Trademark Law - The First User of an Abandoned Trademark Acquires the Secondary Meaning Associated with the Abandoned Mark by Virtue of His First Use

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many of the post-Wiley gains will be in a precarious position. Also, like a successor employer, a successor union cannot be compelled to honor a predecessor employer’s contract. However, in light of the policy of noninterference expressed in Burns, utilization of the bargaining process itself to provide post-transfer security for employees would appear to be the most constructive approach for unions to adopt.

In conclusion, the law surrounding the successor issue is in a period of transition. Questioning former approaches is, therefore, not only completely appropriate, but absolutely necessary to assure that when a new equilibrium is reached, the interests of all will be fairly represented.

Philip M. Cullen, III

TRADEMARK LAW — THE FIRST USER OF AN ABANDONED TRADEMARK ACQUIRES THE SECONDARY MEANING ASSOCIATED WITH THE ABANDONED MARK BY VIRTUE OF HIS FIRST USE.

Sutton Cosmetics (P.R.) Inc. v. Lander Co. (2d Cir. 1972)

Appellants, Lander Company, a Delaware corporation, and Scott Chemical Company, a New York corporation (“Lander”), challenged a federal district court order1 preliminarily enjoining them from using the surname “Sutton” as a trademark in the sale of men’s toiletries and cosmetics. The injunction was sought by the appellee, Sutton Cosmetics, on the ground that Lander’s use of the mark “Sutton” was a “false designation of origin” proscribed by section 43(a) of the Lanham Act (the “Act”).

From 1964 to September 1970, the trademark “Sutton” had been used by the Schering Corporation in the sale of men’s deodorants.2 Schering had sold “Sutton” deodorants throughout the United States, Puerto Rico, and metropolitan New York City. Sutton Cosmetics (P.R.) Inc. v. Lander Co., 455 F.2d 285, 286 (2d Cir. 1972).

1. The district court for the Southern District of New York held that Lander’s use of the mark was a false designation of origin as proscribed by section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1970), since “Sutton” was already being used as a trademark by a competitor, Sutton Cosmetics, a Puerto Rican corporation selling men’s cosmetics in Puerto Rico, Dade County, Florida, and metropolitan New York City. Sutton Cosmetics (P.R.) Inc. v. Lander Co., 455 F.2d 285, 286 (2d Cir. 1972).

2. See text accompanying note 34 infra.

3. The mark was originally registered in 1952 by Sutton Cosmetics, Inc., a New York corporation. In 1964 the registration was assigned to White Laboratories, Inc., a subsidiary of Schering Corporation. 455 F.2d at 286.
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and the Virgin Islands, and the "Sutton" mark developed a substantial following in these markets.

In May 1970, Lander made one small sale of cosmetics under the "Sutton" label to a New York drug retailer. The packaging of the cosmetics, however, was quite different from the packaging used by Schering and from that which was later used by Sutton Cosmetics.

In June 1970, Schering announced that, as of September 1970, it would discontinue the manufacture and sale of "Sutton" products and would abandon the mark, rather than sell it or the goodwill associated with it.4

The appellee, Sutton Cosmetics, was formed in June 19705 and sought to purchase the entire "Sutton" business from Schering, but was only successful in obtaining the inventory and packaging. Nevertheless, in September 1970, Sutton Cosmetics began selling "Sutton" products which were marked and packaged exactly like the products formerly sold by Schering. Subsequently, the appellant, Lander, began the regular sale of a stick deodorant packaged similarly to the one previously sold by Schering and to that then being distributed by Sutton Cosmetics.6 Sutton Cosmetics sought injunctive relief against Lander in the District Court for the Southern District of New York which granted a preliminary injunction.7 The Second Circuit affirmed with slight modification.8

Traditionally, a trademark is a word, name, symbol, or device which a manufacturer or merchant uses to identify and distinguish his goods from goods manufactured or sold by others.9 While a trademark which can be protected from infringement is of great value to a manufacturer, not all trademarks are capable of being protected against infringement. In order for it to be protectible, a trademark must be "distinctive,"10 and the party seeking to protect the mark must have actually used it.11 Although a surname is generally classified as a "weak" or nondistinct

4. Id.
5. Cesar Castillo, president of Cesar Castillo, Inc., a Puerto Rican corporation and one of Schering's wholesale customers, upon learning of Schering's intention to discontinue the "Sutton" line and abandon the "Sutton" mark, formed Sutton Cosmetics for the purpose of carrying on the "Sutton" business. Id.
6. Lander advertised that "the Sutton boys are back." As a result of a special introductory offer by Lander (two sticks of deodorant for the price of one), at least two buyers cancelled their orders with Sutton Cosmetics and purchased instead from Lander. Id. at 287.
8. The injunction was modified to only include Puerto Rico, Dade County, Florida, metropolitan New York City, and any other area in which the district court might find that Sutton Cosmetics was selling at the time of suit. 455 F.2d at 289. In affirming the preliminary injunction, the court said that "[o]ur approval of the grant of the preliminary injunction in no way decides what permanent relief may be appropriate." Id.
10. R. Callmann, Unfair Competition, Trademarks and Monopolies § 69 (3d ed. 1969); E. Vandenburgh, Trademark Law and Procedure § 4.10 (2d ed. 1968). A trademark is distinctive if it is capable of indicating the origin of the goods or services to which it is affixed. Id.
11. The ownership of a trademark depends upon the fact of its use and not upon state or federal registration. E. Vandenburgh, supra note 10, § 2.10.
mark, it may take on the character of a "strong" or distinctive mark, and thereby become protectible by the acquisition of a "secondary meaning." It is suggested that in the instant case, Schering Corporation's original use of the "Sutton" surname may indeed have established such a secondary meaning in the otherwise "weak" mark. Thus, Schering would have had the right to protect the mark as though it were a "strong" mark. With the abandonment of the business by Schering, however, any goodwill associated with the business was destroyed. Since the basis of trademark rights is the goodwill which has become associated with them, it follows that when an abandonment of the business has destroyed the good will, a loss of trademark rights would result.

It is a generally accepted principle that the abandonment of any mark restores the mark to the public domain, and in so doing affords any person the right to seize the mark and use it immediately. The subse-

12. "Weak" is a term frequently used to describe a mark which is not distinctive, while marks which are distinctive are termed "strong" marks. Id. § 4.10.
13. Id.
14. When a mark acquires secondary meaning, it acquires added distinction. This additional distinctiveness occurs when the public comes to associate the manufacturer of the goods with the mark. See Steem-Electric Corp. v. Herzfeld-Phillipson Co., 118 F.2d 122, 127 (7th Cir. 1940) (to establish secondary meaning, plaintiff must "show that the primary significance of the term in the minds of the consuming public is not the product but the producer"). See also Kelly Girl Serv., Inc. v. Roberts, 243 F. Supp. 225, 228 (E.D. La. 1965). The existence of secondary meaning is a matter of fact to be proved at trial by the one attempting to protect a "weak" mark from infringement. See E. VANDENBURGH, supra note 10, §§ 4.10 to 4.72.
15. Two observations lead to the conclusion that the "Sutton" mark may have acquired secondary meaning. First, it may be inferred that since "Sutton" as a surname, is a "weak" mark, secondary meaning must have been attached to the mark and Sutton Cosmetics must have acquired that secondary meaning in order to protect the mark at all. Secondly, it is submitted that Schering's use of the "Sutton" mark for six years and the creation of a substantial following in markets where sold would be more than adequate proof of secondary meaning in the "Sutton" mark.
16. Browning King Co. of New York v. Browning King Co., 176 F.2d 105 (3d Cir. 1949). The Browning King clothing business went bankrupt in 1934, at which time the assets of Browning King and their stores in various states were sold to separate purchasers. The plaintiff acquired the New York and New Jersey stores along with the right to use the name and the trademarks of Browning King Clothing in those areas. The defendant acquired the Pennsylvania business of Browning King.

The court of appeals held that, even if the plaintiff had acquired the exclusive right to the Browning King name in New York, it would not preclude use of the name by the purchaser of the Browning King business somewhere else. Id. at 107. Additionally, the court held that if nobody had acquired the trademark rights through the receiver sale, then the trade name would not be the exclusive property of anyone. Rather it would lie in the public domain, and anyone could use it, provided they did not deceive the public as to the identity of the merchant with whom they were doing business. Id.

It is interesting to note that the court in Browning King cited authority for a proposition directly contrary to the implied holding in the Lander case:

When a company goes out of business, the good will is destroyed and the trade name abandoned. No rights arise by succession from a later sale of the good will as a separate item. Any new rights in the name must be established by the new user. Id. at 107 n.3 (emphasis added). Such a conclusion supports the suggested articulation of the doctrine of abandonment proposed in the text accompanying notes 57-58 infra.
17. Joseph Schlitz Brewing Co. v. Houston Ice & Brewing Co., 241 F. 817, 820 (5th Cir. 1917).
18. See R. CALLMANN, supra note 10, § 79.4, at 533; H. NIMS, ON UNFAIR COMPETITION AND TRADE-MARKS § 217a (3d ed. 1929); E. VANDENBURGH, supra
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quent user then acquires the right to protect the mark against both the original user and all the world to the same extent as if he had originally adopted it.\textsuperscript{19} When a subsequent user of the abandoned mark has used the mark prior to its abandonment (as did Lander), the trademark doctrine is more complex. An early case, \textit{O'Rourke v. Central City Soap Co.},\textsuperscript{20} held that a person may not appropriate the mark of another and later acquire good title to it merely because of its subsequent abandonment by the original user.\textsuperscript{21} This holding was limited to intentional infringements in a subsequent case which provided that an infringing user \textit{can} adopt an abandoned trademark if his previous use was in good faith and without knowledge of the prior owner's use.\textsuperscript{22} The good faith limitation was expanded to such an extent that in 1918 the United States Supreme Court, in \textit{United Drug Co. v. Theodore Rectanus Co.},\textsuperscript{23} held that a first user does not have exclusive rights in a trademark against "one who in good faith has adopted a like trademark . . . prior to the entry of the [first user] into the [second user's] market."\textsuperscript{24} In the instant case, Lander might have acquired rights to use the mark under \textit{Rectanus}, had Lander been using the "Sutton" mark at the time of its abandonment; but, even if Lander's one-time use prior to the abandon-


\footnote{19. Id. Although this proposition seems to be basic hornbook law, there are frequent exceptions. \textit{See text accompanying notes 26-28 infra.}}

\footnote{20. 26 F. 576 (C.C.E.D. Mich. 1885).}

\footnote{21. In the \textit{O'Rourke} case, the plaintiff received his right to use the disputed trademark by means of an assignment from an infringing user. The defendant obtained his rights to the mark through an assignment from a prior user. In dismissing plaintiff's bill for infringement, the court stated:

\[1\]If it be once conceded that a person may acquire a good title to a trade-mark by appropriation, without the consent of the lawful owner, it would enable a manufacturer, by the use of large capital or superior energy, to drive competitors out of business, by seizing their trade-marks, and using them for that very purpose, provided the lawful owner is unable or unwilling to assert his rights by resort to the courts. We think that no court would hesitate to pronounce against a title so obtained.

\textit{Id.} at 579.

\footnote{22. Mayer Fertilizer & Junk Co. v. Virginia-Carolina Chem. Co., 35 App. D.C. 425 (D.C. Cir. 1910). Some commentators have cited the \textit{Mayer} case as wholly contrary to \textit{O'Rourke}. However, it is clear from the language of the opinion that the \textit{Mayer} holding is properly applicable only when there is both good faith and lack of knowledge of the mark's prior use. This narrow interpretation was explicitly announced in Seubert v. Santaella & Co., 36 App. D.C. 447 (D.C. Cir. 1911), where the court stated:

It [the \textit{Mayer} case] goes to the extent only of holding that a junior user of a trade-mark in good faith, and without knowledge of its use by the prior owner, may, upon abandonment of the mark by the prior owner, acquire a property right in it; \textit{provided}, at the time of such abandonment, the junior party is the exclusive user of the mark.

\textit{Id.} at 450 (emphasis added). For an analysis of the legal impact of \textit{O'Rourke} and \textit{Mayer}, \textit{see} 30 COLUM. L. REV. 695 (1930). The \textit{Seubert} case not only recognized that \textit{Mayer} was limited to situations where the mark was used by the junior user in good faith and without knowledge, but added the requirement that the junior user be the \textit{exclusive user at the time of abandonment}. If there were more than one junior user at abandonment, neither would acquire a protectible right in the mark.

\footnote{23. 248 U.S. 90 (1918).}

\footnote{24. \textit{Id.} at 100.}}
ment by Schering was in good faith and without knowledge of Schering's use, Lander would have no present rights in the "Sutton" mark because it failed to continue using the mark until abandonment by Schering.25

The trademark doctrine relating to abandonment is further complicated by the rule, arising from principles of unfair competition, that although a trademark may be abandoned, the abandoner may enjoin one from using the mark if such use will damage him.26 This rule belies the notion that an abandoned mark returns unfettered to the public domain.27 The basis for relief in unfair competition cases is that the public will be deceived as to the origin of goods, and that such deception will result in the public's buying the goods of A thinking they are B's, thus resulting in damage to B. Although almost all unfair competition cases speak of public deception, it appears that it is actually the competitors of the deceiving party that the courts are protecting and not the consumer. In an effort to resolve the contradictions between the theories of abandonment of trademarks and unfair competition, some commentators have suggested that the doctrine of abandonment should not apply as long as the public continues to associate the abandoned name with the original user.28

25. See note 22 supra.
26. H. Nims, supra note 18. The rationale is founded in a theory of unjust enrichment—that is, it is unjust to allow a subsequent user to profit from the goodwill created by a prior user, at the expense of the one who established the goodwill:

(1) One who has ceased to use a trademark, trade name or physical appearance of goods is barred from relief against another who would otherwise be liable ... if, but only if, he ceased his use

(a) with the intention of abandoning it, and the trade-mark ... no longer denotes in the market his goods, services or business ....

RESTATEMENT OF TORTS § 752 (1938). The comments to this section of the Restatement make it clear that merely because one abandons a trademark, he does not authorize others to market their goods or services as his. This section will grant relief to the abandoner if he remains in business and the subsequent adopter of the mark uses it in such a way as to "confuse prospective purchasers." Id. § 752, Comment b.

There appears to be a conflict, however, between the basic theory of abandonment—anyone may appropriate and use an abandoned trademark (see note 27 infra) — and the Restatement. It is submitted that this contradiction may be resolved by qualifying the basic theory of abandonment simply by creating an exception. The rule could then be stated as follows: anyone may adopt an abandoned trademark and immediately use it, except when the abandoner continues in business and such adoption, by deceiving the public as to the origin of the goods, damages the abandoner in such business. See text accompanying notes 27-28 infra.

27. The basic theory of abandonment is that a trademark, once abandoned, returns to the public domain, and anyone can then adopt the mark and use it. However, the fact that the prior user can prevent others from using the mark is contrary to the basic theory. A mark cannot be allowed to revert to the public domain, but at the same time the prior user is allowed to enjoin one from using it on unfair competition grounds. This apparent anomaly illustrates the fact that trademark law is but a portion of the broader law of unfair competition. Therefore, the apparent anomaly may be resolved by noting that, although the basic theory of abandonment is correct with respect to trademark law, it may result in unfair competition if the use of the abandoned mark by the subsequent user damages the original user. See H. Nims, supra note 18, §§ 1 & 217a.

28. It has been asserted that:

So long as the old name lingers on in the memory of the market it can be maintained against encroachment. But once it is forgotten by the market ... it must be accepted that it may be assumed by another with impunity.

McDermitt & Manetti, Protection of Discontinued Company Names, 22 Bus. Law. 423, 429 (1967). But see Greenbaum, Some Aspects of Secondary Meaning, in
light of this brief background, it is apparent that the legal consequences of any particular trademark abandonment are often far from clear.

In affirming the lower court's order, the circuit court in the instant case held that there was a "sufficient likelihood that Sutton Cosmetics would prevail,"\(^{29}\) because it appeared that Lander violated section 43(a) of the Lanham Act, by falsely designating the origin of its goods.\(^{30}\) In addition, the court indicated that, if Sutton Cosmetics's allegations were true, Lander's use of the trademark was in fact a "false designation of origin" under the Act.\(^{31}\) The court's conclusion thus implied that the first user of an abandoned mark may, merely by virtue of his first use, acquire any secondary meaning associated with the mark,\(^{32}\) and hence the right to its exclusive use.\(^{33}\)

Section 43(a) of the Lanham Act provides:

Any person who shall affix . . . or use in connection with any 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 . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin . . . 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.\(^{34}\)

It is apparent that section 43(a) was designed to create a cause of action in anyone who is, or who believes he is, likely to be damaged by the use of a trademark which would falsely designate the origin of the goods on which the mark is affixed. Since the lower court found that Lander deliberately packaged its goods in containers deceptively similar to those used by Sutton Cosmetics,\(^{35}\) the appellate court's application of section 43(a) initially appears to have been appropriate. However, there are two principal weaknesses in the court's reasoning: (1) the court cites

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29. 455 F.2d at 287. Technically, the extent of the Sutton court's holding was that the lower court judge did not abuse his discretion in granting a preliminary injunction. \textit{Id.} at 289.
30. \textit{Id.} at 288.
31. \textit{Id.} at 287.
32. See note 14 supra.
33. Although the court did not directly hold that the secondary meaning of an abandoned mark is acquired by the first user of the mark, it did say that:
\begin{quote}
As the first bona fide user of the abandoned Sutton mark, Sutton Cosmetics (P.R.) had acquired trademark rights in that mark . . . at least in the areas in which it had first used the Sutton name . . . .
\end{quote}

455 F.2d at 288. Later in the opinion the court reiterated this principle by stating that "[s]ince Sutton Cosmetics (P.R.) was the first user of the Sutton name, it had the right to use the mark undamaged." \textit{Id.} The dissent observed that "Sutton," as a surname, is a weak mark and may only be protected if secondary meaning is attached to it. \textit{Id.} at 290 (dissenting opinion). Therefore, the majority, in granting trademark rights to Sutton Cosmetics, based its holding on the unstated but \textit{necessarily inferred} proposition that "the first user of an abandoned mark acquires, merely by virtue of that first use, the secondary meaning associated with that mark which the abandoning party created." \textit{Id.}
35. 455 F.2d at 288.
The first weakness stems from the fact that the cases cited by the court involved plaintiffs who, in originating a trademark, had expended large sums of money and had devoted much time to its development. These cases are factually distinguishable from the instant case — a situation wherein the plaintiff had acquired the right he wished to protect from a prior user who had abandoned his rights.

The second weakness lies in the fact that the Lander court failed to consider the equity of Sutton Cosmetics' position. Sutton Cosmetics, arguably, was also liable under section 43(a) — for harm to Schering — and therefore, did not have "clean hands." If this were the case, it is submitted that the lower court should have dismissed the action altogether.

To properly consider the equitable stance of Sutton Cosmetics, it would have been necessary for the court to determine whether section 43(a) was enacted to protect consumers or competitors or both. It is suggested that, if section 43(a) was enacted to protect consumers, Sutton Cosmetics "falsely designated the origin" of its goods to consumers because the latter continued to associate the "Sutton" mark with the Schering Corporation. However, if the Act was enacted to protect only competitors, Sutton Cosmetics would not be in violation because Schering was no longer competing. A recent district court case, Arnesen v. Raymond Lee Organization, Inc., held that the language of section 43(a) clearly

36. The Lander court cited: Federal-Mogul-Bower Bearings, Inc. v. Azoff, 313 F.2d 405 (6th Cir. 1963) (plaintiff was in the business for many years and others in the industry associated his mark with goods made by him); Chamberlain v. Columbia Pictures Corp., 186 F.2d 923 (9th Cir. 1951) (plaintiff was trustee attempting to enforce the rights of the decedent — originator and writer of short stories); Pantrone, Inc. v. A. I. Friedman, Inc., 294 F. Supp. 545 (S.D.N.Y. 1968) (plaintiff invested large sums of money in a color testing laboratory which subsequently produced a unique color matching system); Crossbow, Inc. v. Dan Dee Imports, Inc., 266 F. Supp. 335 (S.D.N.Y. 1967) (plaintiff originated a novelty item and spent $100,000 on marketing).

37. In his dissent, Judge Hays noted that:

Lander is not attempting to pass off its product as that manufactured by Sutton (P.R.). On the contrary, both Lander and Sutton (P.R.) are attempting to pass off their products as the product formerly produced by Schering. In these circumstances, and in view of the absence of controlling authority, there is no reason for allowing one competitor to appropriate the name and good will of a former manufacturer merely because it commenced its selling activities five months ahead of the other competitor.

455 F.2d at 291 (dissenting opinion). The Lander majority also recognized that there might be a lack of "clean hands" on the part of Sutton Cosmetics, but limited its discussion to a statement that:

There even may be a limitation upon the rights of the first user [Sutton Cosmetics] in that there should not be deception of the public, either as to the identity of the merchant with whom the customer is doing business . . . or as to the quality of the product.

Id. at 290. The equitable theory of "clean hands" requires that the party seeking relief must not himself have committed any wrongful acts in regard to the particular transaction which raises the equity he seeks to enforce. See Trice v. Comstock, 121 F. 620 (8th Cir. 1903).

indicated that competitors are not the only class of persons covered by the Act — consumers are also protected. However, the Second Circuit, in Colligan v. Activities Club of New York, Ltd., held that consumers have no cause of action under the Act. The Colligan court feared that an extension of the cause of action to consumers, under section 43(a) of the Act, would unnecessarily flood the federal courts with litigation which was amply handled under state law. Additionally, the Colligan court did not give much weight to the legislative history of the Act, due to the fact that the Act's history was long and confusing.

Even if the Colligan court's interpretation of the Act, that consumers have no cause of action thereunder, was correct, it is submitted that the language of the Act clearly establishes a policy to protect consumers and that such a policy should have been given considerable weight when deciding any equity action under section 43(a). It is further submitted that the Colligan court erred in its view of the class of persons allowed to sue under the Act. The legislative colloquy expressed a clear desire to protect both the consumer and competitors. A senate report stated that one of the purposes of the Act was "to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions." If the Lander court had accepted the Arnesen view of the scope of section 43(a) or had it recognized a policy of protecting the consumer, Sutton Cosmetics should not have been granted a preliminary injunction because of its own "dirty hands."

The court's reasoning leads to the significant consequence that Sutton Cosmetics, merely by virtue of being the first subsequent user of the

39. The Arnesen court stated: [T]he plain language of the intent section, 15 U.S.C. § 1127, makes actionable, inter alia, the deceptive and misleading use of marks and descriptions. Since that same section defines "person" as both natural and juristic persons, this Court cannot conclude that competitors were the only persons protected by the Act. Id. at 120.
40. 442 F.2d 686 (2d Cir. 1971), cert. denied, 404 U.S. 1004 (1972).
41. Id. at 693.
42. Id. at 689-90.
43. After the conference report (on the Lanham Act) was read to the House of Representatives, Mr. Lanham asserted that "[t]he purpose of it [the Act] is to protect legitimate business and the consumers of the country." 92 CONG. REC. 7524 (1946) (emphasis added). A Senate committee report, under the heading Basic Purposes of Trade-Mark Legislation, stated:
The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of the trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-name owner. S. REP. No. 1333, 79th Cong., 2d Sess. 3 (1946) (emphasis added).
44. S. REP. No. 1333, 79th Cong., 2d Sess. 5 (1946) (emphasis added).
45. To ask the Second Circuit to reverse Colligan in order to find that Sutton Cosmetics had "dirty hands" would be asking a great deal. However, the failure of the Second Circuit to elaborate beyond the possible consideration that Sutton Cosmetics may have had "dirty hands" (see note 37 supra), weakens its holding. Moreover, if the Supreme Court should decide that the Arnesen case is the correct view of the Lanham Act, the Lander decision could very well be overruled.
abandoned "Sutton" mark, acquired trademark rights in that mark, and could therefore enjoin Lander. In reaching this result, the Lander court did little more than remind the lower court that "Sutton," as a surname, may be a "weak" mark, and as such may be used by more than one seller "if there is appropriate differentiation." Moreover, in support of its reliance on Sutton Cosmetics' superior right, the Lander court cited an authority who, as aptly noted by Judge Hays in his dissent, based his conclusions on three groups of cases, none of which would include the Lander situation. The first class of cases dealt with situations in which there was no abandonment at all, a situation clearly inapposite to Lander, since in Lander the abandonment significantly affected the positions of the parties. The second class of cases involved an abandonment, followed by adoption of a "strong" mark. As previously noted, "strong" marks are distinctive marks and therefore require no secondary meaning to be protectible. The third class of cases involved situations in which the subsequent user of the abandoned "weak" mark had established his own secondary meaning in the mark. Sutton Cosmetics, however, made no argument that it had established secondary meaning in the "Sutton" mark, probably because such an argument would have been futile, in light of the short amount of time that Sutton Cosmetics had been using the mark.

The Lander case actually presents a fourth classification — those cases dealing with situations wherein a "weak" mark, which has acquired secondary meaning, is abandoned. If consideration is given to the fact that not only a secondary meaning is destroyed by the abandonment of business, but also that surnames are "weak" marks, protectible only after acquisition of secondary meaning, the result in such cases should

46. 455 F.2d at 288. See note 33 supra.
47. The majority stated that: Sutton Cosmetics (P.R.)'s prior use of the mark entitled it to superior rights over Lander in those markets in which it had sold first. But surnames have frequently been denominated "weak" marks which may be used by more than one seller if there is appropriate differentiation.
455 F.2d at 289. Surnames are placed in the category of nondistinct marks because public policy dictates that every person be able to use his own surname in connection with his own business. See Thaddeus Davids Co. v. Davids Mfg. Co., 233 U.S. 461 (1914); Brown Chem. Co. v. Meyer, 139 U.S. 540 (1891); E. VANDENBURGH, supra note 10, § 4.50.
49. The cases cited in Callmann [supra note 48, § 79.4] to support the proposition relied upon by the majority involved: (1) situations in which there was no finding of abandonment at all . . . (2) situations in which there was abandonment and subsequent appropriation of a "strong" tradename . . . (3) situations in which the appropriating user established a secondary meaning for his use of a weak mark . . .
Id. at 290-91 (Hays, J., dissenting) (citations omitted).
51. 455 F.2d at 286.
53. See notes 10-12 and accompanying text supra.
55. See note 16 and accompanying text supra.
56. See notes 12-14 and accompanying text supra.
permit a mark to be freely adopted and used by anyone until one user can show that a secondary meaning has been acquired by his own efforts and that he is entitled to bring an action to protect the mark from infringement. The proper articulation of the doctrine of abandonment, so that it might include this fourth classification, should be:

Anyone may adopt an abandoned "strong" trademark, immediately use it, and acquire protectible rights therein except when the abandoner continues in business and such adoption, by deceiving the public as to the origin of the goods, damages the abandoner in such business;\textsuperscript{57} provided, that the adoption of a "weak" mark vests in the adopter no rights until secondary meaning attaches thereto.\textsuperscript{58}

Such a statement of the doctrine of abandonment would not change the results of any prior trademark cases\textsuperscript{59} but rather would lead, in any future case similar to Lander, to a result more consistent with trademark policy.\textsuperscript{60} In contrast to the aforementioned proposition, the Lander decision will not only affect future cases on similar facts, but will affect any future transactions aimed at acquiring trademarks. As a result of Lander, a business may acquire protectible rights simply by using an abandoned "weak" mark, even though it could not purchase such rights from the abandoner. Thus a subsequent user can acquire a trademark by mere adoption, and accomplish exactly what it could not do by buying the mark and its goodwill — the user might not be able to buy because the abandoner would not sell,\textsuperscript{61} or, more importantly, because such a purchase would be forbidden by law.

It is submitted that the Lander decision defeats the intent of the Act to restrict assignment of marks. The early doctrine regarding the assignment of trademarks permitted a mark to be assigned only with the

\textsuperscript{57} See note 26 supra.

\textsuperscript{58} It is submitted that by maintaining the unfair competition remedy available to the abandoner of a "weak" mark — provided such a mark had acquired secondary meaning prior to abandonment — the proposed articulation would be more comprehensive and would lead to more equitable results in factual situations similar to those in Lander than does the Callmann statement of the doctrine. See notes 46-48 and accompanying text supra.

\textsuperscript{59} This is necessarily true because there does not appear to be any previous case factually similar to Lander, as was recognized by the Lander majority:

There are few areas of the law with as little precedent as that which we face here: two companies fighting for possession of a well-advertised, but abandoned trademark in an evident attempt for each to pass itself off as the abandoning company. 455 F.2d at 289. Judge Hays, dissenting, noted that:

\text{This case presents a novel question concerning the applicability of 15 U.S.C. § 1125(a) (1970). The majority applies principles of trademark and unfair competition law that were established to deal with circumstances significantly different from those we find here.}

\text{Id. at 290 (Hays, J., dissenting).}

\textsuperscript{60} The proposed statement of the doctrine of abandonment would prevent one from adopting an abandoned "weak" mark and acquiring protectible rights therein due to acquisition of the secondary meaning created by the previous user. By preventing this action, the policy of only protecting distinctive "strong" marks would be preserved. Moreover, it would promote competition by encouraging an adopter to create his own secondary meaning. This promotion of competition ultimately protects the consumer by lowering prices or by causing the development of improved products.

\textsuperscript{61} Schering, for example, refused to sell for tax reasons. 455 F.2d at 286 n.3.
business to which it related. The rationale for this policy was that the user of the mark did not own the mark itself but simply the goodwill which he had developed from the use of the mark and which could only be assigned with the associated business. This principle was followed in section 10 of the Act, which provides in pertinent part:

A registered mark . . . shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark . . . Provided, That any assigned registration may be cancelled at any time if the registered mark is being used by . . . the assignee so as to misrepresent the source of the goods . . .

It is clear that permitting "assignments in gross" — the assignment of a trademark and the goodwill associated with it, absent the transfer of any portion of the business associated with the mark — would promote deception of the public due to the fact that the assignee would have been assigned the right to sell his goods as those of another. Such assignments would violate one of the traditional restrictions on the transfer of goodwill — that it not be done so as to deceive the public.

It is indeed contradictory to recognize section 10's prohibition of "assignments in gross," while at the same time allowing a business, under the Lander view of section 43(a), to obtain the goodwill associated with a mark merely by adopting it after its abandonment. This contradiction is more evident when one considers that, even when an "assignment in gross" has been made, the assignor thus clearly intending to transfer the mark and its goodwill, courts have said that such is not sufficient, absent an assignment of the business associated with the mark. When, as in the Lander case, one abandons a mark and has no intention of transferring

62. See R. Callmann, supra note 10, § 78.1.
65. See Grismore, supra note 63, at 495. Grismore's thesis is that the existence of goodwill depends upon certain factors (including place, person, and trademark) which were the basis for past patronage and which make future patronage predictable. Once the public associates certain characteristics with a trademark, any assignment of that mark without the accompanying goodwill would serve to deceive the public and thereby be contrary to the traditional restrictions on the transferability of goodwill. Id.

However, with the advancement of modern business practices, the public deception limitation on transfers became a burden on business. To modernize this restriction and to attempt to have the laws conform to actual business needs, the Lanham Act provided that a mark may be transferred if only that part of the business associated with the mark is also transferred. Although this provision was more liberal than the 1905 Trademark Act, 33 Stat. 727, which required the whole business to be transferred, it did not authorize "assignments in gross." 15 U.S.C. § 1060 (1970).
66. In Macmahan Pharmacal Co. v. Denver Chem. Mfg. Co., 113 F. 468 (8th Cir. 1901), the court stated that:

A trade-mark cannot be assigned, or its use licensed, except as incidental to a transfer of the business or property in connection with which it has been used. . . . The essential value of a trade-mark is that it identifies to the trade the merchandise upon which it appears as of a certain origin, or as the property of a certain person. Id. at 474–75.
either the mark or the associated goodwill, it seems absurd to conclude that the first adopter of the mark acquires that goodwill. Thus, by allowing Sutton Cosmetics to obtain an injunction, the Lander court, in effect, permitted circumvention of the prohibition against "assignments in gross."

The Lander court noted that the "deliberate use of a competitor's trademark . . . is obviously intended to divert business by misinforming the consumer" but noted that courts will adequately prevent the designation of one's goods as those of another. In support of this position the court cited three of its previous cases. However, these cases involved unfair competition and were decided under New York state law. The law of unfair competition in New York has developed to a point that courts no longer consider it necessary for a business to establish secondary meaning in a mark in order to protect it from unfair competition. The distinction between unfair competition cases under New York law and those under the Lanham Act is that New York has established a substantive rule of unfair competition, while the Act is merely procedural on the issue of unfair competition. That is, the Act provides for registration of trademarks but does not provide for a federally created cause of action against unfair competition. Thus, although state law governs unfair competition claims which are joined with federal trademark claims, an issue of trademark infringement under section 43(a) is substantive and, therefore, is not controlled by state unfair competition doctrines.

67. 455 F.2d at 287-88.
68. Id. at 288.
70. In Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir. 1964), the court enjoined the defendant from using the mark "Flexitized" on grounds of unfair competition. In granting the injunction the court stated: "Defendants' continued use of the word "Flexitized" after they had ceased to distribute plaintiffs' product made plaintiffs the victim of unfair competition, notwithstanding the fact that plaintiffs' mark had not yet acquired a secondary meaning as to either source or quality. Relief against unfair competition . . . is no longer limited in New York to situations where secondary meaning has been established . . . ."

67. 455 F.2d at 287-88.
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71. Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir. 1964); American Auto. Ass'n v. Spiegel, 205 F.2d 771 (2d Cir. 1953).
72. Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir. 1964); Arttype, Inc. v. Zappulla, 228 F.2d 695 (2d Cir. 1956).
73. In addition, it may be noted that two of the cases cited by the court involved situations wherein there was a finding of secondary meaning. See, e.g., Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir. 1964); Corning Glass Works v. Jeannette Glass Co., 308 F. Supp. 1321 (E.D.N.Y. 1970). In Flexitized, the court stated that there was no secondary meaning in the word "Flexitized" but that "the name had nevertheless acquired a familiarity among prospective pur-
It appears that the court could better have considered the reasons for the New York approach directly in the context of the Act, and should have faced the issue of the role of consumer protection under the Act. In contrast, the court's opinion seems to have left the lower court free to ignore consumer protection aspects of the Act. In addition, it should be noted that none of the New York cases involved a surname.

The Lander court recognized the lack of precedent for a situation in which "two companies [are] fighting for possession of a well-advertised, but abandoned trademark in an obvious attempt by each to pass itself off as the abandoning company." The majority, therefore, emphasized the limited role of a reviewing court, but nevertheless proceeded to list several principles of law to be considered before granting any permanent relief. It should be noted that the Lander court, in suggesting these principles, did not discuss the validity of, or the weight to be given to, each principle. Rather, an application of the suggested principles was left entirely to the lower court, and by so doing, it is suggested that the court left unresolved many of the issues heretofore discussed.

The first principle suggested by the court was that Sutton Cosmetics, as the first user of the abandoned mark, acquired "superior rights" over Lander. As previously suggested, this principle is properly applicable only to abandoned "strong" marks. In illuminating this problem, the court noted that surnames, as "weak" marks, may be used by more than one seller if differentiated so as to avoid confusion of source, a correct analysis of the law of trademarks as applied to surnames. Apparently, the Lander court recognized the conflict between the doctrine of abandonment and the public policy allowing anyone to use his surname in connection with his own business. However, the Lander court offered no assistance to the lower court in resolving this key conflict. Clearly, if Lander had packaged its goods differently from Sutton Cosmetics and chasers . . . which made such prospective buyers more likely to purchase items called 'Flexitized' because of that name in connection with them," 335 F.2d at 782. Similarly, the district court in Corning noted that the plaintiff's reputation and goodwill were acquired only after much effort and advertising expense. 308 F. Supp. at 1328. See note 14 supra. The third case involved a situation in which no unfair competition was found. Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569 (2d Cir. 1959).

74. See text accompanying notes 26-28 supra.
75. While the general policy is that anyone may use his own surname in connection with his own business, it has frequently been held that when a surname has acquired secondary meaning, and a subsequent user's adoption thereof would create a likelihood of confusion, then the courts may enjoin the second user from continuing to use the name. See, e.g., Thaddeus Davids Co. v. Davids Mfg. Co., 233 U.S. 461 (1914). However, absent this qualification, it is fundamental that "an ordinary surname cannot be appropriated as a trade mark by any one person as against others of the same name, who are using it for a legitimate purpose . . . ." Brown Chem. Co. v. Meyer, 139 U.S. 540, 542 (1891).
76. 455 F.2d at 289. Cf. note 59 supra.
77. 455 F.2d at 289. The court, however, limited these "superior rights" to the markets in which Sutton had sold first.
78. See notes 55-58 and accompanying text supra.
79. 455 F.2d at 289.
80. See note 75 supra.
thus had avoided confusing the public, there would have been no basis for prohibiting Lander from using the "Sutton" surname as a mark.

The next principle espoused by the Lander court was that Sutton Cosmetics might have been able to protect the "weak" mark as a result of the efforts of the prior user and abandoner, Schering. This principle, as previously noted, is not only without precedent but also is contrary to policy.

The court then suggested that Lander could have argued that "Sutton," a "weak" mark, might not be protected, since no one connected with Sutton Cosmetics had that surname. All the cases dealing with surnames and their use as trademarks discuss the use of one's own name in connection with one's own business. From this case law one may infer that there is no right to use a surname which is not one's own, but there is no authority which directly supports this proposition.

The Lander court then suggested, for the lower court's consideration, that mere priority of use did not give the first user exclusive rights against "one who in good faith has adopted a like trade-mark...prior to the entry of the [first user] into the [second user's] market." In support of this suggested proposition, the Lander court relied on Rectanus. That case, however, made it clear that this proposition is applicable only when the second user adopts the mark in good faith.

81. The majority merely advised the lower court that:
Whether, as a result of Schering's and Sutton Cosmetics, Inc.'s efforts, Sutton Cosmetics (P.R.)'s, Sutton's name may now be entitled to the protection as a strong mark is a question which the district court will have to consider...

455 F.2d at 289 (citations omitted).

82. See text accompanying notes 48-58 supra.

83. 455 F.2d at 289, citing generally E. Vandenberg, supra note 10.

84. See, e.g., Garrett v. T.H. Garrett & Co., 78 F. 472, 478 (6th Cir. 1896) ("every man has a right to use his own name in his own business").

85. In R.H. Macy & Co. v. Macy's Drug Store, Inc., 84 F.2d 387 (3d Cir. 1936), the court noted that the assertion that one is using his own name in connection with his own business is in the nature of a defense, and absent the surname, the defense is lost. Id. at 388. However, the loss of a defense is not to be equated with a prohibition of use. If the defendant in Macy was a prior user, he could not be enjoined from using the name merely because it was not his own. If his prior use continued until secondary meaning had attached, thereby developing a protectible character, the loss of a defense would be of little importance.

86. Cf. Societe Vinicole De Champagne v. Mumm, 143 F.2d 240 (2d Cir. 1944), in which the defendant changed his name and began operating a business using his new name. In granting plaintiff an injunction the court stated:
[I]t would end all protection to trade names, if all one had to do in order to pirate them, was to change one's name to that of one's intended victim...

Id. at 241.


88. See text accompanying notes 23-24 supra.

89. The Rectanus Court quoted a passage from Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916), which in effect provided that prior appropriation results in rights to a mark only when two persons are competing under the same mark in the same market and that, when the competitors are in separate markets, the question of prior appropriation is legally insignificant unless the second user appropriated the mark merely as a design imitative to the interests of the first user. 248 U.S. at 101. See 240 U.S. at 415. The Rectanus Court thus reinforced the notion that good faith is a prerequisite to a valid adoption of a mark previously used in a market outside that of the second user. 248 U.S. at 101.
is consistent with the rationale for allowing a subsequent user, in a different market, to use a mark already in use; that is, trademark rights grow out of use, not out of mere intent to adopt, and their function is to protect a particular seller’s goodwill against the sale of another’s product as his in his market. The applicability of this proposition to the Lander facts is questionable at best, because Lander began use in a market already occupied by Sutton Cosmetics. In fact, if the proposition were strictly applied, it is possible that Lander would not be free to sell anywhere, because Sutton Cosmetics might be able to force Lander to discontinue sales merely by selling in the same market, and the antecedent bad faith of Lander (in the instant case) would force Lander to discontinue sales. Therefore, the good faith requirement of the Rectanus proposition renders it inapplicable to the Lander facts. Additionally, the application of this proposition, and the resulting proscription of Lander sales in other markets, would destroy the express limitation the Lander court placed on the injunction — that the injunction would apply only to areas in which Sutton Cosmetics was already selling.

A closely related principle suggested by the Lander court was that, since “both users [were] attempting to exploit an abandoned, but well-known trademark, it may be that sales by the second user in a market in which the first has not yet appeared are permissible.” This principle lacks any requirement of good faith and appears inapposite in this situation, since both Sutton Cosmetics and Lander, by attempting to distribute their goods as having been produced by Schering, lacked good faith. It is submitted that, if the first appropriator may attempt to exploit the goodwill of the abandoner, he should not be protected in other markets, because it is not his goodwill but that of the abandoner which is attached to the mark. As the Lander court correctly pointed out, “Sutton cannot be irreparably injured by Lander’s sales in markets in which Sutton does not itself sell.”

The final principle suggested by the Lander court was that there might even be limitations on the first user of an abandoned trademark, based on the policy that the public should not be deceived, either as to the manufacturer of or the quality of the goods. As authority for this principle, the Lander court cited Browning King Co. of New York v. Browning King Co. Browning King held that a tradename not acquired at a receiver’s sale reverted to the public domain so that anyone could use the name. It remains unclear whether the Lander court was basing

90. 248 U.S. at 97.
91. Id.
92. 455 F.2d at 289.
93. Id. at 290.
94. Id. at 289.
95. Id. at 290.
96. 176 F.2d 105 (3d Cir. 1949).
97. Id. at 107. See note 16 supra.
98. Cf. text accompanying notes 37-45 supra.
this principle on a direct policy to protect consumers, found in section 43(a) of the Act, or whether it determined, as in Browning King, that consumers would be adequately protected indirectly by promoting competition (allowing no one person exclusive trademark rights). The dissenting opinion favored the latter theory and considered it dispositive of the case, advocating that anyone should be permitted to use the abandoned mark.99 Such a holding would promote competition regardless of the original user's intention to seek relief. Again, by intermingling unfair competition considerations and the Lanham Act considerations, the court confused, rather than clarified, the legal principles which the lower court is to consider at the plenary hearing.

The Second Circuit has long been a leader on issues involving trademark law, but the Lander case is not the perspicuous, well-reasoned opinion usually delivered by that court.100 In an era when consumerism is omnipresent, more precise analysis of that aspect would have been of great value. The Lander opinion did little to illuminate trademark doctrine while adding questionable gloss to section 43(a) of the Lanham Act.

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99. 455 F.2d at 291 (Hays, J., dissenting).
100. Cf. notes 40 & 69 supra.