


10-1-1966

Trade Regulation—Unfair Competition—Concurrent Rights to Trade Names.—Food Center, Inc. v. Food Fair Stores, Inc.

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Recommended Citation

Walter Angoff and Alan S. Goldberg, *Trade Regulation—Unfair Competition—Concurrent Rights to Trade Names.—Food Center, Inc. v. Food Fair Stores, Inc.*, 8 B.C.L. Rev. 168 (1966), <http://lawdigitalcommons.bc.edu/bclr/vol8/iss1/13>

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the disease.³⁵ The overall purpose of the Clayton Act and section 7 was to preserve the competitive environment of American business.³⁶ Two of the main characteristics of such an environment are ease of entry³⁷ and incentive for growth.³⁸ But making the possibility of exit by merger increasingly more difficult for a firm that has grown over a long period of time could create an adverse effect on the ease and attractiveness of entry for others.³⁹ Likewise, if the possibilities of expansion by merger become too limited for a firm already in the market, there might be an adverse effect on growth incentive.⁴⁰

If the Court would draw the line with these two cases, then it seems unlikely that there will be any serious problems, and a per se rule would be helpful to those desiring to expand or to exit by merger, as well as those who want to take advantage of the expansion and exit of others. If, however, the Court is going to presume the illegality of mergers with smaller resulting market shares and lower concentration levels than those in *Von's* and *Pabst*, it seems that a per se rule in section 7 cases would be undesirable.

WALTER ANGOFF

Trade Regulation—Unfair Competition—Concurrent Rights to Trade Names.—*Food Center, Inc. v. Food Fair Stores, Inc.*¹—New England Food Fair (New England) is a local supermarket chain doing business in the Boston, Massachusetts area. Food Fair Stores, Inc. (Food Fair) is a fifteen-state supermarket chain seeking to expand into Massachusetts under the "Food Fair" trade name. New England sued Food Fair to prevent this expansion. Food Fair counterclaimed, seeking to enjoin the use of the words "Food Fair" by New England. This is the second time these parties have litigated their respective rights to the disputed words. In 1948, in the first litigation,² Food Fair, then operating in seven states and actively contemplating expansion into Massachusetts under the "Food Fair" trade name, sought to pre-

³⁵ See Kaysen & Turner, *op. cit.* supra note 15, at 143.

³⁶ *Brown Shoe Co. v. United States*, supra note 14, at 320.

³⁷ Kaysen & Turner, *op. cit.* supra note 15, at 71-73.

³⁸ *Id.* at 85-86:

The essential danger [of too stringent an antitrust policy] arises from the fact that an attack on market power that relies heavily on dissolution and divestiture is an attack on achieved growth, and may be viewed as a threat against further growth. In our economy, growth is the badge of entrepreneurial success, and the achievement of growth is an important stimulus to entrepreneurial effort. Any limitation of growth may thus have wide repercussions on the general efficiency of enterprise far beyond the firms directly affected by particular antitrust proceedings.

³⁹ *Id.* at 127-28.

⁴⁰ *Ibid.*

¹ 356 F.2d 775 (1st Cir. 1966).

² *Food Fair Stores, Inc. v. Food Fair, Inc.*, 83 F. Supp. 445 (D. Mass. 1948), 17 *Geo. Wash. L. Rev.* 576 (1949), 24 *N.Y.U.L. Rev.* 929 (1949), 28 *Texas L. Rev.* 283 (1949), 98 *U. Pa. L. Rev.* 604 (1950).

vent New England from doing business as "Food Fair, Inc." New England had adopted this name with knowledge of Food Fair's prior use and expansionary activities, but intended to benefit from the primary rather than the secondary meaning of the words.³ Prior to New England's use, the latter meaning had, within Massachusetts, denoted Food Fair exclusively.

In this first litigation, federal district court Judge Wyzanski, analyzing the anti-dilution statute upon which relief was granted,⁴ found that it created two new substantive rights. The first of these rights afforded relief against the unauthorized use of one's trade name, regardless of the quality of the appropriator's goods or services. Judge Wyzanski held that direct competition between the parties and customer confusion were not elements of the new cause of action. In addition, one need not have done business in the state: a reputation elsewhere and an expectation of doing business in the state would suffice.⁵ The injury was stated to be the borrowing of the plaintiff's reputation and this injury would exist regardless of whether the borrower tarnished the plaintiff's reputation or diverted any of his customers.⁶ The other newly created right protected a trade name against loss of "the essential or characteristic quality inherent in any valid trade name after it has acquired a distinct secondary meaning."⁷ No further discussion of this right was undertaken.

New England was enjoined from using the words "Food Fair" unless it prefaced them with a distinctive word or words. The name "New England Food Fair" was chosen, and has been used ever since. Both parties appealed; Food Fair assigned as error the limited scope of the relief, and New England asserted that no relief should have been granted.

The court of appeals affirmed, characterizing the injury as solely that of "dilution . . . of the plaintiff's mark, *i.e.* the destruction of that mark's special signification, or secondary meaning, of the plaintiff's stores."⁸ Express provision was made for future modification of the decree:

Should the plaintiff expand its chain into Massachusetts and the parties come into direct competition, then it may be that the relief granted would not give the plaintiff adequate protection [T]he parties are not irrevocably bound by the decree as it stands. If the circumstances change the court below is open to the plaintiff to seek modification of the present decree⁹

³ 83 F. Supp. at 449.

⁴ Mass. Gen. Laws Ann. ch. 110, § 7A (1958):

Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trademark shall be a ground for injunctive relief in cases of trademark infringement or unfair competition, notwithstanding the absence of competition between the parties or of confusion as to source of goods or services.

Federal jurisdiction was predicated on diversity, not the Lanham Act, since Food Fair's trade name was not registered under that act.

⁵ 83 F. Supp. at 451.

⁶ *Ibid.*

⁷ *Ibid.*

⁸ *Food Fair Stores, Inc. v. Food Fair, Inc.*, 177 F.2d 177, 182 (1st Cir. 1949).

⁹ *Id.* at 185-86.

By 1962, circumstances *had* changed,¹⁰ and New England, invoking the aid of the same anti-dilution statute which led to the adoption of its present name, initiated the instant litigation in an attempt to reserve for itself the exclusive right to use the words "Food Fair" in Massachusetts.

District court Judge Wyzanski, once again faced with these parties, dismissed both the complaint and the counterclaim.¹¹ He stated that since New England had knowingly started business with a court-inflicted handicap, it would not now be permitted to divest itself of this handicap.¹² Dismissing the counterclaim, he stated that Food Fair could not now deprive New England of the benefit of the 1948 judgment, *i.e.*, the right to do business in Massachusetts under the New England Food Fair trade name.¹³

Again, as in 1948, both parties appealed.¹⁴ New England asserted that Food Fair had not yet opened a retail supermarket in Massachusetts under the "Food Fair" trade name, and that this inaction had cost Food Fair its right to expand into Massachusetts under that name. The determinative factor was alleged to be the conduct of both parties since the 1948 decree; the only just result would be "apportionment of mutually exclusive territory between the parties."¹⁵

Food Fair disputed its opponent's claim, and characterized the 1948 decree "as merely a limited and revocable authorization to use a phrase such as 'New England Food Fair,'" until the parties entered into direct competition.¹⁶ Each party claimed that the earlier decree had reserved for *it* the right to seek modification.¹⁷ HELD: Judgment vacated, cause remanded for further proceedings. The court of appeals recognized, as did the district court, that each party had rights to the disputed words, but felt that Food Fair's rights were greater, and that each party's rights should be more clearly defined and expressly limited.¹⁸ The case was remanded to the district court for a determination of the area in which the name "New England Food Fair" has developed a significant secondary meaning; New England's use of the name would then be restricted to this area, and Food Fair would be free to operate throughout Massachusetts under its present name. The extent of the area of concurrent use, the time within which the parties must act so as to retain their respective rights therein, and the manner in which such operation should be carried out was also left for determination by the district court. Concerning the manner of operation, the appellate court noted that New

¹⁰ Food Fair has, since 1948, grown from the nation's eighth largest grocery supermarket chain to the fifth largest, with sales volume increasing from \$150 million to \$1,100 million and numbers of Food Fair stores increasing from 103 to about 500. It has added eight new states to the seven as of 1948. New England has expanded from one supermarket in 1948, to three . . . , a liquor store in Boston, and a warehouse.

356 F.2d at 777.

¹¹ *Food Center, Inc. v. Food Fair Stores, Inc.*, 242 F. Supp. 785 (D. Mass. 1965).

¹² *Id.* at 787.

¹³ *Ibid.*

¹⁴ *Food Center, Inc. v. Food Fair Stores, Inc.*, 356 F.2d 775 (1st Cir. 1966).

¹⁵ Brief for New England, p. 23.

¹⁶ Brief for Food Fair, p. 17.

¹⁷ Brief for New England, pp. 12-13; Brief for Food Fair, pp. 17-18.

¹⁸ 356 F.2d at 783-84.

England's out-of-store advertising now subordinates "New England Food Fair" to the name "BI-LO," and suggested that the district court might require the continuation of this subordination so as to "allow summary redress should the time come when New England's promotional activities appear to parallel too closely those of Food Fair."¹⁹

The 1948 litigation between these parties had presented Judge Wyzanski with the first reported judicial opportunity to interpret an anti-dilution statute. These statutes, since enacted in Connecticut,²⁰ Georgia,²¹ Illinois,²² and New York,²³ provide a ground for relief in cases of dilution of trade-marks or trade names even where the parties are not in competition, and where there is no confusion. The dilution injury is often referred to as "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods."²⁴ With few exceptions, anti-dilution statutes have been restrictively construed by the courts, indicating a judicial reluctance to grant relief where the confusion or competition element is lacking.

There are two reported Massachusetts state court interpretations of the statute. In *Skil Corp. v. Barnett*,²⁵ the Supreme Judicial Court stated that relief may be granted under the statute if the plaintiff can establish that his name has acquired a secondary meaning in Massachusetts, and that there is a "reasonable probability that the defendant, even in the absence of actual competition with the plaintiff, by use of the name may detract from the reputation created by the plaintiff in connection with its trade name or marks."²⁶ The plaintiff, a manufacturer of power tools, was able to enjoin the use of the word "Skil" by the defendant hardware manufacturer, until the latter added a distinctive preface to its name. Although the court appears to have recognized the nature of the dilution injury, the relief granted was not adequate; since the plaintiff's name could still be used by defendant, the distinguishing preface would not protect the plaintiff's name against dilution.

The second case represents a more liberal interpretation of the statute. In *Great Scott Food Mkt., Inc. v. Sunderland Wonder Inc.*,²⁷ the plaintiff, a Rhode Island discount food chain contemplating expansion into Massachusetts, successfully enjoined the use of its prior-adopted trade name by a Massachusetts discount food chain. The court analyzed the statute, and ruled that competition and confusion were not elements of a successful claim for relief.²⁸ Although the court did not state whether a plaintiff was required

¹⁹ Id. at 784.

²⁰ Conn. Gen. Stat. Ann. § 35-111(c) (1963).

²¹ Ga. Code Ann. § 106-115 (1956).

²² Ill. Ann. Stat. ch. 140, § 22 (Smith-Hurd Supp. 1965), *Polaroid Corp. v. Polaroid, Inc.*, 319 F.2d 830 (7th Cir. 1963).

²³ N.Y. Gen. Bus. Law § 368D, *Cue Publishing Co. v. Colgate-Palmolive Co.*, 45 Misc. 2d 161, 256 N.Y.S.2d 239, aff'd, 23 App. Div. 2d 89, 259 N.Y.S.2d 377 (1965).

²⁴ Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927). See generally Comment, *Dilution: Trademark Infringement or Will-O'-The-Wisp?* 77 Harv. L. Rev. 520 (1964).

²⁵ 337 Mass. 485, 150 N.E.2d 551 (1958).

²⁶ Id. at 491, 150 N.E.2d at 555.

²⁷ 348 Mass. 320, 203 N.E.2d 376 (1965).

²⁸ Id. at 325, 203 N.E.2d at 380.

to show that his trade-mark or trade name had acquired a secondary meaning, it noted that such meaning had been acquired in the case before it.²⁹ The *Great Scott* case presents a fact situation similar to that in the 1948 *Food Fair* case. The principal difference is that the relief granted in the *Great Scott* case adequately protects the plaintiff's name against dilution, since the defendant could no longer use the disputed name and thus cannot dilute its distinctive meaning.

With one exception,³⁰ the Massachusetts federal district court has been less than kind to plaintiffs faced with a dilution injury. For example, in *Libby, McNeill & Libby v. Libby*,³¹ the court found that the defendant's trade name diluted the distinctive quality of the plaintiff's trade name, but only required the use of a distinctive preface by the defendant.

Before enactment of the anti-dilution statute in Massachusetts (1947), its courts lagged behind other jurisdictions in liberalizing the common law requirements for relief in cases of unfair competition based upon trade name appropriation.³² In general, a plaintiff was required to show that he was then in competition with the defendant and that the defendant's continued operations would create a likelihood of public deception and confusion.³³ When *Food Fair* sought relief in 1948, the term "Food Fair" had acquired a secondary meaning in Massachusetts, but *Food Fair* was *not* in competition with *New England*, nor was there a significant amount of confusion. Judge Wyzanski, at that time, stated that although relief under Massachusetts common law was at best doubtful, *Food Fair* could prevail under the new statute.³⁴ The dilution injury was not abated by the relief granted, however, since the decree was only aimed at the prevention of confusion.³⁵ Such a result, although acceptable at common law, was quite inappropriate in that case, because the newly-enacted statute was designed to eliminate dilution even though no confusion existed. Since the use of one's trade name on any other product, regardless of how greatly the two differ, will impair the trade name's distinctiveness, protection against confusion does not eliminate dilution.

In addition to its failure to eliminate dilution, the 1948 decree was defective in that it failed to anticipate the contingencies which led to the present litigation. For example, a five-year limitation could have been placed upon *Food Fair's* reservation of Massachusetts as an area of natural expansion; this would have provided for the contingency that *Food Fair* might not exercise its rights before *New England's* name had acquired a secondary meaning. The district court could have made a determination of mutually exclusive areas

²⁹ *Id.* at 323, 203 N.E.2d at 379.

³⁰ In *Tiffany & Co. v. Boston Club*, 231 F. Supp. 836 (D. Mass. 1964), the district court enjoined the use of a trade name, basing its decision on the dilution theory. The court did, however, stress the "real probability of public confusion as to the source of the service offered by the defendant." *Id.* at 844. In addition, the circumstances were rather extreme, the court characterizing the defendant's act as one of "deliberate piracy." *Id.* at 845.

³¹ 103 F. Supp. 968 (D. Mass. 1952).

³² Note, 27 B.U.L. Rev. 489, 490 (1947).

³³ *Jays Inc. v. Jay-Originals Inc.*, 321 Mass. 737, 740, 75 N.E.2d 514, 516 (1947).

³⁴ *Food Fair Stores, Inc. v. Food Fair, Inc.*, 83 F. Supp. 445, 450 (D. Mass. 1948).

³⁵ *Id.* at 452.

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within which each party could use the disputed words; this would have provided for the contingency of direct competition between the parties. Had either of these possibilities been provided for in the 1948 decree, prior to New England's acquisition of a secondary meaning for its judicially-approved trade name, further litigation might have been avoided.

Given a second opportunity to adjudicate the rights of these parties, Judge Wyzanski, in 1965, implied dissatisfaction with the earlier decree:

Whether erroneously or otherwise, this court and a higher court have given plaintiffs the opportunity to develop in this Commonwealth business enterprises under their name New England Food Fair. Ancient error is often a sound basis for a good present title. This case creates no exception to that rule.³⁶

This statement also indicates that Judge Wyzanski was interpreting his earlier decree as giving New England the right to operate throughout Massachusetts under the name "New England Food Fair."³⁷

The decision of the district court is unsatisfactory. The possibility of future litigation between these parties, should Food Fair again fail to exercise its expansionary rights, or New England fail to take advantage of its right to operate in the area of concurrent use (this area being the entire state according to the district court decision), is not at all precluded.

The court of appeals, however, recognized that a mere *carte blanche* to both parties would not solve all problems.³⁸ Therefore, the appellate court remanded, ordering the district court to delimit, in great detail, the respective rights of the parties.³⁹ It is submitted that the appellate court decision is both fair and sensible in that it provides a guide for future action and a penalty for future inaction. Such provisions are necessary to allow the parties to plan future expansion. It should be noted, however, that the appellate court, like the district court, neither considered nor remedied the dilution injury.

It still remains for the district court, or a master, to give substance to the appellate court decree. This will require the employment of a professional consumer-sampling concern to determine New England's "good will" area. In addition, it will be necessary to determine the time within which a supermarket chain can reasonably expand into a new area. These determinations will be expensive and time-consuming. Until they are concluded, neither party can safely effect any expansion in Massachusetts. Thus, the recent appellate court decision, although certainly the best of the four "Food Fair" decisions, is not altogether satisfactory. There is, however, a better solution.

New England has recently been using the name "BI-LO" in newspaper advertisements and on store signs,⁴⁰ and this practice is gradually having "the effect of subordinating 'Food Fair' to 'BI-LO.'"⁴¹ In view of these circumstances, the following is suggested. The parties should stipulate a time period

³⁶ 242 F. Supp. at 787.

³⁷ Judge Wyzanski's interpretation was noted by the court of appeals. 356 F.2d at 782.

³⁸ *Id.* at 782-83.

³⁹ *Id.* at 783-84.

⁴⁰ *Id.* at 778, 784.

⁴¹ *Id.* at 784.

(perhaps two years) within which New England will continue to diminish its use of the "New England Food Fair" trade name, and increase its use of the name "BI-LO." During this period, neither Food Fair nor New England will be permitted to open any stores in Massachusetts under their present trade names. After this period, New England must completely discontinue its use of the words "Food Fair" and may operate throughout Massachusetts, or anywhere else, under the "BI-LO" trade name. Food Fair will be free to expand into Massachusetts under its present name. Such a course of action is likely to have the following desirable results: (1) New England will not suffer any substantial loss of customer good will because the change of name will be gradual; at any rate, "BI-LO" is now emphasized to such an extent that the change will not be a radical one. New England will then be able to operate under one trade name, unconfined by geographical limitations; (2) Food Fair will be able to enter Massachusetts at its leisure, unhurried by time limitations. Since Food Fair has already delayed its entry into Massachusetts more than sixteen years, a further delay of two years should not be oppressive; (3) If New England deletes the words "Food Fair" from its trade name, the anti-dilution statute will finally be served, however long overdue and indirect the recognition.

The only way that dilution can be prevented is to enjoin the further use of the offending word or words by the junior user. The remedy of a distinctive preface may indeed prevent confusion, but it does not prevent the watering-down of the distinctive quality of the trade name.

ALAN S. GOLDBERG