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TRADEMARKS AND COMPETITION: THE IVES CASE

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INTRODUCTION

Forty years after it last discussed trademark law, the Supreme Court will decide Darby Drug Co. v. Ives Laboratories, Inc.2 (Ives). To many trademark attorneys, Ives already is something of a landmark.3 It is the aim of this article to show

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1. Certiorari was last granted in Mishawaka Mfg. Co. v. Kresge Co., 316 U.S. 203 (1942), “solely to review the provisions of the decree dealing with the measure of profits and damages for the infringement found by the two lower courts.” Id. at 204-05. The case is best remembered today for Justice Frankfurter's celebrated dictum concerning the "psychological function of symbols." Id. at 205.

A more recent decision, Fleischmann Corp. v. Maier Brewing Co., 386 U.S. 714 (1967), involved the narrow question of the right to attorneys' fees under § 35 of the Trademark Act of 1946 (Lanham Act), 15 U.S.C. § 1117 (1976). In Fleischman, the Court ruled that fees were not available under the Lanham Act. Thereafter, the statute was amended to provide that a "court in exceptional cases may award reasonable attorney fees to the prevailing party," and the significance of Fleischman was accordingly limited.


3. Others may well wonder why more trademark cases have not reached the Supreme Court, and whether others may not be there soon. For example, the decision in Union Carbide Corp. v. Ever-Ready Inc., 531 F.2d 366 (7th Cir. 1976), cert. denied, 429 U.S. 830 (1976), focused attention on the meaning of § 33(b) of the Lanham Act, 15 U.S.C. § 1115(b), an extremely important section of the statute about which substantial controversy exists in the trademark field. See Fletcher, Incontestability And Constructive No-
why Ives is likely to be far more than an historical curiosity. No effort will be made to anticipate the Supreme Court's decision, to champion the views of any party, or to address every issue raised in a host of briefs. Nor is this an occasion to consider only pharmaceutical cases\(^4\) and peculiar problems they may raise.\(^5\)

The substance\(^6\) of trademark law involves five issues:

1. the Constitutional foundations;
2. the scope of trademark rights including the acquisition, maintenance, and loss of those rights, federal registration,\(^7\) and

\[\text{Notice: A Quarter Century of Adjudication, 63 TRM 71 (1973); McCarthy, supra note 1, at 101-06.}\]


6. A sixth issue is access to the courts and administrative tribunals. However, even these questions may involve matters of substance, as where a court decides that § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides a cause of action not previously recognized. \textit{See, e.g., In re Uranium Antitrust Litigation, 473 F. Supp. 393, 406-09 (N.D. Ill. 1979). See generally} Germain, \textit{Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come A Long Way, Baby—Too Far, Maybe?, 64 TMR 193 (1974).} The conduct of trademark disputes, whether in the courts or the Patent and Trademark Office, makes procedure a seventh issue.

7. The time-honored rule that trademark rights arise solely out of use should not obscure the substantive value of federal registration, including the value of registration on the Principal Register, and the constructive notice provisions of the Lanham Act. 15 U.S.C. §§ 1057(b), 1065, 1115(b), 1072
the relationship between trademarks and other branches of the law;

3. infringement of trademark rights;
4. defenses to a charge of infringement;
5. remedies or relief.

The Constitutional issue has been settled since 1879. Many defenses are as much matters of scope or infringement as separate concerns, and relief ought to follow logically from rights and a finding of infringement.

The heart of trademark law is the scope of rights, and the conditions under which they are violated. Those rights, in turn, are inextricably bound up with the role trademarks play in a competitive marketplace. Traditionally, concern with trademarks and competition has raised two broad issues. The first issue is whether admittedly valid trademarks promote or restrain competition. The second is the relationship between valid trademarks and generic terms or functional features. Ives raises fundamental questions concerning the second of these issues, and offers an opportunity to explore the bases of trademark rights at a time when certain foundations of the law may be starting to erode.

THE IVES CASE

In Ives Laboratories, Inc. v. Darby Drug Co., plaintiff made cyclandelate, a prescription drug that it sold under the registered trademark CYCLOSPASMOL in pale blue 200 mg. cap-

\[\text{(1976). See generally 1 J. McHenry, Trademarks and Unfair Competition, § 162(A) at 509 n.16, § 19:5 at 656-61 (1973).}\]

8. In Trade-Mark Cases, 100 U.S. 82 (1879), the Supreme Court decided that Congressional power to regulate trademarks did not derive from Article I, § 8, cl. 3 of the Constitution, which confers authority "to promote the progress of science and the useful arts," but from the commerce clause of the U.S. Constitution, art. I, § 8, cl. 8.

9. For example, trademark rights may not be acquired in places occupied by an innocent prior user and may be lost through abandonment. 15 U.S.C. § 1115(b)(2), (5) (1976).

10. The principal defense in many cases is that there is no infringement because there is no likelihood of confusion. See, Vitarroz v. Borden, Inc., 644 F.2d 960 (2d Cir. 1981). Admittedly not an aspect of infringement is the defense of estoppel, which may operate to preclude relief despite a finding of infringement. Even this defense will rarely justify permitting confusion to go unchecked. Hanover Milling Co. v. Metcalf, 240 U.S. 403, 419 (1916).

11. For an example of how the scope of relief follows from the scope of trademark rights, see infra text accompanying notes 97-100.

12. See authorities cited infra note 43.

13. See infra text accompanying notes 44-45.

sules and red-and-blue 400 mg. capsules. The pale blue capsules, but not the red-and-blue capsules, were introduced during the term of a patent for cyclandelate that expired in 1972.

After defendants began to promote the sale of the same product in capsules of the same appearance, plaintiff sought to enjoin defendants pendente lite from direct and contributory infringement of its registered trademark, and violation of Section 43(a) of the Lanham Act. The district court ruled that one

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15. *Id.* at 941.
16. This is not evident in *Ives I*, 455 F. Supp. 939, but may be found in *Ives Labs., Inc. v. Darby Drug Co.*, 601 F.2d 631, 634 (2d Cir. 1979) (hereinafter cited as *Ives II*).
17. For purposes of its preliminary injunction motion, plaintiff "conceded that the cyclandelate sold by defendants has the same bioavailability as 'Cyclospasmol' and that the two are bioequivalent..." *Ives I*, 455 F. Supp. at 942. It is suggested that this fact may distinguish *Ives* from cases where a defendant's drug is not the equivalent of plaintiff's product. See cases *supra* note 4. In the latter situation, it ought to be unnecessary to decide whether the appearance of plaintiff's drug capsule identifies the source of the drug or is associated with its ingredients and their therapeutic effect. Even if the appearance is associated with the ingredients and their therapeutic effect, a defendant who makes a nonequivalent drug should not be entitled to duplicate the appearance of plaintiff's drug capsule to suggest that it is the same product.
18. Plaintiff alleged that one wholesaler infringed its registered trademark by using the trademark SPASMOL, and the district court agreed. *Ives I*, 455 F. Supp. at 943.
19. Plaintiff alleged that druggists infringed the registered CYCLOSPASMOL trademark by passing off defendants' drug, mislabeling bottles given to customers or both, and that defendants contributed to this infringement by simulating the appearance of CYCLOSPASMOL capsules and distributing certain catalogs. *Ives I*, 455 F. Supp. at 942, 945-46.
Any person who shall, without the consent of the registrant... use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive... shall be liable in a civil action by the registrant for the remedies hereinafter provided.
21. Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1976) provides:
Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.
Trademarks and Competition

defendant’s use of SPASMOL was a direct infringement of CYCLOSPASMOL, but otherwise denied relief.

On appeal, the Court of Appeals for the Second Circuit affirmed the denial of a preliminary injunction on the ground that it did not constitute an abuse of discretion. At the same time, it corrected several errors of law committed by the district court. These included the lower court’s statement of the test for contributory trademark infringement, and its assessment of the effect of the Supreme Court’s earlier decisions in Sears, Roebuck & Co. v. Stiffel Co. and Compco Corp. v. Day-Brite Lighting, Inc.

After a full trial on the merits, the district court again found an absence of either contributory trademark infringement or a violation of Section 43(a) of the Lanham Act. Disagreeing with the district court’s decision on contributory trademark infringement, the Second Circuit reversed without directly considering whether a violation of Section 43(a) had occurred. On remand, the district court permanently enjoined defendants from simulating the appearance of plaintiff’s drug capsules.

THE ISSUES IN PERSPECTIVE

As is demonstrated by five judicial opinions and twenty briefs submitted to the Supreme Court, Ives raises a host of

In Ives I, plaintiff alleged that defendants’ simulation of the appearance of its CYCLOSPASMOL capsules violated this section of the statute. Ives I, 455 F. Supp. at 942, 946-51. In addition, plaintiff argued that this simulation amounted to placing an instrument of fraud in the hands of druggists in violation of New York common and statutory law. Id. at 942, 951. This aspect of the case will not be considered further in this article.

22. See supra note 18.
25. Id. at 644.
26. Id. at 636.
27. Id. at 639-44. Sears and Compco are discussed supra note 1.
29. Concerning direct infringement, the district court held that there was “no reason why the temporary injunction against Sherry prohibiting use of the name ‘Spasmol’ should not be made permanent.” Id. at 397.
30. Ives Labs., Inc. v. Darby Drug Co., 638 F.2d 538 (2d Cir. 1981) [hereinafter cited as Ives IV].
31. Id. at 545 n.1. For a discussion of how the Second Circuit may have addressed this issue indirectly, see infra note 99.
33. Seven briefs, including two briefs amicus curiae, were filed with the
issues.34 From a somewhat bewildering array, two questions stand out: (1) the scope of trademark rights in light of Sears and Comco35 and Kellogg Co. v. National Biscuit Co.;36 (2) the scope of the doctrine of contributory trademark infringement.37 These concerns transcend the facts of Ives and are best understood against the background of fundamental principles of trademark law.

The Traditional Foundations of Trademark Rights

A trademark is any "word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."38 So called "arbitrary" and "suggestive" words, names, symbols and devices39 are said to be valid trademarks when first used because they identify the source of goods at that time.40 "Descriptive" words, names, sym-

34. See supra notes 14-32 and accompanying text.
35. See supra note 1.
36. 305 U.S. 111 (1938).
37. See supra text accompanying notes 19, 26, 30.
38. Section 45 of the Lanham Act, 15 U.S.C. § 1127 (1976). Accord Trademark Cases, 100 U.S. 82, 92 (1879). It is suggested that this definition, and the reference to any "symbol, or device" in particular, is broad enough to encompass packaging and product features that are frequently referred to as trade dress. Compare, e.g., Ives II, 601 F.2d at 643-44 (referring to the appearance of plaintiff's drug capsule as "trade dress") with Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 203 (2d Cir. 1979):

It is well established that, if the design of an item is nonfunctional and has acquired secondary meaning, the design may become a trademark even if the item itself is functional. Ives Laboratories, Inc. v. Darby Drug. Co., 601 F.2d 631, 642 (2d Cir. 1979); Truck Equipment Service Co. v. Fruehauf Corp., 536 F.2d 1210, 1215 (8th Cir.), cert. denied, 429 U.S. 861, 97 S.Ct. 164, 50 L.Ed.2d 139 (1976). (emphasis added; footnote omitted).

39. The terms "arbitrary" and "suggestive" are most commonly used in connection with words and names. See, e.g., Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 10-11 (2d Cir. 1976). However, these terms are equally applicable to symbols and devices. See, e.g., Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 203 (2d Cir. 1979) (arbitrary); Car-Freshner Corp. v. Auto Aid Mfg. Corp., 461 F. Supp. 1053, 1060 (N.D.N.Y. 1976) (suggestive). Cf. Ives IV, 838 F.2d at 540, (Second Circuit characterized the appearance of plaintiff's drug capsules as "distinctive"). See discussion infra note 99.

bols or devices are not accorded trademark status until they acquire "secondary meaning"\(^{41}\) and, thereby, identify the source of goods.\(^{42}\)

From these basic principles, it is said to follow that trademarks "are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other."\(^{43}\) Where competition will be

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\(^{41}\) The majority view is that secondary meaning is an association between a product and its source. Harlequin Enterprises Ltd. v. Gulf & Western Corp., 503 F. Supp. 647, 650 (S.D.N.Y. 1980), aff'd, 644 F.2d 946 (2d Cir. 1981); American Heritage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d 3, 12 (5th Cir. 1974), Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d 794, 802 (9th Cir. 1970) ("Secondary meaning has been defined as association, nothing more.") (original emphasis).

\(^{42}\) At least where product features are involved, some cases have applied the two-pronged definition of secondary meaning set out by Learned Hand in Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299 (2d Cir. 1917):

\[\text{[P]laintiff [must] show} \text{[1] that the appearance of his wares has in fact} \text{come to mean that some particular person—the plaintiff may not be individually known—makes them, and [2] that the public cares who does make them, and not merely for their appearance and structure.} \]

\[\text{Id. at 300.} \]


\[\text{Whether this second requirement is reasonable may be explored by examining the other side of the question: the meaning of generic character. In Anti-Monopoly, Inc. v. General Mills Fun Group, Inc., 515 F. Supp. 448, 453 (N.D. Cal. 1981), the court observed that the test for genericness 'requires a determination of 'primary significance' of the mark 'MONOPOLY' in the average consumer's mind. It does not seek an explanation of an actual purchaser's motivation for purchasing the game.'} \]

\[\text{(original emphasis).} \]

\[\text{Requiring a showing on the latter point "proves" that trademarks such as TIDE are generic terms.} \]

\[\text{Id. at 453-54 n.5.} \]

\[\text{42.} \]

\[\text{See cases cited supra note 40. Although the source of the analysis at notes 39-42, supra, is a case of recent origin, this approach reflects traditional notions of trademark rights.} \]

\[\text{See generally 1 J. McCARTHY, supra note 7, § 11.} \]

\[\text{43.} \]


\[\text{See Palladino, Compulsory Licensing Of A Trademark, 26 BUFF. L. REV. 457, 475 nn.91, 112-14 (1977).} \]

\[\text{The contrary view, that valid trademarks are anticompetitive monopolies, can be found in authorities such as CHAMBERLAIN, THE THEORY OF MONOPOLISTIC COMPETITION (8th ed. 1962); Timberg, Trademarks, Monopoly, and the Restraint of Competition, 14 LAW & CONTEMP. PROB. 323, 324-27 (1949), and the opinions of Judge Jerome Frank in Triangle Publications, Inc. v. Rohrlich, 167 F.2d 969, 974-83 (2d Cir. 1948) (Frank, J., dissenting).} \]
impeded by the exclusive appropriation of a word, name, symbol or device, these are denied the status of valid trademarks. A word or name in this category is considered 

generic, whereas a symbol or device of this type is regarded as functional.

The Scope of Trademark Rights

Sears and Compco

At least as early as Crescent Tool Co. v. Kilborn & Bishop Co., it was established that one could claim exclusive rights in


As a fixed point in an ever-changing commercial universe, a trademark represents the quality of goods, and serves as a focus of advertising. See e.g., Anti-Monopoly, Inc. v. General Mills Fun Group, Inc., 611 F.2d 296, 301 (9th Cir. 1979); Hanak, The Quality Assurance Function Of Trademarks, 43 Fordham L. Rev. 363 (1974). See generally Palladino, supra note 43 at 472-77.


The Lanham Act does not use the word “generic”. The statute provides that the right of a registrant to use a trademark may be made incontestable by the filing of an appropriate affidavit, but that “no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.” 15 U.S.C. § 1065(4) (1976). It also provides that after five years a registration may no longer be canceled except on one of several grounds, including that the mark has become the “common descriptive name” of an article or substance. 15 U.S.C. § 1064(c) (1976). See also 15 U.S.C. § 1115 (1976).


46. 247 F. 299 (2d Cir. 1917). For a discussion of the antecedents of Crescent Tool, including Enterprise Mfg. Co. v. Landers, Frary & Clark, 131 F. 240
the nonfunctional features of a product, provided the features were distinctive, *viz.*, had acquired secondary meaning. Thus, features of a product were treated "like [the product's] descriptive title in true cases of 'secondary' meaning."

In 1964, the Supreme Court decided *Sears* and *Compco*. In *Sears*, the Court held that defendant could not be enjoined from making and selling a pole lamp that closely resembled plaintiff's lamp, and observed:

> Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws.

In the present case the 'pole lamp' sold by Stiffel has been held not to be entitled to the protection of either a mechanical or a design patent. An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so. What Sears did was to copy Stiffel's design and to sell lamps almost identical to those sold by Stiffel. This it had every right to do under the federal patent laws.

*Compco* involved a fluorescent lighting fixture, which the Court held could be copied. The Court reached this result despite indications that certain ribbing on plaintiff's fixture was nonfunctional and evidence that the "fixture identified Day-Brite to the trade because the arrangement of the ribbing had, like a trademark, acquired a 'secondary meaning' by which that particular design was associated with Day-Brite." Explaining its decision, the Court stated:


47. For a discussion of product features that are inherently distinctive, *see supra* note 39.

48. Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299, 300 (2d Cir. 1917). One difference between symbols or features and words or names is the need to establish two elements (nonfunctionality and distinctiveness) in the case of symbols or features, as opposed to one element (distinctiveness) in the case of words or names. *See infra* note 183.

49. *See supra* note 1.

50. 376 U.S. at 231.

51. *Id.* at 236 ("Although the District Court had not made such a finding, the appellate court observed that 'several choices of ribbing were apparently available to meet the functional needs of the product'. . . .").

52. *Id.* at 238.
That an article copied from an unpatented article could be made in some other way, that the design is 'nonfunctional' and not essential to the use of either article, that the configuration of the article copied may have a 'secondary meaning' which identifies the maker to the trade, or that there may be 'confusion' among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State's law requiring such precautions as labeling; however, and regardless of the copier's motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.53

For about a decade after they were decided, Sears and Compco "generated a great deal of controversy"54 concerning the viability of the Crescent Tool doctrine, including its application in pharmaceutical cases.55 As one commentator summarized the views of many in the trademark field: "After Sears-Compco, it was believed that if the product shape did not meet federal patent requirements (or did not have other federal statutory protection) competitors had the right to make copies."56

Beginning with cases such as Truck Equipment Service Co. v. Fruehauf Corp.,57 courts again recognized exclusive rights in the distinctive nonfunctional features of products without hesitation.58 Recent prescription pharmaceutical cases are among

53. Id.
57. 536 F.2d 1210 (8th Cir. 1976), cert. denied, 429 U.S. 861 (1976).
these decisions.\textsuperscript{59} Several courts have circumvented \textit{Sears} and \textit{Compco} by noting that "one area that unquestionably survived was the state's power to prohibit 'palming off',"\textsuperscript{60} and leaving to others the case where palming off\textsuperscript{61} is not involved. Also incomplete is the explanation that \textit{Sears} and \textit{Compco} present no bar to an action under Section 43(a) of the Lanham Act because there is "no conflict with federal statutory policy."\textsuperscript{62} This approach calls into question the viability of \textit{Crescent Tool}, a case decided at common law, and is particularly anomalous in view of the common law character of trademark rights.\textsuperscript{63}

Others have suggested that \textit{Sears} and \textit{Compco} present no bar to the enforcement of trademark rights, because the Court was discussing the relationship between state unfair competition law and federal patent policy:

In \textit{Sears-Compco} the Court held merely that a state may not, through its law banning unfair competition, undermine the federal patent laws by prohibiting the copying of an article that is protected by neither a federal patent nor a federal copyright. For the Court to have held otherwise would have been to allow states to grant a monopoly to a producer where the federal government had specifically determined that free competition should prevail. This consideration does not apply in a trademark infringement action where the plaintiff does not assert exclusive rights to the sale of a product but merely to a mark indicating its origin or sponsorship.

\textsuperscript{59} See cases cited supra note 4, including A.H. Robins Co. v. Medicine Chest Corp., 206 U.S.P.Q. 1015, 1020 (E.D. Mo. 1980);
\textit{Sears Roebuck and Co. v. Stiffel Co.}, 376 U.S. 225, 140 U.S.P.Q. 524 (1964), and \textit{Compco Corp. v. Day-Brite Lighting}, 376 U.S. 234, 140 U.S.P.Q. 528 (1964), do not preclude relief in this case. This opinion may not be construed to grant plaintiff a monopoly in the color blue or to grant plaintiff a patent monopoly.


\textsuperscript{61} Although the term is not infrequently misused, palming off, or passing off, is generally understood to be a mere species of trademark infringement or unfair competition and as such will not occur in many cases where a likelihood of confusion would justify relief. \textit{See generally} 2 \textit{McCarthy}, \textit{supra} note 7, \textsection 25:1 at 169-74.


\textsuperscript{63} In a system where trademark rights are said to arise out of use, and are enforceable in the absence of a federal registration, it is anomalous to create a class of trademarks that are enforceable only under federal statutory law. \textit{See supra} note 7.
The question presented therefore is one of trademark law, and it is clear that Sears-Compco did not redefine the permissible scope of the law of trademarks insofar as it applies to origin and sponsorship.64

This may well be true of Sears, where the Court did not consider whether or not features of plaintiff's pole lamp were functional or had acquired secondary meaning. It seems more difficult to read trademarks out of Compco, which not only mentioned them but involved a possibly nonfunctional feature with secondary meaning.65 That the Compco Court was considering unfair competition, not trademark rights, is unclear. And the difference may be more a matter of semantics than substance, where the only trademark plaintiff could have claimed was a nonfunctional feature with secondary meaning.66

If symbol and device trademarks survived Compco,67 it is not because the Court neglected to mention "trademarks."68 Their continued existence, it is suggested, follows from the Court's failure to consider the competitive implications of its decision. In ruling that defendant had the right "to copy whatever the federal patent and copyright laws leave in the public domain,"69 including, quite possibly, a nonfunctional70 product feature with secondary meaning,71 the Court never considered the competitive balance that the trademark law has struck.72 Until the Court does so, Compco ought not to be read to mean that

64. Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 204 (2d Cir. 1979) (citations omitted). Accord Rolls-Royce Motors, Ltd. v. A&A Fiberglass, Inc., 428 F. Supp. 689, 692 (N.D. Ga. 1976); Time Mechanisms, Inc. v. Qonaar Corp., 422 F. Supp. 905, 911 (D.N.J. 1976). See also SK&F Co. v. Premo Pharm. Labs., Inc., 625 F.2d 1055, 1065 (3d Cir. 1980); Boehringer Ingelheim G.m.b.H. v. Pharmadyne Labs., Inc., 211 U.S.P.Q. 1163, 1182 (D.N.J. 1980); McCarthy, supra note 1, at 96 n.7. ("[L]anguage in Sears-Compco to the effect that if an item is unprotected by patent law, it is therefore in the public domain, is a non sequitur. That a thing is unpatented does not mean that its duplication or imitation cannot be remedied by other sources of intellectual property law, such as copyright, trademark or general unfair competition."); Cooper, supra note 1, at 17 n.84; Leeds, supra note 1, at 189-91.

65. See supra text and quotes accompanying notes 51-53.
66. See supra text accompanying notes 51-52.
67. If symbol and device trademarks have not survived Compco, the case creates the peculiar situation in which some types of trademarks (symbols and devices) are entitled to less protection than others (words and names). See supra text accompanying notes 60-63.
68. See supra quote accompanying note 52.
70. See supra text and accompanying notes 51, 53.
71. See supra textual quote accompanying note 52.
competition can only be promoted by granting free access to whatever is not patented or copyrighted.

**The "Shredded Wheat" Case**

In one of its last considerations of trademark law, the Supreme Court decided *Kellogg Co. v. National Biscuit Co.* In that case plaintiff owned a patent on a machine that produced whole wheat cereal. After the patent expired, plaintiff's competitors began to make "shredded wheat" in pillow shaped biscuits. Claiming exclusive rights in the words "shredded wheat" and the pillow shape, plaintiff brought suit.

In reversing the award of an injunction, the Court found that the words "shredded wheat" were generic:

> 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.

and that the pillow shape was functional:

> The plaintiff has not the exclusive right to sell shredded wheat in the form of a pillow-shaped biscuit—the form in which the article became known to the public. That is the form in which shredded wheat was made under the basic patent. The patented machines used were designed to produce only the pillow-shaped biscuits.

The evidence is persuasive that this form is functional—that the cost of the biscuit would be increased and its high quality lessened if some other form were substituted for the pillow-shape.

Since *Kellogg* was decided, numerous trademark infringement actions have been defended on the ground that plaintiff's word mark "names the article of the now-expired patent, and that the monopoly in the name expired with patent." together with the monopoly over features of the product. *Ives* is the latest example of this practice.

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73. *See supra* note 1.
74. 305 U.S. 111 (1938).
75. *Id.* at 116.
76. *Id.* at 119-22.
78. Teledyne Indus., Inc. v. Windmere Prods., Inc., 433 F. Supp. 710, 738 (S.D. Fla. 1977) ("Defendant argues that such features as the overall shape of the units are indisputably functional. . . ."). *See also* cases cited *infra* note 84.
79. The view that the CYCLOSPASMOL trademark is generic is
That *Kellogg* never established so broad a rule cannot seriously be doubted:

There is no rule that a trademark for a patented article ceases to be a trade-mark on the expiration of the patent. . . . It is not by the expiration of the patent . . . but by the change of meaning in the market, that such a designation ceases to be a trademark. . . .


The position that *Kellogg* precludes Ives Laboratories from exclusively appropriating the appearance of its pale blue CYCLOSPASMOL capsules is most clearly presented in Premo Brief, *supra* note 56, at 27-29. This, too, is a legal argument, based on assumption rather than evidence:

Because cyclandelate capsules originated with respondent and no other manufacturer during the term of the patent, it is logical to assume that consumers may have associated the pale blue color of the product with a capsule containing CYCLOSPASMOL brand cyclandelate, solely because those were the only cyclandelate capsules available on the market and prescribed to patients. Thus, even if respondent had been able to establish at trial that the appearance of its 200 mg. product was associated by the public with CYCLOSPASMOL brand cyclandelate, the holding of this Court in *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938) would bar the granting of relief to respondent against the copying of that appearance. (Premo Brief, *supra* note 56, at 27) (original emphasis)


Other briefs are less scrupulous in distinguishing between the pale blue CYCLOSPASMOL capsules, introduced during the term of the cyclandelate patent, and the blue-and-red CYCLOSPASMOL capsules that were not made available until after the patent had expired. *See, e.g.*, Darby Brief, *supra* note 56, at 16, 19.


Drug cases applying this rule include Ross-Whitney Corp. v. Smith Kline & French Lab., 207 F.2d 190, 194 (9th Cir. 1953); Chas. Pfizer & Co. v. Generic Formulae, Inc., 275 F. Supp. 421, 423 (E.D. N.Y. 1967) (*"The name,
After the expiration of a patent, the "single question . . . is merely one of fact: What do the buyers understand by the word for whose use the parties are contending?"8

Similarly, functional features are the only elements of a product that are dedicated to the public when a patent expires. This is evident from Kellogg itself,82 and other cases. For example, in Teledyne Industries, Inc. v. Windmere Products, Inc.,83 the court distinguished between certain functional features recited in the patents for a shower head and "the color scheme and lettering size and style . . . [which] are nonfunctional, nonesthetic features that serve only to indicate origin."84

This treatment of generic terms and functional features after Kellogg is an application of the traditional balance between valid trademarks on the one hand and generic terms or functional features on the other. Where a word, name, symbol or device identifies the source of a once-patented product, and is not generic or functional, it may be appropriated by that single source. Where a word name, symbol or device does not identify source, or is generic or functional, it may be used by others.

Contributory Trademark Infringement

It is well settled that one can be found liable for contributing to another's infringement of a trademark.85 Although the re-

82. See supra quote accompanying note 76.
84. Id. at 738. See also cases cited infra note 4, where defendants were enjoined from simulating the appearance of drug capsules and tablets that contained ingredients covered by patents. Cf. Truck Equip. Serv. Co. v. Fruehauf Corp., 536 F.2d 1210, 1219 n.12 (8th Cir. 1976), cert. denied, 429 U.S. 861 (1976); Time Mechanisms, Inc. v. Qonaar Corp., 422 F. Supp. 905, 913 (D.N.J. 1976).
The relationship between the contributory and direct infringer varies; the former is generally a manufacturer of goods who performs some act that contributes to infringement by a retailer or wholesaler.

The test for contributory infringement is well established: Before he can himself be held as a wrongdoer or contributory infringer one who supplies another with the instruments by which that other will or can reasonably be expected to commit a tort with the supplied instrument. . . . The test is whether wrongdoing by the purchaser 'might well have been anticipated by the defendant.'

Acts that violate this standard include: directly suggesting the substitution of defendant's product for plaintiff's; suggesting the substitution by pointing out the similarity between products and the difference in price; affixing to defendant's goods a trademark confusingly similar to plaintiff's trademark;


See, e.g., Stix Prods., Inc. v. United Merchants & Mfrs., Inc., 295 F. Supp. 479, 500 (S.D.N.Y. 1968) ("Not only did Firestone process the product which contained the infringing term, it also actively aided, abetted and furthered Stix's entire advertising and promotional campaign in the use of 'contact' and its invasion of United's trade-mark rights.").


Stewart Paint Mfg. Co. v. United Hardware Distrib. Co., 253 F.2d 568, 573-74 (8th Cir. 1958); Reid, Murdoch & Co. v. H.P. Coffee Co., 48 F.2d 817, 819 (8th Cir.), cert. denied, 284 U.S. 621 (1931); Teledyne Indus., Inc. v. Windmere Prods., Inc., 433 F. Supp. 710, 738 (S.D. Fla. 1977) (copying of 'nonfunctional features that serve only to identify.'); Scotch Whiskey Ass'n
and continuing to sell to others with knowledge that they are violating plaintiff's rights.\(^9\) Frequently, more than one act is involved in conduct that contributes to infringement,\(^9\) and a question may arise as to the scope of relief.\(^9\)

*Ives* brings the contributory infringement doctrine into sharp focus. In *Ives IV*, the Second Circuit found that druggists infringed the CYCLOSPASMOL trademark by passing off, mislabeling or both, and that certain defendants contributed to this infringement by "using capsules of identical color, size and shape, together with a catalog describing their appearance and listing comparative prices of CYCLOSPASMOL and generic cyclandelate."\(^9\) Special attention has been focused on this ruling because the Second Circuit did not directly consider alternative theories of relief.\(^9\)

Beyond the concern which this approach has evoked,\(^9\) the issue is simply the scope of relief to which the doctrine of contributory infringement gives rise. The scope of relief follows directly from a proper understanding of the scope of trademark rights. Although several acts taken together may contribute to trademark infringement,\(^9\) a party ought not to be enjoined from acts that standing alone would be entirely lawful,\(^9\) unless a

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95. *Ives IV*, 638 F.2d at 543.

96. *See infra* note 99 and text accompanying note 31.

97. *See briefs referred to supra* note 33.

98. *See cases cited supra* note 93.

99. William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 531-32 (1924); Upjohn Co. v. Schwartz, 246 F.2d 254, 261-62 (2d Cir. 1957). Where, as in *Ives*, the contributory conduct consists of product simulation and advertising, this approach would indicate that the product simulation ought not to be enjoined unless it would be a violation of trademark rights. This is not to suggest that such a showing was not made in *Ives*. On the contrary, the Second Circuit considered the appearance of the CYCLOSPASMOL capsules non-functional. *Ives IV*, 638 F.2d at 544. It also characterized the ap-
judgment is made to place defendant in a worse position than a competitor who has not engaged in an infringing course of conduct.\footnote{100}

The decision to treat a contributory infringer differently from an honest competitor ought to involve a balancing of (1) the deterrent effect of punishing a wrongdoer in the interests of promoting fair competition against (2) the reduction in competition that such an injunction will cause. For example, assume that defendant grows coffee beans and sells them in competition with FAMOUS BRAND coffee. A brochure that accompanies defendant's coffee beans reads:

Our coffee is cheaper than FAMOUS BRAND coffee. Substitute it whenever you receive an order for FAMOUS BRAND coffee, and pocket the profit.

Retailers adopt defendant's suggestion.

Defendant has conceded contributed to the infringement of the FAMOUS BRAND trademark by selling a product apparently indistinguishable from plaintiff's and suggesting that it be substituted for plaintiff's product. Because plaintiff cannot show that its coffee beans possess a distinctive nonfunctional appearance of the capsules as "distinctive," \textit{id.} at 540, and found that petitioners "intentionally chose to use gelatin capsules which were identical in color, shape, and size to those used by Ives even though scores of other colors, color combinations, and sizes were available." \textit{id.} at 540. Such copying, unjustified by functional considerations, has been held to establish "beyond doubt that the trade dress reflects the brand and the origin rather than the medication itself." SK&F Co. v. Premo Pharm. Labs., Inc., 481 F. Supp. 1184, 1189 (1979). \textit{Accord} Boehringer Ingelheim \textit{G.m.b.H. v. Pharmadyne Labs., Inc.,} 211 U.S.P.Q. 1163, 1164 (D.N.J. 1980); E.R. Squibb & Sons, Inc. v. Premo Pharm. Labs., Inc., 195 U.S.P.Q. 545, 550 (S.D.N.Y. 1977). \textit{See also} Truck Equip. Serv. Co. v. Fruehauf Corp., 536 F.2d 1210, 1220 n.13 (8th Cir.), \textit{cert. denied}, 429 U.S. 861 (1976); Fremont Co. v. ITT Continental Baking Co., 199 U.S.P.Q. 415, 421 (S.D.N.Y. 1977).

100. Sometimes an adjudged infringer is prohibited from using a new trademark that would not be considered an infringement if used by an innocent party. \textit{See, e.g.}, Independent Nail & Pack. Co. v. Stronghold Screw Prods., Inc., 215 F.2d 434, 436 (7th Cir. 1954); Dawn Assoc. v. Links, 203 U.S.P.Q. 831, 836 (N.D.II. 1978); Kimberly Knitwear, Inc. v. Kimberly Stores, Inc., 331 F. Supp. 1339, 1340-42 (W.D.Mich. 1971). \textit{See also} AMF Inc. v. International Fiberglass Co., 469 F.2d 1063, 1065 (1st Cir. 1972); Eskay Drugs, Inc. v. Smith, Kline & French Labs., 188 F.2d 430, 432 (5th Cir. 1951); Aurora Prods. Corp. v. Schigall Enterprises, Inc., 176 U.S.P.Q. 184, 188 (S.D.N.Y. 1972). \textit{Cf.} Brief For The Respondent at 51-52, Ives Labs., Inc. v. Darby Drug Co., \textit{cert. granted}, 50 U.S.L.W. 3278 (U.S. Oct. 13, 1981) (No. 80-2182, 1980 Term; renumbered No. 81-11, 1981 Term) urging that secondary meaning need not be shown under the New York law of unfair competition. The court may have had this rationale in mind when it enjoined defendant from using plaintiff's color names and code numbers, although these were not shown to have acquired secondary meaning. In that case, defendant was a former dealer of plaintiff who was attempting "to hold onto the merchandising advantage, which it had consentedly been permitted to enjoy in that relationship. . . ." Stewart Paint Mfg. Co. v. United Hardware Distrib. Co., 253 F.2d 568, 574 (8th Cir. 1958).
Trademarks and Competition

feature, defendant should only be enjoined from making the offending statements that appear in its brochure, unless it is believed that deterring defendant and others from making similar statements justifies enjoining defendant from selling coffee in competition with plaintiff, or requiring defendant to take steps that may reduce its ability to compete.

BEHIND THE ISSUES: TRADEMARKS AND COMPETITION

Underlying the issues raised in Ives are certain fundamental questions concerning trademarks and competition.

The Definition of a Trademark

There is little in the trademark law as basic as the definition of a trademark: any word, name, symbol or device or combination thereof that identifies the goods of one party and distinguishes them from those of others. Nonetheless, this definition may be overly broad, and assumes a relationship between valid trademarks and designations in the public domain that does not exist.

The accepted definition of a trademark assumes that any designation may be classified as a trademark on the one hand, and a generic term or functional feature on the other, and that these two categories are mutually exclusive; whereas a trademark furthers competition by identifying a single source, a generic term or functional feature does so when it is available to others.

In fact, the law recognizes three classes of designations, not two. These include:

1. a valid trademark;
2. a word, name, symbol or devices that exhibits the qualities of both a trademark and a generic term or functional feature; and
3. a generic term or functional feature.

That the law has conceded the existence of designations in the second category is evident from the doctrine of de facto secondary meaning in generic terms and functional features.

101. See authorities cited supra note 38.
102. The term "designation" is used in this article to mean a word, name, symbol or device.
103. See authorities cited supra note 43.
104. See cases cited supra notes 44-45.
105. This is the doctrine that "no matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name." Abercrombie & Fitch Co. v. Hunting World, Inc.,
and the primary significance test as it is applied to words and names and symbols and devices. Given such intermediate


107. Indeed, it may be that there is no such thing as a "pure" trademark or generic term. Rather, many, if not all, word and name marks may have some generic significance, just as generic terms may indicate source to some portion of the consuming public. See, e.g., E. I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc., 393 F. Supp. 502, 526 n.54 (E.D.N.Y. 1975), where consumers were asked whether certain "names" were trademarks ("brand") or generic terms ("common") with the following results:

<table>
<thead>
<tr>
<th>NAME</th>
<th>BRAND</th>
<th>COMMON</th>
<th>DON'T KNOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>STP</td>
<td>90</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>THERMOS</td>
<td>51</td>
<td>46</td>
<td>3</td>
</tr>
<tr>
<td>MARGARINE</td>
<td>9</td>
<td>91</td>
<td>1</td>
</tr>
<tr>
<td>TEFILON</td>
<td>68</td>
<td>31</td>
<td>2</td>
</tr>
<tr>
<td>JELLO</td>
<td>75</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>REFRIGERATOR</td>
<td>6</td>
<td>94</td>
<td>—</td>
</tr>
<tr>
<td>ASPIRIN</td>
<td>13</td>
<td>86</td>
<td>—</td>
</tr>
<tr>
<td>COKE</td>
<td>76</td>
<td>24</td>
<td>—</td>
</tr>
</tbody>
</table>

See also Anti-Monopoly, Inc. v. General Mills Fun Group, Inc., 611 F.2d 296, 301-03 (9th Cir. 1979); Surgicenters of America, Inc. v. Medical Dental Surgeries Co., 601 F.2d 1011, 1016 (9th Cir. 1979); King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 581 (2d Cir. 1963) ("Since . . . the primary significance to the public of the word 'thermos' is its indication of the nature of the product," 246 F.2d 254, 255 (2d Cir. 1957)).
designations, a trademark might well be defined as any word, name, symbol or device or combination thereof that (1) identifies the goods of one party and distinguishes them from those of others and (2) to which others have no legally cognizable claim.

**Competitive Implications of the Definition of a Trademark**

More than a definition is called into question by recognizing the existence of designations in the second category. At issue is the operation of words, names, symbols and devices in a competitive marketplace. Specifically, the existence of designations of the second type upsets the traditional balance between pro-competitive trademarks and anticompetitive generic terms or functional features. If some, but not all, designations exhibit the characteristics of each, it becomes logical to ask where a line ought to be drawn in the interests of furthering competition.


109. See supra text accompanying notes 104-08.

110. See supra text accompanying note 43.

111. See supra text accompanying notes 44-45.
De Facto Secondary Meaning

The de facto secondary meaning doctrine provides that a generic term or functional feature can never serve as a valid trademark.\(^1\) The purpose underlying this rule is that exclusive appropriation of such designations would prohibit others from describing their "goods as what they are"\(^2\) or making, using, or selling goods with functional features.\(^3\)

As such, the de facto secondary meaning doctrine amounts to a judgment that the trademark, or pro-competitive significance of a designation is always outweighed by the anticompetitive effect of permitting exclusive appropriation. That the doctrine is not seen for what it is, however, is as evident where it has been applied\(^4\) as where it might have been, but was not.\(^5\)

Two recent decisions illustrate the failure to consider the competitive balance between trademark and generic significance in determining the status of words and names. In *Miller Brewing Co. v. Falstaff Brewing Corp.*,\(^6\) plaintiff relied on Section 43(a) of the Lanham Act\(^7\) to assert rights in LITE for beer. In rejecting this claim, the court fell back on the de facto secondary meaning doctrine: "Under no circumstances is a generic term susceptible of de jure protection under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). . . ."\(^8\)

The court in *Metric & Multistandard Components Corp. v. Metric's, Inc.*,\(^9\) was asked to decide whether Section 43(a) of the Lanham Act entitled plaintiff to enjoin another's use of

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\(^1\) See cases cited supra notes 105-06.


\(^3\) See cases cited supra note 106.

\(^4\) See cases cited supra notes 105-06. In these cases the courts apply the de facto secondary meaning doctrine without regard to its competition implications. Further evidence of the uncritical attitude toward the de facto secondary meaning doctrine may be found in those cases which apply it after stating that the primary significance of a word, name, symbol or device ought to determine its legal status. See also cases cited infra notes 105 and 107, or infra notes 106 and 108.


\(^6\) 555 F.2d 5 (1st Cir. 1981).

\(^7\) See supra note 21. Plaintiff also alleged that defendant's use of FALSTAFF LITE BEER amounted to unfair competition.

\(^8\) Miller Brewing Co. v. Falstaff Brewing Co., 655 F.2d 5, 7 (1st Cir. 1981) (footnote omitted). In reaching this result, the First Circuit reversed the district court decision, and effectively rejected the generally excellent discussion by the lower court. See Miller Brewing Co. v. Falstaff Brewing Corp., 503 F. Supp. 896 (D.R.I. 1980), discussed infra in text accompanying notes 134-36.

\(^9\) 635 F.2d 710 (8th Cir. 1980).
METRIC for various fixtures, tools and other industrial supplies despite a claim that METRIC was a generic term. Without regard for the competitive implications of its decision, the court answered the question in the affirmative, stating:

Regardless of whether its mark is [generic] . . . , the plaintiff may show that its mark is 'so associated with its goods that the use of the same or similar marks by another company constitutes a representation that its goods come from the same source.'

In Miller Brewing Co. v. Falstaff Brewing Corp., the court simply assumed that the proven capacity of LITE to identify source, and thereby further competition, was outweighed by the need to permit other brewers to use "lite" or "light." Indeed, there is a strong suggestion in the opinion that the Court of Appeals for the First Circuit would have looked askance at an attempt to strike a proper competitive balance between the trademark and generic significance of a word or name. The Metric case amounts to a de facto generic meaning doctrine: no amount of evidence of generic character can prevent the exclusive appropriation of a term that has acquired secondary meaning.

The de facto secondary meaning doctrine may, at first glance, have more appeal when applied to symbols and devices than to words and names. Where a product cannot be made, used or sold, or at least not made, used or sold as readily, without a feature, exclusive appropriation by one source of the product is, perhaps obviously, inappropriate. However, the law of functionality is not confined to symbols and devices. Moreover, whether applied to symbols and devices, or to words and names, in cases of functionality, the de facto secondary meaning doctrine fails to balance the procompetitive and anticompetitive significance of designations. In this respect its application

121. Id. at 714. The case quoted by the court, Joshua Meier Co. v. Albany Novelty Mfg. Co., 236 F.2d 144, 147 (2d Cir. 1956), concerns only valid trademarks that are not registered. It provides no support for the proposition that an unregistrable generic term is entitled to protection under § 43(a) of the Lanham Act. Given defendant's failure to show that METRIC was a generic term, the statement in the Metric case may well be regarded as dictum.

122. [T]he evidence before the district court showed, at best, merely that in the last half decade the public perception of Miller as the source of 'LITE' has increased and become dominant in the public mind. However, evidence to that effect is irrelevant. . . . There was no evidence that as of today 'LITE' has ceased to have in current usage among consumers of beer the generic meaning, 'beer of low caloric content.' (citations omitted) (original emphasis)

Miller Brewing Co. v. Falstaff Brewing Co., 655 F.2d 5, 9 (1st Cir. 1981).

123. See certain cases cited supra note 45.

124. See supra note 115.
parallels the treatment of words and names with generic significance.

The Primary Significance Test

Somewhat more satisfactory than the de facto secondary meaning doctrine, as a measure of the dual significance of words, names, symbols and devices, is the primary significance test. Even this test is not without flaws.

Generic Terms

Learned Hand is widely credited with getting to the heart of the issue of generic character; he stated that the “single question...is merely one of fact: what do the buyers understand by the word for whose use the parties are contending?”

Seventeen years later in Kellogg the Supreme Court added that buyer understanding is the belief of a majority of the public: “[T]o establish a trade name...the plaintiff must show...that the primary significance of the term in the minds of the consuming public is not the product but the producer.”

Since Kellogg, the primary significance test and associated focus upon the percentage of consumers who must recognize the trademark or generic significance of a word or name has be-

125. See cases cited supra notes 107-08.
126. Bayer Co. v. United Drug Co., 272 F. 505, 509 (2d Cir. 1921). See Surgicenters of America, Inc. v. Medical Dental Surgeries Co., 601 F.2d 1011, 1016 (9th Cir. 1979) (“[I]n making the sometimes elusive determination of genericness courts have consistently followed the test stated by Judge Learned Hand in Bayer Co. v. United Drug Co., 272 F. 505, 509 (S.D.N.Y. 1921”).
127. 305 U.S. 111 (1938). See supra text accompanying notes 73-84.
128. Hand said “the question is whether the buyers merely understood that the word ‘Aspirin’ meant this kind of drug, or whether it meant that and more than that, i.e., that it came from the same single, though, if one please anonymous, source from which they had got it before.” Bayer Co. v. United Drug Co., 272 F. 505, 509 (S.D.N.Y. 1921) (emphasis added).
come the prevailing standard. Problems with the test include a failure to apply it with an even hand in some cases and a failure to apply it at all when the de facto secondary meaning doctrine is brought to the courts' attention.

This issue is addressed in Miller Brewing Co. v. Falstaff Brewing Corp., where the court took exception to the de facto secondary meaning doctrine and concluded:

If the public actually perceives a symbol as representing the product’s name, then no one producer will be able to appropriate that mark to his brand because secondary meaning and likelihood of confusion cannot be proved. If, however, the public perceives the symbol as representing the product’s origin, should a court refuse to protect the mark because it believes that the public has mistakenly attached brand significance to what is in truth a common descriptive name? I submit that the 'true' meaning of a symbol can be nothing more, or less, than what the public thinks it means.

The following principles ought to be kept in mind in discussing the relationship between trademarks and generic terms:


132. Some cases appear not to recognize that the issue is whether a word or name is primarily a trademark, or primarily a generic term. Instead, they suggest that the question is whether a word or name is primarily a trademark, or simply a generic term. See, e.g., Surgicenters of America, Inc., v. Medical Dental Surgeries Co., 601 F.2d 1011, 1016 (9th Cir. 1979).

133. See supra note 115. This amounts to a judgment that the status of a word or name turns on its primary meaning to consumers, unless the word or name is generic, in which case it cannot be a trademark irrespective of actual consumer understanding.


135. Id. at 906-07.

136. Id. at 907 (original emphasis). Unfortunately, the court’s discussion broke down when it came to define the relationship between a trademark and a generic term, and characterized the latter as a term wholly lacking in source significance:

I view ‘genericness’ and ‘secondary meaning’ as opposite sides of the same coin. A word is generic if it has no secondary meaning; conversely, if ‘the primary significance of the term in the minds of the consuming public is not the product but the producer,’ then the word is not generic. Kellogg Co. v. National Biscuit Co., 305 U.S. at 118. Id. at 907-08 (emphasis added).
1. Properly understood, the primary significance test is a two-edged sword: if the primary meaning of a word or name is source, it is a valid trademark; if the primary meaning is a product, the word or name is generic. The de facto secondary doctrine distorts this test by characterizing certain words or names as generic terms, irrespective of the extent to which the word or name identifies source.

2. The primary significance test amounts to a judgment that the competitive value of a trademark as an indicator of source always equals the anticompetitive effect of permitting the exclusive appropriation of a generic term. This assumption ought to be evaluated in the light of economic realities to determine whether a simple majority view adequately reflects competitive concerns.

3. If the real issue in generic character is the role of words and names in a competitive marketplace, it may be that identifying a generic term ought to go beyond simply ascertaining "what buyers understand by [a] word." Functional Features

In the interest of promoting competition, courts have stated that a feature which contributes to the utility of a prod-

137. See cases cited supra note 107, and notes 132-33.

138. Stated differently, this view is that if more people believe a word or name identifies source than think it is a product name, competition will be promoted by permitting its exclusive appropriation, and, conversely, that competition will be restrained by permitting the exclusive appropriation of a word or name that a majority believes is generic.

139. If Hand's Bayer test, see supra notes 81, 126, makes economic sense, it nevertheless may be that a primary significance test does not. See infra text accompanying notes 186-87.

140. See supra text accompanying note 44.

141. See infra text accompanying notes 188-205. Any weaknesses in Hand's Bayer test are often exacerbated by the methods used to establish consumer understanding. These include flawed public reaction surveys: See Anti-Monopoly, Inc. v. General Mills Fun Group, Inc., 515 F. Supp. 448, 453 (N.D. Cal. 1981); circumstantial evidence of possibly dubious value: American Ass'n for Adv. of Science v. Hearst Corp., 498 F. Supp. 244, 255 (D.D.C. 1980) ("The courts almost uniformly find magazine titles as descriptive rather than generic. . . ."); and a judicial attitude that generic terms, like pornography, are something you know when you see them. Compare, e.g., Miller Brewing Co. v. G. Heilemen Brewing Co., 561 F.2d 75, 80 (7th Cir. 1977) ("The record before us . . . and facts of which we may take judicial notice . . . enable us to conclude that 'light' is a generic . . . term. . . .") with Miller Brewing Co. v. Falstaff Brewing Co., 503 F. Supp. 896, 906 (D.R.I. 1980), rev'd, 655 F.2d 5 (1st Cir. 1981) ("A word or logo should not be branded 'generic' because a judge decides that it looks generic to him or her.").

142. See supra text accompanying note 45.

143. For an evaluation of the meaning of "contributes", see infra text accompanying notes 147-57.
uct may not serve as a trademark. Such cases include those in which a feature contributes to the manufacture or use of a product and others where a feature is an “important ingredient in the commercial success of the product. . . .”

There is considerable disagreement concerning the extent to which a feature must contribute to the utility of a product to be considered functional. Kellogg and William R. Warner & Co. v. Eli Lilly & Co. seem to suggest that a feature must be

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It is suggested that this category also includes cases where the feature is said to perform a psychological function. Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569 (2d Cir. 1959), cert. denied, 362 U.S. 919 (1959): The function of a remedy ‘For Upset Stomach’ is to quiet the upset. Hence, although the court found ‘that the pink color and the ingredients producing same have no healing value in themselves,’ yet it recognized that the pink color was ‘designed to present a pleasing appearance to the customer and to the sufferer.’ From the court’s premise that ‘a disordered stomach will accept that which is pleasing and reject that which is repulsive,’ a finding of functional value might well be made because a rejected stomach medicine scarcely has a fair opportunity to fulfill its function.

Id. at 572. Cases of this type include Ivie and those cited supra note 4. See also RESTATEMENT OF TORTS § 742 (1938), comment a.

146. 305 U.S. 111 (1938).

147. 265 U.S. 526 (1924). See also cases cited supra note 144; Cooper, supra note 1, at 7-15.
necessary to the utility of a product to be functional. The Restatement of Torts § 742 provides that a "feature of goods is functional . . . if it affects their purpose, action or performance, or the facility or economy of processing, handling or using them . . . ." Other cases regard as functional any feature that is "important" to commercial success.

Concern over the extent to which a functional feature must contribute to utility is perhaps most evident in cases that recognize, if only in passing, that a symbol or device may have more than one meaning. In these cases, a feature is not considered functional unless it serves "primarily as a functional part of the product." The meaning of "primarily" functional in these cases is far from clear. Some formulations indicate that features are not primarily functional if they are only "incidentally functional", "serve secondarily as trademarks", have only "some practical purpose", or "improve . . . the usefulness or appeal of the object . . . ." Among the more confusing cases is Famolare, Inc. v. Melville Corp., which contrasts a functional feature with a symbol or device that serves "merely" to distinguish and "primarily to identify."

148. Emphasis added. See also comment a (A feature "may be functional . . . because it contributes to their utility, to their durability or to the effectiveness or ease with which they serve their function or are handled by users.").

149. See cases cited supra note 145, including Famolare, Inc. v. Melville Corp., 472 F. Supp. 728, 743 (D. Hawaii 1979), aff'd mem., 652 F.2d 62 (9th Cir. 1981) ("A feature which gives the consumer a substantial reason for purchasing the product . . . is functional.").


157. Id. at 743. See also PPS, Inc. v. Jewelry Sales Reps, Inc., 392 F. Supp. 375, 384 (S.D.N.Y. 1975), which suggests that a feature must be a "mere indicia of origin" to serve as a trademark, but is functional if a "po-
Although any of these formulations may be regarded as an improvement over the de facto secondary meaning doctrine,\textsuperscript{158} confusion remains. The confusion follows from a failure to consider properly the competitive implications of permitting a product feature to be appropriated by a single source of goods. If the advantages of appropriation outweigh the disadvantages, the feature ought to be considered a trademark; if the balance tips in the opposite direction, the feature ought to be regarded as functional.\textsuperscript{159} How far the scales should tilt in either direction can best be determined by evaluating how symbols and devices actually function in the marketplace.\textsuperscript{160}

\textit{Trademarks And Competition}

Efforts ought to be made to gain a more complete understanding of the role trademarks play in a competitive marketplace. The market dynamics of trademark are not much better understood now than they were when the trademark was first defined,\textsuperscript{161} partially because of the current state of the law.

\textit{Present Level Of Understanding}

The traditional balance between valid trademarks and generic terms or functional features\textsuperscript{162} has been struck largely without resort to economic analysis of the marketplace. Trademarks are considered procompetitive—indeed, the “essence of competition”\textsuperscript{163}—simply because they identify one source of goods.\textsuperscript{164} Congress found support for this view in judicial opinion,\textsuperscript{165} including Justice Frankfurter’s memorable, but undocumented dictum in \textit{Mishawaka Manufacturing Co. v. Kresge}

tential buyer . . . [is] more motivated by the item’s design and aesthetic features than by its source” (emphasis added). Keene Corp. v. Paraflex Indus., Inc., 653 F.2d 822, 824-25 (3d Cir. 1981) indicates that a feature is not functional if it is either “essential to the utility of the item” or “not significantly related to the utilitarian function of the product.”

\textsuperscript{158} The improvement lies in the recognition of the dual significance of symbols and devices, and the need to establish a balance between the pro-competitive and anti-competitive characteristics that they exhibit.

\textsuperscript{159} See Keene Corp. v. Paraflex Indus., Inc., 653 F.2d 822, 826 (3d Cir. 1981) (feature functional because “on balance the interest in free competition in the luminaire market outweighed Keene’s interest in having the exclusive right to the design of the Wall Cube.”).

\textsuperscript{160} See infra text accompanying notes 186-205.

\textsuperscript{161} See authorities cited supra note 38. For authorities considering the historical development of trademarks, see Palladino, supra note 43, at 469 n.59.

\textsuperscript{162} See supra text accompanying notes 43-45.

\textsuperscript{163} See supra quote accompanying note 43.

\textsuperscript{164} See authorities cited supra note 43.

\textsuperscript{165} See supra note 43.
concerning the "psychological function of symbols."\textsuperscript{166} The character of generic terms\textsuperscript{168} and functional features\textsuperscript{169} is said to follow from the anticompetitive effect of permitting their exclusive appropriation.

This approach, divorced from economic analysis, has long been something of an article of faith with courts and those who practice before them. And, not unlike other doctrinaire beliefs, it has created dogma from enthusiasm, by focusing on whether words, names, symbols and devices represent the essence of competition or embody the evils of monopoly.\textsuperscript{170} That they do neither is probably closer to the truth.

Several recent developments in the law have brought economic theory to bear on the traditional concern with trademarks and competition. In a case concerning the REALEMON trademark,\textsuperscript{171} and another involving the breakfast cereal industry,\textsuperscript{172}

\begin{itemize}
  \item 166. 316 U.S. 203 (1942).
  \item 167. Id.
  \item 168. See supra text accompanying note 44.
  \item 169. See supra text accompanying note 45.
  \item 170. The debate concerning the operation of valid trademarks, should be distinguished from the balance the law has traditionally struck between valid trademarks and generic terms or functional features. See supra text accompanying notes 43-45.
  \item 171. On August 19, 1976, an Administrative Law Judge (ALJ) handed down an Initial Decision in FTC v. Borden, Inc., No. 8978. See [Transfer Binder 1976-79] 3 TRADE REG. REP. (CCH) ¶ 21,194 (1976). In that decision, the ALJ concluded that Borden had monopolized the market in processed lemon juice; that the "heart of the monopoly power preserved and maintained by respondent Borden lies in the ReaLemon trademark and its dominant market position. For competition to enter the processed lemon juice industry, the barrier to entry which inheres in the ReaLemon trademark must be eliminated." (Id. at p. 21,107); and that the REALEMON trademark should be licensed "for a period of ten (10) years from the date of this order . . . [to anyone] desiring to enter the business of producing and marketing processed lemon juice. . . ." 3 TRADE REG. REP. (CCH) ¶ 21,194 at p. 21,108.
  \item 172. Borden appealed. In an order dated November 7, 1978, the FTC enjoined Borden from granting price reductions, selling below cost or at unreasonably low prices, and granting promotional allowances. Concerning the compulsory trademark licensing remedy, the majority FTC opinion stated that whereas "an order requiring licensing or suspension of a trademark may be ordered as a means of dissipating illegally used or acquired
monopoly power,... given the competitive climate in the processed lemon juice market, we are not persuaded that a restriction on trademark rights is needed to curb the unlawfully maintained monopoly" In re Borden, 92 F.T.C. 699, 808-09 (FTC 1978). (citations and footnotes omitted). In a separate opinion, Chairman Pertschuk concluded that compulsory trademark licensing was an appropriate remedy, warranted in the case of REALEMON.


172. In re Borden was a test case for the so-called "Cereal Case," Kellogg Co., No. 8883 (FTC, filed April 26, 1972), where compulsory trademark licensing was proposed as a remedy to combat an alleged shared monopoly in the breakfast cereal market. See Palladino, supra note 43, at 436-60 n.15-16. On September 1, 1981, the ALJ in Kellogg Co. handed down a 286-page opinion dismissing the complaint. See "Reagan's Antitrust Explosion," N.Y. TIMES, January 10, 1982, § 3 at p. 1; "Snap, Crackle, Flop!," TIME, January 25, 1982 at p. 58.

173. See Craswell, Trademarks, Consumer Information, And Barriers to Competition, Policy Planning Issues Paper (1979), and supra note 171.

174. On May 31, 1978, the FTC filed a petition with the Trademark Trial and Appeal Board (TTAB) to cancel the registration of FORMICA on the ground that the trademark had become the common descriptive name of an article. See supra note 44. Formica Corporation's parent, American Cyanamid Company, cancelled a registration obtained in 1963 under the Lanham Act and elected to retain a registration granted under the Trademark Act of 1905. See FTC v. Elder Mfg. Co., 84 U.S.P.Q. 429, 430 (Comm. Pat. 1950). Formica Corporation then moved to dismiss the FTC's petition on the ground that the FTC lacked power to cancel a registration granted under the Trademark Act of 1905 and republished under § 12(c) of the Lanham Act, 15 U.S.C. § 1062(c) (1976).

The TTAB denied Formica's motion to dismiss. FTC v. Formica Corp., 200 U.S.P.Q. 182 (TTAB 1978), and the Court of Customs and Patent Appeals (CCPA) denied Formica's petition for mandamus and prohibition. Formica Corp. v. Lefkowitz, 590 F.2d 915, 922 (CCPA 1979). Thereafter, Formica filed a Petition for a Writ of Certiorari, which was denied. Formica Corp. v. Lefkowitz, 442 U.S. 917 (1979). On May 5, 1980, after learning of legislation intended to withdraw funding for FTC petitions to cancel registrations, see FTC Improvements Act of 1980 § 18, the FTC moved to dismiss the proceeding without prejudice. In an unreported decision dated June 13, 1980, the TTAB denied the motion and dismissed the proceeding with prejudice. See TTAB Rule 2.114(c).

Legal commentators focused a good deal of attention on the case. Compare Ball, supra note 171; Fietkiewicz, Section 4 of the Lanham Act—FTC Authority to Challenge Generic Trademarks, 48 FORDHAM L. REV. 437 (1980) [hereinafter cited as Fietkiewicz]; Palladino, supra note 131; Shipley, Ge-
which spawned new proposals for testing generic character.\(^{175}\)

The disposition of all these cases\(^ {176}\) may suggest that economic analysis of the role of trademarks remains an idea whose time has not come; indeed, at least one commentator has advocated caution in moving too far from tradition.\(^ {177}\) However sound this advice may be, given the presently inadequate understanding of how designations operate in a competitive marketplace,\(^ {178}\) and given problems with existing law,\(^ {179}\) new approaches ought to be explored.

**Current State Of The Law**

The law's present treatment of generic terms and functional features amounts to a distinction between words and names on the one hand and symbols and devices on the other.\(^ {180}\) One res-

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175. *Compare supra* text and accompanying notes 126-31 with Dougherty *supra* note 174, at 15 where the following are listed among the criteria relied on by the FTC:

- price premium for the trademarked product
- performance characteristics of the product not evident from visual inspection
- trademark holder in the leading market position
- role of the mark in question as an apparent barrier to entry or hindrance to effective competition
- significant market size

12. low likelihood of near-term market correction. . .

See also Fietkiewicz, *supra* note 174, at 465-70; Folsom & Teply, *supra* note 107, at 1347-54; Swann, *supra* note 174; Swann, *supra* note 107.

It is suggested that the FTC criteria are not neutral. On the contrary, they lead to a finding of genericness largely divorced from the role a word, name, symbol or device plays in the marketplace: (1) the market for a product evidences a violation of the antitrust laws; (2) the leading product in that market is sold under a trademark; (3) the trademark is therefore generic. Cf. *infra* text and accompanying notes 198-201.

176. *See supra* notes 171-72, 174.


179. *See text accompanying notes 115-24, 132-36, 146-57. Cf. Swann, *Economic Implications Of Genericism*, GENERIC TRADEMARKS 245 (PLI 1981); Folsom & Teply, *supra* note 174, at 1347 (“Because the current substantive law of genericness does not incorporate . . . economic considerations . . . it fails to apply appropriate substantive rules to generic-trademark cases.”)

olution of this conflict lies within the framework of existing law: evaluate all designations as if they were either (1) words or names or (2) symbols or devices.

In the first case, the status of a designation would be determined by applying the traditional test for a generic term.\(^{181}\) Whenever the status of a word, name, symbol or device was at issue, the question would be: "What do the buyers understand"\(^{182}\) by the designation? If it seems difficult to relate this question to a symbol or device, including a product feature, it may be remembered that the search is for those designations that primarily identify source to the consumer.\(^{183}\)

In the second case, the status of a designation would turn on the standard for determining whether a product feature is functional.\(^{184}\) In that situation, it would be necessary to establish (1) whether a word or name contributed to the commercial success of a product and (2) if it did not, whether it was distinctive.\(^{185}\)

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\(^{181}\) See supra text accompanying notes 126-31.

\(^{182}\) That this is not an entirely unreasonable inquiry may be seen by comparing Bayer Co. v. United Drug Co., 272 F. 505, 509 (S.D.N.Y. 1921), where the test was first formulated in connection with the name of a drug ("aspirin"), with Ives and other drug cases collected supra note 4, where the claimed trademark is the appearance of a capsule and an issue is the meaning of that appearance to consumers.

\(^{183}\) Something akin to this approach may be found in the cases cited supra note 145. That the question raised in those cases differs from Hand's Bayer formulation is evident from the need to show that the appearance of the product feature (1) possesses secondary meaning and (2) is non-functional. Answering Hand's single question would determine the status of the product feature. See also Levi Strauss & Co. v. Blue Bell, Inc., 208 U.S.P.Q. 473, 477 n.7 (N.D. Cal. 1980) (whether pocket tab for shirts "has become generic").

\(^{184}\) See supra text accompanying notes 143-45.

\(^{185}\) This is precisely the approach taken in International Order of Job's Daughters v. Lindeburg & Co., 639 F.2d 912, 919 (9th Cir. 1980), cert. denied, 49 U.S.L.W. 3931 (U.S. June 15, 1981), where one of the "features" at issue was the name JOB'S DAUGHTERS ("Our holding does not mean that a name or emblem could not serve simultaneously as a functional component of a product and a trademark"; citation omitted; emphasis added); Damn I'm Good, Inc. v. Sakowitz, Inc., 514 F. Supp. 1357, 1360 (S.D.N.Y. 1981), where the "feature" at issue was the name DAMN I'M GOOD. See also Vuitton et. Fils S.A. v. J. Young Enterprises, Inc., 644 F.2d 769, 774 (9th Cir. 1981) ("LV" for luggage and handbags). Cf. Trak, Inc. v. Banner Ski KG, 475 F. Supp. 1076, 1082 (D. Mass. 1979).

Defendants have introduced some insubstantial issues into the case, which we will treat summarily. . . .

[D]efendants continue to cite and discuss cases dealing with the protection accorded functional configurations. The principle that a functional trademark is not registrable is confined to shapes. See, McCarthy, supra, Vol. 1, § 7:26. The plaintiff is not using a shape, and the
An alternative resolution of the conflict between existing tests for generic terms and functional feature lies in recognizing that neither test fully reflects the role played by words, names, symbols or devices in a competitive marketplace. Among the many variables that may bear on this role are:

1. Identity of Consumers. To the extent that consumer perceptions are relevant to the status of designations,\textsuperscript{186} the identity of consumers may be significant. For example, consumer understanding of the meaning of a designation may turn in part on the consumer’s familiarity with a product, which may in turn depend on frequency of purchase and use and the extent of exposure to advertising. In evaluating the competitive role of designations, it may be reasonable to treat the opinions of some consumers differently from the opinions of others.\textsuperscript{187}

2. Differences among Trademarks. It may be that different types of trademarks play different roles in a competitive market-

\begin{center}
\begin{tabular}{l|c|c|c}
\hline
TERM & TRADEMARK & GENERIC \\
\hline
X & 35\% & 65\% \\
\hline
\end{tabular}
\end{center}

but that more women believe “X” is a trademark than believe it is a generic term:

\begin{center}
\begin{tabular}{l|c|c|c}
\hline
TERM & RESPONDENT & TRADEMARK & GENERIC \\
\hline
X & Women & 70\% & 30\% \\
X & Men & 0\% & 100\% \\
\hline
\end{tabular}
\end{center}

Under these circumstances it might well be concluded that all those who make “P” in competition with the maker of “X” ought to be free to use “X” as a generic term because consumers recognize “X” primarily as a generic term for “P”. Alternatively, it could be recognized that competition in “P” would be enhanced by permitting the maker of “X” to retain the exclusive right to use “X”, which is recognized as a trademark by women who purchase “P” most frequently.

The latter approach amounts to a definition of the status of a word (“X”) as consumption rate (“C”) times trademark significance (“TS”) or generic significance (“GS”). In the foregoing example, “X” would be a trademark (“T“):

\[
C \times TS = T
\]

\[
(75\%) \times (70\%) = 52.5\%
\]

\[
(25\%) \times (0\%) = 0.0\%
\]

not a generic term (“G“):
place. Indeed, unless the distinction between generic terms and functional features is merely the product of faulty reasoning by courts and commentators, it is some evidence that differences among types of designations can exist. Another variable within this category might be the number of products with which a designation is associated.188

3. Differences Between Trademarks and Service Marks.189 Although words and names may be generic190 and symbols and devices functional191 when used in connection with services, it is

\[
C \times GS = G
\]

\[
(75\%) \times (30\%) = 22.5\%
\]

\[
(25\%) \times (100\%) = 25.0\%
\]

\[
47.5\%
\]

For discussions of the relevant consumer market, see Loctite Corp. v. National Starch & Chemical Corp., 516 F. Supp. 190, 200 n.17 (S.D.N.Y. 1981); Dictaphone Corp. v. Dictamatic Corp., 199 U.S.P.Q. 437, 445 (D. Ore. 1978), and cases cited therein; Folsom & Tepley, supra note 174, at 1347-50. Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921), contains two somewhat inconsistent statements concerning this issue. In one part of his opinion, Hand stated that the issue is the meaning of a word to "the general consuming public, composed of all sorts of buyers. . . ." Id. at 510. Nevertheless, in fashioning relief he recognized that the same word meant different things to the public and to pharmacists. Id. at 515.

188. Most courts hold that the status of a word or name may differ from product to product. Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976); Dresser Indus., Inc. v. Heracuus Engelhard Vacuum, Inc., 385 F.2d 457, 464-65 (3d Cir. 1968); Levi Strauss & Co. v. Blue Bell, Inc., 208 U.S.P.Q. 473, 477 n.7 (N.D. Cal. 1980) ("There is no rule of law that a trademark used on a number of different products cannot become generic as to one of them.") (citations omitted); Anvil Brand, Inc. v. Consolidated Foods Corp., 464 F. Supp. 474, 480 (S.D.N.Y. 1978); Polo Fashions, Inc. v. Extra Special Prods., Inc., 451 F. Supp. 555, 559 (S.D.N.Y. 1978); Riverbank Labs. v. Hardwood Prods. Corp., 165 F. Supp. 747, 764 (N.D. Ill. 1958). Other courts have indicated that use of a word or name on more than one product may reduce the likelihood that it is a generic term for any one of them. Telechron, Inc. v. Telicon Corp., 198 F.2d 903, 906-07 (3d Cir. 1952); Enders Razor Co. v. Christy Co., 85 F.2d 195, 197-98 (6th Cir. 1936).

189. "The term 'service mark' means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor." 15 U.S.C. § 1127 (1976).


believed that there is currently no discussion of whether the status of such designations ought to turn on their use in connection with goods on the one hand and services on the other in the interests of promoting competition.192

4. Cost, Quality, Necessity. Recognizing that the cost, quality and necessity of goods or services affect purchasing decisions may alter the approach to determining the status of designations. At the very least, it suggests that trademarks are probably not the "essence of competition"193 and that the "monopoly phobia"194 such enthusiasm has helped to engender is unfounded. More significantly, it may alter judgments as to the competitive consequences of permitting the exclusive appropriation of designations.195 That the competitive relationships among cost, quality and necessity of goods or services and the role of designations associated with them196 may be difficult to articulate supports, at least as persuasively, the need for further study and may suggest to some that cost, quality and necessity are irrelevant.

5. Availability and Methods of Purchase. Just as the cost, quality and necessity of goods or services may be relevant, so may the availability of goods or services and the way they are purchased. For example, Judge Hand's time-honored test197 may make far less economic sense where a major corporation spends weeks or months negotiating the purchase of an expensive computer than it does when a sixth grader asks for a package of chewing gum over the counter. In the first case, it seems likely that the status of a claimed trademark will have little

192. That there may be meaningful differences in consumer understanding of trademarks and service marks is suggested by the different definitions of "use" in Section 45 of the Lanham Act, 15 U.S.C. § 1127. There, a trademark is used "when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto," whereas a service mark is created when it is "used in the sale or advertising of services. . . ." (emphasis added).
193. See supra text accompanying note 43.
194. See Pattishall, Trade-marks And The Monopoly Phobia, 50 MICH. L. REV. 967 (1952), and other authorities supra notes 43-45.
195. The consequences of permitting such appropriation lie at the heart of the law concerning the relationship between trademarks and generic terms or functional features. See supra text accompanying notes 43-45. The principles of law that have developed in this area are attempts to deal with these consequences. A new understanding of how words, names, symbols and devices operate in the marketplace may result in new principles of law.
196. If the issue is the effect on competition of appropriating designations, evidence of the relative importance of the cost, quality or necessity of goods or services and the role of designations in the consumer's purchasing decision may help to determine the competitive effect of permitting the exclusive appropriation of the designation. See supra text accompanying notes 43-45.
197. See supra quote accompanying notes 81, 126.
bearing on a purchasing decision. By contrast, competition might well be impeded if every general request for a type of product resulted in the sale of one producer's brand of that product.

6. Identity of Competitors. The degree of successful competition in a commercial field may indicate the extent to which a designation is necessary to competition. For example, it was pointed out in connection with the petition to cancel the registration of FORMICA that the owner of FORMICA had only a forty percent share of the relevant market, and that competitors expressed no interest in being able to use “formica” generically.

7. Standing to Sue. Closely related to the identity of competitors is the competitive effect of permitting a non-competitor to challenge the status of a designation used in connection with a product. For example, in the MONOPOLY cases the declaratory judgment plaintiff, who alleged that MONOPOLY was the generic term for defendant's board game, sold a different game. There was no evidence that anyone wishing to sell defendant's game—including plaintiff—was prevented from doing so because it could not use “monopoly” generically, or would begin to do so if permitted to use “monopoly.”

CONCLUSION

Trademark law is almost certain to change after Ives. Whether the decision resembles Kellogg, which added a needed dimension to an existing legal standard, or Sears and Compco, which sowed seeds of confusion in the trademark field, will depend on how the Supreme Court approaches its latest challenge. It is hoped that articles such as this one may point toward,

198. Cf. discussion supra note 175.
199. See supra note 174.
200. See, e.g., Shipley, supra note 174, at 13 n.65.
201. See discussion of “free rider” problem infra note 202.
202. This issue should be distinguished from the so called “free rider” question: whether there is a disincentive for one party to mount a private challenge to the status of a word or name because a finding of genericness may benefit the challenger's competitors. See Fietkiewicz, supra note 174, at 461-65; Folsom & Teply, supra note 107, at 1354-58; Palladino, supra note 174, at 117-20, and authorities cited therein.
204. Anti-Monopoly, Inc. v. General Mills Fun Group, Inc., 611 F.2d 296, 299-300 (9th Cir. 1979).
rather than away from, reason and certainty in the law. It is urged that other studies be undertaken to establish more clearly the relationship between trademarks and competition.