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# Trade-Marks-Territorial Extent of Trade-Mark Rights

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## RECENT CASE NOTES

TRADE-MARKS—TERRITORIAL EXTENT OF TRADE-MARK RIGHTS—Appellant, in 1915, adopted "Bond" as its trade-mark for bread and bakery products. Appellee, in 1931, started operating department stores in and around Chicago, using the trade-mark "Goldblatt's Bond" on razor blades, shaving cream, and cigars, and thereafter extended its use to some 300 items sold by its stores, including bread. Appellant uses its trade-mark within a radius of 50 miles of St. Louis, and within a radius of 50 to 75 miles of Indianapolis. Appellee has a market within a radius of 50 miles of Chicago. Suit for an injunction;

HELD, the injunction should be refused, that the trade-marks were not confusingly similar, that trade-marks will be protected only when used in connection with business, and that trade-marks have limitations coincident with limitations of the trade which it is presumed to protect.<sup>1</sup>

The general rule is that as between two conflicting claimants of the right to use the same mark, priority of appropriation determines the question, and the first appropriator of that mark has the right to its exclusive use.<sup>2</sup> However, an exception to this rule was promulgated by the two cases of *Hanover Star Milling Co. v. Metcalf*,<sup>3</sup> and *United Drug Co. v. Theodore Rectanus Co.*,<sup>4</sup> in which two cases the first user was denied relief. How far this exception goes is at present a troublesome question. This exception, which has almost become a rule in itself instead of an exception, is that while the first appropriator and user of a trade-mark owns such mark and is entitled to protection by the courts in the use thereof against subsequent users on the same class of goods, such protection will not be afforded as against a subsequent user and appropriator who in good faith adopts and uses the mark in territory into which the goods of the first appropriator have not penetrated and have not been used or sold. Some courts in quoting from these cases have held that this rule denies a right of expansion,<sup>5</sup> while others have refused to so interpret them. Regardless of what these cases actually hold,<sup>6</sup>

<sup>1</sup> *General Baking Co. v. Goldblatt Bros., Inc.*, (1937), 90 F. (2d) 241.

<sup>2</sup> *Columbia Mill Co. v. Alcorn* (1893), 150 U.S. 460, 14 S. Ct. 151; *Bayuk Cigars, Inc. v. Schwartz* (1932), 1 F. Supp. 283; *Tillman & Bendel, Inc. v. California Packing Corp.* (1933), 63 F. (2d) 498.

<sup>3</sup> *Hanover Star Milling Co. v. Metcalf* (1916), 240 U.S. 403, 36 S. Ct. 357. "Tea Rose" was used by the Plaintiff, an Ohio concern established in 1872, for its trade-mark, and was also used by defendant, an Illinois resident, who first used it in 1885. The Illinois concern had been selling flour in Alabama and the southeastern part of the United States for about twelve years, when plaintiff decided to sell in Alabama, and finding defendant there, brought action, as first appropriator of the mark, to enjoin him from further use. The injunction was denied.

<sup>4</sup> *United Drug Co. v. Theodore Rectanus Co.* (1918), 248 U.S. 90, 39 S. Ct. 48. Plaintiff first used the trade-mark "Rex" in Massachusetts in 1877. In 1883, defendant began to use the same trade-mark in Louisville, Kentucky. In 1911, plaintiff extended its sales to Kentucky, and brought suit for an injunction, which was denied.

<sup>5</sup> Examples of the cases on this point are numerous; cases which cite those cases with approval and seemingly follow the rule are: *Carigan v. Plibrico Jointless Firebrick Co.* (1933), 65 F. (2d) 849; *May v. Goodyear Tire and Rubber Co.* (1935), 10 F. Supp. 249; *Ammon & Person v. Narragansett Dairy Co.* (1919), 262 F. 880; *Vermont Maple Syrup Co. v. Johnson Maple Syrup Co.* (1921), 272 F. 478. *Silver Swan Liquor Corp. v. Hiram Walker* (1937), 19 F. Supp. 445, is a recent and peculiar case. The court held that the plaintiff had established their prior appropriation and right to use in certain of the Western States, and that defendant had established its right to a prior appropriation and use in the remainder of the United States. The court does not cite authority, but it would seem that it was deciding the case on basis of priority as to territory rather than priority as to trade-mark.

<sup>6</sup> In *Hanover Star Milling Co. v. Metcalf*, supra Note 3, the language of the court in denying the right of expansion is as follows: "That the property in a trade-mark is not limited in its enjoyment by territorial bounds, but may be asserted and protected wherever the law affords a remedy for wrongs, is true in a limited sense. Into whatever markets the use of a trade-mark has extended, or its meaning has become known, there will be

they have resulted in confusion, and are being used to build a general rule regarding the geographic extent of trade-marks. They were designated by the Supreme Court as unusual cases, but they are being applied in cases involving no unusual circumstances and to deny a first user the right of natural expansion. They have also been cited in support of decisions to the effect that a trade-mark may be used by a different concern on goods not of the same description or class as the goods of the first user,<sup>7</sup> although the factual set-up is usually quite different from that found in the Hanover and Rectanus cases.

Some courts that have taken the Hanover and Rectanus cases as the rule instead of the exception, make exceptions to that rule. These exceptions are well stated in *Sweet Sixteen Co. v. Sweet "16" Shop*.<sup>8</sup> This case quotes the Rectanus case as setting up the first exception, saying that the question of prior appropriation is legally insignificant "unless at least it appear that the second adopter has selected the mark with some design inimical to the interest of the first user, such as to take the benefit of the reputation of his

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the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection or redress. But this is not to say that the appropriator of a trade-mark, good in the markets where it has been employed, can monopolize markets that his trade has never reached, and where the mark signifies not his goods, but those of another." Also, "We agree with the court below that 'Since it is the trade, and not the mark, that is to be protected, a trade-mark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by his use of the mark. But the mark of itself cannot travel to markets where there is no article to wear the badge and no trader to offer the article.'"

The language of *United Drug Co. v. Theodore Rectanus Co.*, supra Note 4, is found in the following; "It results that the adoption of a trade-mark does not . . . project the right of protection in advance of the extension of trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade. . . . The asserted doctrine is based on the fundamental error of supposing that a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy. There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of Trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business." There are so many statements like those quoted above that a true understanding of these two cases can be best had by a reading and a consideration of them as a whole.

<sup>7</sup> *Treager v. Gordon Allen Ltd.* (1934), 71 F. (2d) 766; *Aladdin Mfg. Co. v. Mantle Lamp Co.* (1934), 9 F. Supp. 930; *Beech-Nut Packing Co. v. P. Lorillard Co.* (1924), 299 F. 834; *American Steel Foundries v. Robertson, Commissioner* (1926), 269 U.S. 372, 46 S. Ct. 160.

<sup>8</sup> *Sweet Sixteen Co. v. Sweet "16" Shop* (1926), 15 F. (2d) 920. Plaintiff's business, beginning in 1916 with one woman's shop in San Francisco, within 5 years included 5 stores on the Pacific Coast, a New York purchasing agency, and a mail order business covering many states, including Utah. It had widely advertised its product and its name. Before it could carry out plans to open a store in Salt Lake City, defendant started a similar business there under the name "Sweet 16 Shop." An injunction was granted the plaintiff, the first appropriator of the mark.

goods, to forestall the extension of his trade, or the like." It quotes the Hanover case for the second exception: "We are not dealing with a case where the junior appropriator of a trade-mark is occupying territory that would probably be reached by the prior user in the natural expansion of trade, and need not pass upon such a case." Although the case would thus seem to recognize the right of natural expansion, the decision of the court allowing an injunction to the first user is based on the exception of bad faith. It would seem on a close reading of the Hanover and Rectanus cases that the emphasis was placed on the innocence and good faith of the second user, and that in the Sweet Sixteen case it would have been correct to say the general rule of first appropriation applied, rather than saying that the exceptions to the rule of those cases apply. *Bucksban v. Hudson's Bay Co.*<sup>9</sup> distinguishes the Hanover and Rectanus cases on the basis of good faith, much the same way as in the Sweet Sixteen case, and also gave injunctive relief to the first appropriator.<sup>10</sup>

There are other cases that would seem to recognize the right of expansion. *Hub Clothing Co. v. Cohen*<sup>11</sup> holds that the Hanover case does not apply to prevent the plaintiff from protecting his name from imitation in a town nine miles away where plaintiff had arranged to start but had not yet started a branch. The case would seem strong because of the extremely local nature of the business. In *Western Oil Co. v. Jones*,<sup>12</sup> the court recognized the right to normal expansion of business by saying of the Hanover and Rectanus cases, "Those limitations, in our opinion, do not exclude territory which may be reasonably expected to be within the normal expansions of business." However, much of the force of the case is lost because there was a conscious infringement, and the plaintiff had been using state wide advertising. The court took the position of protecting both plaintiff's established business and plaintiff's prospective business in *Terminal Barber Shops v. Zoberg*.<sup>13</sup> Relief was granted in that case, the court following the exception

<sup>9</sup> *Bucksban v. Hudson's Bay Co.* (1927), 22 F. (2d) 721.

<sup>10</sup> See, also, *The Governor and Company of Adventurers of England Trading into Hudson's Bay v. Hudson Bay Fur Co.* (1928), 33 F. (2d) 801. in which the court said, "The outstanding feature of such cases [speaking of the Hanover and Rectanus cases] is that the second person or trading firm to adopt the name or device was in entire ignorance that the same name or device had previously been adopted by another in the same business, and the second acted innocently and in good faith", and then held that the case under consideration was simply in a different class.

<sup>11</sup> *Hub Clothing Co. v. Cohen* (1921), 270 Pa. 487, 113 A. 677. Plaintiff had a clothing business in Wilkes Barre, Pa., under the name of "The Hub," beginning business in 1909. In 1920, plaintiff arranged for a branch store in Pittston, nine miles from Wilkes Barre. At the same time, defendant, who had done business under the name "Cohen Bros.," started an advertising campaign under the name "The Hub." Plaintiff was granted an injunction.

<sup>12</sup> *Western Oil Co. v. Jones* (1928), 27 F. (2d) 205. Plaintiff, since 1917, had used the name "Silver Flash" for its gasoline. In 1923, defendant started using "Silver Flash" and on notice from plaintiff changed to "Super Flash." Believing this to be an infringement also, plaintiff asked for an injunction. Defendant pleaded the plaintiff did not sell within his territory. An injunction was given covering the whole state of Ohio, the court stating that it made no difference that appellants had not sold gasoline in the two towns where defendant operated, because appellant's name was so widely spread.

<sup>13</sup> *Terminal Barber Shops v. Zoberg* (1928), 28 F. (2d) 807. Plaintiff

to the Hanover rule, and saying that where a subsequent user tries to take the benefit of Plaintiff's reputation, "or to forestall the extension of its trade," he commits an injury which the courts will take steps to bring to an end.

As the law stands, trade-mark users are in a dilemma. They must either, immediately upon opening business, ship their goods to all markets where they may want to expand in the future, or later risk having to give up territory because someone else has established himself there using the same trade-mark. At the same time, the innocent second appropriator must be protected. Possibly the only way to reach a satisfactory result is to require the registration of all trade-marks before they have any validity, so that it can be ascertained whether a mark is being used before time and expense have been expended in acquiring a market and promoting good will.

The question of whether the right of a business to expand will be protected in the future, and the rights of a subsequent user limited to agree with the sort of factual set-up found in the Hanover and Rectanus cases, will probably remain confused and unsettled until the Supreme Court of the United States hands down a decision on the matter. Until that time, it will be almost impossible to forecast what the result of any one suit will be. In the noted case, the decision would seem to be correct, even though the court does not give any weight to possible expansion in the future. The fact that appellant has expanded but little during its 20 years of life would or might be one element to consider in what might be termed its "natural expansion". At the same time, the fact that appellee has worked up a large trade at considerable expense for over seven years might bring it within the scope of the Hanover and Rectanus cases, and would be sufficient cause for denying appellant relief.<sup>14</sup>

R. K. R.

**SALES—LIABILITY OF A MANUFACTURER FOR MISREPRESENTATIONS TO SUB-PURCHASER.**—Plaintiff purchased from a retail dealer an automobile, represented by the manufacturer and dealer by advertisements to be equipped with a safety windshield. Because of the shattering of the windshield when the plaintiff had a collision, particles of glass cut him, injuring him severely. This action was brought against the manufacturer. Held, (1) no cause of action exists in warranty without privity; and (2) knowledge of falsity of representation is necessary for liability for misrepresentation.<sup>1</sup>

The law of warranty is older by a century than special assumpsit. In fact the action upon the case on a warranty was one of the bases upon which the law of assumpsit seems to have been built.<sup>2</sup> The first reported case of

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operated barber shops in New York City from 1908, and at the time of suit had 31 shops and expended \$75,000 yearly in advertising. Defendant opened five shops in New York and New Jersey, applying the name "Terminal" to them, with a resulting confusion to the public. Plaintiff was granted an injunction covering not only New York where his shops were located, but also New Jersey.

<sup>14</sup> There can be no doubt of the cases noted, because of the finding that the trade-mark of appellant and that of appellee were not confusingly similar. The question as to the geographic extent to which trade-marks would be protected could be controlling only where there was a confusing similarity.

<sup>1</sup> Chanin v. Chevrolet Motor Co. (C. C. A., seventh circuit), 89 F. (2d) 889.

<sup>2</sup> Williston, Sales (2d), Sec. 195.