1. Orientation to Trademark Law and Its Context

1.1 The classic, happy trademark story

by Eric E. Johnson (credit/licensing note: EEJ-U26-SM22-0, *infra*)

There's a classic story for why trademarks and trademark law are crucial to our modern world.

Here's one retelling of it, through the lens of my own personal experience:

> If I go to the store and see a DeWalt drill for sale, I have some sense of what I'd be getting for the money. I will figure it's likely to be a quality product, smartly designed, sturdy enough to handle roughly, and unlikely to let me down even after heavy use. I have that notion because I have purchased products with the DeWalt mark on them before, and they've turned out to be well-made and worth what I paid. I've tried some other brands, and they've been okay, but have sometimes let me down. People have told me DeWalt products are good. Others have told me if I buy enough and use them for long enough, I'll eventually have a disappointing experience. That might be true. But for now, when I need a new power tool, I'm comfortable paying a little more for the DeWalt model. And I'm not spending as much time as I would otherwise reading reviews and researching

> comparable products from other makers. I keep my shopping brief and feel good about just buying the DeWalt tool.

It's a story any one of us could tell about a thousand trademarks attached to goods and services. In other words, the classic trademark tale boils down to this: A consumer is aided in navigating the marketplace and making purchasing decisions thanks to an accumulated experience with goods and services and their accompanying marks.

If I walked into the store and *all* the power tools had the DeWalt logo—no matter where they came from and who manufactured them—then shopping for a good drill would be a frustrating, maybe even hopeless task.

It doesn't take much imagination to conclude that without legal protection for trademarks, our modern economy would be thrown into chaos.

1.2 Foundational principles of trademark law

by Eric E. Johnson (credit/licensing note: EEJ-NM22, *infra*)

Trademark law concerns how businesses may obtain an exclusive entitlement in identifiers of a product's source. Names, logos, slogans, product packaging, product shape, color, sounds, and even smells can serve as trademarks, so long as they operate to indicate to consumers the source of the goods or services with which they are associated.

The rationale underlying trademark law is one of protecting the reputations of sellers and the expectations of consumers. Trademark law ensures that merchants can profit from their hard-won reputations, and the law gives consumers the peace of mind that they can come to depend upon trademarks as reliable indicators of source, and, by extension, product quality.

Putting this all together, the ultimate aim of trademark law is to increase society's wealth and standard of living by making for a more efficient marketplace. But the means are indirect. Manufacturers of shoddy, overpriced products are just as entitled to trademark protection as those with the most exacting standards of craftsmanship. A determination of trademark protection in an individual case never turns on the commercial merit of the trademark holder's goods or services. The idea is that by making trademarks reliable indicators of the source of products and services, producers will care enough about their reputations to deliver consistent quality.

The keystone concepts for trademark law are **source** and **reputation**. The leading cases come back to these two concepts again and again. What's more, from just these two concepts, it is possible to intuit much of trademark law. To the extent a putative trademark is not serving to identify the source of a product and enabling the building of a reputation, the law generally does not provide a monopoly in the form of trademark rights.

Trademarks are entirely distinct from other legal entitlements grouped under the heading of "intellectual property." Copyrights and patents, for instance, are designed to encourage people to develop creative works and technological innovations. Under those legal regimes, exclusive rights are the reward for creating something beneficial for society. In contrast, the legal entitlement provided by trademark law is not a reward at all. It's a way of ensuring the integrity of information provided to consumers. Correspondingly, the intent of trademark has never been to incentivize people to develop attractive logos or clever product names. The government's grants of trademark rights are merely means to the end of an efficient marketplace, which, in turn, is capable of rewarding craftsmanship and fair dealing.

1.3 Key terminology and abbreviations

by Eric E. Johnson (credit/licensing note: EEJ-SM22-0, *infra*)

trademark – The term "trademark" has multiple definitions, and different sources may be using the word under anyone of these definitions.

(1) Most generally and commonly, the word "trademark" is used in a broad sense to mean any word, logo, phrase, sound, aspect of product packaging, aspect of product configuration, etc. that is used in the commercial marketplace as a means of associating in the minds of consumers a particular commercial source with various goods or services. This is the sense in which "trademark" is generally used in this book.

(2) The term "trademark" is used by some in contradistinction to "trade dress." In this usage, "trademark" is a source-indicating word, logo,

slogan, or the like, while "trade dress" is source-indicating product configuration (look, shape, etc. of a product) or product packaging.

(3) The term "trademark" under the statutory language of the Lanham Act is used in a narrow, technical sense to refer to a source-indicating mark for *goods*—as opposed to services—that is *registered* or the subject of an application for registration on the federal principal register. The statute at 15 U.S.C. § 1127 says: "The term 'trademark' includes any word, name, symbol, or device, or any combination thereof— (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."

U.S.C. – United States Code. (The primary body of federal trademark law is found in Title 15 among a huge volume of law concerning commerce and trade.)

Lanham Act –The Lanham Act is the common nickname for the Trademark Act of 1946, which, as since amended, is the principal governing statutory framework for federal trademark law. There is not a good match between the section numbering of the Lanham Act and the U.S. Code. For instance, Lanham Act § 2 is 15 U.S.C. § 1052; Lanham Act § 43 is 15 U.S.C. § 1125. Lawyers and commentators most frequently refer to provisions by their Lanham Act numbering. That's probably because the Lanham Act numbers are quicker to say. (Note that all of this is not a problem for copyrights or patents. For instance, the Copyright Act of 1976 explicitly prescribed the insertion of numbered sections into the U.S. Code, starting with § 101. Thus numbering confusion was avoided right from the start.)

registered, **principal register**, **supplemental register** – When people speak of a trademark being federally "registered," they almost always mean registration on what's technically known as the "principal register." ***In this book, unless specified otherwise, you can assume that references to "registration" and "registered marks" are in reference to the principal register.***

The principal register has some strict requirements, and having a trademark registration on the principal register provides the holder with significant rights. By contrast, it is easy to get things on the supplemental register, but supplemental registration isn't worth much.

A registration on the principal register means the PTO has determined you to have a valid trademark. Most crucially, that means your mark has been adjudged to be distinctive—having either what is known as "inherent distinctiveness" or "acquired distinctiveness" via something called secondary meaning. In infringement litigation, principal-register registration provides prima facie proof of the validity of the trademark. A defendant can still argue that your registered trademark is invalid, but they will bear the burden of proving invalidity.

If you have a mark on the supplemental register, then when it comes to infringement litigation, you are mostly in the same position as having an entirely unregistered mark. You will bear the burden of proof as to trademark validity. Thus, you will bear the burden of proving that your mark is either inherently distinctive or that it has acquired distinctiveness through secondary meaning. The secondary register is not entirely useless. If you have a registration on the supplemental register, then: (1) Your mark will come up in searches of the PTO's database. (2) You are aided in seeking trademark rights overseas pursuant to international treaty provisions. (3) For what it is worth, you can put a circle-R symbol by your mark. But note that you get all those things plus prima facie proof of validity and a lot more with registration on the principal register.

C.F.R. – Code of Federal Regulations. (Title 37 of the CFR contains trademark regulations, as well as regulations concerning copyrights and patents.)

USPTO – United States Patent and Trademark Office. The USPTO is the agency in charge of examining and approving (or rejecting) applications for trademark registration.

PTO – In the U.S. context, "PTO" is shorthand for USPTO, which is the United States Patent and Trademark Office.

MTEP – Manual of Trademark Examining Procedure. The MTEP is a giant instruction book for how trademark examiners are to do their job in examining applications for trademark registration. It is a very important resource for attorneys.

1.4 Sources of law, and the closeness of registrability and protectability

by Eric E. Johnson (credit/licensing note: EEJ-U26-SM22-0, *infra*)

Trademark law is found in both state law and federal law. And it has both statutory and common-law instantiations. There is a common law of trademark at the state level. And as we will see there is, as a matter of substance if not form, a federal common law of trademark.

Various states have various trademark statutes, but the most important statute, unsurprisingly, is the federal trademark statute—the Lanham Act.

Trademarks can be registered or unregistered—and they can be legally protectable and used as a basis for an infringement suit either way.

Trademark registration—whether with a state government or the federal government—is a creature of statute. We won't say much about state trademark registration schemes except that they exist, but they are largely regarded as not having much if any significance. The federal registration system, however, is very significant. That system exists because of, and is governed by, the Lanham Act. Section 2 of the act governs what trademarks can be registered on the federal principal register. If the PTO has approved an application for registration on the principal register, then that means the PTO has determined that the mark meets the requirements for trademark registration, including use-in-commerce and distinctiveness requirements.

An unregistered mark is only protectable if it meets the common-law requirements for a protectable trademark, including the use-in-commerce and distinctiveness requirements. State common law provides a cause of action for trademark infringement for unregistered marks. And federal law does essentially the same thing. Lanham Act § 43(a) is a statutory provision that has been construed by the courts to provide a federal cause of action for unregistered marks meeting the common-law requirements for protectability.

As it turns out, the requirements for registrability on the principal register and the requirements for protectability of unregistered marks are the same in essential substance. Thus, there's no need for us to read separate cases on trademark validity based on whether the context is Lanham Act registrability or common-law protectability. As the U.S. Supreme Court has said:

> "[I]t is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)."

Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992).

1.5 Registration of trademarks

by Eric E. Johnson (credit/licensing note: EEJ-NM22, *infra*)

Trademark doctrine exists simultaneously under federal statute, state statute, and state common law.

The **Lanham Act** is the key piece of federal legislation governing trademarks. The Lanham Act provides an important scheme for the **registration** of trademarks with the **U.S. Patent and Trademark Office**. Federal registration confers substantial advantages for trademark holders, and federally registered trademarks may be identified with a circle-R symbol: ®.

The Lanham Act distinguishes among four kinds of marks. The first category is "**trademarks**," a word that the Lanham Act uses in a narrow sense to refer to marks that identify the source of goods, as opposed to services. An example is "Apple" for computers. The second category is "**service marks**" – for services, of course. An example is "Google" for various online information services. The third and fourth categories show up in commerce less frequently. The third category is "**certification marks**." These are used to identify products as having been certified by some outside source. An example of a certification mark is the encircled "UL" of Underwriters Laboratories, an independent firm that does product testing, including safety testing of electrical appliances. The fourth category is "**collective marks**." These marks are owned by an association and may be used by the association's members to distinguish their goods or services from those of non-members. "Realtor" is a registered collective mark maintained by the National Association of Realtors.

A trademark need not be registered, however, to be protectable under the law. Those sellers without federal registration who wish to notify the public that they claim something as a trademark may use the superscript TM: ™. For service marks, a superscript SM is commonly used: ℠.

1.6 Key points of trademark doctrine

by Eric E. Johnson (credit/licensing note: EEJ-NM22, *infra*)

1.6.1 Protectable subject matter

To be protectable as a trademark, a mark must be **distinctive**. You can deduce this requirement from the concepts of source and reputation: Without being distinctive, a trademark could not perform its mission of identifying a commercial source.

Some marks are said to be **inherently distinctive**, including marks that are **fanciful**, **arbitrary**, or **suggestive**. An example of a fanciful mark is "Kodak," which is a purely made-up word. An example of an arbitrary mark is "Apple," at least when it is used for a brand of computers. Since apples have nothing to do with computers, such a mark is considered arbitrary. An example of a suggestive mark is "Coppertone" for sunscreen, since the word suggests, but does not clearly describe, the nature of the product.

Some putative trademarks are judged to be **generic**, and therefore not distinctive. "Apple" is generic for the kind of fruit known by that name. As a result, no one is entitled to protect "Apple" as a trademark for apples.

Between the categories of inherently distinctive marks and generic marks are those that are only considered distinctive if they get **acquired distinctiveness**, which requires showing **secondary meaning**. Secondary meaning is the association of a mark, in the mind of the consuming public, with a particular brand. Marks that are judged to be **merely descriptive**, for example, must acquire secondary meaning before being protectable as trademarks. "Holiday Inn" is an example of a merely descriptive term that has acquired secondary meaning. Since travelers have come to regard the phrase "Holiday Inn" as denoting a particular brand of lodging services, it is now protectable, and registrable, as a trademark.

If a putative trademark is **functional**, then it will be denied protection. How can a trademark be functional? The color orange, for instance, might serve as a trademark in many contexts. But the color orange is functional for traffic safety cones. Orange makes safety cones more visible to drivers; therefore, it cannot be protected as a trademark for safety cones. Similarly, the shape of a bottle might be protectable as a trademark for a beverage. But if the shape features are functional because, for instance, they make the bottle easier to grasp, then those features are not protectable under trademark law.

Functionality doctrine is closely related to genericness. In both cases, the law denies trademark protection in situations where conferring monopoly rights would give the trademark holder an advantage in the marketplace that is unrelated to the holder's reputation. If an apple seller had the exclusive right to the word "apple," and if a safety cone seller had the exclusive right to the color orange, those sellers would enjoy considerable advantage from their trademark monopolies that had nothing to do with their reputations among consumers.

1.6.2 Ownership of trademarks

Trademark rights only arise when a trademark is used in commerce. In a dispute between two parties as to who owns a trademark, courts do not look at who first thought up the mark or disclosed it, but who used it first in commerce. This, too, you can deduce from the concepts of source and reputation. If trademark law cared about incentivizing design, then it might award priority to the first party to create the mark. But because trademark cares about source and reputation, priority goes to the first party to use the mark in commerce because it is the mark's use in commerce that can build reputation by signifying the commercial source of goods or services.

It is possible for companies to prepare ahead of time for the launch of a new brand with an **intent-to-use application** filed with the U.S. Patent and Trademark Office. This will reserve a trademark pending its debut. But vesting of the incipient trademark still requires commercial use. And unless extensions are obtained, actual commercial use must occur within six months of the filing of the application.

A trademark can only have one owner. If two companies use the same mark for the same goods in the same market, then that mark is not protectable as a trademark. Why not? If, from the consumer's point of view, a given mark did not correlate with a single commercial actor, then the mark would not indicate source, and therefore it would be meaningless for accumulating a commercial reputation. For example, two companies can maintain the trademark "Delta" if one company uses it for air transportation services and the other for faucets. But if two companies independently sold faucets in the national marketplace under the name "Delta," then "Delta" could not be upheld as a trademark.

Note that it is possible for two different businesses to use the same mark in the same line of business at the same time – so long as the businesses have separate geographical territories. Thus, two different restaurant operators can use "Burger King" so long as their territories do not overlap. Otherwise, the mark's significance in terms of source and reputation would be lost.

1.6.3 Enforcing and losing trademark rights

The law does not confer an absolute monopoly with regard to the use of a trademark. There is nothing actionable, per se, about copying and using another person's trademark. For instance, making and selling a coffee-table book of attractive logos, without permission of the trademark owners, would not constitute trademark infringement. Note that in this way the law of trademarks is very different from the law of copyright. Making and selling a coffee-table book of other persons' copyrighted photographs would generally constitute copyright infringement.

In order to be liable for **trademark infringement**, in addition to showing valid ownership of a trademark, the plaintiff must prove the defendant's **use in commerce** in connection with the sale, offering, distribution, or advertising of goods or services, and the plaintiff must show a **likelihood of confusion** among the consuming public. Making and selling a coffee-table book of attractive logos, then, would not be actionable as infringement because the activity would neither constitute a use of the logos in commerce, as the law understands that concept, nor would such usage likely confuse consumers as to the source of the book.

The "likelihood of confusion" analysis is required both in cases where the plaintiff and defendant use identical marks in different contexts, and where the plaintiff and defendant use similar but slightly different marks. Courts have articulated lists of various factors to consider in judging likelihood of confusion. Those factors are slightly different in different courts, but there is a lot of overlap.

Some of the classic **likelihood-of-confusion factors** include considering the strength of the plaintiff's mark (both its commercial strength and the level of distinctiveness it has), the degree of similarity between the plaintiff's and defendant's marks, the proximity of the products or services in the marketplace, evidence of actual confusion, and care and sophistication of consumers. Note that among those factors, more is better for the plaintiff (more strength of mark, more similarity of marks, etc.), except for the last. A large amount of care and sophistication helps the defendant, because the more careful consumers are, the less likely they are to be confused.

Unlike copyrights and patents, which expire after a finite time, trademarks are capable of potentially **infinite duration**. This makes sense, because unlike art or inventions, trademarks are understood to lack inherent value. Their only legally cognizable value comes from their use to build and profit from the reputation earned by the commercial source of the goods or services marketed under the trademark. Thus, so long as a trademark continues to be actively used in commerce, and so long as the source and mark remain linked (e.g., by not losing distinctiveness), the trademark will not expire.

By the same logic, trademarks may be lost at any time if the source/mark link is broken. Thus, **naked licensing** (also known as **licensing in gross**) constitutes a defense to infringement. That is to say, if the trademark owner allows a mark to be used by someone else, and the owner does not retain control over the quality of the licensee's products, the trademark protection vanishes.

Similarly, **assignment in gross**, which is the sale of a trademark to another owner without the accompanying goodwill that the mark represents, results in the legal destruction of the trademark. Delivery of goodwill sufficient to sustain a trademark sale can generally be accomplished by transferring ongoing business operations or tangible assets that are associated with the mark.

And **abandonment** destroys trademark rights when an owner stops doing business under the mark and has no concrete plans to reinitiate it.

The source/mark link can also be broken if the general public comes to linguistically use a putative trademark to refer to products or services of a certain kind, without regard to the brand. In such a case, the mark becomes generic. This development, leading to the death of the trademark as a legally protectable right, is sometimes called **genericide**. Examples of marks that were once protected but then became generic include “aspirin,” “escalator,” and “thermos.”

The **remedies** for trademark infringement can potentially include an injunction, an award corresponding to the plaintiff’s losses, an award of the defendant’s profits, attorneys’ fees, and the impoundment and destruction of infringing articles. Criminal actions can be brought against trademark counterfeiters.

A separate species of trademark claim, available for famous marks, is the **dilution** cause of action, which does not require the showing of a likelihood of confusion. Under the amended Lanham Act, a dilution claim lies for activity that causes or is likely to cause **blurring** or **tarnishment** of a famous trademark. Blurring is a loss of the strength of the association, in the mind of the consuming public, between a mark and its source. Tarnishment occurs when a mark is linked to products of poor quality or when the value of a mark is lessened through its portrayal in an unwholesome or unsavory context.

1.7 The expansion of trademark law

by Eric E. Johnson (credit/licensing note: EEJ-NM22, *infra*)

In the recent past, trademark law has undergone a steady expansion, which has increased the scope of trademark entitlements – thus generally tending to advantage plaintiffs and disadvantage defendants. New statutes have been responsible for some of this expansion. But the most striking sources of expansion have come from entrenched industry practice, aggressive tactics of trademark holders, and judicial opinions that have radically departed from understood doctrine. Thus, one can observe judicial or industrial recognition of and acquiescence in trademark rights in contexts not well supported by statute or precedent. In particular, toys and sports merchandizing are sectors where the effective scope of trademark law has become vastly enlarged in the past few decades. In toys and sports merchandise, the trend has been driven, in great part, by asymmetrical litigation resources, outlying judicial opinions, and widespread acquiescence to powerful players.

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2. Trademark's Fundamental Concepts

2.1 Case: *The Trade-Mark Cases* (U.S. 1879)

This edited case text obtained/adapted from James Grimmelmann's Patterns of Information Law (version 1.1, August 2017). See notes on editing, licensing etc. at the end of this unit/chapter.

The Trade-Mark Cases

Supreme Court of the United States
100 U.S. 82 (1879)

Any attempt to identify the essential characteristics of a trademark with inventions and discoveries in the arts and sciences, or with the writings of authors, will show that the effort is surrounded with insurmountable difficulties.

The ordinary trademark has no necessary relation to invention or discovery. The trademark recognized by the common law is generally the growth of a considerable period of use, rather than a sudden invention. It is often the result of accident, rather than design, and when under the act of Congress it is sought to establish it by registration, neither originality, invention, discovery, science, nor art is in any way essential to the right conferred by that act. If we should endeavor to classify it under the head of writings of authors, the objections are equally strong.

The trademark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it. At common law, the exclusive right to it grows out of its use, and not its mere adoption. By the act of Congress, this exclusive right attaches upon registration. But in neither case does it depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation. We look in vain in the statute for any other qualification or condition. If the symbol, however plain, simple, old, or well known, has been first appropriated by the claimant as his distinctive trademark, he may by registration secure the right to its exclusive use.

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2.2 CRS's basic explanation of trademarks

Taken from the "Background" portion of Congressional Research Service, Use of Trademarks as Keywords to Trigger Internet Search Engine Advertisements, R40799, March 22, 2010. (See "Editing Notes" section at the beginning of the IP Survey Trademarks volume on editing of CRS materials.)

A "trademark" is any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant (1) to indicate the source of his or her goods or services and (2) to identify and distinguish the goods or services from those offered by others. The principal federal statute governing trademarks is the Trademark Act of 1946 (conventionally known as the Lanham Act). Unlike the other major branches of intellectual property law (copyright and patent), the constitutional basis for federal trademark law is not the Intellectual Property (IP) Clause of the U.S. Constitution, but rather the Commerce Clause.

Under the Lanham Act, a merchant or manufacturer that wants to use a particular word or symbol (referred to as a "mark" in trademark law parlance) in association with a product or service must register the mark with the U.S. Patent and Trademark Office to obtain federal protection for the mark. The Lanham Act provides a trademark owner with the right to prevent business competitors from using that mark. The purpose and benefits of trademark law have been described by the U.S. Supreme Court as follows:

> "In principle, trademark law, by preventing others from copying a source-identifying mark, reduces the customer's costs of

> shopping and making purchasing decisions … for it quickly and easily assures a potential customer that this item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby encourages the production of quality products … and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale."

Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163-64 (1995) (internal quotations and citations omitted).

2.3 Prof. Grimmelmann on trademark subject matter

This section is text from James Grimmelmann's Patterns of Information Law (2022 version). See notes on editing, licensing etc. at the end of this unit/chapter. Text from sidebar brought in; footnote material removed without indication.

The basis of trademark protection is the use of a word, phrase, logo, or other symbol to identify to consumers the source of goods or services. Lanham Act section 45 defines a "trademark" as:

> "any word, name, symbol, or device, or any combination thereof used by a person … to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."

15 U.S.C. § 1127; Lanham Act § 45.

The phrase "even if that source is unknown" was added in 1984 to reverse an opinion holding that Monopoly was generic for the board game because consumers didn't know and didn't care who made it.

The key work that a trademark must do is to serve as an ***indication of source*** that distinguishes the mark owners' goods from others'. The COCA-COLA name, logo, color scheme, and other branding tell consumers that *this* can contains soda from the Coca-Cola Company, as compared with *other* cans with different branding that do not.

Compare this *trademark* function of the COCA-COLA name with other elements of the can design. "12oz" does not identify and distinguish the Coca-Cola Company as a source; instead, it tells the buyer how much soda is in the can. This is a *non-trademark* function. From a subject matter perspective, distinguishing between trademark and non-trademark uses encompasses two closely related questions.

One is ***distinctiveness***: which phrases and symbols are capable of bearing source-identifying meaning? Water} cannot function as a trademark for bottled water because it identifies the contents of the bottle, rather than the company that sells it. Another is ***failure to function***: when is it that a distinctive phrase or symbol actually identifies a source to consumers? An American flag in an ad for pickup trucks is a general expression of patriotic sentiment, rather than an identification of a specific brand.

2.4 Case: *Champion Spark Plug Co. v. Sanders* (U.S. 1947)

This case abridgement/edit by EEJ. The superscript tilde (˜) indicates an ellipsis. Footnotes and citations liberally reformatted or removed without notation.

Champion Spark Plug Co. v. Sanders

Supreme Court of the United States
331 U.S. 125 (1947)

Opinion of the Court by MR. JUSTICE DOUGLAS˜.

Petitioner is a manufacturer of spark plugs which it sells under the trade mark "Champion." Respondents collect the used plugs, repair and recondition them, and resell them. Respondents retain the word "Champion" on the repaired or reconditioned plugs. The outside box or carton in which the plugs are packed has stamped on it the word "Champion," together with the letter and figure denoting the particular style or type. They also have printed on them "Perfect Process Spark Plugs Guaranteed Dependable" and "Perfect Process Renewed Spark

Plugs." Each carton contains smaller boxes in which the plugs are individually packed. These inside boxes also carry legends indicating that the plug has been renewed.[1]

> [FN1:] "The process used in renewing this plug has been developed through 10 years continuous experience. This Spark Plug has been tested for firing under compression before packing."
>
> "This Spark Plug is guaranteed to be a selected used Spark Plug, thoroughly renewed and in perfect mechanical condition and is guaranteed to give satisfactory service for 10,000 miles."

But respondent company's business name or address is not printed on the cartons. It supplies customers with petitioner's charts containing recommendations for the use of Champion plugs. On each individual plug is stamped in small letters, blue on black, the word "Renewed," which at times is almost illegible.

Petitioner brought this suit in the District Court, charging infringement of its trade mark and unfair competition. The District Court found that respondents had infringed the trade mark. It enjoined them from offering or selling any of petitioner's plugs which had been repaired or reconditioned unless (a) the trade mark and type and style marks were removed, (b) the plugs were repainted with a durable grey, brown, orange, or green paint, (c) the word "REPAIRED" was stamped into the plug in letters of such size and depth as to retain enough white paint to display distinctly each letter of the word, (d) the cartons in which the plugs were packed carried a legend indicating that they contained used spark plugs originally made by petitioner and repaired and made fit for use up to 10,000 miles by respondent company. The District Court denied an accounting.

The Circuit Court of Appeals held that respondents not only had infringed petitioner's trade mark but also were guilty of unfair competition. It likewise denied an accounting but modified the decree in the following respects: (a) it eliminated the provision requiring the trade mark and type and style marks to be removed from the repaired or reconditioned plugs; (b) it substituted for the requirement that the word "REPAIRED" be stamped into the plugs, etc., a provision that the word "REPAIRED" or "USED" be stamped and baked on the plug by an electrical hot press in a contrasting color so as to be clearly and distinctly visible, the plug having been completely covered by permanent aluminum paint or other paint or lacquer; and (c) it eliminated the provision specifying the precise legend to be printed on the cartons and substituted therefor a more general one.[3]

> [FN3:] "The decree shall permit the defendants to state on cartons and containers, selling and advertising material, business records, correspondence and other papers, when published, the original make and type numbers provided it is made clear that any plug referred to therein is used and reconditioned by the defendants, and that such material contains the name and address of defendants."

156 F.2d 488. The case is here on a petition for certiorari which we granted because of the apparent conflict between the decision below and *Champion Spark Plug Co.* v. *Reich,* 121 F.2d 769, decided by the Circuit Court of Appeals for the Eighth Circuit.

There is no challenge here to the findings as to the misleading character of the merchandising methods employed by respondents, nor to the conclusion that they have not only infringed petitioner's trade mark but have also engaged in unfair competition. The controversy here relates to the adequacy of the relief granted, particularly the refusal of the Circuit Court of Appeals to require respondents to remove the word "Champion" from the repaired or reconditioned plugs which they resell.

We put to one side the case of a manufacturer or distributor who markets new or used spark plugs of one make under the trade mark of another. See *Bourjois & Co.* v. *Katzel,* 260 U.S. 689. Equity then steps in to prohibit defendant's use of the mark which symbolizes plaintiff's good will and "stakes the reputation of the plaintiff upon the character of the goods." *Id.* at 692.

We are dealing here with second-hand goods. The spark plugs, though used, are nevertheless Champion plugs and not those of another make.

There is evidence to support what one would suspect, that a used spark plug which has been repaired or reconditioned does not measure up to the specifications of a new one. But the same would be true of a second-hand Ford or Chevrolet car. And we would not suppose that one could be enjoined from selling a car whose valves had been reground and whose piston rings had been replaced unless he removed the name Ford or Chevrolet. *Prestonettes, Inc.* v. *Coty,* 264 U.S. 359, was a case where toilet powders had as one of their ingredients a powder covered by a trade mark and where perfumes which were trade marked were rebottled and sold in smaller bottles. The Court sustained a decree denying an injunction where the prescribed labels told the truth. Mr. Justice Holmes stated, "A trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. . . . When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo."

Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words "used" or "repaired" were added. But no such practice is involved here. The repair or reconditioning of the plugs does not give them a new design. It is no more than a restoration, so far as possible, of their original condition. The type marks attached by the manufacturer are determined by the use to which the plug is to be put. But the thread size and size of the cylinder hole into which the plug is fitted are not affected by the reconditioning. The heat range also has relevance to the type marks. And there is evidence that the reconditioned plugs are inferior so far as heat range and other qualities are concerned. But inferiority is expected in most second-hand articles. Indeed, they generally cost the customer less. That is the case here. Inferiority is immaterial so long as the article is clearly and distinctly sold as repaired or reconditioned rather than as new. The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But under the rule of *Prestonettes, Inc.* v. *Coty, supra,* that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled.

The decree as shaped by the Circuit Court of Appeals is fashioned to serve the requirements of full disclosure. We cannot say that of the alternatives available the ones it chose are inadequate for that purpose.~ Here, as we have noted, there has been no showing of fraud or palming off. For several years respondents apparently endeavored to comply with a cease and desist order of the Federal Trade Commission requiring them to place on the plugs and on the cartons a label revealing that the plugs were used or second-hand. Moreover, as stated by the Circuit Court of Appeals, the likelihood of damage to petitioner or profit to respondents due to any misrepresentation seems slight. In view of these various circumstances it seems to us that the injunction will satisfy the equities of the case.

Affirmed.

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2.5 Prof. Grimmelmann on distinctiveness of word marks

This section is text from James Grimmelmann's Patterns of Information Law (2022 version). See notes on rights, licensing, editing, etc. at the end of this chapter. Text from sidebar brought in.

PIZZA HUT is a trademark; PIZZA is not. The difference is that consumers perceive PIZZA HUT as a designation of source, but PIZZA as a description of the food it sells. In trademark terminology, PIZZA HUT is distinctive, and PIZZA is not.

Courts conventionally divide distinctiveness into one of five categories: ***generic***, ***descriptive***, ***suggestive***, ***arbitrary***, and ***fanciful***:

> "A generic term is the name of a particular genus or class of which an individual article or service is but a member. A generic term connotes the 'basic nature of articles or services' rather than the more individualized characteristics of a particular product. Generic terms can never attain trademark protection. Furthermore, if at any time a registered trademark becomes generic as to a particular product or service, the mark's registration is subject to cancellation. Such terms as aspirin and cellophane have been held generic and therefore unprotectable as trademarks.
>
> "A descriptive term identifies a characteristic or quality of an article or service, such as its color, odor, function, dimensions, or ingredients. Descriptive terms ordinarily are not protectable as trademarks; they may become valid marks, however, by acquiring a secondary meaning in the minds of the consuming public. Examples of descriptive marks would include 'Alo' with reference to products containing gel of the aloe vera plant and 'Vision Center' in reference to a business offering optical goods and services. As this court has often noted, the distinction between descriptive and generic terms is one of degree. The distinction has important practical consequences, however; while a descriptive term may be elevated to trademark status

> with proof of secondary meaning, a generic term may never achieve trademark protection.
>
> "[D]escriptive terms are ordinarily not protectable as trademarks. They may be protected, however, if they have acquired a ***secondary meaning*** for the consuming public. The concept of secondary meaning recognizes that words with an ordinary and primary meaning of their own may by long use with a particular product, come to be known by the public as specifically designating that product. In order to establish a secondary meaning for a term, a plaintiff must show that the primary significance of the term in the minds of the consuming public is not the product but the producer. ...
>
> "A suggestive term suggests, rather than describes, some particular characteristic of the goods or services to which it applies and requires the consumer to exercise the imagination in order to draw a conclusion as to the nature of the goods and services. A suggestive mark is protected without the necessity for proof of secondary meaning. The term 'Coppertone' has been held suggestive in regard to sun tanning products.
>
> "Arbitrary or fanciful terms bear no relationship to the products or services to which they are applied. Like suggestive terms, arbitrary and fanciful marks are protectable without proof of secondary meaning. [The difference is that an arbitrary term has some preexisting meaning with no relationship to the product; a fanciful term is a neoligism invented for the sole purpose of serving as a trademark and has no preexisting meaning.] The term 'Kodak' is properly classified as a fanciful term for photographic supplies; 'Ivory' is an arbitrary term as applied to soap."

Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 790–91 (5th Cir. 1983) (partially reordered and highlighting added).

These phrases can be arranged into a "hierarchy of distinctiveness" with generic terms (the least distinctive) at the bottom and fanciful terms (the most distinctive) at the top. At a McDonald's, HAMBURGER is generic, QUARTER POUNDER is descriptive, MCFLURRY is suggestive, BIG MAC is arbitrary, and FANTA is fanciful.

The question the hierarchy answers is what consumers think of when they see the mark. Generic and descriptive marks have preexisting non-trademark meanings. The difference is that for generic marks that pre-existing meaning is legally conclusive and is presumed as a matter of law to be the meaning that consumers attribute to it. No amount of advertising will make people think that WATER is a trademark and not a description of the product. Descriptive terms, on the other hand, have a preexisting meaning that can be supplanted in consumers' minds: eventually they do come to think of "Vision Center" as a particular eyewear chain. Suggestive marks hint at descriptive terms but are linguistically different enough that consumers see the trademark meaning first and pick up on the descriptive suggestion second. ZAPPOS resembles the Spanish *zapatos* for shoes, and COPPERTONE describes something related to the product (the user's suntan) but not the product itself. Arbitrary marks have a preexisting meaning but consumers do not for a second think that it is a description of the product. And fanciful marks have no preexisting meaning at all to compete with the trademark meaning.

The ***strength*** of a mark depends on both its inherent characteristics – its position in the hierarchy – and on consumers' perceptions. A "weak" mark – i.e. a descriptive or weakly suggestive one – can be made stronger with proof of secondary meaning. Generic marks are zeroes; no matter what you multiply them by, they still have zero trademark strength. Whether a mark has secondary meaning is a factual question about what consumers believe. The best evidence about secondary meaning is therefore surveys of actual consumers about their reactions when they see the mark: if they are familiar with it and identify it as a brand descriptor, it has secondary meaning. Indirect evidence that can also be probative of secondary meaning include extensive sales and advertising campaigns. Of course products can sell for reasons that have nothing to do with branding, and advertising can fail to leave an impression, so these last two are imperfect evidence.

Importantly, a mark is only strong or weak *in relation to* particular goods or services. Thus, APPLE is a strong mark for computers: it is an arbitrary term with immense secondary meaning. But it is a weak mark for apples: indeed, it is generic and unprotectable. No one else can sell APPLE computers but anyone can sell APPLE apples.

Two dividing lines have particular legal significance. The line between *generic* and *descriptive* terms determines whether a mark is protectable at all: generic terms never are, whereas descriptive and higher terms can be. The line between *descriptive* and *suggestive* terms determines whether a mark is protectable on its own or requires proof of secondary meaning: descriptive terms do, whereas suggestive and higher terms do not.

2.6 Case: *Kellogg v. Nabisco* (U.S. 1938) (word mark excerpt)

This case abridgement/edit by EEJ. The superscript tilde (˜) indicates an ellipsis. Footnotes and citations liberally reformatted or removed without notation.

Kellogg Co. v. National Biscuit Co.

Supreme Court of the United States
305 U.S. 111 (1938)

MR. JUSTICE BRANDEIS delivered the opinion of the Court.

This suit was brought in the federal court for Delaware by National Biscuit Company against Kellogg Company to enjoin alleged unfair competition by the manufacture and sale of the breakfast food commonly known as shredded wheat. The competition was alleged to be unfair mainly because Kellogg Company uses, like the plaintiff, the name shredded wheat and, like the plaintiff, produces its biscuit in pillow-shaped form.

Shredded wheat is a product composed of whole wheat which has been boiled, partially dried, then drawn or pressed out into thin shreds and baked. The shredded wheat biscuit generally known is pillow-shaped in form. It was introduced in 1893 by Henry D. Perky, of Colorado; and he was connected until his death in 1908 with companies formed to make and market the article. Commercial success was not attained until the Natural Food Company built, in 1901, a large factory at Niagara Falls, New York. In 1908, its corporate name was changed to “The Shredded Wheat Company”; and in 1930 its business and goodwill were acquired by National Biscuit Company.

Kellogg Company has been in the business of manufacturing breakfast food cereals since its organization in 1905. For a period commencing in 1912 and ending in 1919 it made a product whose form was somewhat like the product in question, but whose manufacture was different, the wheat being reduced to a dough before being pressed into shreds. For a short period in 1922 it manufactured the article in question. In 1927, it resumed manufacturing the product. In 1928, the plaintiff sued for alleged unfair competition two dealers in Kellogg shredded wheat biscuits. That suit was discontinued by stipulation in 1930. On June 11, 1932, the present suit was brought. Much evidence was introduced; but the determinative facts are relatively few; and as to most of these there is no conflict.˜

The plaintiff concedes that it does not possess the exclusive right to make shredded wheat. But it claims the exclusive right to the trade name “Shredded Wheat” and the exclusive right to make shredded wheat biscuits pillow-shaped. It charges that the defendant, by using the name and shape, and otherwise, is passing off, or enabling others to pass off, Kellogg goods for those of the plaintiff. Kellogg Company denies that the plaintiff is entitled to the exclusive use of the name or of the pillow-shape; denies any passing off; asserts that it has used every reasonable effort to distinguish its product from that of the plaintiff; and contends that in honestly competing for a part of the market for shredded wheat it is exercising the common right freely to manufacture and sell an article of commerce unprotected by patent.˜

The plaintiff has no exclusive right to the use of the term “Shredded Wheat” as a trade name. For that is the generic term of the article, which describes it with a fair degree of accuracy; and is the term by which the biscuit in pillow-shaped form is generally known by the public. Since the term is generic, the original maker of the product acquired no exclusive right to use it. As Kellogg Company had the right to make the article, it had, also, the right to use the term by which the public knows it. Compare *Saxlehner* v. *Wagner,* 216 U.S. 375; *Holzapfel’s Compositions Co.* v. *Rahtjen’s American Composition Co.,* 183 U.S. 1. Ever since 1894 the article has been known to the public as shredded wheat. For many years, there was no attempt to use the term “Shredded Wheat” as a trade-mark. When in 1905 plaintiff’s predecessor, Natural Food Company, applied for registration of the words “Shredded Whole Wheat” as a trade-mark under the so-called “ten year clause” of the Act of February 20, 1905, c. 592, § 5, 33 Stat. 725, William E. Williams gave notice of opposition. Upon the hearing it appeared that Williams had, as early as 1894, built a machine for making shredded wheat, and that he made and sold its product as “Shredded Whole Wheat.” The

Commissioner of Patents refused registration. The Court of Appeals of the District of Columbia affirmed his decision, holding that "these words accurately and aptly describe an article of food which . . . has been produced . . . for more than ten years . . ." *Natural Food Co.* v. *Williams,* 30 App. D.C. 348.

Moreover, the name "Shredded Wheat," as well as the product, the process and the machinery employed in making it, has been dedicated to the public. The basic patent for the product and for the process of making it, and many other patents for special machinery to be used in making the article, issued to Perky. In those patents the term "shredded" is repeatedly used as descriptive of the product. The basic patent expired October 15, 1912; the others soon after. Since during the life of the patents "Shredded Wheat" was the general designation of the patented product, there passed to the public upon the expiration of the patent, not only the right to make the article as it was made during the patent period, but also the right to apply thereto the name by which it had become known. As was said in *Singer Mfg. Co.* v. *June Mfg. Co.,* 163 U.S. 169, 185:

> "It equally follows from the cessation of the monopoly and the falling of the patented device into the domain of things public, that along with the public ownership of the device there must also necessarily pass to the public the generic designation of the thing which has arisen during the monopoly. . . . To say otherwise would be to hold that, although the public had acquired the device covered by the patent, yet the owner of the patent or the manufacturer of the patented thing had retained the designated name which was essentially necessary to vest the public with the full enjoyment of that which had become theirs by the disappearance of the monopoly."

It is contended that the plaintiff has the exclusive right to the name "Shredded Wheat," because those words acquired the "secondary meaning" of shredded wheat made at Niagara Falls by the plaintiff's predecessor. There is no basis here for applying the doctrine of secondary meaning. The evidence shows only that due to the long period in which the plaintiff or its predecessor was the only manufacturer of the product, many people have come to associate the product, and as a consequence the name by which the product is generally known, with the plaintiff's factory at Niagara Falls. But to establish a trade name in the term "shredded wheat" the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer. This it has not done. The showing which it has made does not entitle it to the exclusive use of the term shredded wheat but merely entitles it to require that the defendant use reasonable care to inform the public of the source of its product.

The plaintiff seems to contend that even if Kellogg Company acquired upon the expiration of the patents the right to use the name shredded wheat, the right was lost by delay. The argument is that Kellogg Company, although the largest producer of breakfast cereals in the country, did not seriously attempt to make shredded wheat, or to challenge plaintiff's right to that name until 1927, and that meanwhile plaintiff's predecessor had expended more than $17,000,000 in making the name a household word and identifying the product with its manufacture. Those facts are without legal significance. Kellogg Company's right was not one dependent upon diligent exercise. Like every other member of the public, it was, and remained, free to make shredded wheat when it chose to do so; and to call the product by its generic name. The only obligation resting upon Kellogg Company was to identify its own product lest it be mistaken for that of the plaintiff.˜

It is urged that all possibility of deception or confusion would be removed if Kellogg Company should refrain from using the name "Shredded Wheat" and adopt some form other than the pillow-shape. But the name and form are integral parts of the goodwill of the article.˜

Kellogg Company is undoubtedly sharing in the goodwill of the article known as "Shredded Wheat"; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all — and in the free exercise of which the consuming public is deeply interested. There is no evidence of passing off or deception on the part of the Kellogg Company; and it has taken every reasonable precaution to prevent confusion or the practice of deception in the sale of its product.˜

Decrees reversed with direction to dismiss the bill.

MR. JUSTICE McREYNOLDS and MR. JUSTICE BUTLER are of opinion that the decree of the Circuit Court of Appeals is correct and should be affirmed. To them it seems sufficiently clear that the Kellogg Company is fraudulently seeking to appropriate to itself the benefits of a goodwill built up at great cost by the respondent and its predecessors.

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The following was written by Eric E. Johnson:

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his material into this volume, I've made various tweaks, including formatting changes, adding and re-wording headers and source information, and bringing material into the main text that he put in page margins. There may have been correction of one or more typos or mistakes in the text of readings. I probably haven't gone nearly as far as he did in editing others, but for the sake of prudence, assume I've done unto him as he's done unto others.

I am very grateful to James Grimmelmann for his generosity in sharing his excellent materials!

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