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Unfair Competition—Trade-Name—Disctinction Between Description and Secondary Meaning

The Louisiana tax was the first of its kind to raise the question of extra-territorial taxation. The general problem has vexed the Supreme Court on numerous occasions, and the decisions upon its various phases are somewhat lacking in harmony.[14] That taxation by a state of tangible property permanently beyond its jurisdiction violates the due process clause is well-established.[15] Nor may a state tax a privilege granted by another state.[16] A state may, however, levy a tax upon a privilege granted by it and use as a basis of the tax, property which it could not tax directly.[17] The court has also held that the rate of taxation upon a privilege exercised within the state may depend upon tangible property located outside the state.[18] In the principal case, the court held that the tax is not one upon property located outside of the state but upon a privilege exercised within the state which the state may tax; and that having power to levy the tax, the rate may be fixed "according to the existence of elements located both within and without the state."[19]

It is difficult to foresee the practical consequences of this decision.[20] It does seem highly probable, however, that states in which there is a strong feeling against chain stores will follow the lead of Louisiana in adopting this method of measuring the fee, with a consequent increase of the burden upon chain organizations. R. R. W.

UNFAIR COMPETITION—TRADE-NAME—DISTINCTION BETWEEN DESCRIPTION AND SECONDARY MEANING—[Federal].—Defendant adopted the name "Shredded Wheat" as its trade-name in competition with plaintiff which had used the name as its trade-name for fifteen years following the expiration of its patent on the product and after plaintiff had built up a secondary meaning in the name.[1] *Held:* that defendant be enjoined from using the name "Shredded Wheat" as its trade name.[2]

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14. For general discussion of problem see Stimson, *Jurisdiction and Power of Taxation* (1933); Beale, Jurisdiction to Tax (1919) 32 Harv. L. Rev. 587; Harper, Jurisdiction of State to Tax—Recent Developments (1930) 5 Ind. L. J. 507; Merrill, Jurisdiction to Tax—Another Word (1935) 44 Yale L. J. 482.

15. Union Refrigerator Co. v. Kentucky (1905) 199 U. S. 194, 26 S. Ct. 36, 50 L. ed. 150, 4 Ann. Cas. 493; Cooley, *Taxation* (4th ed. 1924) secs. 92-100.

16. Louisville & J. Ferry Co. v. Kentucky (1903) 188 U. S. 385, 23 S. Ct. 463, 47 L. ed. 513; Frick v. Pennsylvania (1925) 268 U. S. 473, 45 S. Ct. 603, 69 L. ed. 1058, 42 A. L. R. 316.

17. Home Ins. Co. v. New York (1890) 134 U. S. 594, 10 S. Ct. 593, 33 L. ed. 1025; Plummer v. Coler (1900) 178 U. S. 115, 20 S. Ct. 829, 44 L. ed. 998; Educational Films Corp. v. Ward (1931) 282 U. S. 379, 51 S. Ct. 170, 75 L. ed. 400, 71 A. L. R. 1226.

18. Maxwell v. Bugbee (1919) 250 U. S. 525, 40 S. Ct. 2, 63 L. ed. 1124.

19. Note (1935) 44 Yale L. J. 619, 634.

20. The suggestion has been made that the rigors imposed by the tax could perhaps be escaped by re-incorporation of local units into separate subsidiary corporations. Id. at 637.

1. National Biscuit Co. v. Kellogg Co. (C. C. A. 3, 1937) 91 F. (2d) 150. Plaintiff had been manufacturing "Shredded Wheat," a breakfast food, under a patent which was obtained in 1893 and which expired in 1912.

The law is well settled that a descriptive or generic name of a patented article becomes public property upon the expiration of the patent.[3] On the other hand if such a name by long use acquires a secondary meaning so that it has come to be associated in the public mind with the product of the patentee, the *deceptive* use by others of the name will be enjoined.[4] Likewise the right to use a trade-name, as distinguished from a trade-mark,[5] may become the exclusive right of a manufacturer, irrespective of a patent, it for a long period of time he alone uses the name as indicating his product, and it becomes so fixed in the public mind.[6] Thus where a manufacturer has built up a secondary meaning in a name, the courts will protect his use of the name against a rival manufacturer who intends to deceive the public by "passing off" his product as that of his competitor,

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For 15 years after the expiration of the patent no one used the name except the Ross Company for a short time in 1915 and defendant for a time in 1922. They both stopped immediately upon protest by plaintiff. This suit arose out of the renewed use in 1932 by defendant of the name "Shredded Wheat" and the plaintiff's trade-mark.

2. In addition to enjoining defendant from using plaintiff's trade-name, the court held that defendant could not advertise or offer for sale its product in the form and shape of plaintiff's biscuit, since these were covered by a trade-mark.

3. G. & E. Merriam Co. v. Syndicate Pub. Co. (1915) 237 U. S. 618, 35 S. Ct. 708, 59 L. ed. 1148; Holzapfel's Compositions Co. v. Rahtjen's American Composition Co. (1901) 183 U. S. 1, 22 S. Ct. 6, 46 L. ed. 4; Elgin National Watch Co. v. Illinois Watch Case Co. (1901) 179 U. S. 665, 21 S. Ct. 270, 45 L. ed. 365; Singer Mfg. Co. v. June Mfg. Co. (1894) 163 U. S. 169, 16 S. Ct. 1002, 41 L. ed. 118; Amiesite Asphalt Co. of America v. Interstate Amiesite Co. (C. C. A. 3, 1934) 72 F. (2d) 946; Frank W. Whitcher Co. v. Sneierson (D. C. D. Mass., 1913) 205 Fed. 767; G. & E. Merriam Co. v. Saalfield (C. C. A. 6, 1912) 198 Fed. 369; Horlick's Food Co. v. Elgin Milkine Co. (C. C. A. 7, 1903) 120 Fed. 264; Centaur Co. v. Heinsfurter (C. C. A. 8, 1898) 84 Fed. 955; Singer Mfg. Co. v. Riley (C. C. W. D. Tenn., 1882) 11 Fed. 706; Singer Mfg. Co. v. Stanage (C. C. E. D. Mo., 1881) 6 Fed. 279.

4. Coca Cola Co. v. Koke Co. (1920) 254 U. S. 143, 41 S. Ct. 113, 65 L. ed. 189; Coty, Inc. v. Parfums De Grand Luxe, Inc. (D. C. S. D. N. Y., 1924) 292 Fed. 319; Dr. B. & R. Knight v. W. L. Milner Co. (D. C. N. D. Ohio, 1922) 283 Fed. 816; Photo Play Pub. Co. v. LaVerne Pub. Co. (C. C. A. 3, 1921) 269 Fed. 730; Zittlosen Mfg. Co. v. Bass (C. C. A. 8, 1914) 219 Fed. 887; Buzby v. Davis (C. C. A. 8, 1906) 150 Fed. 275; Anheuser-Busch Brewing Ass'n v. Piza (C. C. S. D. N. Y., 1885) 24 Fed. 149.

5. "Generally speaking, the term 'trade mark' means a distinctive mark of authenticity, through which the products of particular manufacturers or the vendible commodities of particular merchants may be distinguished from those of others." Elgin National Watch Co. v. Illinois Watch Case Co. (1901) 179 U. S. 665, 21 S. Ct. 270, 45 L. ed. 365. "A trade name is not strictly a trade mark, but is generally governed as to its use and transfer by the same rules as a trade-mark." 3 Words & Phrases (4th Ser.) 697. "Generally, 'trade mark' is applicable to vendible commodity, and 'trade name' to business and good will." Standard Oil Co. of N. M. v. Standard Oil Co. of Cal. (C. C. A. 10, 1935) 56 F. (2d) 973.

6. Photo Play Pub. Co. v. La Verne Pub. Co. (C. C. A. 3, 1921) 269 Fed. 730; Zittlosen Mfg. Co. v. Bass (C. C. A. 8, 1914) 219 Fed. 887; Samson Cordage Works v. Puritan Cordage Mills (C. C. A. 6, 1914) 211 Fed. 603.

and they will hold such practice to be unfair competition.[7] There is division among the courts as to whether actual fraud must be proved[8] or whether the intent to deceive may be presumed from the circumstances.[9] The latter course was followed by the court in the instant case.

The instant case is apparently the only one on record in which a manufacturer, after losing the exclusive use of a trade name through the expiration of a patent, reacquired that use after a period of time during which he successfully educated the public to associate the name solely with his product. There is no doubt but that had the defendant made use of the name within a reasonable time after the patent expired the injunction would have been denied.[10]

The court decided that "Shredded Wheat" is neither a descriptive nor a generic name for plaintiff's product.[11] It is evident, therefore, that the name need not necessarily pass to the public domain on the expiration of the patent.[12] The court, however, goes on to say that even if it were originally descriptive, the use by defendant of the name after it had acquired a secondary meaning would be "manifestly unfair."[13]

This case confirms the modern tendency of courts to apply whenever possible, in trade-name cases the doctrine of unfair competition. Even though a patent has expired and the trade-name rededicated to public use, if it is not so used for a number of years there would seem to be no reason why a manufacturer should not be protected in the use of a trade name

7. Singer Mfg. Co. v. June Mfg. Co. (1894) 163 U. S. 169, 16 S. Ct. 1002, 41 L. ed. 118; Akron-Overland Tire Co. v. Willys Overland Co. (C. C. A. 3, 1921) 273 Fed. 674; Rushmore v. Saxon (C. C. S. D. N. Y., 1908) 158 Fed. 499; Dr. Peter H. Fahrney & Sons Co. v. Ruminer (C. C. A. 7, 1907) 153 Fed. 735; Buzby v. Davis (C. C. A. 8, 1906) 150 Fed. 275; Swift & Co. v. Groff (C. C. D. Minn., 3, 1903) 114 Fed. 605; Heller & Merz Co. v. Shaver (C. C. N. C. Iowa, 1900) 102 Fed. 882.

8. "One asserting that a descriptive term had become a trade name, having acquired a secondary meaning indicating his goods, has, unlike in cases of ordinary trade-mark, the burden of establishing that defendant's use of the term was unfair." Kellogg Toasted Corn Flake Co. v. Quaker Oats Co. (C. C. A. 6, 1916) 235 Fed. 657; see also American Specialty Co. v. Collis Co. (D. C. S. D. Iowa, 1916) 235 Fed. 929.

9. "The natural presumption is that one adopting a name for its product, which has become associated in the public mind with a product of another, expects to derive benefit from the name, and to secure buyers from among those who have bought and used the product of such other, and it may be justly assumed that they intend to mislead, and that their acts are likely to accomplish this intent." Shredded Wheat Co. v. Humphrey Cornell Co. (D. C. Conn., 1917) 244 Fed. 508, aff'd (C. C. A. 2, 1918) 250 Fed. 960.

10. "If dependant had desired to use the name at the expiration of the patent it should have seasonably done so, but it did not." National Biscuit Co. v. Kellogg Co. (C. C. A. 3, 1937) 91 F. (2d) 150, 153, citing 18 C. J. 72.

11. The court in the instant case decided that "Shredded Wheat" was merely suggestive, and as such may be used as a valid trade-mark.

12. G. & E. Merriam Co. v. Saalfield (C. C. A. 6, 1912) 198 Fed. 369; Centaur Co. v. Killenberger (C. C. D. N. J. 1898) 87 Fed. 725; Handler and Prickett, Trade Marks and Trade Names (1930) 30 Col. L. Rev. 187-88.

13. National Biscuit Co. v. Kellogg Co. (C. C. A. 3, 1937) 91 F. (2d) 150, 153.

which by his efforts and expenditures has been given a commercial value. It is submitted that the decision in the instant case is but a reasonable and logical extension of the established law that such a name, although never having been attached to a patented article, may through similar methods of use, acquire the same secondary meaning and the same right to protection.

L. H. B.