be traced in the judicial decisions and foreign trade-mark laws, and analogous doctrines may be found in almost any other field of the law, the quantity of comment on the "incontestability" provisions of the 1946 Trade-Mark Act indicates that they are generally considered a major point of departure from the prior trade-mark statutes. Until definitive judicial decisions and Patent Office practices have been built up around the concept of "incontestability," its metes and bounds can be indicated only in the broadest sense. Nevertheless, even this broad outline may serve a useful purpose in pointing the directions in which the decisions on "incontestability" may go and in emphasizing the frequently overlooked relationship of the new concept to what has gone before.

Seldom does a new concept enter the law without the accompaniment of extremist views. The "incontestability" provisions of the 1946 Trade-Mark Act are no exception, for they have been applauded,² criticized,³ and, by some, considered

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¹ "Incontestability" is set off by quotation marks because of the technical meaning of the word in the 1946 Trade-Mark Act. As is discussed later, this meaning deviates from the dictionary meaning of the term.

² For an extreme (though somewhat misleading) view of the benefits of incontestability, see *Modern Industry*, Sept. 15, 1946, p. 158. The following is taken from that publication:

"1. What's the most important benefit of the Lanham Act?

"Incontestability. And this is something that trade-mark users never had before. By getting your mark on the Register at the Patent Office for five years you can get exclusive ownership of the mark for use throughout the U. S. In this five-year period, any person who believes he may be damaged by your acquiring exclusive rights to the mark can apply for cancellation. But if no one succeeds in canceling your registration, your rights to the mark are incontestable."

"From the standpoint of analytical evaluation the incontestability clause endows the trade-mark as a juridical institution with a higher conceptual standing than it had before. It can hardly be denied that there is no distinction between an incontestable, exclusive right and a property right so that the new Act implicitly demonstrates Congressional willingness to recognize the trade-mark as a property right. The exceptions to which this clause is subjected do not detract from this highly salutary result. They are nothing more than the usual limitations imposed upon every property right: the existence of its material substratum and the legality of its use." Callmann, *The New Trade-Mark Act of July 5, 1946*, 46 *COL. L. REV.* 929, 940-941 (1946).

It is significant that so eminent an authority as Harold G. Fox has recommended adoption of an incontestability provision in the Canadian trade-mark law along the lines of our 1946 Act or of Section 41 of the British Act of 1905 (see *REPORT OF PROCEEDINGS, TWENTY-FIRST ANNUAL MEETING OF THE PATENT INSTITUTE OF CANADA* 25 (1947)).

³ Perhaps the most critical analysis of the act is Williamson, *Trade-Marks Registered under the Lanham Act Are Not "Incontestable,"* 37 *T. M. REP.* 404 (1947). Williamson takes the position that the incontestability concept is so riddled with exceptions as to be not only useless but misleading as

mainly a codification of existing law.⁴ More moderate critics have recognized that there is "real substance" in the concept, although it is weaker than the name implies.⁵ Probably all of these views are premature, for no real appraisal of the concept can be made until it has stood the test of time. Only after practical situations involving incontestability have arisen and have reached the courts and the Patent Office in sufficient numbers to give a good cross-section of the problems associated with the concept will there be any basis upon which final conclusions as to this phase of the new Trade-Mark Act can be made. Unfortunately, there is no prospect of such decisions until after July 5, 1952, when marks conceivably registered on the day the Act became effective first become eligible for incontestability.⁶

The term "incontestability" as used in the 1946 Trade-Mark Act is a misnomer. As it appeared in early versions of the Act, the designation had a reasonable degree of accuracy, for at that time the right afforded the registrant was just what the name implies—freedom from all defenses of infringers and from possible Patent Office cancellation.⁷ But it was a long pull from these first drafts to the final Act. Each step necessarily involved progressively increased restrictions on the scope of the concept as more and more situations arose in which critics of the proposed legislation urged that exceptions should be drafted into the Act. Support for passage of the legislation demanded introduction of such exceptions.⁸ The rights were changed but the name was not, with the consequence that we now have the designation of "incontestability" applied to a somewhat limited and restricted concept which cuts off a few specific defenses to trade-mark infringement suits and limits the use of certain grounds for bringing Patent Office cancellation proceedings, without affecting a rather large number of defenses and reasons for cancellation specifically set forth in the statute.

The fact is frequently overlooked that judicial and legislative treatment of trade-mark rights has been far behind developments in other fields of the law as

well. See note 26 *infra*. See also Robertson, *Legal Ambush under the Lanham Act*, Chicago Daily Law Bulletin, beginning April 28, 1947.

⁴ See Digges, *The Lanham Act*, Printers Ink, Nov. 29, 1946, p. 30.

⁵ See DAPHNE ROBERT, *THE NEW TRADE-MARK MANUAL* 133 (1947); and Derenberg, *The Status of Existing Trade-Mark Registrations under the New Trade-Mark Act of 1946*, 3 FOOD, DRUG AND COSMETIC LAW QUARTERLY, 270, 276 (1948).

⁶ The 1946 Act was approved July 5, 1946, but its effective date was July 5, 1947. The Hawkes Bill (S. 1919, 80th Cong., 1st Sess. (1947)), provides that no incontestable right shall be acquired before July 5, 1954, but the bill died with the Eightieth Congress. A similar change has been approved by the House of Delegates of the American Bar Association (see 33 A.B.A.J. 477 (1947)), the purpose being to avoid a race for incontestability.

⁷ H. R. 9041, 75th Cong., 3d Sess. (1938), §§13 and 14, in substance provided that a properly registered mark not previously abandoned could not be canceled or otherwise attacked for any reason after five years.

⁸ A synopsis of the progressive change in the Act through successive versions is given in ROBERT, *op. cit. supra* note 5, at 133. The most significant of these changes is that in Section 33(b)(7), 60 STAT. 438, 15 U.S.C. §1115(b)(7) (1946), making it a defense to an infringement suit to show that a mark is used to violate the antitrust laws. This last-minute change has generally been regarded as casting a very serious cloud over the value of any "incontestable" mark, although in fact it does not have the reach which most critics have read into it, and if it did it would be merely a statutory expression of a most elementary principle of the rule of equity known as the doctrine of "unclean hands."

regards the right of a party to sleep on his rights and subsequently to use those rights to the detriment of another. Statutes relating to adverse possession of real property may be traced long years back into the common law, and it is hornbook law that the owner of realty may not sit idly by and let another use the property, innocently or otherwise, for an indefinite period of time and then at his pleasure shake down the intruder by effective threats of legal action. Statutes requiring purchasers of land to record their conveyances as a condition precedent to good title against subsequent purchasers without notice are even more analogous to the "incontestability" provisions of the trade-mark act. We do not speak of the right of the adverse possessor or recorded owner as having acquired "incontestability," but it is a form of incontestability and rights of this kind in realty are "incontestable" to a far greater degree than the rights afforded in the Trade-Mark Act.

In many respects, the judicial and Patent Office approach to trade-mark rights has failed to recognize that the same considerations governing statutes of limitations and recording of deeds of real property demand a similar approach to trade-marks. The standard example of this myopic attitude is that of the *White House Milk* case,⁹ where the registered trade-mark "White House," applied to milk, was canceled after more than twenty years of use. There the Patent Office reviewing court, following its own prior decisions and decisions of the Patent Office, held that the term "at any time," as used in the 1905 Trade-Mark Act with reference to cancellation, barred the equitable defense of laches in such a proceeding. Thus judicial approval was bestowed upon a non-registering trade-mark user who knew of the trade-mark use of the registrant for many years and who suddenly decided to cancel the registered mark without any reason for so doing that was not available many years before. A weapon of this kind in the hands of the unscrupulous hardly contributes to promotion of honest industry.¹⁰

It is true that trade-mark infringement suits are traditionally brought in courts of equity, where the equitable defense of laches may be raised, and that judicial discretion accordingly tempers the harsh decisions that might otherwise evolve. But even here the protection afforded the innocent registrant who builds up good will about his mark leaves much to be desired, since in the absence of knowledge there can be no laches and even in the presence of knowledge the discretionary nature of the defense precludes the degree of certainty that should be possible in connection with trade-mark rights.¹¹ In related fields of law, such as that of real prop-

⁹ *White House Milk Products Co. v. Dwinell-Wright Co.*, 111 F. 2d 490 (C.C.P.A. 1940). It is significant that a court subsequently refused to enforce the mark upon which cancellation was based, on the ground of laches. *Dwinell-Wright Co. v. White House Milk Products*, 132 F. 2d 822 (C.C.A. 2d 1943).

¹⁰ Practitioners in the field of trade-mark law frequently experience situations wherein an early user of a desirable mark maintains his use of the mark but otherwise sits idly by while a large organization at much expense builds up good will in it. The latter thereafter is forced to buy out the early user on his terms or risk loss of the entire investment.

For criticism of the 1946 Act based on the possibility of similar use of a mark registered under the 1946 Act, see Robertson, *supra* note 3.

¹¹ Moreover, laches is a dangerous defense in a trade-mark suit, for the defense, when sustained, may lead to loss of rights in both marks. See HARRY D. NIMS, *UNFAIR COMPETITION AND TRADE-MARKS* 1289 (4th ed. 1947).

erty, a judicial yardstick for an evaluation of the permissible delay has been supplied by statutes of limitations and has resulted in a tolerable degree of certainty. Recording statutes have likewise specified definite time limitations within which adverse claimants must speak. In trade-mark infringement the only yardstick is the individual judge's sense of discretion, and that varies with every judge in every court.

The legislative history of the 1946 Trade-Mark Act affords ample substantiation for the view that the incontestability concept was predicated on the basic philosophy that there is a time when trade-mark rights should be definitely fixed. After a deviation during the early stages of consideration of the Act, this time was set at five years,¹² provided the registrant fulfills certain conditions directed to the protection of other users. These conditions, set out specifically in Section 15 of the Act,¹³ require, *inter alia*, that the mark be on the principal register for at least five years and that an affidavit of at least five years' continuous use be filed with the Patent Office. These conditions are dictated by the basic necessity of exclusive use as a vital prerequisite to acquisition of any trade-mark rights, so that we in effect have a five-year period during which adverse rights must be asserted, subject to statutory provisions directed to the establishment of the existence of the trade-mark rights. While the protection so defined is qualified, it nevertheless brings the trade-mark law at least one step closer to the concepts of property law generally.

Not only can the origins of the 1946 Trade-Mark Act be traced to analogous concepts in other fields of law, but directly analogous provisions can be found in the laws of England.¹⁴ These provisions were first introduced in Section 3 of the British Act of 1875¹⁵ and have remained in the British law ever since, despite legislative changes and judicial decisions which have tempered the original broad language to a restricted concept of considerably less scope than the "incontestability" provided for in the 1946 Trade-Mark Act.

Briefly, Section 3 of the British Act of 1875 and Section 76 of the Act of 1883¹⁶ provided that registration was conclusive evidence of the right of the proprietor to the exclusive use of the mark after the expiration of five years following registration. However, the courts greatly limited the significance of these broad provisions by holding that an application for "rectification of the Register" could be sustained

¹² Ten years was the time provided in H. R. 102, 77th Cong., 1st Sess. (1941), §§14 and 15.

¹³ "Except on a ground for which application to cancel may be filed at any time under subsections (c) and (d) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register 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 under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, . . ." 60 STAT. 433, 15 U.S.C. §1065 (1946).

¹⁴ An excellent general discussion of the provisions of the British acts relative to incontestability will be found in SUBBIAH VENKATESWARAN, *LAW AND PRACTICE UNDER THE TRADE-MARKS ACT, 1940* (1945), especially at 548. This book deals with the Indian trade-mark law but is largely based on British acts and their interpretation.

¹⁵ An Act to Establish a Register of Trade Marks, 38 & 39 VICT., c. 91, §3 (1875).

¹⁶ Patents, Designs, and Trade-Marks Act, 1883, 46 & 47 VICT., c. 57, §76.

upon a showing that the mark was not properly on the register in the beginning.¹⁷

Section 41 of the British Act of 1905¹⁸ altered Section 76 of the 1883 Act so as to give it substantially the scope of the present Section 13(1) of the 1938 Act.¹⁹ In brief, this portion of the 1938 Act now provides that a mark registered for seven years is deemed to be valid for all purposes, including applications for rectification of the Register, unless the registration (1) was obtained by fraud or (2) offends Section 11 of the act. Section 11 provides:

It shall not be lawful to register as a trademark or part of a trademark any matter the use of which would, by reason of its being likely to deceive or cause confusion or otherwise, be disentitled to protection in a court of justice, or would be contrary to law or morality, or any scandalous design.²⁰

The language of Section 11 is so broad that a literal interpretation would nullify the seemingly unequivocal terminology of Section 13(1).²¹ It is hard to conceive of a mark initially unregistrable that does not fall within the broad language of Section 11. However, the courts have made a distinction between purely geographical names, surnames, and descriptive names which have not acquired secondary meaning, and other non-registrable marks. These, it is said, are not, *per se*, disentitled to registration, but at the same time are not registrable because of the provisions of Section 6 of the act.²² While this distinction is highly artificial, since geographical or descriptive names without secondary meaning are hardly entitled to court protection, any other construction of the Act would reduce Section 13(1) to a meaningless provision.

When measured against the provisions of the British act, the "incontestability" of our 1946 Act is broad indeed. Yet the British act does constitute a forerunner of the United States act, and at least in connection with descriptive and geographical marks forms direct precedent reflecting satisfactory experience with the

¹⁷ *Edwards v. Dennis*, 30 Ch. D. 454 (1885); *In re J. B. Palmer's Trade-Mark*, 24 Ch. D. 504 (1883); *Jackson & Co. v. Napper (Re Schmidt's Trade-Mark)*, 4 Rep. Pat. Cas. 45 (1887). An application for "rectification of the Register" corresponds to a cancellation proceeding under the United States law (compare §32 of the British Trade Marks Act of 1938 with §14 of the United States Trade-Mark Act of 1946).

¹⁸ Trade Marks Act, 1905, 5 Edw. VII, c. 15, §41.

¹⁹ Trade Marks Act, 1938, 1 & 2 Geo. VI, c. 22, §13(1).

²⁰ *Id.*, §11.

²¹ "In all legal proceedings relating to a trade-mark registered in Part A of the register (including applications under section thirty-two of this Act) the original registration in Part A of the register of the trade-mark shall, after the expiration of seven years from the date of that registration, be taken to be valid in all respects, unless—

(a) that registration was obtained by fraud, or

(b) the trade mark offends against the provisions of section eleven of this Act."

Trade Marks Act, 1938, 1 & 2 Geo. VI, c. 22, §13(1).

²² An illustration of this distinction may be found in *Imperial Tobacco Co. v. De Pasquale and Co.*, 35 Rep. Pat. Cas. 185 (1918). There the marks "Regimental Cigarettes" and "Regimental" had been registered over seven years. An action was brought under the British Act of 1905 to rectify the Register on the ground that the words were purely descriptive and never should have been registered. It was held that the mere fact that the marks were unregistrable under Section 9 of the 1905 Act because of descriptiveness did not offend Section 11 of that Act. The application was accordingly denied.

concept. Moreover, the British experience with the 1875 and 1883 acts is at least some evidence that unqualified incontestability is probably unworkable.

The statutory definition of incontestability arises in connection with cancellation of registered trade-marks in Patent Office proceedings.²³ The statutory language is broad, but contains a critical exception covering grounds "for which application to cancel may be filed at any time under subsections (c) and (d) of Section 14." The former excepted subsection provides for cancellation of trade-marks generally because (1) the mark has been abandoned, (2) the registration was obtained fraudulently, (3) the registered mark has been assigned and is used by the assignee or with his permission in such a manner as to misrepresent the source of the goods, and a number of other less significant reasons.²⁴ The latter excepted subsection covers certification marks and recites reasons for cancellation peculiar to these marks.²⁵

The rather lengthy numerical list that can be made of exceptions to Patent Office cancellation proceedings on "incontestable" marks leaves the impression that the provision in fact gives little protection to the registrant.²⁶ This feeling is exaggerated when an effort is made to list the bases of cancellation definitely foreclosed by incontestability, as these include only that the mark is descriptive, geographical, or a surname, or that it is confusingly similar to the petitioner's previously adopted mark.

While the imbalance in numbers between the reasons for cancellation specifically exempted from the "incontestability" provisions and those not so exempted has been seized upon by some as a basis for the position that incontestability is of little value, there is reason to doubt that this will turn out in fact to be true. Cancellation proceedings are typically brought because the petitioner is using a mark similar to that of the registered mark on a class of goods with which the registered mark creates confusion and because the petitioner can establish a prior use of that

²³ 60 STAT. 433, 15 U.S.C. §1065 (1946).

²⁴ "At any time if the registered mark becomes the common descriptive name of an article or substance on which the patent has expired, or has been abandoned or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsections (a), (b), or (c) of section 1052 of this title for a registration hereunder, or contrary to similar prohibitory provisions of said prior Acts for a registration thereunder, or if 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 if the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 1062 of this title." 60 STAT. 433, 15 U.S.C. §1064(c) (1946).

²⁵ "At any time in the case of a certification mark on the ground that the registrant (1) does not control, or is not able legitimately to exercise control over, the use of such mark, or (2) engages in the production or marketing of any goods or services to which the mark is applied, or (3) permits the use of such mark for other purposes than as a certification mark, or (4) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.

"PROVIDED, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (d) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required." 60 STAT. 433, 15 U.S.C. §1064(d) (1946).

²⁶ Williamson, *supra* note 3, lists twenty-one exceptions to "incontestability" by reviewing the statutory language and listing separately each exception. However, the resultant list contains many overlapping exceptions to "incontestability." Moreover, it is doubtful that the listed exceptions will prove to have the significance apparently attributed to them, particularly when compared to the significance of the defenses not within the exceptions.

mark. While no comprehensive figures appear to be available on the subject, it is likely that this basis of cancellation accounts for the great majority of the cancellation proceedings.²⁷ For this reason alone it seems unlikely that any conclusion drawn from the numerical weight of the excepted reasons for cancellation as compared with those not excepted will support the argument that "incontestability" is as ineffective as some of its critics have contended.

The statute properly differentiates the effect of "incontestability" in trade-mark infringement suits from its effect in cancellation proceedings. Specifically, the accused infringer is entitled to raise four additional defenses: (1) that the use charged to infringe is a use, otherwise than as a trade or service mark, of the party's individual name in his own business or that of his privy, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographical origin;²⁸ (2) that the infringing mark was adopted without knowledge of the registrant's prior use and has been continuously used from a date prior to publication of the registered mark;²⁹ (3) that the infringing mark was registered and used prior to the publication of the registrant's mark and has not been abandoned;³⁰ and (4) that the mark "has been or is being used to violate the antitrust laws."³¹ Admittedly these additional defenses fortify the arsenal of the defendant, but again there is reason to believe that their ultimate influence on the value of "incontestability" will not be as great as some commentators have predicted.

Upon superficial reading, the first additional defense accorded an accused infringer of an "incontestable" mark might seem to cover all descriptive and geographical trade-mark uses, together with the use of individual names. However, the Act specifically limits the scope of this defense to uses "otherwise than as a trade or service mark" and, in the case of descriptiveness or geographical significance, the mark must be used "in good faith only to describe to users the goods or services of such party, or their geographic origin." This is a personal defense by which the defendant can demonstrate only that *his* use of the mark is not a trade-mark use and, in addition, comes within the ambit of one of the other portions of the section. This is, of course, an entirely different undertaking from demonstrat-

²⁷ A guide to the relative importance of the various reasons for cancellation can be obtained by tabulating the reported appeals within the Patent Office. During the year 1946 (Vols. 68, 69, 70, and 71, U.S.P.Q.) for example, the cancellations involved in appeals to the Commissioner were sought on the following grounds:

Prior use of a confusingly similar mark.....	16
Abandonment	2
Mark comprising petitioner's corporate name.....	2
Descriptiveness	1
Other	1

Admittedly this tabulation is inadequate for statistical purposes, but it does indicate that the reasons for cancellation foreclosed by incontestability will prove to be significant.

²⁸ Section 33(b)(4), 60 STAT. 438, 15 U.S.C. §1115(b)(4) (1946).

²⁹ Section 33(b)(5), 60 STAT. 438, 15 U.S.C. §1115(b)(5) (1946).

³⁰ Section 33(b)(6), 60 STAT. 438, 15 U.S.C. §1115(b)(6) (1946).

³¹ Section 33(b)(7), 60 STAT. 438, 15 U.S.C. §1115(b)(7) (1946).

ing that the plaintiff's mark is the name of a person, or has descriptive or geographical significance. Moreover, the effect of the defense is personal and does not result in invalidity of the mark.

The second two exceptions listed above are directed to the protection of the innocent user. However, both are restricted by the critical limitation that they "shall apply only for the area in which such continuous prior use is proved" or the area of use prior to the date of publication of the allegedly infringed mark.³² Realistic evaluation of the significance of these provisions would indicate that they are directed to avoidance of an *enlargement* of the trade-mark rights because of incontestability rather than a limitation on incontestability as such. It is difficult to see why a trade-mark user in a limited area prior to registration of the allegedly infringed mark should be stopped from this limited use by one who has registered the mark on the basis of use in an entirely different area. Such an attempted extension of the rights of the owner of the "incontestable" mark would raise serious constitutional questions.

Can a person who has one of the above defenses register the mark in his own right? Under the broad concurrent-use provisions of the statute it would seem that such registration is in fact possible to one who otherwise satisfies the statute, in as much as the statutory language in this respect requires only that the applicant have the right to exclusive use in his own territory.³³ This is, of course, a rather obvious necessity if the Act is to provide the consistency between trade-mark registration and trade-mark rights that it purports to introduce. Viewed differently, if a trade-mark user is to achieve an opportunity for a concurrent-use registration by reason of the situations set forth in Sections 33(b)(5) and 33(b)(6) he certainly should be entitled to defend a trade-mark infringement suit brought on his registrable mark to the extent such a registration is effective. It seems difficult to criticize these exceptions to "incontestability" if concurrent uses and registrations are to be recognized in the statute.³⁴

The defense to an "incontestable" mark that it "has been or is being used to violate the antitrust laws of the United States" has been the source of considerable comment and has given rise to differences of opinion as to the rights of the trade-mark owner in such a situation. The provision was inserted at the last minute before passage of the Act in response to those who argued that the Act would lead

³² Notes 29 and 30, *supra*.

³³ ". . . the Commissioner may register as concurrent registrations the same or similar marks to more than one registrant when they have become entitled to use such marks as a result of their concurrent lawful use thereof prior to any of the filing dates of the applications involved and the Commissioner or the 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 or the goods in connection with which such registrations may be granted, which conditions and limitations shall be prescribed in the grant of the concurrent registrations thereof . . ." Trade-Mark Act of 1946, §2, 60 STAT. 428, 15 U.S.C. §1052(d) (1946).

³⁴ It should be noted, however, that a concurrent-use registration demands a finding that there will be no confusion or deceit of purchasers. Such a finding is unnecessary to sustain the defenses of Sections 33(b)(5) and 33(b)(6).

to future antitrust violations.³⁵ As is typical of such tardy statutory changes, this portion of the Act leaves something to be desired by way of clarity, and little information can be found in the Congressional history of the Act relating to this provision.

Extreme views have been taken in connection with the antitrust defense to an "incontestable" mark,³⁶ and it has even been suggested that a registrant having a valid 1905-Act mark should deliberately refuse to republish under the new Act and to procure "incontestability," to avoid difficulties in this regard.³⁷ In the opinion of the authors, there is little justification for the latter position. In the first place, it is doubtful that Section 33(b) contains the degree of ambiguity necessary to justify judicial reference to extraneous matter for interpretation. The statute specifically states that "if the right to use . . . has become incontestable . . . the certificate shall be conclusive evidence of the registrant's exclusive right to use . . . except when one of the following defenses . . . is established: . . . (7) That the mark has been or is being used to violate the antitrust laws of the United States. . . ." This apparently means just what it says: when the mark has been or is being used to violate the antitrust laws and that fact is proved, the certificate no longer is conclusive evidence of the exclusive right to use. Nothing short of a complete reconstruction of the wording would serve to justify the conclusion that this means something more, namely, that the mark is unenforceable or invalid.³⁸ Its unen-

³⁵ The antitrust violation exception to incontestability first appeared in Sen. Rep. No. 1333 of the Senate Committee on Patents, dated May 14, 1946. One of the amendments proposed in the report comprised the insertion of the following language after what is now Section 33(b)(6):

"(7) That the mark has been or is being used in violation of the antitrust laws of the United States."

This amendment was considered in conference and the terminology embodied in the Act adopted.

³⁶ The following passage from DERENBERG, *PREPARING FOR THE NEW TRADE-MARK LAW 13* (1946), is indicative of the broad possibilities attributed by some to this provision of the act:

"There is no way of telling to what extent this innocent-looking amendment may change our substantive law of trade-marks. Would it, for instance, permit the government to intervene in a pending infringement action and claim that the plaintiff's trade-mark is invalid because it is being used in violation of the antitrust laws? If a large company like General Electric sued a deliberate infringer of its 'Mazda' trade-mark, should relief be withheld by the court merely upon the defendant's argument that the trade-mark 'Mazda' has been the object of antitrust litigation for more than 10 years?"

The following passage from Diggins, *The Lanham Trade-Mark Act*, 35 *Geo. L. J.* 147, 195 (1947), is indicative of the opposite view regarding §33(b)(7):

"The fact that Section 33(b) limits the defenses against an incontestable mark to seven specific issues is possibly not conclusive. It is difficult to imagine an equity court granting injunctive relief to a registrant who comes into court with unclean hands, even though the defendant is unable to establish one of the seven specific defenses listed in Section 33(b). Other equitable doctrines such as laches and estoppel would probably also preclude injunction and damages in the case of an incontestable mark. However, there is always the possibility that the courts might give the Act a strict and technical construction, precluding any defense except those specifically enumerated."

³⁷ This may account for the surprisingly small number of replications made under the new Act. This experience has, however, been attributed primarily to other factors. See Derenberg, *supra* note 5, at 274.

³⁸ The position has been taken, however, that an antitrust violation is a complete bar to recovery for trade-mark infringement under Section 33(b)(7). The following passage from Handler, *Trade-Marks and Anti-trust Laws*, 38 *T. M. Rep.* 387, 395 (1948) expresses this view:

"Is the effect of anti-trust violation merely to nullify incontestability? The structure of Section 33 gives superficial support to this view. Contrast, however, the other defects and defenses. If a registration is proved to have been fraudulently obtained, will it be deemed *prima facie* evidence of the registrant's exclusive right in the mark or will the plaintiff be barred any relief whatever by virtue of

forceability may arise from its improper use, as a consequence of that use under the doctrine of "unclean hands," but the statute does not create any such defense.

Reference to the legislative history of the Act, even if proper, sheds little light on the question of the effect of an antitrust violation. The provision was inserted immediately before passage, and there are only a few perfunctory remarks concerning it in the last reports of the bills. However, the Statement of the Managers on the part of the House in Conference Committee, rendered just before the passage of the Act, declares that the amendment as to the antitrust law "does not and is not intended to affect the validity of the mark nor affect the right of the registrant to continue to use or enforce his rights in the mark."³⁹ Unfortunately, the seemingly unequivocal terminology of this statement is clouded by statements made on the Senate floor.⁴⁰

Practically speaking, the foregoing analysis is of little more than academic significance, since there is every reason to believe that the courts will refuse to enforce trade-mark rights when such enforcement aids a violation of the antitrust laws. The doctrine is well settled in a long line of cases that if a patentee or copyright owner uses the patent or copyright monopoly in such a manner as to violate the antitrust laws, the relief otherwise available against infringers will not be granted.⁴¹ A similar rule appears clearly applicable to the trade-mark cases, particularly in the situation where the trade-mark is used as a lever to control the manufacture and

his unclean hands? Or, at the very least, will not his fraud deprive him of any rights flowing from registration, throwing him back on his common law rights, if any? Or if it be proved that the registrant has abandoned his mark, will not judgment be entered for the defendant? In sum, the defenses listed in Section 33 seemingly relate to the ultimate disposition of the litigation, not to the mere nullification of incontestability rights. Is it not clear, therefore, that the anti-trust defense likewise is a complete bar to recovery? Moreover, as a matter of principle, if it be established that a mark is the device by which the anti-trust laws are flouted, is the court likely to accord it judicial protection?"

It seems to the authors, however, that this construction of the 1946 Trade-Mark Act is contrary to accepted principles of statutory construction. If violation of the antitrust laws was intended to be a complete defense to a trade-mark infringement suit, why does the Act list this only as an exception to "incontestability"?

Superficially it might seem that this is a distinction without a difference, for the courts are not likely to protect a trade-mark used directly to violate the antitrust laws (see notes 41 and 42, *infra*). However, it is important to the registrant in deciding whether to take advantage of the "incontestability" provisions of the 1946 Act. If Section 33(b)(7) merely places "incontestable" marks on the same footing as other marks when an antitrust violation is shown, it is immaterial whether the mark is registered under the 1905 Act, the 1946 Act, or not registered at all, in so far as subsequent proceedings are concerned. Applying this line of reasoning, there is no point in deliberately giving up the advantages of incontestability on the theory that it opens a defense not otherwise available.

It is interesting that Professor Handler agrees that the status of an antitrust violation as a defense to an infringement action does not depend on the nature of the registration of the mark. See Handler, *supra*, at 396.

³⁹ 92 CONG. REC. 7523 (1946).

⁴⁰ 92 CONG. REC. 7873 *et seq.* (1946). Senator O'Mahoney declared, "The point I wish to make perfectly clear is that the use of such a mark to violate the antitrust laws, constitutes a defense in an infringement suit." However, he then read, and apparently approved, the statement of the House Managers, which unequivocally declares to the contrary. To say the least, this phase of the legislative history of the Act is in a highly ambiguous state.

⁴¹ See S. C. OPPENHEIM, *CASES ON FEDERAL ANTI-TRUST LAWS* 637 *et seq.* (1948), and especially *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942) (patents); *United States v. Paramount Pictures, Inc.*, 334 U. S. 131 (1948) (copyrights).

sale of commodities outside the scope of the monopoly of the mark.⁴² It is not believed that anything short of an express statutory provision rendering this rule inapplicable to trade-marks will prevent the courts from expanding the application of the doctrine to this field.⁴³

The foregoing analysis is supported by the statement of the Conference Committee, which declared that the amendment "does not and is not intended to enlarge, restrict, amend or modify the substantive law of trade-marks, either as set out in other sections of this Act or as heretofore applied by the Courts. . . ."⁴⁴

What proximate relationship must exist between the antitrust violation and the trade-mark use to make Section 33(b)(7) applicable? The Act is ambiguous on this point, but Congressman Lanham declared immediately after its passage that the trade-mark must be "the legal, causal, and efficient instrumentality to violate the antitrust laws."⁴⁵ This rule seems clear and is consistent with the analogous

⁴²This point was raised and argued in *California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F. 2d 971 (C.C.A. 7th 1947), but the court decided the case on other grounds. The basis for the argument in this case was that the franchise system used by the plaintiff to permit bakers to use the name "Sunkist" on bread embodied control over products outside the scope of the trade-mark, including the specific content of the bread and the source of the wrappers bearing the trade-mark.

In *Folmer Graflex Corp. v. Graphic Photo Service*, 41 F. Supp. 319 (D. Mass. 1941), the defendant was charged with trade-mark infringement. He answered that the plaintiff had unclean hands and, in addition, was a member of a combination in violation of the antitrust laws. On motion to strike these defenses, Judge Sweeney declared:

"I therefore conclude that such portion of the defendants' fourth defense as alleges that the plaintiff is a member of an illegal combination should be stricken from their answer as it is not a matter of defense. Such portion of the fourth defense as charges the plaintiff with 'unclean hands' may be retained in the answer. An amended fourth defense should be filed in accordance with this decision. The allowance of the plaintiff's motion to strike the first part of the defendants' fourth defense is not intended as decisive of anything other than its value as a legal defense. It well may be that on the question of 'unclean hands,' evidence of such a conspiracy or combination in restraint of trade may be admissible to bar the plaintiff's right to the equitable relief sought." *Id.* at 320.

⁴³It is possible to draw a distinction between the patent and copyright improper-use cases and a *per se* violation of the antitrust laws. In fact, some have taken the position that such improper use of the mark does not come within Section 33(b)(7), apparently on this theory. See Diggins, *supra* note 36.

At one time the foregoing distinction could be predicated on the decided cases, but recent decisions cast a serious cloud on it. The issue was raised in *International Salt Co. v. United States*, 332 U. S. 392, (1947), but the court did not clearly decide it. See Notes, 16 GEO. WASH. L. REV. 568 (1948); 57 YALE L. J. 1298 (1948); 48 COL. L. REV. 733 (1948). The holding on block booking of films in the *Paramount* case is directly in point and resolves any doubt that use of a patent or copyright monopoly to cover commerce outside the monopoly is *per se* a violation of the antitrust law. *United States v. Paramount Pictures et al.*, *supra* note 41.

In *United States v. Columbia Steel Co.*, 334 U. S. 495 (1948), the Court by way of dictum stated that if a complaint charges licensing of "a patented device on condition that unpatented materials are employed in connection with the patented device, then the amount of commerce involved is immaterial because such restraints are illegal *per se* . . ."

⁴⁴See note 39, *supra*.

⁴⁵92 CONG. REC. 7524 (1946). Congressman Lanham further stated:

"A registrant of a trade-mark might violate the antitrust laws by entering into an agreement to restrict output or to suppress competition and yet the use made by the registrant of his trade-mark in his business might have no legal, causal or efficient relation to the violation of these laws. The relation of the trade-mark to these illegal acts might be purely physical or coincidental. If a trade-mark should be used [as] the legal, causal and efficient instrumentality to effect a contract, agreement or arrangement which violates the antitrust laws, then the actual use of the mark to carry out such a scheme would constitute a use in violation of the antitrust laws; but if the mark is in no true sense an essential legal element of the unlawful conduct, then the fact that the registrant may have violated the antitrust laws would not bring paragraph (7) of paragraph (b) of section 33 into operation."

patent and copyright decisions: If the antitrust violation involves direct use of the mark it is relevant and a defense; if the antitrust violation relates to some other aspect of the owner's activities it is no defense.⁴⁶ As in the patent and copyright decisions, it should not be material that the antitrust violation in fact relates to use of the mark in connection with a person not a party to the suit.⁴⁷

The foregoing is an adequate answer to those who contend that the effect of Section 33(b)(7) is to give the defendant-infringer an opportunity to roam at will over the business affairs of the plaintiff. The test of relevancy of evidence under this section would appear to be the same as the test as to evidence to prove improper use of the mark, and this portion of the Act cannot therefore be regarded as enlarging the range of inquiry available in this manner.⁴⁸ Moreover, it is not out of place to note that a defendant seeking to gain access to the affairs of a plaintiff could do so much more readily by simply entering a counterclaim based on a general violation of the antitrust laws. It would seem that a plaintiff with an antitrust skeleton in his closet would do better to spend his efforts clearing up his violation of the law rather than to concern himself with the incidental effects of Section 33(b)(7).

The benefit derived from incontestability in an infringement suit can best be appreciated by consideration of two recent decisions. In one of these a court gave little weight to the presumption of validity of a mark and held it invalid as descriptive, and in the other one the court indicated by dictum that under the new Act a counterclaim for cancellation of a mark as descriptive may be entertained. The former case, *National Nu Grape Company v. Guest*,⁴⁹ was decided by the Court of Appeals for the Tenth Circuit and involved the word "NuGrape." This word was registered under the 1905 Act in 1923, over twenty years before the infringement action. The court held the "NuGrape" mark invalid as descriptive, passing over the presumption of validity attendant upon the registration with the following summary statement:

The facts of *United States v. Timken Roller Bearing Co.*, Civil 24214, N. D. Ohio, furnish an illustration of the direct use of trade-mark rights to effect an antitrust violation. There an agreement between an American, a British, and a French company provided for allocation of territories and other competitive controls. To implement and enforce the agreement it was provided that the name "Timken" would be used exclusively by the British and French companies, but that if the agreement was canceled no further use would be made by them of the name. The government is contending that use of the mark in this fashion to maintain cartel control violates the antitrust law. It is difficult to see how a control of this type can fairly be regarded as "collateral" so as to avoid the application of familiar doctrines of equity which would render the mark unenforceable in equity.

⁴⁶ *Cf. D. R. Wilder Mfg. Co. v. Corn Products Refining Co.*, 236 U. S. 165 (1915), and *Bruce's Juices v. American Can Co.*, 330 U. S. 743 (1947), with *Morton Salt Co. v. Suppiger*, *supra* note 41.

⁴⁷ See *Morton Salt Co. v. Suppiger*, *supra* note 41.

⁴⁸ It can be argued that the terminology of Section 33(b)(7) making it a defense to "incontestability" that the mark "has been or is being used to violate the antitrust laws" opens up evidence of former use of the mark not otherwise admissible. However, it is doubtful that such evidence could be kept out even in the absence of the statute, for the defendant would argue that the plaintiff has not sufficiently "purged" itself, thus making the evidence of former antitrust violation relevant.

⁴⁹ 164 F. 2d 874 (C.C.A. 10th 1947). The significance of this case is discussed in *Derenberg, The Status of Existing Trade-Mark Registrations under the New Trade-Mark Act of 1946*, 3 FOOD, DRUG AND COSMETIC LAW QUARTERLY 270, 281 (1948).

It is well established that the mere registration of a term as a trademark does not establish that term as a valid trademark. Registration gives rise to a presumption of validity but such presumption is rebuttable. When a trademark is questioned, its validity must be established.⁵⁰

The second case referred to above⁵¹ involved the mark "Lilliputian Bazaar," continuously used by Best & Company since 1879 and registered under the ten-year provision of the Act of 1905. It was contended by way of counterclaim that the mark was descriptive and should be canceled. The majority of the court, Judge Clark dissenting, declared by way of dictum that under the 1946 Act such a counterclaim would be entertained. The court actually held, however, that under the 1905 Act such a counterclaim could not be made and hence the matter could not be inquired into. However, the court held that the expression "Miller's Lilliputian Shoppe," used by a competing store across the street from the plaintiff, did not infringe the mark.

Each of the foregoing cases involves the defense of descriptiveness. This is a defense definitely foreclosed by "incontestability," with the single exception of a non-trade-mark descriptive use of the type covered by Section 33(b)(4).

SUMMARY

What is the real value of "incontestability"? As stated at the outset, final conclusions in this regard are now premature and will continue to be so for a period of some years. Nevertheless, it seems clear that the doctrine does afford the trademark owner a number of advantages. Moreover, it is hard to believe that the effect of "incontestability" will be to detract in any way from the protection otherwise associated with the mark. On the plus side of "incontestability" must also be weighed the fact that the Patent Office has been given a new and unequivocal statutory direction to refuse to entertain tardy cancellation proceedings based on the most frequently encountered reasons for cancellation, a doctrine that long ago should have been part of the trade-mark law. Moreover, foreclosing these defenses in an infringement action frees the trade-mark owner from the vagaries otherwise associated with the doctrine of laches and gives the trade-mark owner protection analogous to that accorded the record owner of realty. If our public policy is to continue to be that of encouraging rather than discouraging honesty in business and the establishment of good will associated with a mark, it seems obvious that from this standpoint "incontestability" is sound.

On the negative side of "incontestability" can be cited the plight of the innocent second user of a trade-mark who cannot come within the ambit of Section 33(b)(5) or Section 33(b)(6). Admittedly, there is a possibility of a harsh situation in this regard. But is it any harsher than the plight of the landowner who fails to discover an adverse possessor on his property until too late, or the purchaser of realty who fails to check the title records to determine the record owner? This is the price

⁵⁰ National Nu Grape Co. v. Guest, 164 F. 2d 874, 876 (C.C.A. 10th 1947).

⁵¹ Best & Co. v. Miller, 167 F. 2d 374 (C.C.A. 2d 1948).

that must be paid for certainty in property law generally as well as in trade-mark law, and it is too late now to contend that the ultimate public good is not subserved by an appropriate period of limitations. Also on the negative side of "incontestability," a case may be made out for the rather large number of exceptions to the doctrine, and it may be that these will some day become important. However, the three principal defenses to trade-mark infringement—confusing similarity, geographicalness, and descriptiveness—are definitely foreclosed, and this alone provides a considerable degree of protection.

Whatever the ultimate outcome of the "incontestability" concept may be, it is believed clear that by these provisions of the new trade-mark law its authors made a valuable addition to the statutory law of trade-marks which will be of ultimate benefit to the public. If statutory or judicial modifications of the doctrine become necessary, it can be hoped that their character will be such as not to detract from the basic objective of increasing the reliability of trade-mark rights, an objective which dictated insertion of the "incontestability" provisions in the Act and which will in substantial measure be achieved by the present provisions.