

The New Lanham Trademark Law

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Part I

The entire field of federal trademark law is drastically revised, enlarged and codified by the Lanham Law,¹ enacted July 5, 1946, which expressly repeals all the federal trademark laws now in force.² This new law, which will become effective on July 5, 1947, culminates over eight years of study, controversy and agitation by the patent bar and businessmen in their efforts to secure a statute adapted to the trademark realities of modern commerce.

The old law was predicated upon the theory that a true trademark indicated the vendor of goods.³ Under the new statute, a trademark is a symbol by which the public may identify not only the manufacturer or vendor of goods but also of services. Also marks indicative of the qualities of the goods or services themselves, or of their geographical origin, may become registrable. In other words, a registrable mark is a means of representing what the commodity is, who produces or supplies it, or where it comes from.

In addition to recodifying all laws pertaining to trademarks, the Lanham law (1) extends the protection of trademark registration to business activities formerly not so protectible and to many marks previously unregistrable, (2) increases the substantive and procedural benefits flowing from registration, even to the extent of making trademarks incontestable under certain circumstances, (3) provides for a national register of trade-

marks which will be kept up-to-date to record accurately the current commercial trademark situation, and (4) gives the registered mark independent property status by itself. These aspects will be discussed seriatim.

Extension of the Right to Register

The Lanham law extends registrability for the first time to (1) service marks, (2) certification marks, (3) regional marks, (4) secondary meaning marks, and (5) duplicating or concurrent marks.

Service marks. Heretofore only those marks affixed to merchandise could be registered under the federal trademark laws, on the theory that a mark indicated the origin of the goods sold.⁴ Persons who processed goods owned by others or who sold services or who rented articles to which they retained title were prevented from registering their marks. Registration was thus denied for valuable trade symbols used by cleaning and dyeing establishments,⁵ taxicabs,⁶ banks and mortgage houses,⁷ laundries, and other business groups selling services. Under section 3 of the Lanham law, service marks will henceforth be registrable in the same manner as merchandise marks.

Registration will even be accorded to invisible trademarks, such as the musical "signature" identifying the radio program of a particular sponsor.

Certification marks. The former trademark principle that a mark was registrable only if it indicated the origin of

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¹ Public Law 489, 79th Cong. Chap. 540, 2d session.

² The principal laws are the Trademark Act of February 20, 1905, as amended, 15 USC, sec. 81-109; and the Act of March 19, 1920, 15 USC, sec. 121-128.

³ *Columbia Mill Co. v. Alcorn*, 150 U. S. 460; 37 L. Ed. 1144; 14 S. Ct. 151 (1893).

⁴ *Canal Co. v. Clark*, 80 U. S. 311, 322; 20 L. Ed. 581 (1871).

⁵ *In re Gregg & Son, Inc.*, 24 F. (2d) 896 (C. App. D. C., 1928).

⁶ *Yellow Cab Co. v. Enstler*, 214 Ill. App. 607; 206 App. Div. 8; 200 N.Y.S. 282 (1923).

⁷ *Third National Bank of St. Louis*, 260 Off. Gaz. 562; *Ex parte Associated Mortgage Investors*, 295 Off. Gaz. 227 (1922).

the goods also prevented the registration of certification marks,—that is, marks which indicate approval by the proprietor of the mark of goods or services supplied by another. The *Good Housekeeping* and American Medical Association's seals of approval are typical certification marks, and are registrable under the Lanham Act. The proprietor of the mark is required to exercise some measure of control over the quality of the goods sold under his mark. In fact, section 14 of the Act provides that a certification mark may be canceled at any time on the ground that the registrant does not control the use of the mark, or that he permits it to be used otherwise than as a certification mark. To prevent abuse, the Act provides that a certification mark may be canceled if the registrant discriminately refuses to certify the goods or services of any person who maintains the standards or conditions which the mark certifies.

Regional marks. Since 1938 federal law permitted the registration of a mark used by a collective group, as an association of fruit growers. However, collective or certification marks which were geographical in nature could not be registered until passage of the Lanham law. "Idaho" for potatoes and "Roquefort" for cheese have become household regional trade symbols which may now be registered. Under the Lanham Act, states and municipalities may adopt and register marks which indicate that the article emanates from that region even though they do not possess any commercial establishment. The governmental agency, however, would have to exercise some control over the use of the marks and many interesting problems of local municipal law may be raised when a city attempts to supervise the use of regional marks.

"Secondary meaning" marks. Some extremely valuable trademarks were not registrable under former laws because of some technical flaw, such as that the mark was descriptive or geographical or merely a surname, and no amount of use could impart registrability. Such marks

were protectible under the common law if they had acquired "secondary meaning,"—that is if it could be proved that the mark had come to mean the manufacturer rather than the literal meaning of the words comprising the mark. Well-known marks which have acquired "secondary meaning" are Coca-Cola,⁸ Orange-Crush,⁹ Holeproof,¹⁰ and Nu-Enamel.¹¹ Even under the Lanham law, registration will ordinarily be denied to marks which are *merely* descriptive or *deceptively* misdescriptive, are *primarily* geographical or constitute *primarily merely* a surname. Therefore, expert counsel is still needed before a mark is adopted. However, the new law recognizes that if a technically imperfect mark becomes so well established as to be distinctive, then registration will be allowed.

Under section 2(f) of the Lanham Act, "secondary meaning" marks which have become distinctive of the applicant's goods may be registered upon proof that the applicant has had substantially exclusive and continuous use of the mark for five years immediately preceding the date of application.

Concurrent registration. The first to adopt and use a mark was the winner according to the practice of the Trademark Division of the Patent Office. The second user was barred from registration even though he used the mark in good faith and did not know that it was also being used by another. Section 2(d) of the Lanham Act, patterned after the British law,¹² takes cognizance of innocent concurrent use and permits limited registrations to be granted to all the users, under certain conditions. If after an *inter partes* hearing, the Commissioner

⁸ *Coca-Cola Co. v. Koke Co.*, 254 U.S. 143; 41 S. Ct. 113 (1920); *Coca-Cola Co. v. Busby*, 44 F. Supp. 405 (D.C. Pa., 1942).

⁹ *Orange Crush v. California Co.*, 297 Fed. 592 (D.C. Dist. of Col. 1924).

¹⁰ *Holeproof Hosiery Co. v. Wallace*, 172 Fed. 859 (C.C.A. 2d 1909).

¹¹ *Armstrong Paint and Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 515; 83 L. Ed. 195; 59 S. Ct. 191 (1938).

¹² For Trademark Act of Great Britain, Aug. 11, 1905, as amended, see Shoemaker on *Trade-Marks*, pp. 1107, 1116.

of Patents or a court decides that no confusion in the trade will arise from concurrent registration, the Commissioner is authorized to issue a certificate of registration to each user, each certificate being limited as to mode or place of use or as to the goods with which the mark is used.

This section of the Lanham law doubtless will result in considerable litigation in seeking to obtain concurrent registrations and in keeping concurrent registrants within the confines of the limitations imposed by the Commissioner. Each applicant must have lawfully used the mark before the filing date of any other applicant. Therefore the risk of

having to share a mark with others may be minimized by filing an application for registration as soon as the mark is used.

Summary

The above remarks highlight the increased scope of trademark registrability under the Lanham Act. The Act encourages federal registration of trademarks by permitting the registration of marks formerly nonregistrable. It adapts the trademark laws to modern conditions of advertising and sale of goods and services. In the next issue we shall discuss the increased rights attendant upon registration, including the important feature of trademark incontestability.

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Part II

In Part I, we discussed the extension of the right to register trade symbols under the new Lanham Trademark Act which became law on July 5, 1946¹³ and which will supersede all existing federal trademark laws¹⁴ on July 5, 1947. But the National Association of Manufacturers and other business groups campaigned for the Lanham bill primarily because it strengthens the effect of a registration and permits a trademark owner to dispose of his registration as a piece of property. The more important substantive and procedural changes made by the Lanham Act will be highlighted here.

Incontestability of Trademarks

Probably the most publicized innovation of the Lanham law is the provision that a trademark registration may become incontestable. The validity of a registered trademark formerly was subject to attack at any time, and an extensive promotional campaign involving millions of dollars might be jeopardized by a judicial holding that the trademark was invalid for some technical reason. This risk is partially removed by the Lanham Act. Section 15 provides that except in a few enumerated instances, the right of a registrant to use a registered trademark shall be incontestable after five years of continuous use from the date of registration. Procedures are established to permit proof of such continuous use. The certificate of registration then becomes conclusive evidence of the registrant's exclusive right to use the mark subject only to a few specific attacks against validity.¹⁵

Fraud in obtaining the registration is, of course, a sufficient ground for invalidating an "incontestable" mark.¹⁶ Proof

that the trademark has been abandoned justifies cancellation of an "incontestable" registration, since trademarks thrive with use and wither away with neglect. If the mark becomes the common descriptive name of any article or substance, it passes into the public domain as part of our language, and the registration thereupon may be canceled.¹⁷ Manufacturers of new items, particularly patented items, must therefore guard against advertising a product in such a way that the trade name becomes a generic term used to designate similar products sold by competitors. For instance, "Singer" has become the generic word for a previously patented type of sewing machine,¹⁸ and "Cellophane" has become the name applied to transparent wrapping material regardless of whether it is the product of the du Pont Company or its competitors.

The Department of Justice testified against the Lanham bill in 1944,¹⁹ fearing that the incontestability of marks and other innovations of the Lanham law would lead to monopolistic abuses. However, the law as enacted specifically provides that a registered mark loses its incontestable status when it is established that it "has been or is being used to violate the antitrust laws of the United States."²⁰

Cancellation

Up to five years after registration, cancellation proceedings may be instituted just as under former trademark laws. After a mark becomes incontestable, it is subject to cancellation only for a few specific reasons.²¹ Petitions for cancellation may be filed by a competitor, or by the Federal Trade Commission.²²

¹³ Sec. 15(4).

¹⁴ *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169; 16 S. Ct. 961 (1895).

¹⁵ Sec. Hearings on H.R. 82, 78 Congress, Nov. 15, 1944, p. 58ff.

¹⁶ Sec. 33(b)(7).

¹⁷ Sec. 14.

¹⁸ Sec. 14(d).

¹³ Public Law 489, 79th Cong., Chap. 540, 2d session.

¹⁴ The principal laws are the Trademark Act of February 20, 1905, as amended, 15 USC, sec. 81-109; and the Act of March 19, 1920, 15 USC, sec. 121-128.

¹⁵ Sec. 33(b).

¹⁶ Sec. 33(b)(1).

Thus the Lanham law provides that one administrative agency may act as complainant in proceedings to be adjudicated by an entirely separate administrative agency.

The Lanham Act seeks to clear the register of dead or unused registrations. Although registrations are granted for terms of twenty years, the Commissioner is directed to cancel all marks six years after registration unless an affidavit of use or excusable non-use has been previously filed. Thus the records of the Trademark Division will henceforth reveal the current state of actual trademark usage.

Alienability of Trademarks

The common law rule that a trademark could not be assigned without simultaneous assignment of the business in which it was used was carried over by the courts to marks registered under the Act of 1905. Assignments in gross were invalid.²³ The Lanham law expressly permits the assignment of a trademark without simultaneous conveyance of the business.²⁴ For example, if the Ford Motor Company should decide not to manufacture any more Mercury cars, it could sell the trademark "Mercury" as a distinct piece of property, without selling any molds, dies, machinery, etc. To prevent misuse, the Act permits cancellation of a mark when an assignee uses the mark so as to misrepresent the source of the goods.

Aside from assignments, section 5 of the Lanham Act permits the use of the same mark by related companies under license agreements or otherwise. A related company is defined as a person who legitimately controls or is controlled by the registrant in respect to the nature or quality of the goods or services with which the mark is used.²⁵ The new act legalizes the present practice of selling or distributing products by different parties under the same trademark, provided the

trademark owner controls the characteristics of the commodity.²⁶ A trademark therefore may become the source of royalties, just like a patent or a copyright.

Supplemental Register

The Lanham Act continues the distinction between the so-called technical or true trademarks and those *de facto* trademarks which are descriptive or geographical or surnames. These latter marks are not considered technical trademarks under United States law, but many foreign countries permit registration of such marks if the mark is registered in the home country. To give domestic manufacturers the benefits of such foreign laws, the Lanham Act permits the registration of such informal marks on a supplemental register after the mark has been used for one year.²⁷ A mark on the supplemental register can never become incontestable, nor can it be recorded with the Customs officials to prevent importation of goods bearing similar marks. It is possible, however, to transfer a mark from the supplemental register to the principal register if the mark ultimately becomes distinctive of the registrant's goods.²⁸

Effect on Existing Marks

Although the Lanham Act repeals those parts of the trademark acts of 1905 and 1920 which are inconsistent with it, section 12(c) permits a 1905 registrant to take advantage of the benefits of the Lanham Act at any time prior to the expiration of his registration. Upon petition, the registered mark is again published in the Official Gazette, and it becomes incontestable five years after such publication.²⁹ Registrations under the 1905 Act continue in force for their unexpired terms, and may be renewed for additional periods of twenty years. Registrations under the 1920 Act, now perpetual, will henceforth expire on January 5, 1948, or twenty years

²³ *United Drug Co. v. Rectanus Co.*, 248 U.S. 90; 63 L. Ed. 141; 39 S. Ct. 48 (1918); *American Broadcasting Co. v. Wahl Co.*, 121 F. (2d) 412 (CCA, 2d, 1941).

²⁴ Sec. 10.

²⁵ Sec. 45.

²⁶ Sec. 5.

²⁷ Sec. 23.

²⁸ Secs. 26 and 28.

²⁹ Sec. 27.

³⁰ Sec. 15(4).

from the date of registration, whichever is later.

Summary

The Lanham Act revamps and codifies the trademark laws passed during the

past forty years. The substantive rights created by the Lanham Act put an increased premium upon federal registration of trademarks, and will probably induce immediate and widespread registration.