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Roy D. Bates

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UNFAIR COMPETITION IN DESCRIPTIVE TRADE-MARKS

I. INTRODUCTION

What is commonly termed a "trade-mark infringement suit" is an action which is brought for the purpose of enforcing an exclusive right to the use of a trade-mark, whether founded upon a registered mark or upon common law rights. When the action cannot be sustained on the basis of the infringement of a valid technical trade-mark, the plaintiff may still have a cause of action founded upon unfair competition.¹ Since a monopoly in the use of a trade-mark is permitted only when it has become the absolute and exclusive property of the first user, and since merely descriptive names can never become such property, the second user of a descriptive trade-mark becomes an infringer only when he makes unfair use of the mark.²

This note deals with the elements of an action for "trade-mark infringement and unfair competition" based on the second use of a mark which is clearly descriptive. The doctrine of generic designation will not be considered. The marks under discussion will be those which were initially invalid as technical trade-marks because of the inherent disability of descriptiveness.

The Lanham Act³ defines the term "trade-mark" as including:

. . . any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

Descriptive terms fall within this definition as either words or names, i. e., trade-marks or trade-names. These two terms overlap to some degree, but there is a difference: A trade-mark applies to a vendible commodity, a trade-name to a business and its good will.⁴ Since the law protects against the appropriation of either upon the same basic principles, the precise difference is not often material.⁵

II. TRADE-MARK INFRINGEMENT

A. DISTINGUISHED FROM UNFAIR COMPETITION

The entire substantive law of trade-marks is a branch of the broader law of unfair competition.⁶ Trade-mark infringement involves

1. *E. g.*, *House of Westmore v. Denny*, 151 F. 2d 261 (3rd Cir. 1945).

2. *Fawcett Publications v. Popular Mechanics Co.*, 80 F. 2d 194 (3rd Cir. 1935).

3. Trade-Mark Act of 1946, 60 STAT. 427 (1946), 15 U. S. C. §§ 1051-1127 (1952).

4. *American Steel Foundries v. Robertson*, 269 U. S. 372 (1925).

5. *Ibid.*

6. *E. g.*, *House of Westmore v. Denny*, 151 F. 2d 261 (3rd Cir. 1945).

the violation of the exclusive right to use a mark, but unfair competition encompasses any violation of a right arising from the operation of an established business.⁷ The exclusive right to use a trade-mark has been treated as a property right,⁸ but the Supreme Court in *Prestonettes, Inc. v. Coty*,⁹ speaking through 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. It does not confer a right to prohibit the use of the word or words. It is not a copyright.

These words could well be applied to the use of descriptive terms as will be seen.

Another distinction has been drawn which is probably just as important as the determination of rights. The difference between cases for trade-mark infringement and unfair competition is mainly a matter of proof, the imitation of a trade-mark raising a conclusive presumption of fraud, while in unfair competition actual fraud or misleading of the public, or conduct calculated and intended to mislead it, must be shown by the proofs.¹⁰

B. VALIDITY OF REGISTERED MARKS

Registration of a trade-mark furnishes a strong though rebuttable presumption of its validity.¹¹ Although the Trade-Mark Act of 1946 provides for the registration of trade-marks which are descriptive but which have become "distinctive of the applicant's goods in commerce,"¹² it also provides that this registration gives "no incontestable right . . . in a mark or trade-name which is the common descriptive name of any article or substance, patented or otherwise."¹³ Thus, not only is a descriptive mark invalid as a trade-mark at common law, but registration does not create any substantive rights in the user or give him any exclusive use or monopoly.¹⁴

7. *Ibid.*

8. *Barton v. Rex-Oil Co.*, 2 F. 2d 402 (3rd Cir. 1924). But see *E. I. Du Pont de Nemours Powder Co. v. Masland*, 244 U. S. 100 (1917) in which Justice Holmes states: "The word 'property', as applied to trade-marks . . . is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith."

9. 264 U. S. 359 (1924).

10. *Scriven v. North*, 134 Fed. 366 (4th Cir. 1904).

11. *Pennzoil Co. v. Crown Central Petroleum Corp.*, 50 F. Supp. 891 (D. Md. 1943), cert. denied 322 U. S. 750 (1943), aff'd 140 F. 2d 387 (4th Cir. 1944).

12. Trade-Mark Act of 1946, 60 STAT. 427 (1946), 15 U. S. C. § 1052(f) (1952).

13. *Id.* § 1115.

14. *Plough, Inc. v. Intercity Oil Co.* 26 F. Supp. 978 (E. D. Pa. 1939).

Having no statutory remedy for the infringement of a descriptive mark, the one who uses the term first in its trade-mark sense must turn to the common law of unfair competition for relief.¹⁵

III. UNFAIR COMPETITION

It has been said that the elements of unfair competition are fraudulent intent, sale or probable sale by reason of deceit, and damages.¹⁶ Like an octopus, this seemingly simple statement has tentacles reaching out in many different directions. It must be explained and qualified for almost every new situation, leaving the courts with the problem of making decisions by applying general rules to the facts of the individual cases.

A. SECONDARY MEANING

1. *Distinctiveness*. Since the Lanham Act accepts descriptive marks for registration when they acquire distinctiveness, statutory recognition is given to a common law doctrine in unfair competition known as "secondary meaning".¹⁷ This doctrine recognizes that a term or designation may have, in addition to its common or dictionary meaning, a meaning given to it by the user which "... point[s] distinctively to the origin or ownership of the commercial article, and that it be of such a nature as to permit of an exclusive appropriation by one person. . . ."¹⁸ The phrase "secondary meaning" does not mean a rare or subordinate significance, but an added significance attached to the original meaning of the term and becoming its usual and primary significance in the market.¹⁹ It is the use of the term in this sense by the one who gave it that significance that the law of unfair competition protects.

2. *Acquisition*. There is no specified length of time in which a user may acquire rights based on a secondary meaning. The Lanham Act provides that the Commissioner of Patents may accept "... proof of substantially exclusive and continuous use . . . for . . . five years . . ." as prima facie evidence of distinctiveness for purposes of registration,²⁰ but this does not mean that an action

15. See *Charles Broadway Rouss v. Winchester Co.*, 300 Fed. 706 (2d Cir. 1924).

16. *Wirfs v. D. W. Bosley Co.*, 20 F. 2d 632 (8th Cir. 1927).

17. See note 12 *supra*. The Trade-Mark Act of 1905, 33 STAT. 724 (1905), limited registration to marks used between 1895-1905 and is of little value in the area of descriptive marks.

18. *Barton v. Rex-Oil Co.*, 2 F. 2d 402 (3rd Cir. 1924).

19. *Skinner Mfg. Co. v. General Foods Sales Co.*, 52 F. Supp. 432 (D. Neb. 1943), *cert. denied* 323 U. S. 766 (1944).

20. Trade-Mark Act of 1946, 60 STAT. 427 (1946), 15 U. S. C. § 1052(f) (1952).

cannot be brought for unfair competition before the end of that period. The doctrine of secondary meaning applies to registered and unregistered marks alike for the protection against danger or harm to a person's business as a result of the misleading of prospective customers as to the identity of the goods involved.²¹ The general test for determining when a secondary meaning has been acquired was stated in the *Barton* case:²²

. . . Time is the usual standard because a natural one but it is not the exclusive standard. The test of secondary meaning is whether the trade-mark has become broadly known to the public as denoting a product of certain origin. . . . The time [may be] . . . unusually short, due to unusual circumstances. . . .

It can be safely said that the term "public" as used in this test means the prospective customer.

3. *Rights*. When a person has acquired a right in a descriptive word by giving it a secondary meaning, his right is still not a monopoly or exclusive ownership of the word and is not equal to that which he would have in a valid technical trade-mark.²³ He is merely protected from a competitive use by one seeking to pass off his products as those of the first user of the mark.²⁴

B. SALE OR PROBABLE SALE

1. *Palming Off*. The leading case of *Elgin National Watch Co. v. Illinois Watch Case Co.*²⁵ states:

. . . the manufacturer of particular goods is entitled to the reputation they have acquired, and the public is entitled to the means of distinguishing between those and other goods. . . . The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another.

Many early decisions²⁶ expressed this view which is known as "passing off" or "palming off"; some going so far as to hold that unless such palming off is shown, the action fails.²⁷ In 1918 the

21. See *Brooks Brothers v. Brooks Clothing of Cal.*, 60 F. Supp. 442 (S. D. Cal. 1945), *aff'd* 158 F. 2d 798, *cert. denied* 331 U. S. 824 (1947).

22. See *Artype, Inc. v. Zapulla*, 228 F. 2d 695 (2nd Cir. 1956); *Barton v. Rex-Oil Co.*, 2 F. 2d 402 (3rd Cir. 1924).

23. *E. g.*, *Charles Hansen's Laboratory v. Kirk*, 12 F. Supp. 361 (E. D. Pa. 1935).

24. *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U. S. 315 (1938).

25. 179 U. S. 665 (1901).

26. *E. g.*, *Goodyear India-Rubber v. Goodyear Rubber*, 128 U. S. 598 (1888).

27. *E. g.*, *Coats v. Merrick Thread Co.*, 149 U. S. 562, 573 (1893).

United States Supreme Court in *International News Service v. Associated Press*²⁸ expanded the field of unfair competition to grant an injunction against the unfair use of news articles where passing or palming off was completely lacking.

2. *Aunt Jemima Doctrine*. Other decisions have given rise to different views or "doctrines" on which relief may be given.²⁹ One of these views is the "Aunt Jemima Doctrine"³⁰ which asserts that ". . . goods, though different, may be so related as to fall within the mischief which equity should prevent."³¹ This was a rejection by the Second Circuit Court of Appeals of an interpretation of the Trade-Mark Act of 1905³² that where there was no competition, there could be no unfair competition.³³ This view no longer prevails, and it is rapidly becoming the established rule in most jurisdictions that relief will be granted to restrain unfair practices regardless of the element of competition.³⁴ The trend is to place the emphasis upon "unfair" rather than upon "competition".³⁵ The *Aunt Jemima* case³⁶ has been said to establish "confusion of source" as the test for infringement, which Judge Learned Hand in the *Johnson* case³⁷ construed as being codified by the Lanham Act. Whether this test is applicable to descriptive marks may be questionable, but in the opinion of this writer the question is not too important in view of some of the more modern bases for relief. After all, is there any real difference in saying that a person is trying to pass off his goods as those of another and saying that a person is trying to confuse the customer as to the source of the goods? The end result is the same in either case. A better rule might be to examine the "commercial effect of the defendant's acts."³⁸

3. *Reputation*. In *Yale Electric Corp. v. Robertson*³⁹ Judge Learned Hand recognized an economic interest in a trade-mark outside the field of the owner and held that the use by another was bor-

28. 248 U. S. 215 (1918).

29. See AMDUR, TRADE-MARK LAW AND PRACTICE §§ 5-11 (Lanham Act ed. 1948).

30. *Aunt Jemima Mills v. Rigney*, 247 Fed. 407 (2d Cir. 1917), *cert. denied* 245 U. S. 672 (1918).

31. *Id.* at 409.

32. 33 STAT. 724 (1905).

33. See *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 Fed. 510 (7th Cir. 1912).

34. See *Brooks Brothers v. Brooks Clothing of Cal.*, 10 F. Supp. 442 (S. D. Cal. 1945), *aff'd* 158 F. 2d 798, *cert. denied* 331 U. S. 824 (1947).

35. *E. g.*, *Bulova Watch Co. v. Stolzberg*, 69 F. Supp. 543 (D. Mass. 1947).

36. See note 34 *supra*.

37. *S. C. Johnson & Son v. Johnson*, 175 F. 2d 176 (2d Cir. 1949).

38. See *Photoplay Publishing Co. v. La Verne Publishing Co.*, 269 Fed. 730 (3rd Cir. 1921).

39. 26 F. 2d 972 (2d Cir. 1928).

rowing the owner's reputation. This view has been followed in later decisions to some extent.⁴⁰

4. *Expansion.* Another basis for curbing the use of a mark is the "expansion doctrine". This doctrine contemplates the possibility that the normal expansion of the plaintiff trade-mark owner's business might include the goods to which the mark is being applied by the defendant, even though such goods are not presently remotely related to the owner's business; therefore, the defendant's use of the mark would prevent expansion.⁴¹

5. *Deception.* Some courts have held that, under the doctrine of secondary meaning, the plaintiff must show that the consumer has actually been deceived, since there can be no injury to the plaintiff by the use of a descriptive term which is *juris publici* unless it results in the mistaken purchase of the goods because of their name.⁴² The Fourth Circuit Court of Appeals does not seem to require actual deception, at least as far as a trade-name is concerned, but "[i]t is sufficient if the natural and probable consequence . . . is to pass off his [defendant's] business as that of the plaintiff."⁴³ Other circuits have followed the practice of allowing injunctive relief where probable confusion would result from defendant's actions,⁴⁴ and one has announced that it was even immaterial that the purchasers were not deceived.⁴⁵ The best view seems to be that deception is not confined to an express palming off of goods, and that equity will extend relief where it is required.⁴⁶ Lord Herscell's opinion in *Reddaway v. Banham*⁴⁷ indicates that the English courts recognized a similar view before the turn of the century.

40. See, e. g., *Time, Inc. v. Viobin Corp.*, 40 F. Supp. 249 (E. D. Ill. 1941).

41. *Philadelphia Storage Battery Co. v. Mindlin*, 163 Misc. 52, 296 N. Y. S. 176 (S. Ct. 1937).

42. *American Brake Shoe v. Alltex Products*, 117 F. 2d 983 (2d Cir. 1941); *American Fork & Hoe Co. v. Stampit Corp.*, 125 F. 2d 472 (6th Cir. 1942).

43. *Little Tavern Shops, Inc. v. Davis*, 116 F. 2d 903 (4th Cir. 1941).

44. *General Time Instruments Corp. v. United States Time Corp.*, 165 F. 2d 853 (2d Cir. 1948).

45. *Standard Paint Co. v. Rubberoid Roofing Co.*, 224 Fed. 695 (7th Cir. 1915). In this action for protection from unfair competition in the use of the descriptive term "Rubberoid" which had acquired a secondary meaning, the court *per* Judge Mack said:

"It is immaterial that, in some instances, the purchasers were not in fact deceived because they were acting on behalf of appellant for the very purpose of securing positive proof of appellee's willingness . . . to palm off its goods as those of appellant."

46. See *Electric Auto-Lite Co. v. P. & D. Mfg. Co.*, 8 F. Supp. 314 (E. D. N. Y. 1934), *mod. on other grounds* 78 F. 2d 700, *cert. denied* 296 U. S. 648, *rehearing denied* 296 U. S. 665 (1935).

47. [1896] A. C. 199, 212.

C. INTENT

Wrongful or fraudulent intent is presumed in an action on a valid trade-mark, but in the case of a descriptive mark wrongful intent in fact, or circumstances that will justify the inference of such intent, must be shown.⁴⁸ The wrongful use itself may be evidence of intent to defraud.⁴⁹ The court in *Coty, Inc. v. Parfums de Grande Luxe*⁵⁰ expressed a controversial view which seems to be a sensible approach per Judge Rogers:

We think that the reasons for not requiring proof of a fraudulent intent in cases of infringement of trade-marks apply with equal force in cases of unfair competition, the basis of the remedy being substantially the same. . . . [I]t is thought to be the better view that, where the necessary and probable tendency of defendant's conduct is to deceive the public and pass off his goods as and for those of the plaintiff, especially where preventive relief only is sought, actual fraudulent intent need not be shown.

This view has been given some support by the district court of Maryland in *Fox Fur Co. v. Fox Fur Co.* saying that if the other elements of liability were present, "then defendant's motive, except in so far as it may affect the extent of allowable damages, is immaterial."⁵¹ Just what Justice Fuller meant by his statement in the *Elgin* case⁵² that "such circumstances must be made out as will show wrongful intent in fact, or justify that inference from the inevitable consequences of the act complained of" is not clear. But he seems to have said that where the result of the use of a mark is judicially determined from the circumstances to fall within the area prohibited, the court will infer a wrongful intent. If this construction is correct, the result approaches that in the *Coty* case.

The root of the difficulty in reconciling the views on proof of intent may well lie in the fact that Federal courts must apply the common law of the states to unfair competition cases.⁵³ There

48. *Elgin National Watch Co. v. Illinois Watch Case Co.*, 179 U. S. 665 (1901); see also Judge Learned Hand's opinion in *My-T Fine Corp. v. Samuels*, 69 F. 2d 76 (2d Cir. 1934).

49. *Standard Oil Co. v. California Peach & Fig Growers*, 28 F. 2d 283 (D. Del. 1928); see note 45 *supra*.

50. 293 Fed. 865 (2d Cir. 1924). But see *Corliss & Co. v. Hershey*, 140 Fed. 763, 764 (3rd Cir. 1905).

51. 59 F. Supp. 12 (D. Md. 1944).

52. See note 48 *supra*.

53. The questions of when a Federal court has jurisdiction and whether or not there is a Federal law of unfair competition are studies within themselves. Very generally: A cause of action for unfair competition may be

should be no difficulty, however, in accepting the reasoning of Judge Davis in the *Photoplay* case: "If the effect is to pass off his defendant's goods for those of the complainant, his good intentions or honesty of purpose is not a defense."⁵⁴

D. BURDEN OF PROOF

In an unfair competition action, just as in a trade-mark infringement suit, the burden of proof rests on the plaintiff to establish a *prima facie* case free from reasonable doubt.⁵⁵ Where a descriptive mark is concerned, this means that the plaintiff has the burden of establishing "secondary meaning".⁵⁶ It has been said that whether unfair competition exists is a mixed question of law and fact,⁵⁷ but when descriptiveness is not an issue and injunctive relief is sought on the basis of an acquired secondary meaning, it is difficult to see how any question of law is involved. The determination that a secondary meaning has or has not been acquired must be made upon the facts of a particular case.⁵⁸

IV. CONCLUSION

The often quoted *Hanover Star* case⁵⁹ summarizes the law of unfair competition:

. . . the remedy is to tie the hands of the unfair trader. . . .
If he [a dealer] has applied . . . a mark . . . that had an existing meaning, it is incumbent on him to establish the fact that his trade has added a new meaning that is exclusively appendant

joined in a suit for trade-mark infringement in a Federal court and the jurisdiction over the suit for unfair competition will be retained even if the trade-mark infringement suit is dismissed. *Hurn v. Oursler*, 289 U. S. 238 (1933); *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U. S. 315 (1938).

Although some writers contend that unfair competition is governed by Federal law under the Trade-Mark Act of 1946, the Supreme Court has repeatedly followed the view that unfair competition is a matter of state law since *Erie v. Tompkins*, 304 U. S. 64 (1938). See OPPENHEIM, UNFAIR TRADE PRACTICES — TRADE REGULATION § 86 (1950).

54. See *Photoplay Publishing Co. v. La Verne Publishing Co.*, 269 Fed. 730 (3rd Cir. 1921).

55. *Anheuser-Busch, Inc. v. Power City Brewery*, 28 F. Supp. 740 (W. D. N. Y. 1939).

56. See *Steem-Electric Corp. v. Herzfeld-Phillipson Co.*, 118 F. 2d 122 (7th Cir. 1940).

57. *Collegiate World Publishing Co. v. Du Pont Publishing Co.*, 14 F. 2d 158 (N. D. Ill. 1926).

58. Cf. *Smith, Kline & French Laboratories v. Clark & Clark*, 62 F. Supp. 971 (D. N. J. 1945), *aff'd in part & vacated in part on other grounds* 157 F. 2d 725, *cert. denied* 329 U. S. 796 (1946), *rehearing denied* 329 U. S. 834 (1947).

59. *Hanover Star v. Allen & Wheeler Co.*, 208 Fed. 513 (7th Cir. 1913).

to his trade. . . . [T]he complainant must show that the defendant is using the mark or name, not in its common meaning, but in its new meaning created by the complainant.

It is the application of this law which gives trouble. To say that ". . . the issue of unfair competition is . . . fraught with less difficulty than that of trade-mark infringement"⁶⁰ is possibly inaccurate when the mark in question is descriptive. The establishment of the fact that a secondary meaning has been acquired is by no means a simple task.

The trend in modern times seems to be to widen the limits of protection against unfair competition, but these limits are necessarily still restrictive in many instances and depend a great deal upon the facts of the individual case.⁶¹ In the words of Lord Halsbury in *Reddaway v. Banham*:⁶² "For myself, I believe the principle of law may be very plainly stated, and that is, that nobody has any right to represent his goods as the goods of somebody else." Equity frowns upon such a practice and will give attention to the needs of each case as called for by its peculiar factual situation without concerning itself too much with the niceties of rules. As new situations arise equity will bend to bridge the gaps between established principles and the demands of justice. *Tempora mutantur, nos et mutatur in illis*.⁶³

ROY D. BATES.

60. *Rosenberg Bros. v. Elliot*, 7 F. 2d 962 (3rd Cir. 1925).

61. *Philadelphia Storage Battery Co. v. Mindlin*, 163 Misc. 52, 296 N. Y. S. 176 (S. Ct. 1937).

62. [1896] A. C. 199, 204.

63. Translated: The times are changed, and we are changed with them. WEBSTER'S NEW COLLEGIATE DICTIONARY (2d ed. 1949).