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## UNFAIR COMPETITION—A RE-CONSIDERATION OF BASIC CONCEPTS

The tremendous variety and complicity of the situations usually involved in the adjudicated cases dealing with unfair competition have often evoked the view that the rules governing those cases are uniform only in their inconsistency. Surprisingly enough, this attitude is prevalent not only among laymen, or even business men, but among lawyers as well. It is the purpose of this study to determine whether that opinion is justified, and if it is not, to find some basis for resolving the seeming inconsistencies.

It is important to point out at the outset that the cases involving unfair competition are not *sui generis*. The law there applied is not, on the whole, a distinct body of rules, but is rather one of the expressions of sound and basic equitable principles. There have been, it is true, a sufficiently large number of cases on the subject to justify its separate treatment by the publishers of indices and digests, but it does not follow from that fact that the cases involve special or peculiar rules. The underlying principles are familiar ones, applicable to fraud and injunctions generally, as well as to unfair competition.

Excluding for this purpose, questions involving the jurisdiction of equity, the standing of the complainant, and his right to the name or mark involved, it may be said that an injunction against the infringement of a name or mark is the relief given by equity against one species of fraud. That fraud is the essential element, whether it be actual or constructive, is evident

from the language of Lord Herschell, in the English case of *Reddaway v. Banham*:<sup>1</sup>

“In a case of this description, the mere proof by the plaintiff that the defendant was using a name, word or device which he had adopted to distinguish his goods would not entitle him to any relief. He could only obtain it by proving further that the defendant was using it under such circumstances or in such manner as to put off his goods as the goods of the plaintiff.”

Apparently, the basic nature of the rights sought to be protected in such cases was overlooked by many decisions which, although they reached the correct and just result, were decided by rules so stated as to appear fixed and positive. For instance, it has been said in the terminology of an inviolable rule, that there must be actual competition between the parties before there can be unfair competition.<sup>2</sup> The rule cannot be true if the relief granted is essentially to prevent the commission of a fraud, for fraud does not always occur in the same fashion. It tends to preclude the complainant from showing that he *has* been damaged, simply because the damage may have occurred, or

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<sup>1</sup>L. R. App. Cas. 199 (1896). See *Hilton v. Hilton*, 89 N.J.Eq. 149, at 154, 102 Atl. 16 (Ch. 1917) “. . . unfair competition is fraudulent conduct.”

<sup>2</sup>*National Grocery Co. v. National Stores Corp.*, 95 N.J.Eq. 588, 128 Atl. 740 (Ch. 1924), *aff'd*, 97 N.J.Eq. 360, 127 Atl. 925 (E.&A. 1924), where the court said, in 95 N.J.Eq. at p. 593, “Of course, there must be actual competition before there can be any unfair competition.” It is doubtful whether the statement was essential to the result in that case, for the court stressed the basic element of fraud, and based its holding, by what it *did* rather than what it *said*, on the reasoning that under the facts presented, there was no fraud, and hence no unfair competition. It did, however, take a restricted view from which our courts are gradually departing, that “Care must be taken in these cases not to extend the meaning of the word ‘unfair’ to cover that which may be unethical but is not illegal,” and denied an injunction although convinced that the defendant had purposely attempted to secure a benefit from the favorable impression made upon the purchasing public by the complainant. See also, to the same effect, *Perlberg v. Smith*, 70 N.J.Eq. 638, 62 Atl. 442 (Ch. 1905).

threatens to occur, in a manner not usually encountered. If it be said that an injunction would be granted under such circumstances, is that not objectionable as creating an unnecessary "exception to the rule"?

The restricted attitude, by which actual competition is a prerequisite to relief, is not universal. The actual or threatened diversion of trade from the originator of a name or mark is no longer the sole test for determining damage, in some jurisdictions. In *Vogue Co. v. Thompson-Hudson Co.*,<sup>3</sup> the court found the defendant, a hat manufacturer, guilty of unfair competition with the plaintiff, the publisher of "Vogue" magazine, and enjoined the defendant's use of the name "Vogue" and the letter "V" as a trademark for its hats.<sup>4</sup> The court there recognized that there is no formula of mathematical invariability by which these cases can be decided, and that they are governed by the ordinary principles of equity and good conscience,<sup>5</sup> when it said that "There is no fetish in the word 'competition'. The invocation of equity rests more vitally upon the unfairness."<sup>6</sup> This liberal doctrine was severely criticized by members of the legal

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<sup>3</sup> 300 Fed. 509 (C.C.A. 6th, 1924).

<sup>4</sup> The theory upon which the Circuit Court of Appeals based its holding was that "In this case the reasonable probability of injury to plaintiff through defendants' misrepresentation is clear, even if it has not actually occurred. Plaintiff's magazine is so far an arbiter of style, and the use of plaintiff's trademark upon defendants' hats so far indicate that the hats were at least sponsored and approved by the plaintiff, that the same considerations which make the misrepresentations so valuable to defendants make it pregnant with peril to plaintiff. It seems not extreme to say, as plaintiff's counsel do, that persistence in marking under this trademark articles of apparel which are unfit, undesirable, or out of style would drive away thousands of those who customarily purchase plaintiff's magazine"

<sup>5</sup> Note also the court's attitude in *B. F. Goodrich Co. v. Hockmeyer*, 40 Fed. (2d) 99, at 103, in construing the federal trademark act (15 U.S.C.A. sec. 85), ". . . The provisions of section 5, under consideration here, should not be given a literal construction, but, except where a contrary intention clearly appears from the statute, should be construed in harmony with the general principles of equity applicable to the law of trademarks"

<sup>6</sup> *Vogue Co. v. Thompson-Hudson Co.*, 300 Fed. 509, (C.C.A. 6th, 1924), at p. 512.

profession, especially before legislative committees.<sup>7</sup> Nevertheless, that doctrine was further extended by Circuit Judge Learned Hand who expressed the thought, in *Yale Electric Corp. v. Robertson*,<sup>8</sup>

“The law of unfair competition comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second.<sup>9</sup> This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, although it assumes many guises. Therefore it was at first a debatable point whether a merchant’s good will, indicated by his mark, could extend beyond such goods as he sold. How could he lose bargains which he had no means to fill? What harm did it do a chewing-gum maker to have an iron-monger use his trademark? The law often ignores the nicer sensibilities.

“However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic

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<sup>7</sup> Joint Hearings before the Committees on Patents on S. 2679, 68th Congress, 2d. Sess.

<sup>8</sup> 26 Fed. (2d) 973 (C.C.A. 2d. 1928)

<sup>9</sup> It is just this type of statement that has given rise to inaccurate rules that there must be actual competition before there can be unfair competition. This is only one type of tortious act which may damage good will.

“The history of important trademark litigation within recent years shows that the use of similar marks on *non*-competing goods is perhaps the *normal* rather than the exceptional case of infringement. \* \* \* it is the gradual whittling away or dispersion of the identity and hold upon the public mind of the name or mark by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.” Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927).

seal, by it he vouches for the goods that bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful."<sup>10</sup>

In *American Philatelic Society v. Claibourne*,<sup>11</sup> an injunction was granted against defendant's distribution of falsely perforated stamp issues, although the complainant was not engaged in any business, being merely a society of stamp collectors.<sup>12</sup> And in New Jersey, an injunction was allowed to prevent the unlicensed use of the complainant's picture and testimonial on the defendant's product, even though the complainant actually had devised the formula, and although he was not a manufacturer or even engaged in competition with the defendant. The reason given for the holding was that the statement that the product was endorsed by the complainant was untrue, and hence a fraud.<sup>13</sup> So the use of a trade secret, secured by fraud or breach of trust, will be enjoined as "inequitable competition."<sup>14</sup>

These results are not alarming, nor should they be regarded as examples of judicial legislation. They are rather to be expected from the very history of unfair competition. Originally,

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<sup>10</sup> 26 Fed. (2d) 973 (C.C.A. 2d. 1928), at pp. 973, 4.

<sup>11</sup> 3 Cal. (2d) 689, 46 Pac. (2d) 135 (1935).

<sup>12</sup> The sale of the issue would have probably decreased the value of genuinely perforated stamps owned by complainant, but would have had no effect so far as the postal face value was concerned.

<sup>13</sup> *Edison v. Edison Polyform Mfg. Co.*, 73 N.J.Eq. 136, 67 Atl. 392 (Ch. 1907).

<sup>14</sup> *Vulcan Detinning Co. v. American Can Co.*, 72 N.J.Eq. 387, 67 Atl. 339 (E.&A. 1907).

relief was granted only against the infringement of technical trademarks, on the theory that the complainant had a property right in the technical trademark itself, and that its use by another was fraudulent. But it did not take long before it appeared that even where no technical trademark existed, the defendant's acts might be just as fraudulent and reprehensible, and just as damaging to the plaintiff. To provide a remedy for the existing wrong, equity developed the concept of secondary meaning, thus affording the courts a method by which to prevent the invasion by trade pirates, of another's good will. Actually, this was not an extension of the pre-existing rules, for the power, though not previously exercised, was in existence. Such flexibility is desirable for it obviates the necessity of overruling former decisions where their application to a new situation might bring about an unjust result.<sup>15</sup> It allows for an increase in the standards of business ethics, if so required by contemporaneous conditions, without compelling the courts to close their eyes to previously enunciated rules. The change and growth can occur, not in the rules and principles involved, but in the determination of what acts are to be held as constituting fraud.<sup>16</sup> The unfortunate fact is that the courts, having committed themselves by the statement of "rules," were compelled to create

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<sup>15</sup> See *Ludlow Mfg. Co. v. Pittsburgh Mfg. Co.*, 166 Fed. 26, at p. 29, "No arbitrary rules have ever been, nor ever can be, laid down, by which courts of equity will furnish this protection. To establish such rules, would, like definitions in the law, furnish the means by which fraud could successfully accomplish its ends."

<sup>16</sup> Note the closing remarks of Federal District Judge Clark in *Tanqueray, Gordon & Co. Ltd. v. Gordon*, 10 Fed. Supp. 852 (D. N. J. 1935), *appeal dismissed*, 77 Fed. (2d) 998 (C.C.A. 3d. 1935) as revealing of the change which is taking place in the attitude of our courts toward fraudulent business practices. He said there, at p. 854, "In conclusion, we record our surprise at counsel's apparent distaste for our suggestion from the bench that we intended to attempt 'the introduction of a little ethics in American business.' We should have supposed that the business history of the past ten years made such an attempt rather appropriate. We do not feel that it is particularly harsh to question the ethical perceptions of an individual who seems unconscious of the misleading impression created by the use of the British coat-of-arms on an American product."

mythical categories of situations in order to accomplish the required result.<sup>17</sup> This being so, can it be said that an analysis of the decisions in the old and newer cases will disclose an identical underlying theory? If that common basis exists, then the cases must be harmonious, although the expressed reasoning may not be. This question goes to the very nature of the action itself, and the character of the right, and will be satisfactorily answered if these essentials have not changed.

It would seem sufficient to say that the right protected and the basis of the relief is the good-will of a business, symbolized by the name, mark, shape or dress of the goods involved. This theory is not objectionable as fostering monopoly, for it has no quarrel with competition of itself. The acts objected to are those which are intentionally or innocently fraudulent, which are uncalled for, and the prohibition of which will have little or no effect on the wrongdoer.<sup>18</sup> And the view has been convincingly urged that "since goodwill is property—a real asset of substantial value—there seems to be no logical reason for courts refusing to afford protection against intentional, or even negligent, destruction. All the essential elements of tort are

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<sup>17</sup> For an excellent and thorough exposition of the historical background involved, consult SCHECHTER, *HISTORICAL FOUNDATIONS OF TRADEMARK LAW*, (1925).

<sup>18</sup> See *International News Service v. The Associated Press*, 248 U.S. 215, at 235, 236, 39 Sup. Ct. 68, 63 L. Ed. 211 (1918). ". . . Each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other . . . the right to acquire property by honest labor or the conduct of a lawful business is as much entitled to protection as the right to guard property already acquired."

See also *Coca-Cola Co. v. Koke Co. of America*, 254 U.S. 143, 41 Sup. Ct. 113, 65 L. Ed. 189 (1920), where the court granted an injunction against the use of a deceptive trademark, but pointed out that, "The product, including the coloring matter, is free to all who can make it, if no extrinsic deceiving element is present."

For views on the nature of the action, see NIMS, *UNFAIR COMPETITION AND TRADEMARKS*, (3d. Ed. 1929) Ch. 2; Cohen, F. S., *Transcendental Nonsense and the Functional Approach* (1935) 35 COL. L. REV. 809, at 816.

present."<sup>19</sup>

If we are to take this view of the law of unfair competition, we must find a correspondingly flexible test for determining what is unfair. Of course, the test employed must not be regarded as a complete exposition of the law. It must be applied in the light of other principles to prevent any objectionable crystallization.<sup>20</sup> But if the test will generally apply to the old as well as the new situations, and if it will serve to explain most of the cases, it is sufficient for the purpose. And to discover this test, it is well to re-examine the so-called "rules" usually employed.

The inquiry should not be confined to cases where *A* makes use of *B*'s technical trademark, nor where *A* adopts *B*'s trade-name, which has acquired a secondary meaning, without alteration, for

" 'Similarity, not identity, is the usual recourse where one party seeks to benefit himself by the good name of another'."<sup>21</sup>

It is the cases where the names or marks were not identical, but similar, which are troublesome. The test universally applied is the standard of the ordinary purchaser, buying under the usual conditions prevailing in the trade, and giving such attention as

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<sup>19</sup> Wright, *Tort Responsibility for Destruction of Goodwill* (1929) 14 CORN. L. Q. 298.

<sup>20</sup> Smith, *Crucial Issues in Labor Litigation* (1907) 20 HARV. L. REV. 253, at 264, cautioned that, "Each of the . . . formulas is subject to the implied exception that the damage and the method of producing the damage must be such as the law will notice and will hold actors responsible for. For various reasons, the law deems it inexpedient to afford a remedy for some kinds of damage which cannot be sheltered under the maxim *De minimis*. Certain kinds of conduct and certain methods of exercising so-called "rights" are not regarded as furnishing a cause of action, even though substantial damage results therefrom."

<sup>21</sup> *Standard Oil Cloth Co. v. Trenton Oil Cloth etc. Co.*, 71 N.J.Eq. 555, 63 Atl. 846 (Ch. 1906), quoting from *Celluloid Co. v. Cellonite Co.*, 32 Fed. 94 (C.C. N.J. 1887).

such purchasers usually give in buying the particular class of goods.<sup>22</sup> Thus, if the particular article is sold to a class of persons who usually pay little attention to differences in trademarks, or tradenames, almost any attempt at similarity will be enjoined.<sup>23</sup> Conversely, if the usual purchaser of a particular article is an expert, accustomed to scrutinize closely, the court will allow a closer similarity.<sup>24</sup> Of course, this does not mean the law is different in each of the two cases. The rule is the same, but flexible enough to allow for the varying probability of deception.

There are two serious objections to this test, however. First, it is based on the premise that an action will lie only when purchasers are likely to be deceived into believing that they are getting *B's* goods when they are actually getting *A's*,<sup>25</sup> and in

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<sup>22</sup> *McLean v. Fleming*, 96 U.S. 245, 24 L. Ed. 828 (1877); *Sperry v. Percival Milling Co.*, 81 Cal. 252, 22 Pac. 651 (1889); *Solis Cigar Co. v. Pozo*, 16 Colo. 388, 26 Pac. 556 (1891); *Atlas Assur. Co. v. Atlas Ins. Co.*, 138 Iowa 228, 112 N.W. 232, 114 N.W. 609 (1908); *Cusimano v. Olive Oil Importing Co.*, 114 La. 312, 38 So. 200 (1905); *W. R. Lynn Shoe Co. v. Auburn Lynn Shoe Co.*, 100 Me. 461, 62 Atl. 499 (1905); *Regis v. Jaynes*, 185 Mass. 458, 70 N.E. 480 (1904); *Liggett etc. Tobacco Co. v. Sam Reid Tobacco Co.*, 104 Mo. 53, 15 S.W. 843 (1891); *Miskell v. Prokop*, 58 Neb. 628, 79 N.W. 552 (1899); *Ball v. Broadway Bazaar*, 194 N.Y. 429, 87 N.E. 674 (1909); *O.K. Bus & Baggage Co. v. O.K. Transfer & Storage Co.*, 63 Okla. 311, 165 Pac. 136 (1917); *B.V.D. Co. v. Kaufman & Baer Co.*, 272 Pa. 240, 116 Atl. 508 (1922); *Robinson v. Storm*, 103 Tenn. 40, 52 S.W. 880 (1899); *Rosenburg v. Fremont Undertaking Co.*, 63 Wash. 52, 114 Pac. 886 (1911).

<sup>23</sup> *Standard Oil Cloth Co. v. Trenton Oil Cloth, etc., Co.*, 71 N.J.Eq. 555, 63 Atl. 846 (Ch. 1906), where the court said, at page 559, "The evidence here is that the class of buyers of the goods on which complainant's label is stamped is largely made up of uneducated foreigners living on the east side of New York City, and among this class the defendant's label might, in the hands of interested or unscrupulous retailers, be made an instrument of deception, the purchaser having no opportunity of seeing the two stamps side by side."

<sup>24</sup> *Federal Securities Co. v. Federal Securities Corp.*, 276 Pac. 1100 (Ore. 1929).

<sup>25</sup> The "passing off" theory is almost universally applied. *Knickerbocker Chocolate Co. v. Griffing*, 144 Fed. 316 (1906); *Hygeia Distilled Water Co. v. Consolidated Ice Co.*, 144 Fed. 139 (1906); *Middletown Trust Co. v. Middle-*

view of the cases granting relief where there is no actual competition, and no possibility of a passing off of goods,<sup>26</sup> it cannot be satisfactory. Second, it very often makes the degree of similarity the deciding factor in determining the probability of deception, an abstract question at best. By what mental processes was it found that *Cottolene* was sufficiently similar to *Chefolene* to warrant an injunction,<sup>27</sup> but that *Havoline* was not objectionably similar to *Valvoline*?<sup>28</sup> Or that *Kiddie-Koop* and *Kumfy-Orib* were deceptively alike,<sup>29</sup> but that *Boyshform* and *Modishform* were not?<sup>30</sup> For this test to be satisfactory, we must assume that the court is supplied with intimate details of all the facts, including the circumstances under which the goods are sold and the type of purchaser, and that the court is also completely informed of the probability of deception on the basis

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town Nat'l. Bank, 110 Conn. 13, 147 Atl. 22 (1929); Saunders System Atlanta Co. v. Drive It Yourself Co. of Georgia, 158 Ga. 1, 123 S.E. 132 (1924); Hartzler v. Goshen Churn & Ladder Co., 55 Ind. App. 455, 104 N.E. 34 (1914); Sartor v. Schaden, 125 Iowa 696, 101 N.W. 511 (1904); Samuels v. Spitzer, 177 Mass. 226, 58 N.E. 693 (1900); Weisman v. Kuschewski, 243 Mich. 223, 219 N.W. 937 (1928); Johnson v. Seabury, 69 N.J.Eq. 696, 61 Atl. 5 (Ch. 1905); Munro v. Tousey, 129 N.Y. 38, 29 N.E. 9 (1891).

<sup>26</sup> *Vogue Co. v. Thompson-Hudson Co.*, 300 Fed. 509, (C.C.A. 6th, 1924); *Yale Electric Co. v. Robertson*, 26 Fed. (2d) 973 (C.C.A. 2d, 1928); *American Philatelic Society v. Claibourne*, 3 Cal. (2d) 689, 46 Pac. (2d) 135 (1935).

<sup>27</sup> *N. K. Fairbanks Co. v. Ogden Packing and Provision Co.*, 220 Fed. 1002 (1914).

<sup>28</sup> *Valvoline Oil Co. v. Havoline Oil Co.*, 211 Fed. 189 (1913).

<sup>29</sup> *Trimble v. Woodstock Mfg. Co.*, 297 Fed. 524 (1923), *aff'd*. 297 Fed. 529 (1924).

<sup>30</sup> *Boyshform Brassiere Co. v. Modishform Brassiere Co.*, 199 N.Y.Supp. 135, 205 App. Div. 14 (1923).

See also *Celotex Co. v. Bronston Bros. & Co.*, 49 Fed. (2d) 1048 (1931), noted in (1932) 27 ILL. L. REV. 228; *Celotex Co. v. Chicago Panel Stone Co.*, 49 Fed. (2d) 1051 (1931); *Celotex Co. v. Millington*, 49 Fed. (2d) 1053 (1931), in which cases "Flametex," "Opal-Tex" and "Fir-Tex" were held confusingly similar to "Celotex" on wall boards.

Some cases, of course, take a liberal view toward the problem of similarity, but the effect is really to apply a different test, that of justification, which will be later developed. See *Guggenheim v. Cantrell & Cochrane, Ltd.*, 56 App. D.C. 100, 10 Fed. (2d) 895, 896 (1926).

of the psychological effect of two trade-names, on those purchasers. Otherwise, it cannot be said to be drawing the line between confusing similarity and fair competition, with full justice to the parties. Yet to ask this of our courts would be to place them at the mercy of another expert witness—the psychologist.

Further, the continued application of this test has the effect of eclipsing the basic idea of fraud, and good conscience, and of placing entirely too much emphasis on the rather abstract and evanescent problem of similarity, with correspondingly unsatisfactory results. The court's findings, on this basis, are more likely to be of opinion than fact, which latter they purport to be.

The test which has been most often applied with results which satisfy one's sense of reason as well as of justice, is that which is based on the excuse for the similarity, or even identity—requiring a justification by the defendant. Under this test, for example, competition is not unfair where there was little choice in selecting the allegedly fraudulent feature, but is disfavored where there was a wide variety of possibilities, and the newcomer chose that which was similar to the established name or mark.<sup>81</sup> This theory has not been employed as though it were a rule, but has grown up from a desire to do away with the too intricate reasoning connected with the determination of similarity. In *Guggenheim v. Cantrell & Cochrane, Ltd.*,<sup>82</sup> it was said,

“In this court, it has been repeatedly declared that there is neither legal nor moral excuse for even an approximate simulation of a well-known mark applied to goods of the same descriptive properties, and that when an at-

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<sup>81</sup> *Lapointe Machine Tool Co. v. J. N. Lapointe Co.*, 115 Me. 472, 99 Atl. 348 (1916); *Baker v. Slack*, 130 Fed. 514, 65 C.C.A. 138 (C.C.A. 7th, 1904); *Hildreth v. McDonald Co.*, 164 Mass. 16, 41 N.E. 56 (1895); *W. R. Lynn Shoe Co. v. Auburn-Lynn Shoe Co.*, 100 Me. 461, 62 Atl. 499 (1905).

<sup>82</sup> 56 App. D.C. 100, 10 Fed. (2d) 895 (1926).

tempt to effect such simulation becomes apparent, the two marks should not be examined with a microscope to detect minute differences, but on the contrary, should be viewed as a whole as the general public would view them; in other words, that the points of similarity are of greater importance than the points of difference."<sup>85</sup>

And in the case of *Lapointe Machine Tool Co. v. J. N. Lapointe Co.*,<sup>84</sup> the court said,

"It must not be overlooked that in the manufacture of a machine the maker is limited as to general form and design by the very nature of the article itself. It must be adapted to a particular kind of work, and hence must necessarily assume the form calculated to perform that work best. No intention to imitate should be inferred therefrom. It is quite different from the wide option left open to the manufacturer of commodities which are designated by labels, or wrappers, or form of package. Here, there is no excuse for imitation, as in packages of chocolate,<sup>85</sup> or velvet candy,<sup>86</sup> or shoes."<sup>87</sup>

Again, in *Florence Mfg. Co. v. J. C. Dowd & Co.*,<sup>88</sup> the court emphasized the view that,

"It is so easy for the honest business man, who wishes to sell his goods upon their merits, to select from the entire

<sup>84</sup> *Id.* at p 896, citing *Kaut-Reith Shoe Co. v. International Shoe Co.*, 45 App. D.C. 545 (1917); *O. & W. Thum Co. v. Dickinson*, 46 App. D.C. 306 (1917); *Thomas Mfg. Co. v. Aeolian Co.*, 47 App. D.C. 376 (1918); *Walthe v. Shafer*, 49 App. D.C. 254, 263 Fed. 650 (1920); *Coca-Cola Co. v. Chero-Cola Co.*, 51 App. D.C. 27, 273 Fed. 755 (1921).

<sup>85</sup> 115 Me. 472, 99 Atl. 348 (1916).

<sup>86</sup> Citing *Baker v. Slack*, 130 Fed. 514, 65 C.C.A. 138 (C.C.A. 7th, 1904).

<sup>87</sup> Citing *Hildreth v. McDonald Co.*, 164 Mass. 16, 41 N.E. 56 (1895).

<sup>88</sup> Citing *W. R. Lynn Shoe Co. v. Auburn-Lynn Shoe Co.*, 100 Me. 461, 62 Atl. 499 (1905).

<sup>89</sup> 178 Fed. 73, at 75 (C.C.A. 2d, 1910).

material universe, which is before him, symbols, marks and coverings which by no possibility can cause confusion between his goods and those of his competitors, that the courts look with suspicion upon one who, in dressing the goods for the market, approaches so near to his successful rival that the public may fail to distinguish between them."

The main advantage of this test is that it draws the line between fair competition and unfair competition at a point where there is much more of a spread between dissimilarity and identity. Under the present test, the line is drawn at a point close to identity, where differences are hard to classify.<sup>39</sup> Further, the suggested test is in closer harmony with the basic theory of the action, and looks to the fraud, as evidenced by the defendant's conduct, rather than to the psychology of the public mind. In almost any case of this kind, there is little doubt that the real purpose of the defendant was to identify his product with a name as similar to the established one as the existing law would allow. Are the courts to indulge in gauging the success or failure of such efforts? The intention is fraudulent in both cases, and property rights are involved. It would seem that such purpose can be thwarted effectively if the attitude of our courts be to discourage the practice of imitating distinctive names. Given a degree of similarity sufficient to raise doubts as to the defendant's motives, the test set out above places it on him to justify his selection. And the defendant is in a better position to explain the choice than the complainant is to prove fraudulent intent.<sup>40</sup>

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<sup>39</sup> Witness the results in the *Havoline*, *Cottolene*, *Kumfy-Krib* and *Boysform* cases, *supra*, notes 27, 28, 29 and 30.

<sup>40</sup> For varying views of the justification doctrine, See Green, *The Torts Restatement*, 29 ILL. L. REV. 582 (1935); Holmes, *Privilege, Malice and Intent*, 8 HARV. L. REV. 1 (1894); Winfield, *The Foundation of Liability in Tort*, 27 COL. L. REV. 1 (1927).

Dean Green has referred to the justification doctrine as "an emerging *omnibus doctrine* for giving protection against any intended hurt to another's interests

Further, the test allows a broader base upon which the courts can grant protection not only of existing good will, but also of the "probable expectancies" which may grow out of that good will. The statement of Vice-Chancellor Stevenson, in *Jersey City Printing Co. v. Cassidy*<sup>41</sup> is revealing of this view. He pointed out in that case that,

"A large part of what is most valuable in modern life seems to depend more or less directly upon 'probable expectancies'. When they fail, civilization as at present organized may go down. As social and industrial life develops and grows more complex, these 'probable expectancies' are bound to increase. It would seem to be inevitable that courts of law, as our system of jurisprudence is evolved to meet the growing wants of an increasingly complex social order, will discover, define, and protect from undue interference more of these 'probable expectancies'."<sup>42</sup>

It becomes appropriate, then, to examine the effect of the application of this test to the various types of situations usually encountered. For this purpose, the technical trade-mark will not be distinguished from the trade name, since they are fundamentally the same, the essential difference being merely in the form of the action.<sup>43</sup>

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without adequate justification." *Supra*, at 584.

Mr. Justice Holmes referred to the theory with approval in *Aikens v. Wisconsin*, 195 U.S. 194, 25 Sup. Ct. 3, 49 L.Ed. 154 (1904): "It has been considered that *prima facie*, the intentional infliction of temporal damage is a cause of action, which, as a matter of substantive law, whatever may be the form of pleading, requires a justification if the defendant is to escape."

<sup>41</sup> 63 N.J.Eq. 759, 53 Atl. 230 (Ch. 1912).

<sup>42</sup> *Id.* at p. 761. In this connection see *Yale Electric Co. v. Robertson*, 26 Fed. (2d) 972 (C.C.A. 2d, 1928), where the defendant was enjoined from using the name "Yale" on its flashlights, although plaintiff used that name on hardware, especially upon locks and keys, but not on electric flashlights and batteries.

See also *Wall v. Rolls-Royce of America, Inc.*, 4 Fed. (2d) 333, (C.C.A. 3d, 1925).

<sup>43</sup> *Handler & Pickett, Trade-Marks and Trade Names* (1930), 30 Col. L.

In some of the older cases, the statement was often broadly made that a man has a right to the use of his own name.<sup>44</sup> The effect of this rule was, in cases involving personal names, to weigh the respective rights of the complainant and the defendant in an attempt to protect the former's good will without unjustly restricting the latter. The injunctions, consequently, forbade the defendant from using his own name, unless in so doing he accompanied it with some explanatory statement which would enable the public accurately to identify the two products.<sup>45</sup> Three reasons have been stated as moving the courts to this limitation of the restraint upon a man's use of his own name—first, that the right of one to use his own name in con-

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Rev. 168, at p. 200, ". . . in the main the trade name cases tend to approximate the trade-mark decisions and . . . the supposedly sharp line of demarcation is being obliterated."

Pitney, J., in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, at 413, 36 Sup. Ct. 357, at 360, 60 L. Ed. 713 (1916), said, "This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement. In fact, the common law of trademarks is but part of the broader law of unfair competition. *Elgin National Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665, 674, 21 Sup. Ct. 270, 45 L.Ed. 365 (1901); *G. & C. Merriam Co. v. Saalfeld*, 198 Fed. 369, 372 (C.C.A. 1912); *Cohen v. Nagle*, 190 Mass. 4, 8, 15, 76 N.E. 276, 2 L.R.A. (N.S.) 964, 5 Am. Cas. 553, 555, 558."

Consult also NIMS, UNFAIR COMPETITION AND TRADEMARKS (3d Ed. 1929) p. 523; HOPKINS, TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION (4th Ed. 1924) p. 12; Rogers, *Protection of Industrial Property* (1929), 27 MICH. L. REV. 491, 497; Glenn, *Pre-Emption in Connection with Unfair Trade* (1919), 19 COL. L. REV. 29, 32; Grismore, *Fraudulent Intent in Trade Mark Cases* (1929), 27 MICH. L. REV. 857. Cf. Molengraaff, *Nature of the Trade-Mark* (1920), 29 YALE L. J. 303.

"It is now settled beyond controversy that a family surname is incapable of exclusive appropriation in trade. The right of every man to use his own name in his business was declared in the law before the modern doctrine of unfair trade competition had arisen." *Stix, Baer & Fuller Dry Goods Co. v. American Piano Co.*, 211 Fed. 271, at 274 (C.C.A. 8th, 1913).

\* *Turton v. Turton*, 42 Ch. Div. 128 (1889); *Howe Scale Co. v. Wyckoff, Seamans & Benedict*, 198 U.S. 118, 25 Sup. Ct. 609, 49 L. Ed. 972 (1905); *Hilton v. Hilton*, 89 N.J.Eq. 182, 104 Atl. 375 (E.&A. 1918), 89 N.J.Eq. 472, 106 Atl. 139 (Ch. 1919), *aff'd*, 90 N.J.Eq. 564, 107 Atl. 263 (E.&A. 1919).

ducting a business is part of the "natural and inalienable rights guaranteed by the very first clause of our constitution without which the right to acquire, possess and protect property would be of little worth"; second, that it is in the public interest for all citizens to be free to pursue an activity for which they have been trained or are familiar, or to which they are adapted; and third, that the remedy by injunction is a protective remedy intended to protect the complainant in his property rights, and not to be regarded as a punitive remedy to punish the defendant for his own wrong.<sup>46</sup>

This view, however, was not followed in *Hat Corporation of America v. D. L. Davis Corp.*,<sup>47</sup> where, in a forceful dictum, the court said that it would enjoin the defendant entirely from the use of the name "Dobbs" even if it were his own name, for the very good reason that a purchaser, "who has known of one Dobbs only, suddenly confronted with the suggestion that there are in existence varieties of the species, is not informed which Dobbs is 'his' Dobbs". This was essentially the view adopted by the New Jersey court at the trial of the famous *Hilton* case, although the decree was modified on appeal to allow the defendant the use of the name "Hilton".<sup>48</sup> But, on the later hearing, for contempt, the vice-chancellor pointed out his reason for the broad injunction originally granted, that he did not believe the name "Hilton," under the circumstances, could be used without confusing customers, even when accompanied by explanatory statements, and that a broad injunction would not place the burden on the defendant, on pain of an adjudication in contempt, to guess what use of the name would not be violative of

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<sup>46</sup> *Hilton v. Hilton*, 89 N.J.Eq. 182, 104 Atl. 375 (E.&A. 1918).

<sup>47</sup> 4 Fed. Supp. 613 (D.C. Conn. 1933). Defendant secured a license to use the name of one Wm. H. Dobbs, who was in no way engaged in the hat business, merely to trade on the good will of the "Dobbs" name as built up by the plaintiff and its predecessors.

<sup>48</sup> *Hilton v. Hilton*, 89 N.J.Eq. 182, 104 Atl. 375 (E.&A. 1918).

the decree.<sup>49</sup>

The apparent inconsistency, then, between the older cases, and the view expressed in the *Dobbs* dictum, does not exist, the difference being not in principle, but on fact—the fact of fraud. Thus the older cases held it was not fraud to use one's name if accompanied by explanatory phrases. In the *Dobbs* case, it was apparent that any use of the name would cause confusion, for the reason given, so as to constitute fraud, and was enjoined. The change, then, was not one of the law, but one in the concept of fraud—of what acts are deemed unconscionable, and it is apparent that such change must be capable of being easily made, as the occasion demands. Further, the abandonment of the limited injunction in these cases is in harmony with the justification theory, the effect of which is to tolerate a lesser degree of similarity. Thus the name "Percy Merton, Inc., Not connected with Charles S. Merton & Co.," is deceptively like "Charles S. Merton & Co."<sup>50</sup> for the reason urged in the *Dobbs* case, that a purchaser is not informed which of the two stores is the one with which he has been accustomed to do business. To require a stronger explanatory statement might be unfair to the defendant, since its effect might be even to drive away his own customers. If that is the case, the practical result is the same as that enunciated in the *Dobbs* decision, for if the defendant uses his own name in the manner allowed by the court, i.e., with some explanatory statement, he runs the risk of damaging his own good will, and consequently will not use the name at all, but will adopt another.

If we are to require dissimilarity, rather than allow a degree of similarity, the newcomer ought to be enjoined entirely from the use of his name in connection with a competing busi-

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<sup>49</sup> *Hilton v. Hilton*, 89 N.J.Eq. 472, 106 Atl. 139 (Ch. 1919), *aff'd*, 90 N.J.Eq. 564, 107 Atl. 263 (E.&A. 1919).

<sup>50</sup> *Chas. S. Merton & Co. v. Percy Merton, Inc.*, 103 N.J.Eq. 380, 143 Atl. 515 (Ch. 1928). The court, however, allowed the use of the name, with the distinguishing phrase quoted above.

ness. Of course, such decree would be entered only if the complainant's name has acquired a secondary meaning, for until then it is not a part of his good will. But once the usual connotations of quality, reliability, and so on, have attached to that name, the fact that a competitor's name is his own name should not persuade the court to enjoin its use only in part. The defendant's right to the use of his own name is itself subject to the qualification that he must not so employ it as to injure or destroy the rights of others.<sup>51</sup>

We find the same situation in cases involving geographical names, and descriptive names. Here, too, it has often been said that such names are not capable of exclusive appropriation.<sup>52</sup> But in many cases, despite "rules" that no one can monopolize the English language, and that anyone has a right to state the place where his product is made, absolute injunctions have been granted, prohibiting the use of the place or descriptive name in *any* manner which might injure the complainant's interests.<sup>53</sup> The language of the court in *Montgomery v. Thompson*,<sup>54</sup> one

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<sup>51</sup>"Every man's name is his own. He has a right to go into any lawful business and he has a right to use his own name in connection with it. These rights, of course, the law must recognize. Hence it is that personal names are not sanctioned as technical trademarks. \* \* \* But all rights are coupled with corresponding obligations and whether it be in his own name or any other thing that he owns, a man must so use it as not unnecessarily to damage his neighbor." ROGERS, GOOD WILL, TRADE-MARKS AND UNFAIR TRADING (1914), p. 158.

Consult also Handler & Pickett, 30 COL. L. REV. 196 *et seq.*

<sup>52</sup>Geographical names; *Elgin National Watch Co. v. Illinois Watch Case Co.*, 179 U. S. 665, 21 Sup. Ct. 270, 45 L. Ed. 365 (1901); *Delaware & H. Canal Co. v. Clark*, 80 U. S. 311, 20 L. Ed. 581 (1871); *Columbia Mill Co. v. Alcorn*, 150 U. S. 460, 14 S. Ct. 151, 37 L. Ed. 1144 (1893).

Descriptive names; *Upjohn Co. v. Wm. S. Merrell Chemical Co.*, 269 Fed. 209 (C.C.A. 6th, 1920).

<sup>53</sup>*Shaver & Heller v. Merz Co.*, 108 Fed. 821 (C.C.A. 8th, 1921) ("American Ball Blue" and "American Wash Blue"), with a strong dissenting opinion. *Contra*, as to form of relief; *O. & W. Thum Co. v. Dickinson*, 245 Fed. 609 (C.C.A. 6th, 1917), *certiorari denied* 246 U. S. 664, 38 S. Ct. 334, 62 L. Ed. 928 (1918).

<sup>54</sup>*Montgomery v. Thompson*, A.C. 217 (1891).

of the early cases involving the use of geographical names, is worthy of quotation. In upholding an order enjoining the defendant from any use of the name "Stone," in connection with the manufacture and sale of his ale, which actually was made in the town of that name, it was said,

"The respondents are entitled to ask that a rival manufacturer shall be prevented from selling his ale under such a designation as to deceive the public into the belief that they are obtaining the ale of the respondents, and he ought not to be restrained from doing so because the practical effect of such restraint may be much the same as if the persons seeking the injunction had a right of property in a particular name.

"It appears to me idle to argue in opposition to the injunction that it is against the public interest to permit a monopoly of the use of the name of a town for trade purposes, when the only effect of allowing its use by the person and for the purpose sought to be restrained would be to deceive the public."

And, further in the same case, Lord MacNaghten aptly pointed out,<sup>65</sup>

"It would be impossible for him to have called his ales 'Stone Ales,' and to have distinguished his ales from those of the plaintiff. Any attempt to distinguish the two, even if honestly meant, would have been perfectly idle. Thirsty folk want beer, not explanations. If the public get the thing they want, or something near it, and get it under the old name—the name with which they are familiar— they are likely to be supremely indifferent to the character and conduct of the brewer, and the equitable rights of rival traders."

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<sup>65</sup> *Id.*, at p. 225.

Here, again, it is necessary that the complainant be able to show that his own use of the geographical or descriptive name was such as to give it a meaning different from that customarily given to it. If he has not so used it, then it cannot be said the words mean any more to the public than that the product was made in a certain place, or consists of particular ingredients. But if the words have been used as the *name* of the article, to identify it, and convey the idea that it is made or marketed by a certain person, whose identity may be unknown, and no other, then the words are a part of the good will of the business, and entitled to protection.<sup>56</sup> Herein lies the common basis between the many decisions—the extent of the injunction is determined by the degree to which the particular word has become a part of the complainant's good will.<sup>57</sup>

All these principles, if correct, should apply with equal results in cases of non-descriptive or arbitrary names. An examination of the decisions reveals that they do. Here we find in use only the absolute injunction, for where an arbitrary feature has been used unnecessarily (i.e., without justification) the only sufficient distinction is its complete omission.<sup>58</sup> In fact, where

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<sup>56</sup> American Waltham Watch Co. v. United States Watch Co., 173 Mass. 85, 53 N.E. 141 (1899). "It is true that a man cannot appropriate a geographical name; but neither can he a color, or any part of the English language, or even a proper name to the exclusion of others whose names are like his. Yet a color in connection with a sufficiently complex combination of things may be recognized as saying so circumstantially that the defendant's goods are the plaintiff's as to pass the injunction line."

The injunction against defendant's use of the name "Waltham" was absolute and not limited.

<sup>57</sup> American Waltham Watch Co. v. United States Watch Co., 173 Mass. 85, 53 N.E. 141 (1899), *supra*, note 56, where the court found that the use of the word "Waltham," in its geographical sense, upon the dial, was not important, and should be enjoined.

See also Bayuk Cigars, Inc. v. Schwartz, 1 Fed. Supp. 283 (D.C. N.J. 1932); Bayuk Cigars v. Fine, 112 N.J.Eq. 166, 163 Atl. 799 (Ch. 1933), *aff'd*, 114 N.J.Eq. 83, 168 Atl. 303 (E.&A. 1933); and analysis of the Bayuk cases in Pickett, *Nicknames and Unfair Competition*, 35 Col. L. Rev. 33 (1935).

<sup>58</sup> Dayton v. Imperial Sales & Parts Co., 195 Mich. 397, 161 N.W. 958 (1917).

the name involved is an arbitrary name, the justification theory is at its best, for one of the extreme situations is presented. Here it is that competitors do not often attempt to make use of the established name as it stands, for that would be too revealing of their motives, but seek to coin a name similar to the complainant's so as to trade on his good will, and yet not incur liability therefor. And it is here that the theory of justification is needed most, to do away with the needless analysis of whether one name is deceptively like another.

The reasons for this are clear. If a manufacturer coins a fantastic name to identify his product, that name is completely meaningless, except as it is so used. When a competitor employs a similar fanciful name to mark his goods, the conclusion is irresistible that it was done for a single and specific purpose—to secure for himself some of the benefits appurtenant to the name devised by the originator. And if by rare chance, the newcomer innocently coined a name which later proved to be similar to another's, he cannot in good conscience, upon learning of the other's existence, insist upon a right to continue its use.

In such a situation, the fraudulent intent is so apparent, from the mere adoption of the name, although it be partially masked by prefixes and suffixes, that the courts will require little else in the way of proof.<sup>59</sup> And if the courts are to protect "probable expectancies," in some degree at least, it would seem

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<sup>59</sup> *Eureka Fire Hose Co. v. Eureka Rubber Mfg. Co.*, 69 N.J.Eq. 159, 60 Atl. 561 (Ch. 1905).

"In such cases," (where the name is descriptive, personal or geographic) "proof of other facts than the mere choice of the name may be necessary to justify either the presumption or conclusion that the use of the name by defendant is for the purpose of representing his goods to be the goods of the complainant, and therefore unfair competition.

" \* \* \* In this class of cases involving the purely arbitrary selection of a name, the selection of an arbitrary name to which another has given a trade reputation or value, in connection with the very class of goods defendant intends to put on the market, under a name containing the arbitrary or trade name, would seem to be ordinarily, of itself, sufficient proof of unfair competition, without further proof of fraudulent intent."

that the justification theory will afford the complainant a greater, yet reasonable protection, so as to leave unappropriated a fair scope within which he may expand his activities.<sup>60</sup> It is not rare, for example, to adopt a fanciful name for a certain product, and to use variations of that name to denote varying grades of that product, or even different, but related goods.<sup>61</sup> Without a broader protection, which can come only by including within the field of illegal acts a part of what was formerly unethical but legal conduct, can a business organization be secure in the belief that in creating an arbitrary mark, it may use it with the products it then makes, and such related products as it may later market.

The opposite extreme is illustrated by the case where the disputed feature is functional. Under the justification theory, a competitor cannot be enjoined from the use of such features,<sup>62</sup> as, for instance, where the defendant adopted the plaintiff's arrangement of blades and slots of electric plugs and receptacles, in an effort to standardize such appliances, the non-functional features, such as trademarks, being clearly distinguishable.<sup>63</sup> A defendant cannot be prohibited from adopting

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<sup>60</sup>In *L. E. Waterman Co. v. Gordon*, 72 Fed. (2d) 272 (C.C.A. 2d, 1934), Circuit Judge Learned Hand affirmed a decree enjoining the defendant from using the name "Waterman" on razor blades, although the complainant only used it on fountain pens and ink. He supported the holding on the idea of "probable expectancies."

He there pointed out its necessity, and roughly defined its limits, in saying:

"It is now well settled in this country that a trade-mark protects the owner against not only its use upon the articles to which he has applied it, but upon such other goods as might naturally be supposed to come from him. \* \* \* There is indeed a limit; the goods on which the supposed infringer puts the mark may be too remote from any that the owner would be likely to make or sell. It would be hard, for example, for the seller of a steam shovel to find ground for complaint in the use of his trade-mark on a lipstick."

<sup>61</sup>For example, "Kodak," one of the most familiar of fanciful, nondescriptive names, makes "Kodascope" (projectors), "Cine-Kodak" (movie cameras), "Kodachrome" (natural color film), "Kodapod" (camera support).

<sup>62</sup>Unless, of course, the feature is patented by the complainant.

<sup>63</sup>*Harvey Hubbell, Inc. v. General Electric Co.*, 262 Fed. 155 (D.C.S.D.

any form, shape, color or arrangement employed by the complainant, which he must use if he is to compete at all. Any other view would prevent competition entirely. Of course, a feature, although functional, may be so trivial that, like a non-functional quality, its abandonment will not cause the defendant to suffer,<sup>64</sup> nor will it be quite as likely that he would be able to justify its adoption, as he would some more basic structure.

It is well to note that throughout all these cases, whether the name be personal, geographical, descriptive or arbitrary, we find one common basis and a single test of liability. The differences, then, are not distinctions of law, but variations of fact, and the categories cannot, therefore, be regarded as embracing all the possible modes of conduct which will constitute unfair competition. With this in mind, the cases become harmonious, no longer depending for their explanation upon countless rules and exceptions for each and every imaginable act. The sole inquiry becomes, first, whether the complainant's good will is evidenced by the name, and to what extent, and second, has the defendant's act injured or threatened to damage that good will without excuse.<sup>65</sup> Under such a test our courts may reach their

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N.Y. 1919).

<sup>64</sup>Wesson v. Galef, 286 Fed. 621, at 623 (D.C.S.D. N.Y. 1922).

<sup>65</sup>Analysis has shown that good will value may result either from (1) an earned increment resulting from efficiency and invested capital, or (2) an unearned increment arising from monopoly (e.g. site rent, legal monopoly, undue restraint of trade), external change, and exploitation (unfair competition in its many aspects). Wright, *NATURE AND BASIS OF LEGAL GOODWILL*, 24 *ILL. L. REV.* 20, 25 ff. (1929).

The same author has urged a more uniform concept of good will in another article:

"Goodwill is an aggregate of legal relations attaching to certain valuable intangible trade connections, which give the possessor a differential competitive advantage over others not possessing such relations. Goodwill is uniformly declared to be property. Property, in our modern conception is no more than legal relations. Unquestionably, the present confusion concerning goodwill would be reduced if goodwill were treated only as legal relations. This would leave the economic phenomena which serve as the bases of goodwill to be analyzed and treated as economic facts. The courts would need a new technique. The under-

decisions without needless commitment to conflicting and varying dogmas or concepts for every phase of unfair competition which may be presented, and will be left free to alter existing standards of business ethics in accordance with the requirements of custom.

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lying economic phenomena must be analyzed, broken up, classified. In view of the growing co-ordination of legal, economic and business thought, we may reasonably expect earned goodwill to be encouraged, monopoly goodwill to be looked upon with suspicion, and exploitation goodwill to be strongly condemned." Wright, *Tort Responsibility for Destruction of Goodwill*, 14 CORN. L. Q. 298, at 301 (1929).