Michigan Law Review

Volume 27 | Issue 5

1929

PROTECTION OF INDUSTRIAL PROPERTY

Edward S. Rogers
Of the Chicago Bar

Follow this and additional works at: https://repository.law.umich.edu/mlr

 Part of the Intellectual Property Law Commons

Recommended Citation
Edward S. Rogers, *PROTECTION OF INDUSTRIAL PROPERTY*, 27 MICH. L. REV. 491 (1929).
Available at: https://repository.law.umich.edu/mlr/vol27/iss5/2

This Article is brought to you for free and open access by the Michigan Law Review at University of Michigan Law School Scholarship Repository. It has been accepted for inclusion in Michigan Law Review by an authorized editor of University of Michigan Law School Scholarship Repository. For more information, please contact mlaw.repository@umich.edu.

MICHIGAN
LAW REVIEW

Volume XXVII MARCH, 1929 No. 5

PROTECTION OF INDUSTRIAL PROPERTY

By EDWARD S. ROGERS*

IT is perhaps too much to attempt a discussion of the origin and history of the common law in an introductory note like this. Suffice it to say that the common law is unwritten and is an inheritance from the English colonists who brought it to North America from England. The common law is the law of the several states. In the United States there is no national common law.

In the United States the common law is the source of most of the rights of persons and in property; trade mark rights depend upon it. They are not created by statute or by registration.

The Constitution of the United States delegates certain powers to the central government. All other powers are retained by the several states and by the people. The national Congress can not transcend the powers expressly conferred upon it and those necessarily implied. No power over trade marks is conferred upon Congress by the Constitution but Congress has authority over foreign relations and to regulate commerce with foreign nations,

*Of the Chicago Bar.

[Mr. Rogers writes of this article, "Last summer, preliminary to the Stockholm meeting of the Commission for the Protection of Industrial Property, of which I am Vice Chairman, some of my French colleagues asked me to prepare for their benefit a memorandum concerning the way in which the common law protects business in the United States against various forms of commercial depravity. It is very difficult for the continental lawyer, who has been brought up on codes, to understand what the common law is and how it functions." The article is the memorandum which he prepared; it is published here because of the clear and cogent way in which it presents our own problem of adjusting legal concepts to desirable objectives. Ed.]

among the several states and with Indian tribes,—and as trade marks are considered an incident of commerce, our present national trade mark statutes are based upon what is called the commerce clause of the Constitution.

The United States trade mark statutes do not attempt to do more than provide for the registry by the owner of trade marks used in commerce among the several states with foreign nations and with Indian tribes. The Supreme Court has held that Congress is without power to legislate upon the substantive law of trade marks. The National statutes do not define a trade mark or who is the owner of a particular mark. We are obliged to look to the common law for definitions of these terms. The registration statutes in the United States merely provide a public record of a claim of common law ownership. They do not create rights—they confer jurisdictional advantages and additional remedies for the protection of the previously existing common law trade mark rights of the common law owner.

The wrong, which is loosely called "unfair competition" or "unfair trading" is not redressed, in the United States, by statute, but relief against it is afforded on common law principles and usually in courts of equity. In this respect, to the eternal credit of the common law and the equity courts, they have adapted themselves to changing conditions and the jurisdiction is elastic enough to include protection against most acts resulting in damage which unfairly interfere with the normal course of trade.

It is difficult for people brought up under a different system of laws to undestand our situation. Under the Continental system, trade mark rights depend upon registration and "unfair competition" is a statutory wrong. The need of a better understanding becomes apparent the minute a group of men who are used to the different systems attempt to discuss the subjects of trade marks and unfair trading. They start at different points and diverge.

Without presuming to determine which system is better, greater uniformity in trade mark protection is needed and a wider recognition and suppression of the wrong commonly designated "unfair competition," "unfair practice" and by other names. It is quite impossible it seems to us to attain uniformity without first attempting fairly to present the historical background of the different points of

view. We have tried in the memorandum which follows briefly to explain them as they appear to us in the United States.

Before one attempts to define anything it is desirable to have clearly in mind what is the thing to be defined. When we who work under the common law system say "trade mark" we have a certain mental concept. It is based on what we regard as a sound business policy. We consider that it is important for a purchaser to be able to distinguish in the market the article he wants to buy from the one he does not want to buy so that he can pick out the article which by faith or experience he believes to be good and avoid the one he knows nothing about or the one he may have tried and did not like. For this to be possible there must be means of distinguishing between them. Now the disposition to make a choice in favor of a particular article is good will. Good will is nothing but public preference and this preference is of no use to anybody unless the thing toward which it is directed can be distinguished from others toward which it is not directed. It is like picking out a friend in a crowd; if the friend can not be distinguished from the others, the friendship is of no use to him. There must be the ability to distinguish, otherwise reputation, friendliness and all the factors which induce preference are useless because wholly abstract. Thus it is that the common law regards trade marks as symbols of reputation and like reputation they depend on what people have learned to think about the article bearing them.

A person could have no reputation if no one knew his name or could recognize him and just as no person has a reputation who is wholly unknown so we feel that an article which nobody knows, can have no reputation.

Therefore the common law predicates trade marks upon use by which they have come to mean something by association with goods in the market. They are with us an incident of trade. The trade comes first. The mark follows—and to put the idea into words, a trade mark in law is what it is in fact; a mark which, by association with them, has come to distinguish the goods of one trader from those of another. It is any means which, by identification, makes choice possible. It is visible reputation and whether any mark identifies, is, with us, a question of fact, not of law. And this leads

to a discussion of the remedies which our law provides and an indication of its historical background.

There are two theories on which the courts expounding the common law have protected trade marks against infringement. The first is that a trade mark is property and that appropriation of it by another is a trespass upon property and hence is actionable. The second is, that what is actionable is the false representation that one trader's goods are the goods of another and that the pirated trade mark is simply an instrumentality by which this false representation is made.

While the notion of property persisted for many years, it is now pretty well accepted that the wrong is the misrepresentation resulting from the appropriation and use of a mark already associated with another's goods. If the misrepresentation is the wrong then what is the right?

Trader A has the right to insist that trader B refrain from depriving him of his customers by falsely representing to them that the goods of trader B are the goods of trader A, by the application to the goods of trader B of the particular mark by which customers distinguish the goods of trader A and thus by a false representation deprive trader A of custom which otherwise he would get.

The false representation made in this way we are accustomed to call "trade mark infringement," and this was all the law there was on the subject up to perhaps fifty years ago. It fitted very nicely with the idea of property in trade marks and gave rise to various artificial and highly technical rules concerning them—for example, that a mark to be a lawful trade mark must be arbitrary, wholly meaningless, and have no reference to the character or quality of the goods. Therefore, it could be property, since no one else would be handicapped by conferring the exclusive right upon one. This was a very comfortable theory until trade piracy, which is a highly specialized pursuit carried on by capable persons, began to develop.

Suppose that trader B lets the trade mark of trader A alone but imitates his label in color or arrangement, his container in appearance or design, or the merchandise itself so as to represent his goods as those of trader A, or even says by word of mouth, "My goods are the goods of A," and thus by false representation deprives trader A of custom which otherwise he would get. The false representation

when made in this way gave our courts a good deal of difficulty, and after judicial inertia had been overcome adequate relief was granted, but the theory on which it was granted was anything but clear. Text writers and compilers of digests did not know where to put cases like this. Writers of books on trade marks added a chapter, entitled "Cases Analogous to Trade Marks," and the digest compilers added a few paragraphs to the title "Trade Marks" and put these cases there. The false representation when made in this way was called "Unfair Competition" in the United States, the phrase being probably adopted from the French *concurrence deloyale.* The English call it "passing off."

The false representation in these cases is, however, precisely the same as in the cases of stealing trade marks—merely the instrumentality by which it is made differs. No one would be likely to say that trader A has property in the color of his label or the design of his container or the appearance of his merchandise or in the oral false statement concerning their origin. Then why say that he has a property in his trade mark, because a trade mark is merely a statement of the origin of the goods, which may be true or false depending upon who uses it?

The concept that a trade mark is property is no longer, with us, generally accepted. In the hypothetical cases just cited it would seem that what is interfered with in both is trader A's reasonable expectation of future custom; that the right of trader A is the right to carry on his business without interference by a competitor's misrepresentation—the right of trader A to get the profit of which he is deprived by the act of trader B who induces his customers to buy the goods of trader B by the false representation that they are the goods of trader A. But what is the right of trader A which is violated? May we suggest it is the right to be protected against being deprived, by fraud, of his reasonable expectation of custom.

Let us suppose that the goods of trader A are from a famous district and the goods of trader B are not—but notwithstanding trader B marks his goods with a false indication of their origin and represents them as coming from the district from which they do not come and from which trader A's goods, in fact, come. Or let us suppose that there is a description which trader A may rightfully use upon his goods, because, as to them, it is truthful. But trader B

applies it untruthfully to his goods thereby enabling him to compete on an apparent equality with trader A when, but for the false description he would be unable. It would seem that in such cases also trader A is being deprived, by misrepresentation, of trade which he or the group to which he rightfully belongs, otherwise would get.

Let us suppose another case. Trader B stands in front of the place of business of trader A with a shotgun and threatens to shoot his customers if they trade with him. This of course, is actionable.

But what is the right of trader A which is violated? Perhaps it is the right to be protected against being deprived, by force, of his reasonable expectation of custom.

While we are supposing, let us suppose another case. That instead of threatening trader A's customers with a shotgun, trader B asserts that the goods of trader A infringe a patent owned by him and threatens to sue anyone who buys them. Or supposing still further, trader B says that the goods of trader A are poisonous when they are not, and thus induces people not to buy them. Or suppose that trader B says merely that trader A's goods are no good, or compares them to their disadvantage with his own, not to give information or extol his own goods, but to keep people from buying the goods of trader A. Has trader A a remedy?

Or while we are supposing, let us suppose further that trader B induces the servants of trader A to leave his employment and come with him, either to cripple trader A or to get information acquired by them while in his service, such as his formulas, processes, or methods of doing business, his prices, costs, or a list of his customers. Or suppose trader B goes to the customers of trader A and corrupts the purchasing agents by bribes to deal with him and refrain from dealing with trader A, or suppose that he causes the customers of trader A to break their contracts with him and buy of trader B instead.

All of these acts strike the ordinary, right-minded person as unfair, unsportsmanlike, and immoral. But what right of trader A is violated? It will not help solve the problem to talk of property or rights or wrongs of different sorts. If trader A has a right to the reasonable expectation of future custom without interference by fraud, by misrepresentation, by force, or by threats, why has he not against defamation, disparagement, enticing his employees, be-

trayal of confidential information, commercial bribery, and interference with his contracts as well; and why are not all these acts unfair trading? Why does not unfair trade include any act, not necessarily fraudulent, which artificially interferes with the normal course of trade to the disadvantage of another? There need be no competition if the artificial interference be there. It is true of course, that most of the cases have arisen between competitors in business but the fact of competition or its absence ought not, we think to be controlling. It is the nature or the result of the act, not the occupation of the actor which should determine its character.

Unfair competition, or better, unfair trading seems to us to be the genus—trade mark infringement, passing off, false indications of geographical origin, false trade descriptions and all the other instances of commercial depravity just referred to, seem to be merely species of the genus. Until we can get out of our minds the notion that trade mark infringement is one thing, passing off is another thing, and all these other barbarisms still different things, business is not going to be protected in the right that it ought to have to be immune from assaults which shock one's sense of decency but against which the law frequently refuses relief because they may not, merely as matters of language, fit a familiar classification.

In conclusion, may we suggest that some recognition be given in the domestic law of the countries of the world, where a different theory of the origin of trade mark rights prevails, to the common law conception that a *trade mark is any mark which by association with them has come to distinguish the goods of one trader from those of another.*

In addition may we suggest that an effort be made to include in the domestic law of all countries, appropriate legislation to forbid the following practices:

(a) any and all representations, express or implied and however such representations may be made, that the goods of one manufacturer or trader are the goods of another, such as by the use or colorable imitation of a trade mark or other distinguishing name or symbol, the colorable imitation of label or container or of any means of identification;

(b) acts inducing breach of contract;

(c) trade libel;

(d) commercial bribery;

(e) enticing employes;

(f) betrayal of confidential information;

(g) disparagement of establishment or goods;

(h) false use of testimonials, warrants, appointments and false statements of membership in associations;

(i) intimidation of customers;

(j) attempts to cut off supplies or hamper distribution of goods;

(k) use of false indications of geographical origin;

(l) use of false descriptions of merchandise, and

(m) in general all acts of a trader designed to damage competitors as a means of seeking a business advantage instead of relying for that advantage on the excellence of his own service; all acts characterized by bad faith, deception, fraud or oppression and all acts contrary to honorable commercial usage.

That as a means of enforcement there should be taken all such legislative or administrative measures as are necessary to protect against all acts so forbidden, and to provide by law that the commission of such acts shall render the offender liable to an action for damages and for an injunction to prevent their continuance at the suit of any person who is or may be damaged thereby or of any association of such persons.

Leaving out of account for the moment all ethical considerations: (we are not now proposing canons of ethics), business is entitled to be protected against the acts that we suggest should be forbidden. Each trader ought to receive the custom which would reasonably and normally come to him without artificial interference, and he should, we think, be secure against any unnecessary obstruction by which others, less efficient, attempt to handicap him so as to draw him back to them and not by independent effort advance themselves to him. The trader who is subjected to such practices is made unfairly to carry an unnecessary weight and as the result he can not travel so fast or so far.

Ethical considerations aside, prohibiting such methods is enlightened national self interest. Countries which by domestic legislation forbid unfair practices thereby relieve their own nationals of unnecessary and retarding burdens which, if they must be carried, put them at a disadvantage in international trade.