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UNFAIR COMPETITION AND ITS LATE DEVELOPMENTS.

The right of a manufacturer or seller of a commercial article to appropriate to his exclusive use as a trade-mark a word or symbol to indicate that the articles have originated with or been selected by him, has long been recognized, and in the United States, Great Britain and many other countries. legislation has been in force for many years providing for the registration of such marks.

It has also long been recognized that a manufacturer or trader who has acquired by adoption and use, a suitable trade-mark, has a property right therein, and that he is entitled to protection in its exclusive use because it is his property. It has also been recognized that the public has an interest in the protection of trade-marks in order that purchasers and consumers of commercial articles may not be misled or defrauded into buying articles other than those they desire or intend to purchase.

In *Upton on Trade-Marks* it is said that "property in trade-marks, exclusive and absolute, has existed and been recognized as a legal possession, which may be bought and sold and transmitted, from the earliest days of our recorded jurisprudence."

While recognizing property in trade-marks, courts of equity at first refused to interfere by injunction for their protection. In 1742 Lord Chancellor Hardwicke, in *Blanchard vs. Hill*, refused an injunction to restrain the defendant from making use of the Great Mogul as a trade-mark upon cards. In denying the motion for an injunction the Lord Chancellor said:

"In the first place, the motion is to restrain the defendant from making cards with the same mark which the plaintiff has appropriated to himself, and, in this respect, there is no foundation for this court to grant such an injunction. Every

particular trader has some particular mark or stamp; but I do not know any instance of granting an injunction here to restrain one trader from using the same mark with another, and I think it would be of mischievous consequence to do it.”

In 1816 an injunction was granted to restrain a manufacturer from using, upon blacking, labels in imitation of those employed by the plaintiff. Other cases both in England and in the United States adopted the same practice both as to labels and trade-marks and it soon became a well established doctrine that the exclusive property of the owner of a trade-mark is entitled to the protection which the highest powers of the courts can furnish. The power of the court in such cases is exercised both to do individual justice and to safeguard the interests of the public. “The right of property in trade-marks has become to be recognized as of immense and incalculable value. Trade-marks, it has been truthfully said, are the only means by which the manufacturer and the merchant are enabled to inspire and retain public confidence in the quality and integrity of things made and sold, and the only means by which the public is protected against frauds and impositions of the crafty and designing who are always alert to appropriate to themselves the fruits of the reputations of others.”

In restraining by injunction the passing off by one dealer of his own goods as those of the goods of a competitor the jurisdiction of a court of equity is in aid of the legal right and is founded on the protection of property from irreparable damage. A court of equity in such cases acts on the same principle upon which it interferes in other cases in protecting legal rights to property.

While a wide range is necessarily permitted to a manufacturer or dealer in the selection and adoption of a trade mark, it was realized at an early date that certain limitations upon this power of selection must be made or otherwise the first adopter for trade-mark purposes of words that should rightfully be open to general use might monopolize business

to which he was not entitled and seriously interfere with freedom of commerce.

Following this rule the courts, at an early date, refused to recognize as valid trade-marks, geographical names, descriptive words and personal names. Marks designating patented articles were also held to become dedicated to the public upon the expiration of the patents upon the articles to which they were applied.

There can be no question about the soundness or the fairness of the position taken by the court in reference to marks of this character. If descriptive words such as "Iron Bitters," (Brown v. Meyer, 133 U. S. 540), geographical names such as "Lackawanna," or personal names like "Brown," could be exclusively appropriated as trade-marks, it goes without saying that commerce would be greatly hampered, and injustice would be done to many manufacturers and producers of commercial articles, as well as to the general public.

As said by Mr. Justice Strong, in the familiar Lackawanna case:

"The word 'Lackawanna' was not devised by the complainants. They found it a settled and known appellative of the district in which their coal deposits, and those of others, were situated. At a time when they began to use it, it was a recognized description of the region, and of course of the earths and minerals in the region. * * * And it is obvious that the same reasons which forbid the exclusive appropriation of generic names, or of those merely descriptive of the article manufactured, and which can be employed with truth by other manufacturers, apply with equal force to the appropriations of geographical names, designating districts of country. Their nature is such that they cannot point to the origin (personal origin) or ownership of the articles of trade to which they may be applied. They point only at the place of production, not to the producer, and, could they be appropriated exclusively, the appropriation would result in mischievous monopolies. * * * It must be

then considered as sound doctrine that no one can apply the name of a district of country to a well-known article of commerce, and obtain thereby such an exclusive right to the application as to prevent others inhabiting the district, or dealing in similar articles coming from the district, from truthfully using the same designation."

"He has no right to appropriate a sign or a symbol which from the nature of the fact it is used to signify, others may employ with equal truth, and therefore, have an equal right to employ for the same purpose." (13 Wall. 311-327.)

It soon became apparent, however, that the refusal to recognize trade-mark rights in geographical and personal names and in descriptive words, left the door open, in many instances for flagrant piracies upon the established trade and valuable good-will of important business enterprises.

In some cases it appeared that a descriptive word had been so employed and associated with an article of commerce that it had come to mean that article to the public rather than to convey, in that particular connection, its original descriptive meaning.

The same was also true in many instances with respect to geographical and personal names. In such cases the courts did not hesitate to hold that notwithstanding the rule against appropriation of geographical and personal names and descriptive words, the words in question were to be considered as having acquired secondary meanings which took them out of the prohibited classes. Instances of such cases are found in the English courts in the "Glenfield Starch," the "Stone Ale" and "Camel Hair Belting" litigations, and in Massachusetts in *American Waltham Watch Co. v. U. S. Watch Co.*, in which it was held that the name "Waltham" on watches, while originally used in a geographical sense, had, by continued use, acquired a secondary meaning as a designation of watches of a particular class, and that purchasers had come to understand that watches stamped with the name of "Waltham" are watches made by the American Watch Co.

As early as 1887 the Supreme Court of Kentucky in an opinion by Judge Holt, said:

“While one who sells a product of a particular region of country cannot appropriate the name of that region to indicate the article he sells, to the exclusion of others who produce or sell a similar product of the same region, yet a geographical name, as applied to a manufactured article, in connection with which the manufacturer was the first to use it, may acquire a secondary meaning, and thus become a valid trademark, but such a right will not be declared or protected unless clearly shown.” (Metcalf v. Breund, 86 Ky. 151.)

It often occurs, however, that a manufacturer cannot show that a geographical or descriptive word employed by him, has acquired a secondary meaning, and yet it may be apparent that the continued use of such words by an other may result in actual injustice. To illustrate, Minneapolis has a world-wide reputation as a flour manufacturing center. The right to use this geographical term upon packages of flour manufactured at Minneapolis is of great value to every miller in that city. California fruits are known and have a high reputation at least in all parts of the United States. To permit a miller in some other part of the country to brand his flour “Minneapolis” would work, not only a fraud upon the public, but a positive damage to every miller located in the Flour City. A similar result would follow the labeling of fruits, not grown in California, with the name of that State.

It was necessary, in view of the forced limitations upon trade-mark rights for courts of equity to supplement trade mark principles with rules reaching cases of piracy in which technical trade-mark rights were ineffective. To this end there has been developed, both in the English and American courts, the principle of protection known to us as “unfair competition,” and generally spoken of in England and Canada as “passing off.”

In 1899 District Judge Bradford, in discussing the subject of unfair competition, said:

“The gradual but progressive judicial development of the doctrine of unfair competition in trade has shed lustre on that branch of our jurisprudence as an embodiment, to a marked degree, of the principles of high business morality, involving the nicest discrimination between those things which may, and those which may not, be done in the course of honorable rivalry in business. This doctrine rests on the broad proposition that equity will not permit anyone to palm off his goods on the public as those of another. The law of trade-marks is only one branch of the doctrine. But while the law of trade-marks is but part of the law of unfair competition in trade, yet when the two are viewed in contradistinction to each other an essential difference is to be observed. The infringement of trade-marks is the violation by one person of an exclusive right of another person to the use of a word, mark or symbol. Unfair competition in trade, as distinguished from infringement of trade-marks, does not involve the violation of any exclusive right to the use of a word, mark or symbol. The word may be purely generic or descriptive, and the mark or symbol indicative only of style, size, shape or quality, and as such open to public use ‘like the adjectives of the language’ yet there may be unfair competition in trade by an improper use of such word, mark or symbol. Two rivals in business competing with each other in the same line of goods may have an equal right to use the same words, marks or symbols on similar articles produced or sold by them respectively, yet if such words, marks or symbols were used by one of them before the other and by association have come to indicate to the public that the goods to which they are applied are of the production of the former, the latter will not be permitted, with intent to mislead the public, to use such words, marks or symbols in such a manner, by trade dress or otherwise, as to deceive or be capable of deceiving the public as to the origin, manufacture or ownership of the articles to which they are applied; and the latter may be required, when using such words, marks or symbols, to place on articles of his own production or the packages in which they

are usually sold something clearly denoting the origin, manufacture or ownership of such articles, or negating any idea that they were produced or sold by the former."

To the same effect is the language of Mr. Justice Brown, in the Coats Thread case, in which he said:

"Irrespective of the technical question of trade-mark, the defendants have no right to dress their goods up in such manner, as to deceive an intending purchaser, and induce him to believe he is buying those of the plaintiff. Rival manufacturers may lawfully compete for the patronage of the public in the quality and price of their goods, in the beauty and tastefulness of their enclosing packages, in the extent of their advertising, and in the employment of agents, but they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals." (Coats v. Merrick Thread Co., 149 U. S. 562.)

The principles stated in these cases have been followed and extended in many directions, until, as has been recently said, "With the expansion of commerce, there has been developed in recent years a well defined jurisprudence in cases of this character, involving what has come to be known as unfair competition."

The weakness of a technical trade-mark lies in the fact that it can be and has been defined, and its boundaries have been fixed by judicial decisions.

The road to evasion of the rights of the trade-mark owner are, therefore, marked out for the would-be imitator and competitor. He knows that marks of a certain character may be imitated with impunity because the original user could not acquire any exclusive right thereto. Courts, however, have never undertaken to define fraud. As unfair competition is invariably a species of fraud, no attempt has ever been made to define it, and no boundary lines have ever been established.

The elements entering into and producing unfair competition may be as diverse and varied as human wit and ingenuity can make them. It, therefore, frequently happens that the courts, while declaring a particular mark invalid as a trade-mark, may grant full relief against its piracy on the ground of unfair competition. And not only may the prohibitive relief be as effective, but the money recovery may be as great in one case as in the other. Thus in the "American Girl" case (*Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 239 U. S. 251) the Circuit Court of Appeals for the Eighth Circuit had directed a decree for plaintiff on the ground of unfair competition, and holding that the term "American Girl" was not the subject of a valid trade-mark. It awarded plaintiff the profits defendant had made on the goods sold by it under the name "American Lady." The Supreme Court found that the term "American Girl" constituted a valid trade-mark. In allowing plaintiff the same recovery that had been fixed by the Court of Appeals, it said:

"The account was based upon undisputed data, and no reason is suggested why, if otherwise accurate, it is not as properly applicable upon the theory of trade-marks as upon that of unfair competition aside from trade-mark infringement—at least, so far as defendant is entitled to criticize it; complainant is not attacking the decree."

It is true that in this case the Supreme Court expressly states that it does not find it necessary to pass upon the question of the proper measure of recovery in a non-trade-mark case. It is believed, however, that the decision of the Court of Appeals for the Eighth Circuit in this case, awarding the plaintiff profits on an unfair competition decree was correct, notwithstanding the dissenting opinion.

That the use of an invalid trade-mark may constitute unfair competition in trade is held in the litigation over the word "Scandinavia" applied to belting, which arose in the United States District Court for the Southern District of

New York. The trial court (8 T. M. Rep. 124) held the registered trade-mark upon the word "Scandanavia," registered under the "Ten Year Clause," invalid on the ground that the plaintiff had only a limited ownership in the mark and was not entitled to register it, and it held that "Scandinavia" is a geographical word and, therefore, could not be appropriated as a common law trade-mark. The decree, however, sustained the cause of action as to unfair competition and directed a perpetual injunction against the defendant. The Court of Appeals in a decision by Judge Rogers (257 Fed. 937) held that the name was geographical and could not constitute a valid trade-mark at common law. It found, however, that plaintiff had a valid registered trade-mark under the "Ten Year Clause" of the Act of 1905, and sustained the bill. Referring to the charges of unfair competition the opinion states:

"The defendant is charged with unfair competition. The law of unfair competition is broader than is the common law or the statute law of trade-marks, so that one may be entitled to relief on the ground of unfair competition who is denied relief under the law of trade marks, and that is what happened in the court below. That court granted the plaintiff an injunction, although it held its trade-mark void, because the judge concluded the charge of unfair competition was sustained by the evidence. In view of the fact that this court holds the registered trade-mark valid, little need be said as to the unfair competition, although if the court had not sustained the validity of the registered trade-mark, we should have found no difficulty in affirming that portion of the decree dealing with the question of unfair competition."

The doctrine of unfair competition is not limited in its present day application merely to cases involving imitation of labels and packages in the sale of goods. Any unfair practices interfering with any established good-will or business may be reached and prohibited upon a proper showing through a court of equity.

It has thus been possible for Minneapolis millers, no one of whom has any exclusive right to the use of the word "Minneapolis" upon a sack of flour, to enjoin millers located in another state from branding their flour with that word. California fruit growers have been able to enjoin the branding of fruits not grown in California with the name of that state. In some instances persons have been prohibited from using their own names in business where such use will deceive the public as to the identity of his business or product.

A court of equity will not, however, interfere in every case where there is a mere showing of confusion, resulting from the common use of identical or similar geographical, personal or descriptive words. In every instance the question to be determined is whether the acts complained of are fair or unfair, honest or dishonest; whether the second comer into the field, is trying by imitative devices or other unfair means to sell his goods as and for those of the one who has the established trade; whether the newcomer is trying by any artifice, misrepresentation, or deceitful conduct to pirate upon the good-will of an established business, whether it be technically a manufacturing or commercial business, a profession, or any other legitimate business pursuit.

The principles governing cases of unfair competition in trade, have been extended and applied to the protection of trade secrets, and also to the protection of contracts, where efforts have been made to induce a party thereto, to violate or abandon the same. Moreover, beginning with the Singer case, decided by the Supreme Court, the dedication of trade-marks and trade-names to the public by reason of expiration of patents, has been hedged about with requirements and conditions on the part of an attempted user of such marks and names as will prevent the possibility of interference with the established good will of the original user.

By this development of the doctrine of unfair competition, the law of trade-marks has been supplemented and strengthened, so that it is difficult today for anyone to accomplish a successful piracy upon the reputation and good-will of any

established business, whatever may be the character of the business, and whether protected by trade-marks or not.

A brief reference to some of the more recent decided cases will illustrate the breadth and underlying character of this branch of jurisprudence.

In *Shredded Wheat Co. v. Humphrey Cornell Co.* (250 Fed. 900), where it appeared that a design patent upon plaintiff's shredded wheat biscuit had expired, it was held by the Circuit Court of Appeals for the Second Circuit that the appearance of plaintiff's biscuit had acquired a "secondary" meaning, and defendant was required as to all biscuits reaching the last purchaser outside of their cartons, to impress in their substance a letter, cross or other plain symbol, or to fasten upon them a wrapping, tag or band stating the name of the manufacturer. It was said by the same court in a subsequent decision, *Hercules Powder Co. v. Newton* (254 Fed. 906), that in this case "the possibilities of relief against unfair competition, find an extreme example."

In *M. M. Newcomer Co. v. Newcomer's New Store*, (217 S. W. 822), decided November 15, 1919, by the Supreme Court of Tennessee, the following appears in the opinion:

"An injunction was issued under the prayer of the bill restraining the defendant corporation from using the name 'Newcomer's New Store' in the conduct of its business. Whereupon, the defendants placed signs on their front door at 508 Gay Street in the city of Knoxville, where said business was being conducted, advertising said business under the name of 'Newcomer's Store.' Then a supplemental bill was filed by complainant enjoining the defendants from using the name 'Newcomer's Store.' Whereupon the defendants adopted for their business the name 'M. M. Newcomer, in no way connected with the M. M. Newcomer Company or Newcomer's Department Store.' Thereupon the complainant amended its supplemental bill, and the defendants were

restrained from using the name 'M. M. Newcomer' in connection with their business."

Upon the hearing of the cause the temporary injunctions were made perpetual and from the decree of the Chancellor an appeal was taken to the Court of Civil Appeals where the decree was affirmed. The cause was then taken to the Supreme Court by writ of certiorari, which affirmed the decree of the Court of Civil Appeals. It was found that the use of the name "Newcomer" by the defendant was for the fraudulent purpose of deluding the public and injuring the complainant. This case is near the limit in prohibiting the use of an individual name.

In *International News Service v. Associated Press*, 248 U. S. 215, the question argued before the Supreme Court, was whether defendant might lawfully be restrained from appropriating news taken from the bulletins issued by complainant, or any of its members, or from newspapers published by them, for the purpose of reselling it to the defendant's clients. Complainant asserted that defendant's admitted course of conduct in this regard violated complainant's property right in the news and constituted unfair competition in business. In delivering the opinion of the Supreme Court Mr. Justice Pitney said:

"Obviously, the question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business. The question here is not so much the rights of either party as against the public but their rights as between themselves * * * *
In order to sustain the jurisdiction of equity over the controversy we need not affirm any general and absolute property in the news as such. The rule that a court of equity concerns itself only in the protection of property rights treats any civil right of a pecuniary nature as a property right;

and 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. It is this right that furnishes the basis of the jurisdiction in the ordinary case of unfair competition.

“It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of the complainant, characteristic of those most familiar, if not the most typical, cases of unfair competition. * * * * But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant’s rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money and treating it, therefore, as *quasi* property, for the purpose of their business because they are both selling it as such, defendant’s conduct differs from the ordinary case of unfair competition in trade principally in this, that, instead of selling its own goods as those of the complainant’s, it substitutes misappropriation in the place of misrepresentation and sells complainant’s goods as its own.”

In upholding the right of the plaintiff to relief in this case Judge Hough, writing the opinion of the Circuit Court of Appeals for the Second Circuit (245 Fed. 244), said:

“Unfair competition, like all oft-uttered legal phrases, has acquired rather a narrow case. In *McLean v. Fleming*, 96 U. S. 251, a decision which is near the foundation of American Case Law on this subject, it was said that what equity enjoined the wrongdoer from depriving another of is ‘the advantage of celebrity.’ This thought has led to the feeling that what a plaintiff must be robbed of is the good-will and business ease resulting from his well-known name, or the attractive dressing, wrapping, or form of his product; that such robbery must be by imitation; and that the test of such

imitation is the effect upon the public, of that part thereof likely to require wares such as those in controversy.

“But this is not all the law nor the only sort of unfairness in business methods practiced by a competitor, and resulting in a continuing tort, for which the law affords no adequate remedy—that comes under the condemnation of equity.

* * * * *

“Equity, however, is not stayed because a name does not fit, or one is not at hand to accurately describe a wrong of a kind necessarily infrequent. If defendant takes what someone else owns, and sells it as of right, in rivalry with the owner, such competition is more than unfair; it is patently unlawful and the wider terms comprises the narrower, But, laying aside the right of property as the ultimate foundation of suit, the business method of selling, in competition with plaintiff and its members, something falsely represented as gathered by defendant otherwise than from bulletins and early editions, is unfair, because it is parasitic and untrue. It is immoral and that is usually unfair to someone.”

Another interesting case, showing a wide departure from early decisions in unfair trade controversies, is that of the court last referred to, in the case of Aunt Jemima Mills Co., v. Rigney & Co. (247 Fed. 407), in which the right of the plaintiff, the manufacturer of Aunt Jemima’s Pancake Flour, to enjoin the use by the defendant of a like trade-mark upon syrup, was upheld.

In the District Court, Judge Veeder had dismissed the bill of complaint (234 Fed. 804) saying:

“There is no trade-mark infringement here. To sustain a charge of infringement, the owner must have used it on goods of the same descriptive properties as the goods sold by the alleged infringer.

“The same considerations are practically decisive of the

issue of unfair competition. The objects of the law of unfair competition, as stated by the Circuit Court of Appeals of this circuit in *Florence Mfg. Co. v. J. C. Dowd & Co.* (178 Fed. 73), are:

“ ‘First, to protect the honest trader in the business which fairly belongs to him; second, to punish the dishonest trader who is taking his competitor’s business away by unfair means; and third, to protect the public from deception.’ ”

“The fundamental basis of the private remedy is, however, not the protection of the public from imposition, but injury to the complainant. That the public is deceived may be evidence of the fact that the original proprietor’s rights are being invaded. If, however, the rights of the original proprietor are in no wise interfered with, the deception of the public is of no concern of a court of chancery. So, although fraudulent conduct, which is calculated to deceive the public, is a necessary element, it is the private loss of the complainant that is to be prevented, not the public injury arising to others. This is in conformity with general principles. A court of equity cannot enforce as such the police power of the state. It is not sufficient, therefore, that the use of a mark by a subsequent appropriator is calculated to deceive the public into believing that his goods are the goods of, that is, made by, the original proprietor of the mark.”

Asserting that it found no case entirely like the present, the Court of Appeals in an opinion by Judge Ward, found that the use by the defendants of precisely the same mark, was:

“Evidence of intention to make something out of it—either to get the benefit of the complainant’s reputation or of its advertisement or to forestall the extension of its trade. There is no other conceivable reason why they should have appropriated this precise mark. The taking being wrongful, we think the defendants have no equity to protect them against

an injunction, unless they get it from a consideration now to be examined.”

This consideration here referred to by the court is the rule that “a technical trade-mark may be appropriated by anyone in any market for goods not in competition with those of the prior user.” The court thought, however, that this did not apply to related articles like those in the case before it, saying:

“But we think that goods, though different, may be so related as to fall within the mischief which equity should prevent. Syrup and flour are both food products, and food products commonly used together. Obviously the public, or a large part of it, seeing this trade-mark on a syrup would conclude that it was made by the complainant. Perhaps they might not do so if it were used for flat-irons. In this way the complainant’s reputation is put into the hands of the defendants. It will enable them to get the benefit of the complainant’s reputation and advertisements. These we think are property rights which should be protected in equity.”

We thus see in the Scandinavia case that the imitator of an invalid trade-mark may be enjoined in equity, although he would be without redress in an action for infringement of his trade-mark, and in the case last cited the owner of a valid trade-mark may, under the rules of unfair competition, enjoin the use of his mark upon goods of another class where the court could afford him no relief in an action for infringement either of a common law or a registered trade-mark.

It seems to us that the basis for this modern development of the doctrine of unfair competition is to be found in the view expressed by Mr. Justice Pitney in the Associated Press case that “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,”

and in the further view expressed by Judge Hough in the same controversy that an act that is immoral "is usually unfair to someone."

Under these decisions and others of the same tenor the rules respecting unfair competition have in recent years been materially broadened until today any competitor who seeks an unfair advantage over any established business of whatever nature, whether a trade or a profession, is likely to find himself restrained by the powerful hand of a court of equity; he called upon to account for profits unjustly made, and to be required to compensate his competitor for damages inflicted by his wrongful acts.

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