Vanderbilt Law Review

Volume 11
Issue 2 *Issue 2 - A Symposium on Trade Regulation and Practices*

Article 9

3-1958

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WORLDMARKS AND THE ANTITRUST LAW

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Like all things, trademark rights can also be exploited for sinister purposes. A trademark can, for example, be used in violation of the antitrust laws and no elaborate references need be made to the legislative history of the Lanham Act[1] to demonstrate that the Act was "not intended to undermine the anti-trust laws."[2] Certain specific provisions of the Act clearly disclose the legislative intent to dissuade a trademark owner from using his mark in violation of the antitrust laws.

As a general provision against antitrust violations by the trademark owner, section 33(b), subsection 7, of the Lanham Act allows to the defendant in a trademark infringement suit the defense "that the mark has been or is being used to violate the anti-trust laws of the United States," thereby applying the doctrine of unclean hands as originally expanded in patent cases[3] to the trademark case,[4] notwithstanding the fact that some doubts have been expressed as to whether the section was intended only to destroy the incontestability of a mark rather than to provide an affirmative defense.[5] Other specific provisions designed to discourage antitrust violations relate to certification and collective marks[6] and to marks of "related companies."[7] The trademark as a symbol of goods or a business, functioning as an indication of origin or ownership, as a guarantee and as an advertisement,[8] is not a "monopoly";[9] but, even should it be considered such, it has been stated that "it is lawful monopoly,"

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1. Trademark Act of July 5, 1946, 60 STAT. 427, (1946), 15 U.S.C. 1051 (1952), (hereinafter called the Lanham Act.)
2. Judge Freed, in United States v. Timken Roller Bearing Co., 83 F. Supp. 284 (N.D. Ohio 1949).
3. Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942).
4. *Cf.* Senator O'Mahoney, 92 CONG. REC. 7873 (1946).
5. Congressman Lanham, 92 CONG. REC. 7524 (1946).
6. Lanham Act § 4.
7. *Id.* § 5.
8. *Cf.* 3 CALLMANN, THE LAW OF UNFAIR COMPETITION AND TRADE MARKS (hereinafter referred to as CALLMANN) § 65 (Supp. 1956).
9. *Id.* § 66.3. By Professor Chamberlin's theory of monopolistic competition [CHAMBERLIN, THE THEORY OF MONOPOLISTIC COMPETITION (1933)] under which pure competition requires complete standardization, not only of the goods, but also of the sellers, and under which the slightest differentiation constitutes monopoly, "the protection of trademarks from infringement and of businessmen generally from the imitation of their products known as 'unfair trading' is the production of monopoly"; and "to permit such infringements and imitations would be to purify competition by eliminating monopoly elements."

> the monopoly of a creator, something which is not and never has been within the prohibition of any law, anti-trust or otherwise. On the contrary, that monopoly is encouraged by patent, trademark and copyright statutes, and the rules of unfair competition.[10]
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> It does not tend to foster monopoly to sustain the right, if one has acquired it, to the exclusive use of a trademark. The establishment of such a right does not restrain in any degree the manufacture or sale by others of the article or commodity to which the trademark is attached. It is simply the protection of property. By granting such protection, the law enables the public to exercise a free choice between two products, and compels competing products to be sold without deception as to their source of production and manufacture.[11]

True, even a superficial scanning of a series of trademark cases will reveal attempts to claim trademark rights for words that are wholly incapable of serving a trademark's function. However, an excessive claim to exclusive rights in words, colors, forms, etc., which should be freely available for all competitors, *e.g.*, descriptive or generic words, can hardly be termed a violation of the antitrust laws. In fact, there is only a rather tenuous relationship between such claims and antitrust laws, which is shown by the doctrine of secondary meaning; that doctrine precludes competitors of the trademark owner from using words which because of their descriptiveness or other deficiencies are not initially susceptible of exclusive appropriation by anyone. The mark is, in nature, not a monoply; it is protected as a property right, the use of which has a limited scope (catch-word use of the mark) for a limited purpose (to identify and advertise a particular article). Because of a noticeable judicial monopolophobia[12] and the recent attempts of the Department of Justice to make the nation monopoly-conscious with respect to trademarks, it is salutary that the Lanham Act supports the theory that a trademark is an independent property right.[13]

This is not to deny that a trademark may be employed for the purpose of implementing and strengthening a pattern of restraint of

10. Great Atlantic & Pacific Tea Co. v. Cream of Wheat Co., 224 Fed. 566, 572 (S.D.N.Y.), *aff'd*, 227 Fed. 46 (2d Cir. 1915); Hoffman v. Riverside & Dan River Cotton Mills, Inc., 55 F. Supp. 13 (S.D.N.Y. 1944).

11. Independent Baking Powder Co. v. Boorman, 130 Fed. 726, 728 (C.C.D.N.J. 1904).

12. *Cf.* Callmann, *The "Sunkist" Decision: Trade-Marks at the Crossroads*, 38 TRADE MARK REP. 304; *contra:* Pattishall, *Trade-Marks and the Monopoly Phobia*, 50 MICH. L. REV. 967 (1952) (rejecting the property concept as applicable to trademarks). See also Oppenheim, *The Public Interest in Legal Protection of Industrial and Intellectual Property*, 40 TRADE MARK REP. 613 (1950) defending the exclusive rights against the effort of the "restrictionists" to overemphasize the public interest at the expense of the private claimant. He properly wonders whether there has been created "a judicial psychology which will swing the pendulum too far in the direction of cutting down the legal safeguards against imitation or misappropriation of the good will embodied in the commercial magentism of trade symbols." *Id.* at 630.

13. 3 CALLMANN, § 66.3.

trade. Thus the use of trade and certification marks by trade associations and cartels (collusion of licensing and concurrent use), *e.g.*, of few dominant concerns, in the domestic and international trade, may serve to divide markets between members and to exclude outsiders and deprive smaller independent competitors of the chance to compete; and a mark may be used to control the channels of trade, *e.g.*, where manufacturers divide the world into exclusive marketing areas,[14] or where jobbers and retailers are licensed to deal in branded goods;[15] where several manufacturers of different kinds of goods prevent each other from expanding into the fields of others;[16] the use of marks as a device for tying restrictions by which the boundaries of a patent monopoly are expanded in violation of section 3 of the Clayton Act.[17] In these cases the abuse of the mark is normally incidental to an underlying agreement in violation of the antitrust laws. However, it cannot be denied that in such cases the mark is a means of implementing the restraint of trade. Thus, if competitors use the same mark in different markets, and agree to stay out of the other's market, the registration of the mark in favor of each competitor leads to an exclusion of all others in perpetuity. Even where the mark is not stamped into the product it is almost impossible to give up a well-known, internationally advertised trademark and to introduce a new one with all the expenses for advertising, packaging and distribution. Furthermore, the mark extends the force of such an agreement beyond the parties, to all their distributors, dealers, exporters.[18]

Discriminatory pricing under different marks is often used as a means of deceiving the public concerning the quality of goods; if a manufacturer favors one customer over others, a violation of the Robinson-Patman amendment to section 2 of the Clayton Act also

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14. Timken Roller Bearing Co. v. United States, 341 U.S. 593, (1951), *modifying and affirming*, 83 F. Supp. 284 (N.D. Ohio 1949). The Supreme Court found the appellant guilty of numerous antitrust violations and of participation in an international cartel but it did not outlaw the mark. Compare this result with the unreported case of United States v. S.K.F. Industries, Inc., Civ. No. 9862, E.D. Pa., 1950, where the Swedish parent and its American subsidiary used the mark "S.K.F." for territorial divisions and other agreements in restraint of trade. In addition to enjoining the defendants from those practices, the American subsidiary was required to adopt a different trademark.

15. See United States v. Bausch & Lomb Optical Co., 321 U.S. 707 (1944); United States v. Univis Lens Co., 316 U.S. 241 (1942).

16. See Beech-Nut Packing Co. v. P. Lorillard Co., 7 F.2d 967 (3d Cir. 1925), affirming, 299 Fed. 834 (1924), *cert. granted*, 269 U.S. 551 (1926), *aff'd*, 273 U.S. 629 (1927).

17. 38 STAT. 731 (1914), 15 U.S.C. § 14 (1952).

18. Most antitrust suits instituted by the Department of Justice in this field have terminated in consent decrees. See United States v. American Bosch Corp., Civ. No. 20-164, S.D.N.Y., 1948; United States v Rohm & Haas Co., Civ. No. 9068, E.D.Pa., 1948; United States v. Electric Storage Battery Co., Civ. No. 31-225 S.D.N.Y., 1947; United States v. General Electric Co., Civ. Nos. 1364, 2590, D.N.J., 1946; United States v. Merck & Co., Civ. No. 3159, D.N.J., 1945.

may be indicated;[19] it may also be used as a weapon in a price war declared by a combine against small independent manufacturers by means of so-called "fighting brands," which are brands offered at prices lower and on terms more favorable than those asked by the seller for substantially the same article under a different brand or name.[20]

It is not the purpose of this article to comment on the use of trademarks in aid of antitrust violations. Excellent discussions of this problem are available.[21] We turn to the peculiar problems posed by trademarks that have become most potent economic forces, *i.e.*, the worldmarks. A trademark, as this writer recently pointed out,[22] blossoms into a *worldmark* when the article it identifies has been *sold in so many countries* and so successfully that the mark has become *known in a considerable part of the world* not only to those who buy the article but even to those who might never become buyers, the so-called general public. Such a mark enjoys world-wide status because it has been accepted, by the public at large, as the mark of a certain business.

THE WORLDMARK AND ITS GOODWILL

It is this writer's first premise that the situs of a worldmark's goodwill is the situs of the international business that produces the article, unless that business uses different national trademarks in the various countries where the article is made and/or sold. The public will, by and large, identify Ford and Coca-Cola with the United States, Coty, Chanel and Cointreau with France, Guiness and Jaguar

19. 49 STAT. 1526 (1936), 15 U.S.C. § 13(f) (1952). See Goodyear Tire & Rubber Co. v. FTC, 101 F.2d 620 (6th Cir. 1939) (Goodyear sold the same tires to one customer under the marks "All State" and "Companion" at a lesser price than it sold to others under the marks "All Weather" and "Pathfinder").

20. United States v. American Thread Co., Civ. No. 312, D.N.J.Eq., 1914 (consent decree).

21. See Borchardt, *Are Trade-Marks an Anti-Trust Problem?* 31 GEO. L.J. 245 (1943); Diggins, *Trade-Marks in Restraint of Trade* 32 GEO. L.J. 113 (1944); Zlinkoff, *Monopoly Versus Competition: Significant Trends in Patent, Anti-Trust, Trade-Mark and Unfair Competition Suits* 53 YALE L.J. 514 (1944); Berge, *Anti-Trust Enforcement in the War and Postwar Period* 12 GEO. WASH. L. REV. 371, 390 (1944); Taggart, *Trade-Marks: Monopoly or Competition?* 40 TRADE-MARK BULL. 25 (1945). See also Judge Frank's concurring opinion in Standard Brands, Inc. v. Smidler, 151 F.2d 34 (2d Cir. 1945); Handler, *Trade-Marks and Anti-Trust Laws*, 38 TRADE-MARK REP. 387 (1948); Bergson, *Current Problems in the Enforcement of the Anti-trust Law*, 39 TRADE-MARK REP. 187, 194 (1949); Timberg, *Trade-Marks, Monopoly and the Restraint of Competition*, 14 Law and Cont. Prob. 323 (1949); Stedman, *Elimination of Trade Barriers Based upon Trade-Marks* 10 FED. B.J. 162 (1949); Stedman, *Patent and Trade-Mark Relief in Antitrust Judgments*, 10 FED. B.J. 260 (1949); Derenberg, *The Impact of the Antitrust Laws on Trademarks in Foreign Commerce*, 42 TRADE-MARK REP. 365 (1952). See the excellent Note, *The Monopoly Concept of Trade-Marks and Trade Names and "Free Ride" Theory of Unfair Competition*, 17 GEO. WASH. L. REV. 112 (1948).

22. Callmann, *Thoughts on the Protection of Worldmarks*, 44 TRADE-MARK REP. 1134 (1954).

with England, Fiat and Olivetti with Italy, 4711, Zeiss and Bayer with Germany, and Omega with Switzerland. In all these cases the situs of the goodwill of those marks is the situs of the main business in the United States, France, England, Italy, Germany and Switzerland, respectively. In the case of Unilever, however, its margarine is identified as "White Lune" in England, "Blauband" in Germany, "Start" in Holland, "Solo" in Belgium, "Astra" in France, and "Sava" in Turkey; the situs of the goodwill of each such mark would be in the country where the particular mark is used.

That a trademark has only one goodwill is basic to the nature of both the trademark and the goodwill concept. Goodwill cannot be divorced from the source that supplies the market any more than the reputation of a person can be separated from the person. It is therefore an integral part of the business in the case of a business mark like "Ford" and of the article in the case of a merchandise mark like "Lincoln." The courts have always insisted that the situs of the goodwill of a trade marked article is the same as the situs of the business that produces the article.[23]

The importance of this analysis became especially manifest when, after the two world wars, the repercussions of the Alien Property

23. See Ingenohl v. Walter E. Olsen & Co., 273 U.S. 541 (1927); Baglin v. Cusenier Co., 221 U.S. 580 (1911); Société Vinicole de Champagne v. Mumm Champagne and Importation Co., 10 F. Supp. 289 (S.D.N.Y. 1935).

In the *Mumm* case, the French Sequester of enemy property had seized the Stammhaus in Reims (France), which was owned by German nationals, as well as the marks registered in the United States and other countries. The issue was whether the French sequestration of the Mumm business in France was confined to the corporeal and incorporeal property within the French territory, with the result that the sale of the business by the French Liquidator did not affect the trademarks registered in the United States. For its major premise the court properly assumed that the French Liquidator could not sell what the Sequester had not in fact confiscated and that the Sequester could not confiscate what was not located in French territory; it then pointed out that American trademarks originate from use, not registration, that the trademarks in question were symbolic of the goodwill of the main French business and not of the American establishment or branch, and that this goodwill had its situs in Reims, France. For that reason the court held that the Sequester had lawfully confiscated the trademarks registered in the United States and therefore that the Liquidator was entitled to sell them.

In its opinion, the Court distinguished the *Baglin* and *Ingenohl* cases. The *Baglin* case involved the famous 'Chartreuse" recipe which went with the Cartusian monks when they fled from France to Spain. The secret recipe was the essence of the monks' business, and the goodwill of their product rested upon the recipe. Therefore the situs of the goodwill was transferred to Spain together with the recipe. Since the French Sequester could not confiscate the secret formula because it was no longer in France, he had only confiscated immaterial corporeal things and not the business itself.

The *Ingenohl* case involved an owner of a cigar factory in Manila who had established a similar factory in Hongkong, using the same trademark for cigars produced there. The United States Supreme Court held that since there were two independent enterprises, the confiscation of the Manila business by the Alien Property Custodian did not affect the business in Hongkong.

In distinguishing the case, the district court noted: "If Ingenohl's business had been a unitary business, such as we have in the instant case in respect of G. H. Mumm & Co., the decision of the Supreme Court may well have been different." 10 F. Supp. at 296.

Custodian's vesting activity created legal headaches for both the buyers and the former owners of the vested trademarks. When the Alien Property Custodian, in defiance of fundamental trademark principles, confiscated and then sold parts of a foreign business of world-wide fame together with "its" mark—merely because those parts were within his jurisdiction, (sometimes only offices, demonstration or show rooms, store rooms)—he confiscated and sold a goodwill that did not exist. The real goodwill of the mark was not in fact within his jurisdiction. Here the buyers of such worldmarks are faced with a dilemma, and we will see later how their position can conflict with the antitrust laws.

When the Alien Property Custodian sells a vested mark, does it sell a "naked" mark or a mark that is connected with a goodwill? This is the critical question and it is directly related to the problem of the situs of the mark's goodwill. American courts have wrestled with this question, especially where domestic agents, distributors or importers of foreign manufacturers, relying solely upon their formal rights in a trademark registration, seek to exclude the foreign trademark owner from the American market when, because of the war, the foreign manufacturer was prevented from shipping his goods to the Western Hemisphere. The courts accepted the premise that an importer may obtain a "valuable reputation for himself and his ware by his care in selection of his precautions as to transit and storage, or because his local character is such as that the article acquires a value by his testimony to its genuineness."[24] On the other hand, it should be noted that when a licensee merely sells goods under the trademark of a foreign manufacturer, he is introducing the goods into the domestic market for the benefit of the foreign licensor.[25] Although an exclusive sales agent for a foreign manufacturer may have the formal right to apply for a trademark registration in his own name, he can do so only to protect his exclusive sales rights as a kind of, "special owner," and the foreign manufacturer remains the real owner of the trademark.[26]

The Patent Office was confronted with the problem when distributors of foreign trademarked goods claimed ownership of the foreign mark and either applied for registration of the foreign mark, or entered oppositions to its registration by the foreign trademark owner or to the registration of an allegedly confusingly similar mark. Assistant Commissioner Daphne Leeds adopted the indivisible or unitary theory of goodwill and in a line of cases, which this writer believed to

24. Imperial Tobacco Co. of India v. Bonnan, 41 R.P.C. 441 (1924).
25. Midy v. Midy Laboratories, Inc., 77 U.S.P.Q. 429 (N.Y. Sup. Ct. 1948).
26. Société Enfants Gombault v. Lawrence-Williams Co., 16 TRADE MARK REP. 467 (N.D. Ohio 1926).

be sound, denied the trademark ownership to the distributor.[27] In the second *Leitz* case, for example, Mrs. Leeds remarked:

> It is true that as a result of the sale of German Leitz products in the United States by its American distributor, New York Leitz, a considerable amount of trademark goodwill was generated in the United States, but such goodwill was not separated, indeed, it was inseparable, from the mark itself. In other words, the goodwill in the United States which was symbolized by the trademark 'Leitz' had its situs in Wetzlar, Germany, where the manufacturer was located. The American distributor acquired no rights in the trademark or in the goodwill symbolized by it merely as a result of importation and sale in this country of the products of Germany Leitz.[27a]

In two decisions, one by the District Court of the District of Columbia,[28] the other by the Court of Customs and Patent Appeals,[29] the courts rejected Mrs. Leeds' analysis. The District Court of the District of Columbia held that the local Leitz firm was independent of the German Leitz Company, that the factual situation was even more convincing than it was in the *Bourjois* case[30] because the American Leitz firm did not confine itself to the importation of German Leitz products but sold items purchased from others and even itself engaged in the manufacture in the United States of products bearing the Leitz trademark. Finally the court concluded: ". . . if the public ever understood or now understands all products bearing the 'Leitz' mark as having originated with German Leitz, *its understanding was and is erroneous*."[31] (Emphasis added.)

In the writer's opinion, the fact that American Leitz was engaged in manufacture and bought goods from other sources should not have been controlling. Whatever it had done in the past, it was generally accepted that American Leitz was only the former branch of the German firm, capitalizing on the strength of the German firm's patents and know-how. Irrespective of its present activities, its appearance still remains, and whether or not there is still a link with its German ancestry is a matter of internal interest only. (In most cases of this kind, the relationships between the German parents and their American branches were subsequently reinstated). This, however, is of minor importance. The more critical test is what the public believes when "Leitz" is used in connection with optical instruments. In concluding that the understanding of the public was erroneous if it

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27. See Callmann, *Thoughts on the Protection of Worldmarks*, 44 TRADE MARK REP. 1134 (1954).
27a. 105 U.S.P.Q. at 483.
28. E. Leitz, Inc. v. Watson, 152 F. Supp. 631 (D.D.C. 1957) (proceeding under 35 U.S.C. 146 (1952)).
29 Roger & Gallet v. Janmarie, Inc., 245 F.2d 505 (C.C.P.A. 1957).
30. A. Bourjois & Co. v. Katzel, 260 U.S. 689 (1923).
31. E. Leitz, Inc. v. Watson, 152 F. Supp. 631, 637 (D.D.C. 1957).

associates the "Leitz" mark with the German Leitz Company, the court committed its most fundamental error. In this context, it is impossible for the public to be wrong. This would be a contradiction in terms because it is the understanding and the reaction of the public that determines whether or not the use of any commercial designation is misleading.[32] This is self-evident when we recall the rule that even an abandoned mark may not be appropriated by another if the public still identifies the mark with the original user, because, as the courts say, such an appropriation "will, in all likelihood, deceive the public."[33]

In *Roger & Gallet v. Janmarie, Inc.*[34] the Court of Customs and Patent Appeals, modifying the Commissioner's decisions, said through Judge Rich:

> We think it is a mistake to assume that all of the goodwill symbolized by a trademark in international use has its situs at the place where the goods bearing the mark are made, at least to the extent of being so immobilized there as to preclude its original owner from parting with segments of it on a national basis. We are concerned here with business and goodwill attached to United States trademarks, not French trademark rights existing under French law. We take it as axiomatic that neither the trademark law of France nor of the United States has any extraterritorial effect. Where, then, can *business* done under United States trademarks, registered in the United States Patent Office, and the goodwill symbolized by them have their situs except in the territory where United States law is enforceable? The location of the *owner* of such trademarks, the beneficiary of the goodwill attached to them, is an entirely different question and in this case the owner, until such time as he chose to part with his United States rights, was unquestionably the French manufacturer located in France. But to our minds, what was being dealt with by the assignment in question was the business done in the United States under United States trademarks symbolizing goodwill in the United States. This opposition proceeding was brought to protect that business and goodwill against confusion in the domestic market. The legal concept of goodwill which we adopt must be in accord with business realities. We therefore hold that the situs of the goodwill of the business done under the 'JEAN MARIE FARINA' trademarks in the United States was in the United States.[35]

In error, the court distinguished between the goodwill "attached to United States trademarks" and the goodwill attached to French

32. The court stated that the American Leitz firm was cautioned by the Head of Trademark Operation that "the use of the mark 'Leitz' on goods other than those originating with German Leitz *would manifestly be deceptive and a false designation of origin.*" *Id.* at 635. (Emphasis added.)
33. See Kaplan v. Marcus, 81 N.Y.S.2d, 432 (1948); Sarasohn v. Andrew Jergens Co., 45 N.Y.S.2d 888 (1943). See also 3 CALLMANN at 1343, 1354.
34. 245 F.2d 505 (C.C.P.A., Patents, 1957).
35. *Id.* at 509-10. This writer challenges the holding of this court not only with respect to the goodwill theory but also with respect to the interpretation of the concept of assignment (see *infra*).

trademarks as if the trademarks of both countries symbolized different businesses. The fact that the French manufacturer was doing business in the United States under domestic trademarks gave its local business no economic independence. Moreover, this could not answer the critical question whether the American public associated the French firm name of Roger & Gallet with a French business, especially when the American management, as the Commissioner pointed out several times, uses labels "entirely in the French language."[36] Furthermore there is no logical nexus between the identification of the situs of a trademark's goodwill and the truism that United States law is enforceable in the United States. Situs can still be abroad, although certain claims may be enforceable in the United States.

The dimension of the court's error is highlighted by comparing its decision with the *Guerlain-Corday-Lanvin*[37] decision of the District Court of the Southern District of New York, issued four weeks later. There Judge Edelstein held that the defendants had resorted to section 526 of the Tariff Act of 1930[38] in order to exclude competitive importation of trademarked goods in violation of the antitrust laws. Here we are not so much concerned with the antitrust law aspect of the case[39] as we are with Judge Edelstein's excellent analysis of the economic structure of, and his trenchant observations on the significance of the trademark in, the prefume trade. In these cases, the French and the domestic businesses were legally independent corporations; both had registered the same trademarks in the Patent Office, and the entire thrust of the advertising emphasized—as in the *Roger & Gallet* case—"the prestige factor of origin with Parisian perfumers." The French companies had given their associated American companies the exclusive right to distribute their products locally and transferred to them trademark rights "intended to be sufficient to justify registration in the United States Patent Office *on the basis of a claim of ownership by the American company.*"[40] (Emphasis added.) As this is standard with perfume traders in the United States, the court held that "it can hardly be claimed by the defendants in the cases at bar that the trademarks indicate an origin with them in the United States, inasmuch as the whole burden of their advertising is to emphasize French origin." Judge Edelstein rejected defendant's claim of economic independence and, finding that "the 'corporate veil' is easily pierced by the merest glance through the

36. Opposition of Roger & Gallet, 109 U.S.P.Q. 16, 17 (1956).
37. Three separate actions by United States v. Guerlain, Inc., Parfums Corday, Inc., Lanvin Parfums, Inc., 155 F. Supp. 77 (S.D.N.Y. 1957) (consolidated for trial).
38. 46 STAT. 741 (1930), 19 U.S.C. § 1526 (1952).
39. Upon this aspect, see *infra* 534.
40. United States v. Guerlain, Inc., 155 F.Supp. 77, 81 (S.D.N.Y. 1957).

forms of the business organizations to the realities of the relationships," concluded, as a matter of fact, that in each case the local company and its French counterpart *"constitute a single international enterprise."*[41] (Emphasis added.)

On the findings of fact in the *Roger & Gallet* case, as related in the opinions of the Court of Customs and Patent Appeals and the Assistant Commissioner, there is sufficient basis for the same conclusion that the French and American companies constituted a single international enterprise.

With the hindsight of Judge Edelstein's analysis, the court's opinion in the *Roger & Gallet* case was clearly in error in splitting the goodwill of the French-American single enterprise into separate French and American fragments.[42]

Only in passing need we point out that Judge Rich also erred in holding that the transfer of trademark rights from the French to the American company was a valid assignment. In this respect Mrs. Leeds was right: the parties to the recorded instrument which purported to be an assignment "continued to do that, and only that, which they were doing prior to and at the time the instrument was executed," there was no "transfer of either the goodwill of *the business in which the mark is used or that part of the business connected with the use of and symbolized by the mark.* The mark continues to be used in the French concern's business and to symbolize the goodwill of that concern."[43] The "assignment" could at best be called a "license" between "related companies."[44] But if, in fact, the two companies are a single international enterprise, then we do not even need the device of a license; if both companies are one, each would be entitled to use the marks of the other as its own without formal licensing. Whenever the Patent Office has doubts with respect to the corporate structure and the relationship of the companies, it could request the registrant to obtain the written consent of the other party concerned.

41. *Id.* at 80, 89.

42. It could be argued that the *Roger & Gallet* case should be distinguished from the other cases discussed here because the trademark involved was not the house mark "Roger & Gallet" but the merchandise mark "Jean Marie Farina." This, however, was not a significant difference because the latter mark had a fame of its own and, in addition, never appeared in any advertisement without some reference to "Roger & Gallet" and to the perfume's French origin in French language.

43. Opposition of Roger & Gallet, 109 U.S.P.Q. 16, 19 (1956).

44. Lanham Act § 5. See Browne-Vintners Co., v. National Distillers & Chemical Corp., 151 F. Supp. 595 (S.D.N.Y. 1957) where the court held that both the French trademark owner and the American licensee were entitled to use and register the same trademarks in the United States "without affecting their validity or *the validity of the registrations* provided the public is not deceived thereby." (Emphasis added.) Reference was made to 4 CALLMANN at 2119-20.

EXCLUSION OF A COMPETITOR FROM THE MARKET

Exclusion of the Worldmark Owner

Immediately after both World Wars many of the most famous foreign trademarks (and especially those of such famous German concerns as 4711, Faber-Castell, Bayer, Leitz, Zeiss) which had been vested by the Alien Property Custodian,[45] were sold to the highest American bidder. As an economic consequence, the formerly undivided market was partitioned, one worldmark was divided into two, and the American trademark buyer then sought to exclude the owner of the identical foreign worldmark from the American market. As indicated above, this was a legal as well as an economic travesty.

It was once assumed that the law with respect to vested marks was sui generis. Thus, for example, it was held[46] that the transfer of a vested trademark by itself and without a business was justified because its seizure by the Alien Property Custodian was a war act and as such "superseded certain phases of the ordinary law of trademarks and substituted the sovereign in their place." In line with this theory, under the Trading with the Enemy Act,[47] the title of the purchaser from the custodian was declared to be unassailable,[48] although this presented some rather thorny difficult problems of international law.[49]

On the other hand it has been said that the activities of the Alien Property Custodian are not sacrosanct. Transactions of the custodian

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45. Trading with the Enemy Act §§ 7, 12, 40 STAT. 416, 423 (1917), as amended 50 U.S.C. App. § 7, 12 (1952). See Aktien Gesellschaft für Feinmechanik, Vormals Jetter & Scheerer v. Kny-Scheerer Corp., 75 F.2d 638, 639 (C.C.P.A. 1935).

See amendment to the First War Powers Act, amending section 32 of the Trading with the Enemy Act, Public Law 671, 60 STAT. 930 (1946), as amended, 50 U.S.C. App. § 32(c) (1952), authorizing the Alien Property Custodian to return vested property to innocent victims of Axis aggression who may have been nationals or residents of enemy countries.

46. Hicks v. Anchor Packing Co., 16 F.2d 723 (3rd Cir. 1926).

47. 40 STAT. 416 (1917), as amended, 50 U.S.C. App. § 7 (1952).

48. Under Allied High Commission Law No. 63 of August 31, 1951; Article 3 (Official Gazette of the Allied High Commission No. 64 of Sept. 5, 1951, p. 1107; German Bundesanzeiger No. 176 of Sept. 12, 1951, p. 2; Mitteilungen der Bank deutscher Lander No. 6062 of Sept. 15, 1951), "no claim or action based on or arising out of the transfer, liquidation or delivery of property to which this Law extends shall be admissible: (a) against any person who has transferred or acquired title or possession of such property, or against such property, (b) against any international agency, any government of a foreign country, or any person acting in conformity with the instructions of such agency or government."

49. The extraterritorial effect of the confiscation of trademarks in the United States and in other victor nations has been referred to the courts of several countries. Thus, the Swiss, West German and Austrian courts have held that they could not recognize legal measure of foreign governments which were contradictory to fundamental principles of their own law. Thus, the uncompensated expropriation of German firms by Soviet Russia or its satellites did not entitle East German firms to use those trademarks in competition with West German firms which legally succeeded to firms previously located in Eastern Germany. See Abel, *Confiscation and Trade Marks*, 44 TRADE-MARK REP. 1279 (1954).

with respect to foreign trademarks are subject to the same rules of law applicable to voluntary transactions of trademark owners. The sale of a trademark is to be treated on the same basis "as if it were a voluntary conveyance of its interests in the United States by the [foreign] . . . corporation. It is not the case of a sale in invitum of the goodwill and business."[50] In this respect the Alien Property Custodian enjoys no special status and is to be treated as a private individual.[51] The Alien Property Custodian can not do what the trademark owner could not do himself. If therefore he transfers a mark without the goodwill or any part of the goodwill of the business with which it is connected,[52] the transferee will obtain the rights of the former alien owner subject to all existing limitations of law.[53] Thus, for example, nonexclusive licenses to a trademark, granted by the Chemical Foundation, as trustee for the American industry of patents assigned to it by the Alien Property Custodian, were held void.[54] And the sale of the vested German trademark "Bosch" to a New York corporation was held to be so limited, that neither the original owner nor the purchaser from the Alien Property Custodian obtained the exclusive right to the "Bosch" name.[55]

Now to the peculiar dilemma facing the purchasers of vested world-marks and the antitrust law implications. In almost all such cases, on the strength of his newly acquired mark, the purchaser sought to bar the owner of the identical foreign mark from entry into the United States market. Does the unassailability of the sale of the mark by the Alien Property Custodian mean that the purchaser has the same rights as any other trademark owner against another's use of the same or a confusingly similar mark? Can the purchaser properly invoke section 526 of the Tariff Act? The answer to both questions, in the writer's opinion, is no.

Those who contracted with the Alien Property Custodian did not know the legal problems better than the Alien Property Custodian and the situation was a peculiar one. The fact that they accepted the acts of the Alien Property Custodian, such as vesting and sale, did not validate them legally. The situation is singnlarly analogous to that which results when a trademark owner abandons a well-known mark and some one else then adopts it as his own. This, of course, inevitably leads to a deception of the public unless the new user

50. Koppel Industrial Car & Equipment Co. v. Orenstein & Koppel, 289 Fed. 446, 451 (2d Cir. 1923). See Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc., 43 F.2d 937 (2d Cir. 1930).
51. F.A.R. Liquidating Corp. v. McGranery, 96 U.S.P.Q. 302 (D. Del. 1953).
52. Lanham Act § 10.
53. Hunyadi Janos Corp. v. Stoeger, 5 F.2d 506 (S.D.N.Y. 1925).
54. Seeck & Kade, Inc. v. Pertussin Chemical Co., 235 App. Div. 251, 256 N.Y. Supp. 567 (1st Dep't 1932).
55. American Bosch Magneto Corp. v. Robert Bosch Magneto Co., 127 Misc. 119, 215 N.Y. Supp. 387 (Sup. Ct. 1926).

takes positive steps to inform the public that his business is in nowise connected with the business that formerly owned the mark. But even those efforts will not suffice, when the goodwill of the former trademark owner is very strong; then the original goodwill survives the act of abandonment and overshadows all efforts of the new owner. The trademark owner's good intentions, however manifest, and all of his efforts, however sincere, cannot supersede legal principles dictated by the inherent nature of the trademark.

The strength of a mark and public reaction to it must not be ignored, and, the acts of the parties or government officials can neither vitiate economic facts nor command them to be inapplicable. This was demonstrated in a case where the plaintiff consolidated two newspapers, the "Sun" and "Journal" and continued only the latter. When the defendant published a newspaper, calling it the "Sun," he was enjoined on the improper ground that the original owner of the "Sun" had not intended to abandon that name.[56] As more properly suggested,[57] the associative significance, which survived the nonuse, justified the decision. A line of later cases properly holds that no one is entitled to appropriate an abandoned mark while the public memory of the former business is still viable.[58]

In myriad variations, our courts have emphasized the significance of the old goodwill; the naked transfer of a trademark in gross is basically at variance with the fundamental premise of American trademark law. The essence of the trademark is its function as a symbol and if there is nothing to be symbolized there cannot be a trademark.

Nevertheless legal principles have to bow to forced political actualities and to the axiom that the purchaser of a worldmark from the Alien Property Custodian has an nnassailable position with respect to the ligitimate source of his ownership, no matter what this ownership may be worth in the practical life of world competition.

To illustrate the resulting dilemma when the Alien Property Custodian pays no heed to the economic intricacies of a worldmark, the *Bosch* case[59] is a good example. In 1906, Robert Bosch, the founder of

56. Powell v. Valentine, 106 Kan. 645, 189 Pac. 163 (1920).
57. See Note, 30 COLUM. L. REV. 695 (1930).
58. See, *e.g.*, Corr v. Oldetyme Distillers, Inc., 28 C.C.P.A. (Patents) 1057, 118 F.2d 919, 923 (1941); Lawyers Title Ins. Co. v. Lawyers Title Ins. Corp., 109 F.2d 35 (D.C. Cir. 1939); Sherwood Co. v. Sherwood Distilling Co., 177 Md. 455, 9 A.2d 842 (1939); Interstate Distilleries v. Sherwood Distilling & Distributing Co., 173 Md. 173, 195 Atl. 387 (1937); Note, 22 MINN. L. REV. 750 (1938).
59. American Bosch Magneto Corp. v. Robert Bosch Magneto Co., 127 Misc. 119, 215 N.Y. Supp. 387, (Sup. Ct. 1926). *Compare* Browne-Vintners Co., Inc. v. National Distillers & Chemical Corp., 151 F. Supp. 595 (S.D.N.Y. 1957). The German Mumm family owned a business which sold German wine under a trade name including the name "Mumm." Later the family established a champagne business in France using a different mark containing the name "Mumm." After World War I the French government seized the French busi-

a German enterprise, established "Robert Bosch New York Inc." which was later changed to "Bosch Magneto Corp." This firm was vested by the Alien Property Custodian after the First World War and in 1918 it was sold to a Mr. Kern. In 1919, the newly formed American Bosch Magneto Corporation acquired from Kern all the American assets of the former German firm and continued its business. In 1921 the German Bosch firm founded Robert Bosch Magneto Co. in New York and used the "Bosch" name in connection with the sale of articles similar to those made by the American Bosch Magneto Company. When the latter sought an injunction, the former claimed the exclusive right to the Bosch name. The court noted that, after the vesting and sale of the American patent rights, Robert Bosch continued his German business and that he would have been free to do the same in the United States if he respected the sale of the American firm's goodwill and patents to the American corporation. The court assumed that the sale by the Alien Property Custodian was valid and thus immune from attack by the German firm or its American branch. On the other hand, the court held that neither the American nor the German Bosch firm had a monopoly in the Bosch name, and therefore that the only real question in litigation was whether the two firm names were confusingly similar. This the court denied. Although there are dissimilarities in the two uses, the similarities are more evident. Indeed, the dissimilarities are minimal because the famous catchword "Bosch" overshadows all of the descriptive or geographical accessories. There was definitely a likelihood of confusion.

Not infrequently a court will hide behind the familiar concept of confusion because it shrinks from a more realistic approach to the basic problem.[60] The real reason for admitting the German firm to the American market was not the unlikelihood of confusion but the economic and legal travesty which would have resulted from a prohibitive decree of the court.

The relationship between the domestic purchaser and the foreign owner of the worldmark is so unusual that we should not limit ourselves to the simple question whether the trademarks or the firm names are confusingly similar. To a certain degree they always have been and still are confusingly similar. We must probe the

ness and sold it to the plaintiff who adopted the present name "G.H. Mumm & Co. Société Vinicole de Champagne, Successeurs" and appointed an exclusive distributor in the United States. The German firm entered the American market under the name "G.H. v. Mumm" (allegedly based upon the name of the present owner of the German firm "Godefroy Hermann von Mumm") and plaintiff sought an injunction against any use of "Mumm." The court, however, denied this broad request and held that the owner of the German firm could use his full name, together with an equally clear legend disavowing any connection with the French business.

60. For instance, in the infamous case of dilution, see 4 CALLMANN § 84.2.

undercurrents of a complicated economic phenomenon and accept the premise that in all such cases, the purchaser from the Alien Property Custodian of the American sector of a worldmark is fully aware of the fact that the former foreign owner is still active in the marketing of the same articles throughout the world; that it is inevitable that such a situation will lead to complications and that the worldmark in the hands of the American purchaser may prove to be a Trojan horse. The purchaser may not have realized that because of the nature of any world-famous trademark, as a symbol of goodwill, it is as indivisible as the goodwill it symbolizes; both trademarks, the one in the hands of the new purchaser and the other in the hands of the foreign owner, represent an economic unit and the worldmark can not be severed and used alone as if it were an ordinary trademark.[61] The real question, therefore, is not whether the use of the foreign owner's trademark or firm name would infringe the new purchaser's trademark or firm name, but whether the purchaser of the American sector of the worldmark also bought the right to ban the foreign owner of the worldmark from the American market forever. This, in fact, is what the purchaser in all these cases seeks to achieve.

The problem becomes more obvious if we approach it from the angle of the foreign owner of a firm name (and most worldmarks are simultaneously firm names). The trademark is the symbol of an article, and the firm or tradename symbolizes a business. If the seller of an article is enjoined from the use of his trademark, he must either select a different trademark or abandon his attempt to market the article. Although this can prejudice the success of his efforts, under certain circumstances this is a risk he must assume. If, on the other hand, a business is enjoined from using its firm name in a certain market, it will be barred from that market. The use of a trademark is, more or less, an act of deliberate decision. This is not so with respect to a firm name. The use of a firm name is not dictated by competitive conditions alone. The function of individualization, or identification of a personality, must be met. Indeed, from the standpoint of policing market conditions, the use of one's firm name is in the public interest. Thus, certain laws prohibit the sale of goods unless the producer's firm name is clearly printed on the label.[62] Furthermore, the element of personality is especially significant with respect to reputation and credit. A firm cannot be lightly deprived of the right to use its firm name in offering and selling its goods. Our courts, which are in other respects far behind the European courts

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61. See Callmann, *Thoughts on the Protection of Worldmarks,* 44 TRADE-MARK REP. 1134 (1954).

62. See, for instance, the Federal Food, Drug and Cosmetic Act, 52 STAT. 1047, 1050, 1054 (1938), 21 U.S.C. §§ 343(c), 352(b), 362(b) (1952).

in protecting the right of personality, jealously guard the right of an individual to use his own name in business, characterizing it as an inalienable or sacred right.[63] The question here at issue transcends the law of trademarks and firm names. It opens a restraint of trade issue, the implications of which must be considered under the antitrust laws.

And there is yet another facet involved, that of economic policy. When the custodian vested the American sector of the worldmark, there was a military purpose to be served. German property was thus dedicated to the American economy, and in this manner, albeit indirectly, it became more difficult, if not impossible, for the German economy to enter the American market. Can the purchaser's present attempt to keep the foreign worldmark owner out of the American market—under normal circumstances a violation of the antitrust laws—be justified in times of peace under the war policy of the United States? To state it differently, did the administrative act of the Alien Property Custodian, in vesting and selling the former business, forever exempt the American buyer from the restraints and prohibitions of the antitrust laws, vis-a-vis its relationships with the former foreign owner. If so, the purchaser would have the right to bar the foreign worldmark owner from the American market in futuro. True, the Alien Property Custodian was empowered to damage the German economy, to deprive it of its assets in the United States, and to keep it out of the United States market.[64] But times have changed, and the comparison between the first policy statement by the Alien Property Custodian and the State Department's present position speaks for itself. Surely, the Department of Justice would not accept the argument that the Alien Property Custodian can grant immunity under the antitrust laws.

The exclusion of a competitor from the market territory of another may take different forms. Thus it may be achieved by contracts of exclusion between two competitors, by interference with another's business relations, *e.g.*, a secondary boycott, or by the unlawful exploitation of an absolute right, *e.g.*, a patent or a trademark. Contracts of exclusion, *i.e.*, agreements among competitors with the purpose of market division, are like price fixing agreements illegal per se because they have the purpose and the necessary effect of eliminating competition.[65] Secondary boycotts are also illegal per se.[66] The use

63. See the cases cited in 4 CALLMANN § 85.2(a). Recently, the Court of Appeals for the Second Circuit recognized the right of publicity as a special right of the business personality. See Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866 (2d Cir. 1953).

64. See *Annual Report of the Alien Property Custodian* 144 (1944); *id.* 133 (1945).

65. *Cf.* Timken Roller Bearing Co. v. United States, 341 U.S. 593, (1951); United States v. National Lead Co., 332 U.S. 319 (1947), *affirming* 63 F. Supp.

of a patent right is only legal when the patent is not misused.[67] The misuse of a trademark by competitors who by way of agreement divide the world into exclusive marketing areas has often been discussed.[68] Now, however, we are met with a different type of trademark misuse. Where a trademark is used in aid of or to fortify a cartel agreement, its misuse is a kind of supplementary illegality. Where, however, the mark is the primary device of such an exclusionary purpose, the misuse lies somewhere else; its illegality stems not from the surrounding circumstances, *e.g.*, a cartel agreement, but from the claim of an exclusivity that does in fact not exist.

Although exclusivity is essential to the concept of the trademark, exceptional economic facts may impose upon the trademark owner a restraint which was seldom voluntarily accepted (except by one whose ambition did not transgress the modest scope of a limited locality), and was always necessary for a reasonable compromise of economic interests. In such situations the *Hanover*[69] and *Rectanus*[70] doctrines protected the bona fide user of another's trademark prior to the enactment of the Lanham Act when the federal registration of a mark was not yet constructive notice of the registrant's claim of ownership of the mark.[71] It was not infrequent to find that a defendant had established his business in good faith, in complete ignorance of the plaintiff and his trademark and without intending or reasonably anticipating confusion; the plaintiff was in the market for a considerable period, without knowing that elsewhere a possible competitor was developing a goodwill on trademarks similar to his. The small local business embarked upon an intensive advertising campaign and expanded into new territories; the rivals eventually collided, either in one of their own territories or in a third market. In such cases, equity replaces the rule of priority and coexistence limits the concept of exclusivity.

A similar legal problem was created when an American concern acquired the American sector of a worldmark from the Alien Property Custodian. The owner of the worldmark, helplessly victimized by a war situation, is deprived of this sector. The purchaser of the mark,

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513 (S.D.N.Y. 1945); United States v. United States Alkali Export Ass'n, 86 F. Supp. 59 (S.D.N.Y. 1949); United States v. General Dyestuff Corp., 57 F. Supp. 642 (S.D.N.Y. 1944); Johnson v. Joseph Schlitz Brewing Co., 33 F. Supp. 176 (E.D. Tenn. 1940); *aff'd*, 123 F.2d 1016 (6th Cir. 1941).

66. See 2 CALLMANN § 38.

67. *Id.*, §§ 15.6, 16.4.

68. See page 517 *supra*.

69. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916), *affirming sub. nom.* Hanover Star Milling Co. v. Allen & Wheeler Co., 208 Fed. 513 (7th Cir. 1913), *reversing sub. nom.* Metcalf v. Hanover Star Milling Co., 204 Fed. 211 (5th Cir. 1913).

70. United Drug Co. v. Rectanus Co., 248 U.S. 90 (1918), *affirming* 226 Fed. 545 (6th Cir. 1915), *reversing* 206 Fed. 570 (W.D. Ky. 1913).

71. See Lanham Act § 22 (a section which is not retroactive).

who acquired it through the erroneous acts of a government agency, bought that trademark, but not quite as innocently as the foreign owner lost it. This author believes,[72] as recently stated by a district judge,[73] that the purchaser of the trademark knew or should have known that the mark he was buying would continue to be used by the foreign trademark owner in almost all important market territories in the world; even if he was not conscious of this fact he must be content with what he bought and must use his newly acquired mark with all the infirmities attendant upon this situation. He must have known that he bought a mark with a very limited exclusivity. Therefore, in both the *Bosch* and the *Mumm* cases[74] the courts properly held that neither the American nor the German Bosch firm, and neither the French nor the German Mumm firm, had a monopoly in the famous names and consequently that the purchaser who, ignoring this limitation, seeks to keep the other out of the American market is undeniably violating the antitrust laws.

Exclusion by the Worldmark Owner

Although the owner of an ordinary trademark normally sells his merchandise to wholesalers, retailers or directly to consumers, a business with a national or even an international market, especially one with a well known trademark, normally ships to distributors in different sections of the national market or in different countries. It may decide upon a uniform treatment of sales throughout the world or select a special treatment according to the habits and wishes of the purchasers in different countries. In both instances, however, it is normally desirable to control the activities of the distributors. Such a business, therefore, needs an elaborate sales organization, and, of course, such an organization is not only extremely costly and therefore valuable but also a very vulnerable asset of such a business. It is only natural to protect this organization and control not only against its own distributors but also against outsiders who might disturb it.

It could well be argued that such control should be allowed to a reasonable degree and that it should have no other limitations than those absolutely necessary to prevent an unreasonable restraint of trade. Legal problems, however, mirror the business behavior of our economic community, and they mushroom with economic change.

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72. See note 21 *supra*. See page 526 *supra*.

73. Judge McGohey, in Browne-Vintners Co. v. Nat'l Distillers & Chemical Corp., 151 F. Supp. 595 (S.D.N.Y. 1957). See note 56, *supra*. In this case, the court remarked that this "must have been apparent to the French Société when it purchased the champagne business and the trademarks appurtenant thereto. Under the circumstances, it could hardly complain if required to confine its use of the name to champagne." 151 F. Supp. at 606.

74. See pages 526, 519 *supra*.

On the revival of international trade after World War II cases arose in many countries involving the protection of an international sales organization. The worldmark owner plays a prominent role in these cases when he seeks to exclude even the seller of his genuine trademarked articles from the territory which he wants to feed through his own channels. True, this question had arisen in isolated cases in the past, but today they can be found almost everywhere and have become symptomatic of a burning problem in international marketing.

The technical device to keep trademarked goods out of the American market is section 42 of the Lanham Act, which is substantially identical with section 27 of the Trademark Act of 1905, in connection with section 526 of the Tariff Acts of 1922 and 1930.[75] Prior to the Trademark Act of 1905 the owner of an American trademark, which he had acquired from a foreign manufacturer, was not able to prevent the importation of the genuine foreign goods by a third party.[76] After the enactment of the Trademark Act of 1905 the situation was the same, for it was directed only against the importation of goods bearing a mark which copies or simulated a registered trademark. In *Fred Gretsch Mfg. Co. v. Schoening* (the *"Eternelle"* case)[77] genuine goods manufactured abroad and identified by a trademark registered in the United States for the exclusive sales agent of the foreign manufacturer were imported against the will of the agent. The district court and the court of appeals held that the trademark had not been infringed by the importation of the genuine goods.[78] Section 526 of the Tariff Act of 1922, consistent with the view of Mr. Justice Holmes in *A. Bourjois v. Katzel*,[79] prohibited the importation of merchandise which "bears a trade-mark" owned by a domestic business and registered with the United States Patent Office. The Tariff Act thus offered the domestic owner of a trademark for foreign-

75. 46 STAT. 741 (1930), 19 U.S.C. § 1526 (1952). See also Callmann, *Unfair Competition with Imported Trademarked Goods*, 43 VA. L. REV. 323 (1957); Note, 64 YALE L. J. 557 (1955).

76. Apollinaris Co. v. Scherer, 27 Fed. 18 (C.C.S.D.N.Y. 1886).

77. 238 Fed. 780 (2d Cir. 1916).

78. See Hunyadi Janos Corp. v. Stoeger, 285 Fed. 861 (2d Cir. 1922), following the reversed opinion of A. Bourjois & Co. v. Katzel, 275 Fed. 539 (2d Cir. 1921).

79. 260 U.S. 689 (1923), *reversing* 275 Fed. 539 (2d Cir. 1921), *reversing* 274 Fed. 856 (S.D.N.Y. 1920). "Ownership of the goods does not carry the right to sell them with a specific mark. It does not necessarily carry the right to sell them at all in a given place. If the goods were patented in the United States a dealer who lawfully bought similar goods abroad from one who had a right to make and sell them there could not sell them in the United States. . . . The monopoly in that case is more extensive, but we see no sufficient reason for holding that the monopoly of a trade-mark, so far as it goes, is less complete." 260 U.S. at 692. The Supreme Court's decision is noted in 23 COLUM. L. REV. 500 (1923); 36 HARV. L. REV. 629 (1923); 32 YALE L.J. 627 (1923). The opinion of the court of appeals is discussed in 35 HARV. L. REV. 624 (1922).

made goods more complete protection than did section 27 of the Trademark Act.[80] Section 526 offered affirmative protection against unfair competition while section 27 of the Trademark Act was designed to prohibit trademark infringement as such. The draftsmen of the Lanham Act did not conform the trademark law with section 526;[81] section 42 of the Lanham Act is identical with section 27 of the Trademark Act of 1905.

A new development of the law seems to be in the offing by reason of the *Guerlain* case[82] which introduced a judicial exception to the rule of section 526. The *Guerlain* case holds that this provision can only be invoked for the benefit of an independent American trademark owner but not by "the American part of a single international enterprise to enable it to prevent the importation into the United States of authentic products sold abroad by the foreign part of the enterprise."

Guerlain Inc., Parfums Corday, Inc. and Lanvin Parfums, Inc., are French manufacturers of toilet goods (*i.e.*, perfumes, colognes, toilet waters, bath preparations and similar goods). They had given their associated American importer-companies the exclusive right to distribute those goods in the United States, transferring to them sufficient trademark rights to justify registration in the United States. The toilet goods were delivered to the American importers in packaged form ready for sale, or in bulk to be bottled or compounded in the United States by adding alcohol to the essences or concentrates obtained from the French companies. To prevent the competitive importation of the French trademarked goods by others who had bought them from the French manufacturers and could and did sell them in the United States at prices lower than those they charged, the American companies filed with the Bureau of Customs certificates of registration of the trademarks identical with those of the French manufacturers under the terms of section 526 of the Tariff Act of 1930. The District Court for the Southern District of New York held that section 526 could not be invoked by the American part of a single international enterprise but only by an independent American trademark owner.

This is completely at odds with the express language of the provision and if it becomes a precedent it will be a judicial amendment of the law. The reason for this holding lies, of course, outside section 526. The theory is that the use of this technical device is inequitable. Why? The court recognized "the absence of specific language to that

80. See Perry v. American Hecolite Denture Corp., 78 F.2d 556 (8th Cir. 1935).

81. Although the language of section 526 of the Tariff Act of 1930 is inconsistent with the language of section 42 of the Lanham Act, it is not clear whether section 42 was designed to repeal or supplement section 526.

82. See note 37, *supra*.

effect in the legislation" but we may find the clue in the court's conviction that this attempted application of section 526 would pervert "the rationale underlying trademark" which "does not support the exclusion of genuine products by *independent* American trademark owners any more than it supports exclusion by related importers."[83] The court believed that if the defendants were to be granted such an exclusion this would be a special privilege, which Congress could not have intended to grant for the benefit of an international enterprise because that would have to be understood as reading into the legislation an implied exception to the Sherman Act. The court then proceeded to a discussion of the charge of illegal monopolization under section 2 of the Sherman Act. This we will not explore as it would simplify our problem to confine our study to those cases in which the trademark owner enjoys a monopolistic position. As originally stated, we are more interested in those situations where the use of the mark as such may lead to an unreasonable restraint of trade.[84] Before developing this question further on the basis of the *Guerlain* case, let us first examine similar cases in other countries.

In the Netherlands a similar case was presented to the courts. Plaintiff, the German firm, Grundig-Radio Werke GmbH, in Furth, Bavaria, owned a mark consisting of the word "Grundig" and the representation of a threefold cloverleaf. It had been registered in the Netherlands and used there by plaintiff's exclusive Dutch agent, Jobo. The defendant, Prins in Amsterdam, sold plaintiff's goods bearing that trademark, which did not come from Jobo but were bought by defendant from German wholesalers without plaintiff's or Jobo's consent. These wholesalers were bound by contract with

83. Emphasis by the court. See Note, 64 YALE L.J. 557, 567 (1955). The argument that section 526 can only be invoked by an "independent" trademark owner or "by a citizen of, or by a corporation or association created or organized within, the United States" is no longer accurate. Section 44(b) of the Lanham Act seeks to implement the commitments of our country under the international conventions for the protection of industrial property. The national treatment clauses in article 2 of the Paris Convention and article 1 of the Pan-American Convention were designed to outlaw discrimination against foreigners or residents of member nations by granting them the same status as nationals with respect to judicial and administrative protection. In addition, Article 10Bis of the Paris Convention and Article 20 of the Pan-American Convention stipulate that all member nations must guarantee the nationals of other member nations effective protection against unfair competition. These treaties are self-executing, *i.e.*, "equivalent to an act of the legislature whenever it operates of itself, without the aid of any legislative provision." Foster v. Neilson, 27 U.S. (2 Pet.) *253, *314 (1829). Consequently, they require no special legislative sanction to give them effect. See 4 CALLMANN at 2203-08. The Lanham Act expressly grants nationals of member nations equal protection against unfair competition and violation of trademark rights. Indeed, it even so improved the position of foreign applicants for trademark registration that section 44(i) expressly provides that citizens or residents of the United States shall have the same benefits as are granted to foreigners.

84. For that reason, the author does not challenge the court's holding that there was a monopoly.

plaintiff to abstain from any export and to sell only to retailers in plaintiff's German sales organization. The "Rechtsbank" (a kind of district court) dismissed the complaint, holding that by the sale of its trademarked article to wholesalers, plaintiff lost the right to control the article through the channels of distribution and, on the strength of the Trademark law, could not require that the article be marketed only through its own sales organization. On appeal, the Gerechtshof te Amsterdam held that defendant by selling plaintiff's goods in the Netherlands violated plaintiff's Dutch trademark rights. On review, the Hoge Rad, the highest court, reversed and found that the Gerechtshof misconceived the trademark law, which was designed only to protect the right in the mark, not to protect plaintiff's sales organization.[85] It remarked that the trademark owner in selling his trademarked goods could not impose upon the trade provisions affecting the resale of those goods, (*e.g.*, the provision of exclusive sale in a certain territory at certain prices) and then prosecute the defiance of those provisions as a violation of his trademark rights. "True, the failure to adhere to contractual sales provisions can be considered a breach of contract on the part of contract partners and, in certain circumstances, amount to unfair practice on the part of third persons who take advantage from the breach of contract."

In Germany, another case arose. The French firm, Paul B., manufactured lipsticks under a special process and marketed them under the trademark "Le Rouge Baiser," which had been registered as an international mark in the Berne Office for the Protection of Industrial Property since 1941. On October 29, 1950, the plaintiffs, German firms, obtained licenses from Paul B. to make those lipsticks under his special process and to sell them in Germany under the same mark. Prior to that date, defendant had imported into Germany a rather large shipment of Paul B.'s original lipsticks which bore the legend "Exportation interdite," and continued to sell them after plaintiffs had received their license. The Court of Appeals in Hamburg, holding for defendant, found that defendant had not imported any merchandise after October 29, 1950 and observed that plaintiffs could sue, as Paul B.'s licensees, for infringement of the latter's trademark rights or, in their own name, for violation of their firm name and unfair competition. As licensees they had to be dismissed because no trademark right of Paul B. was violated by the defendant.[86] The German

85. Prins v. Grundig, reported in BIJBLAD BY DE INDUSTRIELE EIGENDOM 46 (1957), which includes the decisions of the Rechtbank of June 29, 1955, of the Gerechtshof of March 16, 1956, of the Hoge Raad of December 14, 1956, and an opinion of the Attorney-General. The case is discussed by Bodenhausen, *Het Grundig-arrest van de Hoge Raad*, BIJBLAD BY DE INDUSTRIELE EIGENDOM 42 (1957).

86. Judgment rendered on October 3, 1952; published in GEWERBLICHER RECHTSSCHUTZ U. URHEBERRECHT 177 (1953).

trademark law[87] forbids only the marketing of goods to which an unlawful mark is attached but not of the genuine goods of the trademark owner and the legend "Exportation interdite" is not material on the question of trademark infringement. On their own, on the other hand, plaintiffs had no cause of action because defendant's acts were committed prior to the date of their license contract.

In Switzerland and Belgium the lot of the trademark owner is somewhat happier. Plaintiff, the Sunlight A.G. in Olten, Switzerland, owned the trademark "Lux" for toilet soap. The New York Company, Lever Brothers Company, which belongs to the same concern, also makes and sells toilet soap under the mark "Lux." The defendant, Migros Consumers organization in Zurich, imported American "Lux" soap into the Swiss market. Plaintiff was successful before the Swiss Bundesgericht after the Handelsgericht Zurich had dismissed the complaint. The question was whether, under article 24(c) of the Swiss Trademark Act, the importation of goods bearing the genuine trademark amounted to trademark infringement. The Bundesgericht answered in the affirmative on the ground that the Swiss trademark owner enjoys the exclusive right to use the mark in Swiss territory.[88] Neither the American trademark owner nor a third had the right to sell goods bearing the identical American trademark in Switzerland.

The court also adverted to the fact that, although plaintiff was legally an independent enterprise, it, like the New York company, was part of the Unilever Concern so that both companies were "related" companies within the meaning of section 5 of the Lanham Act and article 6Bis of the Swiss Trade Mark Act.[89] Under article 6Bis, the Unilever Concern could have required all its related firms to register their identical marks in Switzerland in which case all the foreign firms with registered marks in Switzerland would have had the right to import their goods into that country. This the Unilever Concern had not done. Thus article 6Bis replaces the principle of universality with the principle of territoriality.

The next case concerned the Belgian Tribunal de Commerce de Namur. Plaintiff, the Swiss owner of the mark "Nescafé" for coffee concentrate, registered in the Berne Office for the Protection of Industrial Property, sued Belgian defendants for the importation of that concentrate under the same mark from Great Britain into Belgium. On the claim of its international registration, plaintiff enjoyed protection of its mark in all countries which are members of the Arrangement of Madrid for the international registration of marks,

87. WZG § 24.
88. Decision of the Bundesgericht of February 12, 1952, reported in BGE 78 II 164; published also in Revue Internationale de la Propriété industrielle et artistique (RIPIA) 94 (1956).
89. Both provisions owe their existence to the Paris Convention, Art. 5C, para. 3. *Cf.* 4 CALLMANN at 2218.

i.e., in Belgium, but not in Great Britain. In Great Britain the mark was owned by a related company, Nestle Company, Ltd. The Tribunal de Commerce de Namur held that the defendants were not allowed to import goods, lawfully marked in Great Britain, into Belgium and thereby violated plaintiff's exclusive right to use the mark "Nescafé" in Belgium.[90]

The last comment of the Belgian court presents our first fundamental problem. Is it true that the sale of genuine trademarked goods in a manner that is contrary to the intentions of the trademark owner amounts to trademark infringement? This quesion can be answered from two different levels. First, by construing the statutory law of trademarks and second, by searching the nature of the trademark.

The statutory laws, especially in the United States, consider infringement to be any use of a trademark by another which is likely to confuse or deceive purchasers with respect to the origin of the goods so marked.[91] Here we face our first hurdle. When, as in the *Sunlight* and *Nescafé* cases,[92] the several companies of an international concern in different countries make and sell the same goods under the same mark and the purchasers in one country buy the trademarked goods in the belief that they come from a local factory, although in fact they come from a foreign factory, they are, of course, "deceived" but not in the meaning of the trademark law. On the contrary, by allowing concurrent use of the same mark by related companies[93] the law accepts the economic facts of life, and the collective responsibility of the several related companies, especially if they are—though independent legal entities—in fact parts of an economic entity, *e.g.*, a concern. These parts must assume responsibility for each other and are not free to ignore the economic link between them, according to will or whim or as it may be profitable in a certain case.

The nature of the trademark as the test of infringement makes it necessary to refer to the formula which recognizes that the trademark serves three distinct and separate purposes: (1) It identifies the products and its origin; (2) it guarantees the product's unchanged quality; and (3) it advertises the product. Injury to the trademark in any of its capacities as an identifying, guaranteeing, or advertising device should suffice to constitute an infringement thereof.[94]

90. Judgment rendered on June 2, 1955, published in RIPIA 91 (1956). Compare this decision with the Swiss case, *supra*, note 88.

91. See, *e.g.*, Champion Paper & Fibre Co. v. Nat'l Ass'n of Mut. Ins. Agents, 115 U.S.P.Q. 210 (D.C. Cir. 1957), *affirming* 148 F. Supp. 123 (D.D.C. 1957): "The remedy for trademark infringement provided in § 32 of the Lanham Trademark Act, 15 U.S.C. § 1114 (1952), is limited to infringement which is likely to cause confusion or mistake: to deceive purchasers as to the origin of the goods or services." See also 3 CALLMANN § 84.

92. See notes 88, 90 *supra*.

93. See Lanham Act § 5.

94. See 3 CALLMANN § 65.

To the extent that the trademark identifies a product and its origin, it will be victimized by any infringement. In its other functions, infringement does not similarly affect the mark. The function of guarantee, for example, can be destroyed by the trademark owner himself. What is referred to as a guarantee is neither a guarantee nor a warranty in the legal sense. It reflects the consciousness of both seller and buyer that a trademark may prove either advantageous or ruinous. Deterioration in the quality of a trademarked item is directly attributable to the maker through the trademark. When the mark serves an advertising function, it relies upon uniqueness or distinctiveness and this can, of course, be affected by similar marks even when used only in connection with non-competitive goods. In this type of case, we see the attrition of a mark through dilution;[95] protection against this hazard is now being granted by some courts and relief has recently been made more effective by statute in a number of states.[96]

The trademark, however, is not merely a technical device to achieve these functional advantages; it is much more. When we characterize the trademark as a symbol, we mean that its appearance on the market reflects on the owner in a number of ways, that is, his skill as a producer, his method of doing business in general, and the manner in which his goods move in the channels of distribution. When, for instance, the public has been led to believe that a particular item has been fair-traded—and many housewives prefer a system of uniform prices fixed by the trademark owner to a profusion of varying prices—price cutting will reflect adversely upon the manufacturer's selling system. In addition, when dealers have been led to expect that a manufacturer will be selling only through certain outlets of distribution, to the exclusion of all others, the sale of the manufacturer's goods by any excluded outlet, whether it be a retailer, a chain or department store or a discount house, adversely reflects upon the manufacturer's selling system and inferentially suggests that he is guilty of a contractual breach.

When the manufacturer's licensees are the exclusive distributors for certain territories, the sudden appearance of an outsider in a franchised territory will necessarily disturb the contractual relationship between licensor and the particular licensee, and maybe all other licensees as well. In the traditional and technical trademark infringement case, the trademark as a device and business asset of the owner is alone at risk. In these cases, however, the threat extends to the continuance of the trademark owner's business as such. We must, therefore, recognize that a trademark, by its existence and use in

95. 3 *id.* § 84.2.
96. See, *e.g.*, GA. CODE ANN. § 106-301 (1956); ILL. ANN. STAT. c. 140, § 9(a) (Smith-Hurd Supp. 1957); MASS. ANN. LAWS c. 110, § 8 (1954); N.Y. GEN. BUS. LAW § 361(a).

trade, creates a peculiar economic constellation, a special nexus between the owner and his dealers or distributors, or, if you will, a relationship of reciprocal rights and duties, born out of the interests of both in creating, preserving and expanding the public's demand for the trademarked article.[97] It is intellectual myopia, attributable to what this writer once called monopolophobia,[98] to ignore this peculiar relationship. When trademark problems are made subservient to such legal aspects of the law of sales as the passing of title,[99] there is obviously complete blindness to the economic undercurrents of a phenomenon which should no longer puzzle lawyers and economists. The passage of title to the trademarked product does not end the relationship of the trademark owner to it; he must retain the right to protect the integrity of the mark and the integrity of his business organization, both of which are symbolized and identified by the mark, and both of which can be destroyed by any use inimical to the owner's business intentions. This highlights the real issue in the cases discussed above. Whether or not the disturbing acts qualify as technical trademark infringement is unimportant. The more perceptive question is whether they are tortious acts and as such detrimental to the trademark owner's distributive system or even to his entire business organization.

Analyzing the problem from this point of view, it does not suffice to recognize a "license" granted by the trademark owner, subject to revocation if the "licensee" uses the trademarked product as a loss-leader, misrepresents it to a purchaser, attempts to divert prospective trade to the purchase of other goods, or sells below its fair-trade price.[100]

Another more far-reaching approach was recently adopted by the New York Supreme Court.[101] An exclusive United States distributor for the German-made "Grundig" dictating and transcribing machines had, at great expense, created a domestic market for the improved German trademarked machine. The distributor sought a temporary injunction against a third party who was selling inferior Grundig machines which he had bought on the open market in Europe. The court, relying in major part upon the decision in *Metropolitan Opera Ass'n, Inc. v. Wagner-Nichols Recorder Corp.*,[102] granted the injunction

97. On the principle of reciprocity in the law of resale price maintenance, see 1 CALLMANN § 24.3(c).
98. See 5 *id.* at 2942.
99. See General Elec. Co. v. Masters Mail Order Co., 244 F.2d 681 (2d Cir.), *cert. denied*, 355 U.S. 824 (1957).
100. On this basis the American Fair Trade Council, Inc., advocated an "antimonopoly" amendment to the Lanham Act.
101. De Jur-Amsco Corp. v. Janrus Camera, Inc., 155 N.Y.S.2d 123 (Sup. Ct. 1956).
102. 199 Misc. 786, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff'd* 279 App. Div. 632, 107 N.Y.S.2d 795 (1st Dep't 1951).

"on the basis of interference with plaintiff's property rights." Defendant's conduct was held to interfere with plaintiff's "enjoyment of the benefits of its exclusive contract as plainly as if defendant . . . had persuaded . . . the manufacturer to break its contract with . . . plaintiff."[103] It seems clear that the result would have been the same even if the machines imported into plaintiff's exclusive territory had not been inferior. The court is in accord with the doctrine recognized in American and English law that "contract rights are property, and as such are entitled to the protection of the law;" that a contract "not only binds the parties to it by the obligation entered into, but also imposes on all the world the duty of respecting that contractual obligation."[104] It seems equally clear that the court would have reached the same result even had the manufacturer brought the action. The protection of the latter's business organization, which may consist of a net of contractual obligations (similar to a resale price maintenance structure),[105] dictates some control over those who help in marketing the goods and those who try to disturb him. Such control should have no limitations beyond those required by the antitrust laws. It is commonplace that, absent monopoly, a manufacturer is free to refuse to deal with anyone. Approaching the problem *e majore ad minorem*, it could well be argued that if one is free to reject a deal in its entirety he is equally free to reject certain terms of a deal or to impose certain conditions upon it, *e.g.*, fair trade prices, dates of sale (important for magazines), territorial limitations and contractual devices necessary to protect distributors in their territories.

So long as other goods are available to the public which are usable for the same general purpose, or to put it differently, so long as the manufacturer's goods are in free and open competition with others, and there is no collusive or conspiratorial scheme to create a monopoly or a restraint of trade of which the manufacturer's action is a part, the manufacturer's business organization should be protected against disturbing elements.

103. De Jur-Amsco Corp. v. Janrus Camera, Inc., 155 N.Y.S.2d 123, 125 (Sup. Ct. 1956). "And today there is no question but that there may be *prima facie* liability for interference with contract relations without inducing breach of contract by, for example, injuring persons under contract so that they are disabled from performing, or by destroying or damaging property which is the subject matter of a contract, or by doing other acts which make performance more burdensome, difficult or impossible or of less or no value to the one entitled to performance." *Ibid.*, quoting from Carpenter, *Interference with Contract Relations*, 41 HARV. L. REV. 728, 731-32 (1928).

104. Second Nat'l Bank v. M. Samuel & Sons, Inc., 12 F.2d 963, 967 (2d Cir.), *cert. denied*, 273 U.S. 720 (1926). A noncompetitive case, quoting in part from Temperton v. Russell [1893] 1 Q.B. 715, 730. For other cases, see 2 CALLMANN, at 623, n. 68.

105. German law developed the protection of the business organization as a property right on the basis of section 823 of the Civil Code.