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A REVIEW OF THE NEW TRADE-MARK MANUAL*

Lenore B. Stoughton†

THE United States Trade-Mark Act of July 5, 1946, is a statute designed to be of far-reaching effect. The appraisal of the statute must be made in the light of that fact rather than in the light of the confusion and disputation which have arisen as to the proper interpretation of many of its provisions.

One might have supposed that an act which had been subjected to intensive study and extensive revision over so many years before its final enactment would emerge in complete clarity. Such has not proved to be the case; and it should not have been expected. The very variety of trade-mark problems makes it obviously impossible to put into a single document a definite answer to every one of them.

Some of the confusion and concern about the effects of the act is due to last-minute Congressional Committee amendments. Some may be due to a common failing in the drafting of documents of this kind. Every lawyer occasionally has the experience of working on a draft so long, of getting his intent so firmly fixed in his own mind, that he loses sight of inaccuracies and ambiguities in his language and is surprised that others do not find in it the exact meaning it was intended to express. Something of that has undoubtedly happened here. But the most meticulous wording and most careful scrutiny could not have obviated all the specific questions which have been brought forward since the passage of this act.

In the continuing discussion of its construction and practical application divergent views on both major and minor points are constantly heard. Trade-mark lawyers preparing to advise their clients in relation to the act realize more and more how much of its eventual operation and effect in particular circumstances will depend upon interpretation by the Patent Office and the courts.

Complete clarification by authoritative judicial interpretation will be a long time coming, if it is ever to be attained at all. "Pioneering" cases on dubious points will be watched with great interest. Venture-some litigants will pioneer; conservatives will prefer to await develop-

* By *Daphne Robert*. Washington, D.C. Bureau of National Affairs. 1947. Pp. xxi, 375.

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ments in others' cases. But even the most conservative will be neither able nor willing to postpone all action under the new act until it has been completely construed. For them, as for the pioneers, *The New Trade-Mark Manual* by Daphne Robert will serve as a useful reference and guide.

In her preface to the *Manual*, Miss Robert disclaims any attempt to make it a "complete discourse" on the law of trade-marks and unfair practice. She says it is merely an analysis of the act, with case citations and excerpts from the legislative history which may be of assistance in interpreting its provisions. The material to which she thus refers does add much to one's understanding of the intent and development of various parts of the act. But Miss Robert is very well qualified to accomplish the purpose without reference to other authority, for to a background of practical work in the trade-mark field she has added a vast amount of study and participation in the drafting of the act, and a close acquaintance with its legislative course.

The result is a well-constructed book of real usefulness to be read as a complete text or to be kept at hand for convenient occasional reference on specific points. The subject matter is arranged in logical sequence and separate sections, and each section is complete in itself. While this requires some unavoidable repetition, it also facilitates reference use by making all the information on one topic available as a whole. In her discussion the author points out a number of sections where final interpretation or determination by the courts will be necessary. Sometimes she suggests what a logical determination may be, but generally she confines herself to pointing out the problem without expressing any personal views on its proper solution.

For most readers the meat of the *Manual* may be found in its chapters dealing with the effects of registration and the remedies for trade-mark infringement and unfair competition. As a preliminary to the whole book, but to those chapters particularly, one would be well advised to turn first to the Introduction, written by Edward S. Rogers. It offers an interesting and enlightening discussion of the economic philosophy of trade-marks and unfair competition.

In his long career in this field of law, Mr. Rogers has contributed much to the crystallization of modern theory and to the adaptation of traditional principles to today's complexities. He now suggests that the new act, with its broad grant of jurisdiction to the federal courts in cases of this kind, has set up a better bulwark than our citizens have ever before had for effective protection, and that the embodiment of

the Convention provisions for the repression of unfair competition (as distinguished from purely trade-mark questions) is a long-overdue advance in our statutory law.

But the *Manual* does not plunge immediately into such weighty questions as these. It opens with chapters on the primary principles affecting trade-marks and the concomitant classes of service, collective, and certification marks, and embracing such topics as the choice of marks, their functions, the manner and extent of acquisition of rights in them, the possibilities of loss of the rights, and differences between the old acts and the new one in these respects. In these chapters will be found references to many uncertainties which are yet to be resolved, including such important questions as the sphere of the "commerce" regulated by the act, the extent of association which will be required for a claim of registrable right in a mark used only in displays "associated" with the goods, and the line of distinction between certification marks and collective marks.

Considerable attention is given to various questions of assignment of a mark and the necessary passing of good will to support the assignment. There are queries as to the propriety of separation of marks which have been used together, and the possibility of territorial assignments. Special mention is made of the new provision for assignment with only that part of the owner's good will which is connected with and symbolized by the mark. But that perhaps is a change more apparent in language than real in effect, for such assignments have long been a common practice even though not within the strict letter of the earlier act. The new language is a recognition of the practice, and of the fact that the good will is an appendage to the mark, not the mark to the good will.

In the discussion of the types of marks eligible for the Principal Register, several questions appear. One of the most interesting and most troublesome has to do with "service" marks used in radio advertising. As Miss Robert reminds us, the view was advanced in the course of hearings that identifying features of radio programs, such as theme songs or the well-known jargon of the Lucky Strike tobacco auctioneer, should be protected. There seems to have been no unanimity of opinion at that time, but since the passage of the act the Commissioner of Patents himself has said that apparently it can be done. He did confess, however, that he "somewhat trembles" at the thought of what to do when someone attempts to register such distinctive but intangible features.

The loose definition of a service mark leaves considerable room for interpretation in other respects as well. Probably this is preferable to an overly-narrow limitation in a newly recognized field. Still it is to be hoped that efforts to give the term an adequate scope will not carry liberality to the point of absurdity. With the new provisions available for the repression of unfair competition, there seems no occasion to stretch the limits for registration beyond a reasonable and practicable point.

The provision for concurrent registrations is another new subject of wide interest. The act offers registration of "concurrent lawful use" only to a use begun prior to the filing date of an application for registration by another. Is this enough to be completely just? Experience has shown us that there may be a long lapse between the filing of an application and its publication. During that interval another party, having no notice of the application, may in all innocence build up a concurrent use. Yet even though the second use be such that there is no likelihood of "confusion or mistake or deceit of purchasers," it will not be accorded the benefit of registration. It may be wise to add to the substantive rights of the first applicant in this way. Certainly it gives him protection for a period of expansion in the development of a new business. But one who has been trained in the earlier precepts of limitation of the right to the existing trade may find a little difficulty in accepting the new principle.

There is no such difficulty in accepting and approving the new language for the old "confusion in trade" clause which prohibited registration of similar marks only when applied to "merchandise of the same descriptive properties." No one seems to mourn the passing of that phrase. The Patent Office and the courts have struggled with it for more than forty years. Sometimes they have bowed to the technical limitations implied in it; sometimes they have taken a realistic view less in accord with the strict letter of the statute. Hence their conclusions are, as Miss Robert observes, "irreconcilable and in such conflict that the phrase has been rendered almost meaningless." They range from holdings that if the goods are not of the same descriptive properties there can be no likelihood of confusion in the statutory sense—regardless of other facts—to holdings that if there is a likelihood of confusion the goods must be of the same descriptive properties—regardless of other facts.

The latter conclusion may more often lead to a fair disposition of a particular case, but it requires reasoning "from the effect to the

cause" to achieve it, and that course has not been uniformly followed. The new standard of proscribed similarity—based only on the likelihood of confusion or mistake or deception of purchasers—will greatly simplify the prosecution of some cases. Perhaps it will complicate others by necessitating more forceful proof of the circumstances which make confusion likely. Surely, though, it will prove on the whole to be a better measure of justice.

As to the Supplemental Register, the *Manual* points out that it corrects many of the deficiencies of the 1920 act which have become apparent through its administration. One of the important changes lies in the general statement of what may be registered. The new act, unlike the 1920 act, requires that the mark be "capable of distinguishing" applicant's goods or services. Wise administration will clearly be required to avoid pitfalls in determining what marks not of sufficient distinctiveness for the Principal Register are nevertheless "capable of distinguishing" within the purview of the act. It will be interesting to watch the development of general criteria or specific interpretations, and also to learn what weight, if any, such a registration will lend in support of a later application on the Principal Register on the basis of acquired distinctiveness through use.

Chapter 8, dealing with international registrations, is of special interest because of its full discussion of Convention provisions and history. Though the provisions have long been part of our law, they have rarely been the subject of judicial consideration in this country; and the absence of statutory references to them has caused them to be of little or no general familiarity. Their inclusion in the new act is more than a novelty. It is a matter of considerable importance in our international relations. The previous failure to incorporate the Convention provisions in our statutes has caused much misunderstanding among foreign nationals who have therefore supposed the provisions to be ineffective here.

The chapter on registration procedure is a simple and practical outline, as complete in detail as is possible in advance of the issuance of office rules and forms, and includes a discussion of interference and opposition proceedings. Both here and in the chapter dealing with effects of registration, the author presents the thesis that, since equitable rights may be considered and determined in such proceedings under the new act, the Patent Office tribunals will hereafter be acting as quasi-judicial bodies rather than as mere administrative agencies.

Miss Robert declines to predict whether the decisions of these

tribunals will be regarded as *res judicata* in subsequent Court proceedings, but argues that they should be entitled to more than "great weight," because "there would seem to be little justification for a Court to try the same issues on substantially the same facts with the same defenses available. . . ."¹ This is a plausible appropriation of a sound general principle; yet it has disturbing aspects too. For example, if a finding of registrability is to carry such weight, may it not impede the exercise of the authority which the act gives to the Courts to make a later rectification of the register?

There is an important discussion of the effect of the new act on existing registrations granted under the acts of 1881 and 1905. These two classes of registration are treated on the same basis under the new act. Both are entitled to renewal on an affidavit of continuing use. Both are given certain specific benefits, such as the "constructive notice" provision and the permission to use the new registration symbol. There has, however, been some doubt as to the exact extent of the application of general provisions to them, in view of the language in section 46(b) giving them the same force and effect as though registered under the new act, "except as limited in sections 8, 12, 14 and 15 of this Act."

Section 12(c) provides that a registrant under the act of 1881 or 1905 may file an affidavit stating that he claims the benefit of the new act for his mark. Some take this to mean that no benefits accrue to the registration, except those explicitly granted, unless the affidavit is filed. Others, including Miss Robert, believe that the only limitation upon the benefits conferred without the formal claim is that no "incontestable" right may be acquired, with its ensuing advantages.

A large part of the chapter on the effect of registration under the new act is given over to this subject of "incontestability." It is safe to say that no other provision of the act has caused so much talk with so little agreement as to its ultimate significance. The history given in the *Manual* shows how far the provision as enacted departed from the original suggestion for it. Safeguards against too broad a grant were thought to be necessary. Unfortunately the safeguards which were finally deemed "adequate" seem to have destroyed most of the substance of incontestability.

There is no better commentary on the situation than Miss Robert's own statement:

"On its face, it would appear this provision means that at

¹ Page 132.

some time the title to the property right in the mark is quieted and the rights of the registrant are forever secure. That the word 'incontestable' was not an altogether happy selection is demonstrated by enumerating the circumstances under which the right may be limited, forfeited, or lost."²

Both circumstances in which "incontestability" may be valuable, and conditions under which it may cease to exist, are canvassed in detail in the *Manual*; and a distinction is drawn between conditions under which merely the incontestability is lost and those in which the whole right to the mark is lost. This involves a careful analysis of the extent of the effect of the various "defenses or defects" under which the certificate ceases to be conclusive evidence and the registration therefore ceases to be incontestable.

By and large, the establishment of a statutory defense or defect would seem not merely to destroy the incontestability, but to go a long way toward destroying either the right or the possibility of enforcing it. The whole question is one which will bear much study, and the judicial construction and application of the principles involved will be essential in a final evaluation. It is Miss Robert's conclusion, however, that "if all of the conditions and circumstances of the 'incontestable' right can be satisfied, there undoubtedly is real substance in such registrations."³

The preliminary discussion of remedies under the act touches on confusion as the basis of infringement—in contrast to the old criterion of descriptive properties,—on the theory of expansion of business, and on the broader law of unfair competition. The latter, the author says, is really, "in a proper sense, common law infringement of trade-marks"—not concerned with confusion of goods or source, but arising from deception of the public or misrepresentation of facts in some other respect. For example, infringement in the strict sense of the word may arise from the means by which a false implication of sponsorship, approval, or trade connection is made (though the result will be remediable whether or not it is a trade-mark infringement), but infringement in the statutory sense probably does not include mere dilution of the "uniqueness or singularity" of a mark.

Such dilution is mentioned instead as an unfair trade practice, and that broad class of practices is also said to include such acts as actual

² Page 133.

³ *Ibid.*

passing off, the use of a confusing trade or commercial name, copying of labels or packages, or features of appearance of the goods, factual misrepresentations having a disparaging effect upon another's business, betrayal of trade secrets, and interference with the free and normal development of another's business. All of these are treated in the *Manual* as "acts of unfair competition" within the purview of the act. All of them have been remediable to some extent under common law principles, but have never before been covered by the statute.

The provision for action against the use of false trade descriptions and false designations of origin is commonly thought of as an innovation too, because so little recourse has been had to the earlier provision of similar import in the 1920 act. That was often of little avail because it required a showing that the use was made "willfully and with intent to deceive," and a remedy was more frequently sought under general common-law principles. Now a definite right of action is given to "any person doing business in the locality" or "any person who believes that he is or is likely to be damaged by the use of any such false description or representation," without the burden of proving intent. The effectiveness of this phase of the new act and its eventual importance in the trade field may depend largely upon the judicial handling of it in early cases. If it is not liberally applied, reliance upon it may be discouraged. If it does prove useful as a basis for a private action, it may dispose of many misrepresentations which can now be reached only through a proceeding by the Federal Trade Commission.

A right of action which really is new in the statute is that provided for the protection of trade or commercial names. Such names are not now registerable and will not be under the new act. Some protection for them has been available under the common law. The statutory recognition given without the obligation to file or register them conforms largely, as Miss Robert points out, to Convention provisions, but probably does not go beyond the relief previously accorded under our decisional law. It does, however, make the relief available in "an action under the Act," with whatever advantages that may give in a procedural sense.

It is hoped that in all these types of cases the new act has resolved some of the difficulties formerly encountered by the federal courts in taking jurisdiction and finding appropriate remedies within their power to apply. The jurisdiction of state courts in actions under the act is not entirely clear. It was obviously not contemplated by the provision of section 34 for service and enforcement of an injunction in a district other than that in which it was issued; and if only for that reason a

plaintiff may prefer the federal court as his forum. But Miss Robert thinks it is doubtful whether the jurisdiction of the federal courts is exclusive, and cites various general authorities supporting a view that the state courts do have concurrent jurisdiction.

She also suggests, by reference to the established scope of the National Labor Relations Act, that the provisions of this act for the protection of a mark used "in commerce" may not be defeated by state law, either decisional or statutory, and that they give a right of action under the act against an infringing mark of solely intrastate use. The act relates to "all commerce which may lawfully be regulated by Congress," and Miss Robert says that "this seems unquestionably to include commerce which burdens, obstructs, or interferes with the free flow of interstate or foreign commerce."⁴ Admittedly this is a matter yet to be determined by the courts, but the discussion in the *Manual* raises an interesting question and one which may become exceedingly important if any of the states should attempt to protect intrastate marks by law conflicting with the federal act.

Of course no consideration of actions under the act would be complete without reference to the available defenses, and the *Manual* covers them quite fully. One section is devoted to laches, acquiescence, abandonment, and estoppel, with illustrations from past cases. The act's explicit recognition of the equitable principles should be an emphatic warning to all trade-mark owners to exercise the vigilance necessary to retain as well as to obtain their rights.

Another section on defenses relates to inequitable conduct or "unclean hands." This is not included in the statutory provisions for Patent Office proceedings except insofar as it may be involved in obtaining a registration or an incontestable right fraudulently. Section 33(b) (7) does add another type of misconduct to be considered, by making it a defense or defect "that the mark has been or is being used to violate the antitrust laws of the United States." Those who have been apprehensive about the use and effect of this provision, however, will be comforted by Miss Robert's explanation. Her conclusion is that such a defense or defect never has been and is not now a good defense on the merits of an infringement question. Rather, it runs only to the weight of a registration as conclusive evidence of incontestable right. It serves not to destroy the right, but only to shift the burden of proof with respect to it.

The extent of relief provided by the act in most respects does not go beyond that afforded under the earlier statutes. Nothing has been

⁴ Page 165.

taken away; the changes are in the direction of enlargement. One new feature is the permissive provision for a compliance report to follow an injunction. This may prove to be extremely useful, for, as Miss Robert comments, it will provide means for an early court review of new marks or labels without the necessity of a contempt proceeding to determine whether they are in violation of the injunction.

Other innovations are the requirement for court clerks to notify the commissioner of actions affecting specific registrations, so that the Patent Office records may reflect litigation as well as registration, and the broadened authority to the court to rectify the register with respect to the registrations of any party to the action. These and other elements of relief are fully discussed in the *Manual*, and the statement of the remedy against infringing importations is helpfully amplified by an outline of customs procedure upon the detention of such goods.

Cancellation is treated separately in the chapter on remedies, with particular attention to the new authority of the Federal Trade Commission to apply for cancellation on some of the statutory grounds. The author of the *Manual* takes an uncommonly cheerful view of this provision. She says that "on analysis the undesirability is minimized," and asks, ". . . if a mark is improperly on the register, what is the difference whether a private petitioner or a public agency causes it to be eliminated?"⁵ Nevertheless there are those who would like a firmer assurance against possible misuse of the commissioner's power to bring a cancellation proceeding, even though the defending party can rely upon fair determination of the issues in the Patent Office.

The text of the *Manual* concludes with a brief chapter on the status of unregistered marks and the "checkerboard" of rights and remedies relating to them, and an informative chapter on the history of trademark laws. Here are traced the legislative enactments from the act of July 8, 1870 onward, with a well-considered tribute to Mr. Lanham for the great part he played in the adoption of the new act.

The discussion throughout the *Manual* is generously annotated, and is usefully augmented by a comprehensive Appendix containing, among other material, the full text of this act and various others, the pertinent conventions, the legislative reports, and Mr. Lanham's own statement preceding the House adoption of the Conference Report on the final version of the act. This is a valuable book in an important field.

⁵ Page 223.