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Thomas Holmes

University of Nebraska College of Law

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Product Simulation in The Eighth Circuit

I. INTRODUCTION

Product simulation law is not a recent development.¹ Decisions dating from 1964,² however, have not brought order to the area. Much of the uncertainty in product simulation law rests on two broad policy issues inadequately addressed by the courts: Is product simulation law advanced by statutory and judicial uncertainty? Is the public interest in competition advanced by freedom to copy or is it advanced by protection of an investor's interest in his creation. The second issue follows directly from the first because the state of simulation law has been influenced directly by each individual court's view of competition.³

A recent trend has developed where courts concentrate solely on the end developments without addressing the overriding policy issues.⁴ Frequently, even the end developments are not analyzed

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1. See Clineburg, *Protection Afforded by the Law of Copyright to Recording Artists in Their Interpretation of Musical Compositions*, 20 NEB. L. REV. 79, 86 (1941); *Ely-Norris Safe Co. v. Mosler Safe Co.*, 7 F.2d 603, 604 (2d Cir. 1925), *rev'd*, 273 U.S. 132 (1927). For a definition of product simulation as used in this comment, see notes 141-43 and accompanying text *infra*.
 2. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).
 3. This is amply illustrated by the strong free competition views long and vigorously advocated in the Second Circuit by Judge Learned Hand. The stage for erosion of his views was set in 1938 with *Erie R.R. v. Thompkins*, 304 U.S. 64 (1938). Judge Hand's view of New York law in *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir.), *cert. denied*, 311 U.S. 712 (1940), was effectively overruled by the state court decisions in *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 199 Misc. 786, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff'd*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1951). Judge Hand's views, formerly a majority position, were relegated to a dissenting opinion in *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657, 664 (2d Cir. 1955).
 4. See Stern & Hoffman, *Public Injury and the Public Interest: Secondary Meaning in the Law of Unfair Competition*, 110 U. PA. L. REV.

fully.⁵ This results in poorly-reasoned cases of little value to either business or the bar.

This comment will review the broad issues of competition and decisional certainty and trace their evolvement into the doctrine of unfair competition as applied to product simulation cases. Finally, a recent eighth circuit product simulation case and the district court's unreported decision will be reviewed in light of these issues of product simulation law.

Not analyzed here are anti-trust issues, which represent a counter-weight to statutory and common law exemptions from relief for intentional competitive injury.⁶

II. COMPETITION AND A "RIGHT" TO COPY

Although the first known English trademark case was decided in 1618,⁷ grants from the crown similar to patents existed earlier.⁸

935, 942 (1962) ("[T]he decisions are often shrouded in unhelpful conclusions phrased in the legal mysticism of 'secondary meaning' on the one hand or of 'property rights' on the other."). Among the rare exceptions where the courts have examined the broader issues are: *Societe Comptoir de L'Industrie Contonniere v. Alexander's Dept. Stores, Inc.*, 299 F.2d 33 (2d Cir. 1962); *American Safety Table Co. v. Schreiber*, 269 F.2d 255 (2d Cir.), *cert. denied*, 361 U.S. 915 (1959); *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 40 (2d Cir. 1945) (Frank, J., concurring); *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F.2d 955 (2d Cir.), *cert. denied*, 320 U.S. 758 (1943).

5. End developments include but are not limited to functionality, secondary meaning, passing off, and such statutory design protections as design patent, copyright and trademark laws.
6. Cf. *Associated Press v. United States*, 326 U.S. 1, 57 (1945) (Murphy, J., dissenting: "[Before enjoining AP for antitrust violations] [t]here should be clear proof here not only of a competitive advantage but also of some unfair use of any competitive advantage that the Associated Press may possess . . ."); E. KITCH & H. PERLMAN, *LEGAL REGULATION OF THE COMPETITIVE PROCESS* 30 n.7 (1972) (federal anti-trust laws may become "public policy" of a state on which plaintiff may bring action for unfair competition); Handler, *Product Simulation: A Right or a Wrong?*, 64 COLUM. L. REV. 1178, 1187 (1964) (to elevate the ethical standards of business, it cannot be forgotten that "unfair competition is the other side of the anti-trust coin"—fraud must be eliminated without preventing competition; competition preserved without immunizing fraud). See also Ladas, *Trademark Licensing and the Antitrust Law*, 63 TRADEMARK REP. 245 (1973).
7. *Southern v. How*, is of an uncertain date, however, probably decided in the early 1600's. See Paster, *Trademarks—Their Early History*, 59 TRADEMARK REP. 551, 571 n.57 (1969) for discussion of the case and the problems caused by conflicting reports.
8. See note 11 *infra*.

Eventually, the law of unfair competition, a separate branch of product simulation law, evolved.⁹

The right to copy a competitor's goods was recognized in early England,¹⁰ but inventors jealously guarded their creations, causing a loss to society of the knowledge and potential usefulness gained from the discovery.¹¹ Either to remedy this problem or to exact personal or monetary tribute, the English crown began granting "letters patent," which gave a monopoly to favored tradesmen.¹² Early grants encouraged the establishment of native producers by placing a prohibition on imports.¹³ In the last half of the sixteenth century, the crown began to grant "industrial monopoly licenses" which, although also intended to establish new, strong national industries, resulted in abuse. In the early 1600s, Parliament sought to curb the abuses;¹⁴ the legislative activity culminated in the passage of the Statute of Monopolies.¹⁵ Recognizing the abuses of monopoly grants, the statute abolished monopolies, with certain exceptions.¹⁶ However, the statute allowed the crown to grant letters patent for fourteen years or less to inventors of new processes.¹⁷ This statute has been regarded as the forerunner of our present patent system.¹⁸

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9. See generally Chafee, *Unfair Competition*, 53 HARV. L. REV. 1289 (1940).
 10. See Arnold, *A Philosophy on the Protection Afforded by Patent, Trademark, Copyright and Unfair Competition Law: The Sources and Nature of Product Simulation Law*, 54 TRADEMARK REP. 413 (1964). See also Handler, *Unfair Competition*, 21 IOWA L. REV. 175, 175-77 (1936).
 11. See Arnold, *supra* note 10. Perhaps the earliest patent law seeking to remedy this problem was enacted by the city-state of Venice in 1474. A ten year grant to the inventor to restrict production by others was allowed so that "[inventors] would exert their minds, invent and make things which would be of no small utility to [Venice]." *Id.* at 415.
 12. *Id.* at 416; see 4 W. HOLDSWORTH, *A HISTORY OF ENGLISH LAW* 344-54 (1924).
 13. 4 W. HOLDSWORTH, *supra* note 12, at 344.
 14. *Id.* at 347-48. This dissatisfaction was reflected in *The Case of Monopolies*, 77 Eng. Rep. 1260 (K.B. 1602). Queen Elizabeth had granted the plaintiff the sole right to import playing cards. The defendant sold cards in violation of this grant. The court unanimously found the grant void because, among other reasons, "it is a monopoly, and against the common law." *Id.* at 1262. See also Miller, *The Case of the Monopolies—Some of Its Results and Suggestions*, 6 MICH. L. REV. 1 (1907).
 15. 1623, 21 Jac. 1, c. 3 (abr.), reprinted in M. HANDLER, *TRADE REGULATION* 848 (4th ed. 1967).
 16. See 4 W. HOLDSWORTH, *supra* note 12, at 353.
 17. *Id.* at 354.
 18. *Id.* at 354-55.

Since the English common law right to copy a competitor's product preceded patent grants, absent such a grant and its monopoly privileges, it follows a fortiori that a right to copy remains.¹⁹ Free competition is, after all, the underlying premise of Anglo-American societies.²⁰

Similar development occurred in early American cases, which generally allowed copying of unpatented articles.²¹ In *Fairbanks v. Jacobus*,²² the defendant made molds of a Fairbanks' scale to cast his own scale after Fairbanks' patent expired.²³ Although the defendant's mold had even picked up the words "Fairbanks' Patent" and other writing on the original scale,²⁴ the court denied an injunction against copying the scale since the patents had expired; it further found "Fairbanks' Patent" was not a trademark.²⁵

In a similar case, *Wilcox & Gibbs Sewing-Machine Co. v. The Gibbons Frame*,²⁶ plaintiff's patent on its G-shaped sewing machine frame expired. The defendant copied the frame which the plaintiff had registered as a trademark.²⁷ Plaintiff sought an injunction. The court, however, denied relief, stating:

19. Cf. Note, *Competition and the Law*, 15 HARV. L. REV. 427, 429 (1902) ("[T]he law today [is]: competition is no tort—unless there be invasion of a franchise.")

20. See 8 U.S.F.L. REV. 199 (1973).

21. Note, *Uniform Deceptive Trade Practices Act: Effect of Sears and Compco*, 50 IOWA L. REV. 836, 839 (1965).

22. 8 F. Cas. 951 (C.C.S.D.N.Y. 1877) (No. 4,608).

23. *Id.* at 952.

24. *Id.*

25. *Id.* The court noted:

Their patents, while they existed, (and those concerned terminated in or about 1845,) protected them in the essential structure of their invention, but exterior form, painted color, and such non-essentials, were not, and could not be, the subject of the patents, and did not, and could not, secure these to the plaintiffs. Much less could these be secured as a trade-mark, for, a trade-mark is always something indicative of origin or ownership, by adoption and repute, and is something different from the article itself which the mark designates. An invention of structure a patent for the invention secures; a design is secured by a patent for that. Apart from these, any one may make anything in any form, and may copy with exactness that which another has produced, without inflicting any legal injury, unless he attributes to that which he has made a false origin, by claiming it to be the manufacture of another person. Any other doctrine is impossible to be maintained; for, otherwise, all the colors, all the unessential forms, could be monopolized as trade-marks, and exclusive rights would be created, not limited in time, as patents are, founded upon no public utility, and subject to no control but the will of the adopter.

Id.

26. 17 F. 623 (C.C.S.D.N.Y. 1883).

27. *Id.* at 624.

All the effect which these frames have in representing machines to be those of the [plaintiff], appears to be due to the monopoly enjoyed under the patents; and to give the [plaintiff] the benefit of the effect by calling the frame a trade-mark, would continue the monopoly indefinitely, when under the law it should cease.²⁸

Other courts, however, granted relief for product simulation to protect against consumer confusion or deception.²⁹ The high point of this trend occurred in 1918 with *International News Service v. Associated Press*,³⁰ when the Supreme Court prohibited International News Service from copying Associated Press' news bulletins. Actually, the morality of the practice, and not consumer deception, was the apparent basis of the holding.³¹

By the early 1900s, American case law generally allowed free copying, but no copying if consumers would be confused as to source and no copying if the practice appeared unethical to the court.

Injection of the consumer deception issue actually only served to cloud the consideration of the real interests involved in product simulation; the interest of the consumer in unfettered competition in goods, and that of the producer in gaining a monopoly for his product.³² As between these interests of consumer and producer,

28. *Id.* at 625. The plaintiff argued that the public identified the G-shape with its company. This appears to be a forerunner of what today is referred to as "secondary meaning." See section VI G *infra*.

29. Note, *supra* note 21, at 837. See, e.g., *Rushmore v. Manhattan Screw & Stamping Works*, 163 F. 939 (2d Cir. 1908). It may be that the *Rushmore* court decided, without so stating, that the *Rushmore* design had in fact acquired secondary meaning, while the *Wilcox* court did not believe the plaintiff's claims of consumer source identification of the company, with the the G-shape frame.

30. 248 U.S. 215 (1918).

31. Callmann, *He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition*, 55 HARV. L. REV. 595, 596 (1942) ("[*International News Service*] apparently foreshadowed rapid development by the courts of a new body of equitable principles which would belatedly require business practice to measure up to minimum standards of public morality.")

32. One study noted:

An important factor in determining the boundaries of the market is the knowledge of buyers as to the alternatives open to them. If other conditions are equal, it would seem for this reason to follow that the more homogeneous the product of rival sellers, the more easily buyers could switch from the output of one competitor to that of others; and therefore the wider the market and the greater the degree of competition in it.

Report of the Attorney General's National Committee to Study the Antitrust Laws, Economic Indicia of Competition and Monopoly 317-39 (1955), reprinted in part in M. HANDLER, *supra* note 15, at 67. Con-

the founding theorist of the free market concept noted: "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer."³³ Likewise Judge Frank, in a review of the laissez-faire theory and resulting jurisprudence, noted: "[W]here the economic interest of consumers conflicted with the economic interest of the competitor, only the consumer interest was judicially considered."³⁴

This free competition economic concept has been viewed as a legal concept and embodied in the *Restatement of Torts*,³⁵ along with recognition that free competition to benefit the public as a whole results in harm to individual producers.³⁶

Other authors, however, have favored protecting the individual producer³⁷ or have advocated basing decisions on morality or other subjective standards.³⁸ Still others have ignored the common law favoring competition and sought a different standard based on statutes.³⁹

tra, Pattishall, *Trade-Marks and the Monopoly Phobia*, 50 MICH. L. REV. 967 (1952) (competition requires differentiation).

33. 2 A. SMITH, *AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS* 660 (Glasgow ed. 1976).

34. *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 40 (2d Cir. 1945) (Frank, J., concurring).

35. *RESTATEMENT OF TORTS* § 708, Comment c (1938).

36. *Id.* Comment d. Cf. Note, *supra* note 19, at 445:

How, then, can competition be a justification, even when it is fair? There can be but one ground for that justification—public policy. That competition in the general case and by the usual methods should be free is the economic ideal of our time. Free competition is held worth more to society than it costs.

37. Cf. Callmann, *supra* note 31, at 599: ("To justify any regulation of competition, it need not be shown that it is positively advantageous to the public, but only that the public is not harmed thereby.")

38. Derenberg, *The Eighteenth Year of Administration of the Lanham Trademark Act of 1946*, 55 TRADEMARK REP. 609, 688 (1965). Rogers, *Unfair Competition*, 17 MICH. L. REV. 490, 494 (1919): "The Supreme Court, in [*International News Service*], keeps pace with the modern conditions and protects the honest trader from unfair interference with his business. . . . The defendant's conduct was parasitic and immoral. Immoral conduct is usually unfair to some one." Similarly, a more contemporary author called for "a revival rather than the complete extinction of principles of 'old fashioned commercial honesty' and fair dealing." But see *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 570-71 (2d Cir. 1959), *cert. denied*, 362 U.S. 919 (1960) ("Distaste for sharp or unethical business practices has often caused the courts to lose sight of the fundamental consideration in the law of unfair competition—protection of the public.").

39. *Compare* *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256

It is said that the common law policy of free competition does in fact promote efficiency and the general welfare.⁴⁰ As adopted by the *Restatement of Torts*, this policy recognized a privilege to compete, tempered only by qualifications which balance the public benefits from free competition with the private producer's desire for protection of his inventions.⁴¹ Whenever a court injects questions of morality or business ethics into its decision, these qualifications and the balancing they require are ignored. Then, too, is ignored the real issue:

Whenever copying is prohibited, the scope of competition in the production and marketing of the copied product is likewise reduced, thereby compromising to some degree the basic free enterprise premise "that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress."⁴²

III. THE MERITS OF CERTAINTY

As in other areas, the law of product simulation is composed both of rules evoking certainty and decisions evoking uncertainty; the result is problem resolution on a case by case basis.⁴³ Courts rely on the past, yet are able through reasoned elaboration by example to keep the law sufficiently flexible to allow change.⁴⁴ The objective of this reasoning process is not to relate the present to the past but instead to give authoritative direction to the private

(1945), and *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938), with Arnold, *supra* note 10, at 428 ("[T]he idea of the patent law or the copyright law having something to do with an affirmative right to copy, is erroneously fabricated out of whole cloth by the Courts."). Another author indicated since the right to copy was a common law concept, it was "an undelegated right remaining in the states." Chapman, *The Supreme Court and Federal Law of Unfair Competition*, 54 TRADEMARK REP. 573, 579 (1964). Still another author would limit the right to copy a competitor's goods to instances where commercial necessity made copying necessary. Galbally, *Unfair Trade in the Simulation of Rival Goods—The Test of Commercial Necessity*, 3 VILL. L. REV. 333 (1958).

40. See R. POSNER, *ECONOMIC ANALYSIS OF LAW* §§ 5.1-2 (1972).

41. RESTATEMENT OF TORTS, Explanatory Notes § 711-756 at 538 (1938). The qualifications appear to be based on the idea that "an ungentlemanly practice will be condemned so long as its condemnation will not injure the consuming public more than the ungentlemanly practice itself." *Millinery Creators' Guild v. FTC*, 109 F.2d 175, 177 (2d Cir. 1940), *aff'd*, 312 U.S. 469 (1941).

42. Stern & Hoffman, *supra* note 4, at 970 (quoting from *Northern Pac. Ry. v. United States*, 356 U.S. 1, 4 (1958)).

43. Levi, *An Introduction to Legal Reasoning*, 15 U. CHL. L. REV. 501, 503 (1948).

44. *Id.*

ordering of future conduct.⁴⁵ This objective necessitates speaking in generalities so as to avoid unwise or unnecessary restriction on future conduct.⁴⁶

A balance must be struck between rigidity which stymies the growth of the law and ambiguities which result in case by case decision-making with no guidance for future actions. A reasonable adherence to prior decisions facilitates a private ordering by which both the bar and individuals hope to minimize litigation.⁴⁷

Unfortunately, differences of opinion on the right to copy are reflected in the court decisions.⁴⁸ While consistent analysis of the competing interests of consumer and producer would aid in deciding the individual case and provide guidance, such consistency is not easy.

The short answer to the problem is to take refuge in a case-by-case analysis, by means of which the solution appropriate to each peculiar set of facts is developed. This approach leaves unstated, however, the standards for making the comparison—and therefore, as some may view it, leaves too much room for individual caprice and too much uncertainty for the businessmen affected.⁴⁹

45. H. HART & A. SACKS, *THE LEGAL PROCESS: BASIC PROBLEMS IN THE MAKING AND APPLICATION OF LAW* 128 (tent. ed. 1958). See also Hart, *The Relations Between State and Federal Law*, 54 COLUM. L. REV. 489, 490 (1954).

46. H. HART & A. SACKS, *supra* note 45, at 129.

47. *Id.* at 587-88; Stern & Hoffman, *supra* note 4, at 960 ("Refusal to face the problems of balancing the competing policies and values at stake . . . amounts to abdication of the judicial function.").

48. Pollack, *Unfair Trading by Product Simulation: Rule or Rankle?*, 23 OHIO ST. L.J. 74, 74 (1962) ("Since these opinions of the judiciary [on unfair competition] have reflected, in turn, philosophies of business management and protection of public interest, they have been, at times, both contradictory and confusing.").

49. Stern & Hoffman, *supra* note 4, at 959 (footnotes omitted). Adverse business effects result from application of the misappropriation doctrine.

To the extent that law should serve a predictive function, a law of unfair competition based on case-by-case determination of whether there has been misappropriation fails abysmally in its task. The effect of this juridical risk on the small businessman who cannot afford to make blind guesses which may cause the destruction of his business is manifest; the result of the misappropriation doctrine may well be the discouragement of even such copying as might ultimately be held legitimate under the most ambitious misappropriation theory. Moreover, the "convenient vagueness" of the misappropriation doctrine is objectionable on more general grounds. Basically, what defenders of the vagueness theory of unfair competition law contemplate is a *carte blanche* to the courts to write their own code of business morality.

Id. at 969 (footnotes omitted). See also *Aro Mfg. Co. v. Convertible*

While some uncertainty will always be present where the law is dynamic, opinions arrived at by a reasoning process which considers the underlying policies favoring competitor and provides future direction would improve the present state of the law. Uncertainty itself stifles competition.

IV. SEARS AND COMPCO

As indicated above, limitations to the common law right to copy developed over the years, taking the forms of patent and copyright law, which established a property right in derogation of the common law,⁵⁰ and trademark law, a protection against "passing off."⁵¹

Subject to these limitations, the Supreme Court had long recognized the right to imitate or copy,⁵² with the notable exception of *International News Service v. Associated Press*⁵³ in which the Court adopted the misappropriation doctrine.⁵⁴ However, many courts re-

Top Co., 365 U.S. 336, 358 (1960) (in a concurring opinion, Justice Black attacked ambiguous court opinions which "would subject small businessmen to the devastating uncertainties of nebulous and permissible standards of infringement under which courts could impose treble damages upon them."). Accord, Kessler & Stern, *Competition, Contract, and Vertical Integration*, 69 YALE L.J. 1, 66-67 n.295 (1959) ("[C]ase-by-case analysis [in antitrust cases], pushed far enough, is no analysis at all."). Contra, Kunin, *The Lindsay Bill Before and After the Stiffel Case*, 54 TRADEMARK REP. 731, 749 (1964) ("[T]he distinction between 'functional' and 'nonfunctional' features . . . is best made via a case by case . . . approach rather than by means of a doctrinaire definition."); Sell, *The Doctrine of Misappropriation in Unfair Competition: The Associated Press Doctrine After Forty Years*, 11 VAND. L. REV. 483, 497 (1958) ("It may be seriously questioned whether there need be such clarity or definiteness in the unfair competition cases.").

50. Note, *Trademark Protection of Objects and Configurations: A Critical Analysis*, 59 MINN. L. REV. 541, 554 (1975).

51. 46 N.Y.U.L. REV. 164, 169 (1971).

52. See *Coats v. Merrick Thread Co.*, 149 U.S. 562 (1893); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942).

53. 248 U.S. 215 (1918).

54. See text accompanying note 314 *infra* for definition of the misappropriation doctrine. Although the misappropriation doctrine was foreshadowed by *Fonotipia Ltd. v. Bradley*, 171 F. 951 (C.C.E.D.N.Y. 1909), overruled in part in *G. Ricordi & Co. v. Haendler*, 194 F.2d 914 (2d Cir. 1952), *International News Service* is generally regarded as the source of the doctrine. See 2 H. NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS*, 924-25 (4th ed. 1947). However, use of the misappropriation doctrine to grant Associated Press relief may have been inappropriate. AP's bylaws not only prohibited AP members from selling dispatches to non-members, but also gave the members veto power over newspapers applying for membership, especially if

fused to apply the *International News Service* doctrine, fearing its application would restrict competition and lead to monopolistic

the applicant had already competed with a member. As a result, entry into the association was severely restricted. These restrictions were struck down as violating both the antitrust laws and the broad public interest in *United States v. Associated Press*, 52 F. Supp. 362 (S.D.N.Y. 1943), *aff'd*, 326 U.S. 1 (1945). The lower court opinion was rendered by a court composed of Circuit Judges Learned Hand, Swan, and Augustus Hand, sitting as a three judge district court pursuant to 15 U.S.C. § 28. The court, in an opinion by Judge Learned Hand, granted the government's motion for summary judgment and enjoined further enforcement of the AP bylaws that restricted membership and the sale of dispatches by members to non-members. Judge Swan dissented on the grounds that news gathering was not regarded at common law as affected with a public interest and therefore was not susceptible to antitrust regulation. Judge Swan further stated that the antitrust laws did not justify imposing on AP a duty to serve without discrimination all newspaper applicants, nor a finding that AP had a monopoly in newsgathering.

On appeal, the Supreme Court in an opinion by Justice Black affirmed the lower court. The opinion reviewed the bylaws as well as *Inter-Ocean Publishing Co. v. Associated Press*, 184 Ill. 438, 56 N.E. 822 (1900), which held that AP's operations constituted a restraint on trade.

In a concurring opinion, Justice Douglas sought to limit the decision "in view of the broader issues which have been injected." 326 U.S. at 23. Justice Douglas noted that, consistent with *Standard Oil Co. v. United States*, 221 U.S. 1 (1911), only unreasonable restraints of trade violated the Sherman Act. In his view the exclusive arrangements employed by AP through its bylaws were part of a mechanism which effectively restrained trade in violation of the Act. Justice Douglas indicated, however, that since the district court had found no monopoly, the public utility theory was not applicable. Concurring, Justice Frankfurter emphasized the public interest discussed by Judge Learned Hand in the lower court opinion, and impliedly adopted the public utility theory. Justice Roberts, in a lengthy dissent joined by Chief Justice Stone, found no violation of the Sherman Act, found sufficient competition with AP to insure dissemination of news, and finally attacked the majority as making "AP a public utility subject to the duty to serve all on equal terms," under the guise of the Sherman Act. 326 U.S. at 45-46 (Roberts, J., dissenting). Justice Murphy also dissented, on the ground that the case was inappropriate for summary judgment.

The above litigation could have been avoided if the Court in *International News Service* had concentrated not on International News Services' practices but rather on the reason INS was forced to resort to those practices. Although the high cost of establishing a competing world-wide newsgathering organization may have caused International News Service to pirate AP's dispatches, there is evidence that INS was banned from distributing news from certain foreign countries because it refused to adhere to the official line. See E. KIRCH & H. PERLMAN, *supra* note 6, at 24 n.1. A suggested solution would have

practices.⁵⁵ Judge Wyzanski later speculated that the Supreme Court would overrule *International News Service* if again presented with the question.⁵⁶

The Supreme Court later shifted its position to favor competition and the right to copy unpatented products in *Kellogg Co. v. National Biscuit Co.*⁵⁷ However, after *Kellogg*, a trend developed restricting product imitation based upon either the misappropriation doctrine or judicial concepts of commercial morality.⁵⁸ And, in 1962 and 1963, two seventh circuit decisions⁵⁹ disregarded consumers' interest in free competition and granted relief based solely on producers' interests.⁶⁰ Purportedly based on state law, the decisions actually represented a departure from state law.⁶¹ Some regarded the decisions as trespassing on the congressional balance, struck in the patent acts, between competition and the producer's interests.⁶² The stage set, the Supreme Court reversed the court of appeals in *Sears, Roebuck & Co. v. Stiffel Co.*⁶³ and *Compco Corp. v. Day-Brite Lighting, Inc.*⁶⁴

Stiffel Company had first marketed its pole lamp in 1956. Both a patent and design patent were issued on it in 1957.⁶⁵ Sears advertised a similar lamp in its 1957 catalogue⁶⁶ with Sears' retail price roughly the same as Stiffel's wholesale price.⁶⁷ Stiffel

been for the Court to require AP to license INS at reasonable royalty rates. See, e.g., *United States v. National Lead Co.*, 332 U.S. 319 (1947); M. HANDLER, *supra* note 15, at 944. Needless litigation could have been avoided. If *International News Service* had objected to payment of the royalty, it still could have gone abroad and developed its own organization.

55. See Sell, *supra* note 49, at 494. See also Chafee, *supra* note 9, at 1311-15.

56. *Triangle Publications, Inc. v. New England Newspaper Publishing Co.*, 46 F. Supp. 198, 204 (D. Mass. 1942).

57. 305 U.S. 111 (1938).

58. See Stern & Hoffman, *supra* note 4, at 941, 969; Note, *supra* note 50, at 553; Comment, *Product Appearance in the Law of Unfair Competition—Preemption or Protection?*, 73 YALE L.J. 389, 394 (1963).

59. *Day-Brite Lighting, Inc. v. Compco Corp.*, 311 F.2d 26 (7th Cir. 1962), *rev'd*, 376 U.S. 234 (1964); *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d 115 (7th Cir. 1963), *rev'd*, 376 U.S. 225 (1964).

60. See Note, *supra* note 21, at 847.

61. Marks, *Copying an Article of Commerce not Necessarily Unfair Competition*, 55 TRADEMARK REP. 47, 48 (1965).

62. See generally Comment, *supra* note 58.

63. 376 U.S. 225 (1964).

64. 376 U.S. 234 (1964).

65. *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d at 116.

66. *Id.*

67. *Id.* at 118.

brought an action against Sears in federal court for patent infringement and unfair competition. Although the court held both of Stiffel's patents invalid, it found Sears guilty of unfair competition.⁶⁸ The evidence, as reviewed by the court of appeals in sustaining the unfair competition charge, indicated: (1) Stiffel's lamp was a huge success; (2) Sears sought to capitalize on this success; (3) Sears' lamp was "a substantially exact copy," and (4) Sears' lamp was not labeled (although the package the lamp came in was labeled).⁶⁹ The court also looked unfavorably at the price difference and found "a likelihood of confusion and some actual confusion," which the appellate court construed as meaning confusion "as to the source of the lamps."⁷⁰ The appellate court said that Stiffel, to succeed, was not required by Illinois law to show either palming off or secondary meaning.⁷¹ The issue before the Supreme Court, as stated in Justice Black's opinion, was whether a state's unfair competition law could, consistent with federal patent laws, prohibit or impose liability for the copying of an article which was protected by neither a federal patent nor a copyright.⁷² The answer, according to the Court, was no, based on the fear that the state law would grant a monopoly greater than that allowed by the federal patent or copyright laws.⁷³

Day-Brite Lighting, Inc. v. Compco Corp. involved a similar set of facts.⁷⁴ Day-Brite manufactured fluorescent lighting fixtures and in 1955 obtained a design patent on the reflector used in the fixture.⁷⁵ In 1955, Compco's predecessors manufactured fixtures with reflectors almost identical to the Day-Bright design.⁷⁶ Day-Brite sued for patent infringement and for unfair competition.⁷⁷

68. *Id.* at 118. Certiorari was granted only on the unfair competition issue. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. at 227. No review of the patent ruling was sought. *Id.* at 227 n.1.

69. *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d at 118.

70. *Id.* at 118.

71. *Id.*

72. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. at 225.

73. *Id.* at 233. Judge Learned Hand's opinion in *G. Ricoridi & Co. v. Haendler*, 194 F.2d 914, 916 (2d Cir. 1952), was used as support for the proposition. Judge Hand reaffirmed in *Haendler* the Second Circuit's limitation of *International News Service* to its facts and overruled conflicting parts of *Fonotipia Ltd. v. Bradley*, 171 F. 951 (C.C.E.D.N.Y. 1909), which was a forerunner to *International News Service's* application of the misappropriation doctrine. See note 54 *supra*.

74. 311 F.2d 26 (7th Cir. 1962), *rev'd*, 376 U.S. 234 (1964). *Compco* was decided by the Seventh Circuit prior to *Sears*. It was cited by the *Sears* court for certain conclusions in its opinion.

75. 311 F.2d at 28.

76. *Id.*

77. *Id.*

In the district court, the design patent was held invalid, since the reflector design was found to be "functional."⁷⁸ Compco, however, was found liable for unfair competition.⁷⁹

Functionality of design was not addressed by the court of appeals in deciding the unfair competition issue, and the court noted:

While the District Judge did not specifically find "secondary meaning" identifying the reflectors with the plaintiff as a source, he did find that the appearance [of the reflector] has the capacity to identify the plaintiff in the trade and does, in fact, so identify the plaintiff to the trade.⁸⁰

In defense, Compco argued confusion was impossible due to the expense of the product, the use of marked containers and the skill and experience of the discerning purchasers.⁸¹ In addition, Compco argued, absent a finding of secondary meaning or palming off, unfair competition could not lie.⁸²

Although Justice Black implied that the Court could have reversed on clear error in the lower courts' findings,⁸³ the Court based its decision on federal preemption of a state law prohibiting the free copying of unpatented or uncopyrighted articles.⁸⁴

Both *Sears* and *Compco* were cast in broad and unclear language of federal preemption.⁸⁵ The broad terms may have been a deliberate blow to a trend of state and federal courts' adoption of the misappropriation doctrine and preference for private producers' rights over those of the general public.⁸⁶

Because of the lack of clarity, *Sears* and *Compco* were viewed variously: *International News Service* was overruled by implication;⁸⁷ the misappropriation doctrine no longer applied to product

78. *Id.* That issue was not before the United States Supreme Court. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. at 236 n.2.

79. 311 F.2d at 29.

80. *Id.* at 29. Justice Black did not make any distinction as to confusion in the trade. 376 U.S. at 235. However, one author finds this type of confusion legally insignificant. Treece, *Patent Policy and Preemption: The Stiffel and Compco Cases*, 32 U. CHI. L. REV. 80, 80 n.6 (1964).

81. 311 F.2d at 29.

82. *Id.*

83. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. at 237.

84. *Id.*

85. Cf. 8 U.S.F.L. REV. *supra* note 20, at 203 (language indicating federal statutory preemption is dictum).

86. See Treece, *supra* note 80, at 90; *The Supreme Court*, 1963 Term, 78 HARV. L. REV. 143, 311 (1964); Note, *supra* note 21, at 852.

87. *Columbia Broadcasting System, Inc. v. DeCosta*, 377 F.2d 315 (1st Cir. 1967), *cert. denied*, 389 U.S. 1007 (1967).

simulation law;⁸⁸ *Sears and Compco* did not prevent state application of the misappropriation doctrine;⁸⁹ *Sears and Compco* required a return to traditional principles of unfair competition law;⁹⁰ state trade secret law was preempted by federal law;⁹¹ statutory action on the state level was necessary to protect against certain acts of unfair competition;⁹² and "revolutionary" changes in unfair competition law and possibly in antitrust law were perhaps in the making.⁹³

The decisions especially created problems for trademark law. Although the issue of obtaining a trademark in a product configuration was not confronted in *Compco*, Justice Black's broad dicta indicated labeling could be the primary remedy to prevent consumer confusion or deception.

As we have said in *Sears*, while the federal patent laws prevent a State from prohibiting copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify their products as their own. A State of course has power to impose liability upon those who, knowing that the public is relying upon an original manufacturer's reputation for quality and integrity, deceive the public by palming off their copies as the original. 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, neither these

88. Note, *supra* note 21, at 854 n.116.

89. *Flexitized, Inc. v. National Flexitized Corp.*, 335 F.2d 774, 781 n.4 (2d Cir. 1964); *New York World's Fair 1964-1965 Corp. v. Colourpicture Publishers, Inc.*, 141 U.S.P.Q. (BNA) 939, 942 (N.Y. Sup. Ct. 1964), *aff'd mem.*, 21 App. Div. 2d 896, 251 N.Y.S.2d 885 (1964).

90. *Treece*, *supra* note 80, at 96.

91. *Kewanee Oil Co. v. Bicron Corp.*, 478 F.2d 1074 (6th Cir. 1973), *rev'd*, 416 U.S. 470 (1974). See Adelman, *Trade Secrets and Federal Preemption—The Aftermath of Sears and Compco*, 49 J. PAT. OFF. Soc'y 713 (1967); Doerfer, *The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy*, 80 HARV. L. REV. 1432 (1967); Comment, *Factors to Focus On: Federal Patent Preemption of State Trade Secret Law*, 53 NEB. L. REV. 226 (1974); Comment, *The Stiffel Doctrine and the Law of Trade Secrets*, 62 NW. U.L. REV. 956 (1968); Note, *Trade Secrets Law after Sears and Compco*, 53 VA. L. REV. 356 (1967).

92. Lunsford, *Trademarks: Dilution and Deception*, 63 TRADEMARK REP. 41 (1973); Lunsford, *Trademarks and Unfair Competition: Need for Uniform State Laws*, 58 TRADEMARK REP. 77 (1968).

93. Handler, *supra* note 6, at 1184, 1190.

facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling, regardless of the copier's motives.⁹⁴

While both *Sears* and *Compco* dealt with the copying of configurations unprotected by design patents, the opinions were not limited to this area.

V. AFTER SEARS AND COMPCO

The Supreme Court first commented on *Sears* and *Compco* in *Lear, Inc. v. Adkins*.⁹⁵ Lear employed Adkins to solve certain aviation gyroscope problems.⁹⁶ Pursuant to an employment licensing agreement, Lear was to pay Adkins royalties on his discoveries in return for his disclosure of those discoveries to Lear.⁹⁷ A clause in the agreement provided that if no patent were issued on a discovery, Lear could terminate the agreement.⁹⁸ Adkins filed for a patent in 1954, however, it was not granted until 1960.⁹⁹ In the interim, Lear decided that Adkins' invention was not patentable and paid no further royalties.¹⁰⁰ After the patent issued, Adkins sued Lear in the California Superior Court for breach of contract.¹⁰¹ Lear attempted to argue patent invalidity, but the California Supreme Court held Lear, as a licensee, was estopped to challenge the validity of Adkins' patent.¹⁰²

The United States Supreme Court granted certiorari to consider whether licensee estoppel, last discussed in *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*,¹⁰³ was still valid "in light of our recent decisions [in *Sears* and *Compco*] emphasizing the strong federal policy favoring free competition in ideas which do not merit patent protection."¹⁰⁴ The Court overruled *Hazeltine*.¹⁰⁵ While construction of a licensing agreement is

94. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. at 238.

95. 395 U.S. 653 (1969). Two intervening cases, *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), and *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968), while not citing *Sears* or *Compco*, have likewise been regarded as expressing opposition to the misappropriation doctrine. See Note, *The Future of Record Piracy*, 38 BROOKLYN L. REV. 406, 414 n.51 (1971).

96. 395 U.S. at 655.

97. *Id.* at 657.

98. *Id.*

99. *Id.* at 658.

100. *Id.* at 659.

101. *Id.* at 660.

102. *Id.* at 661.

103. 339 U.S. 827 (1950).

104. 395 U.S. at 656.

105. *Id.* at 671.

solely a matter of state law,¹⁰⁶ the Court said, state enforcement of the agreement would undermine the federal policy if the patent was invalid.¹⁰⁷ The *Lear* Court remanded the case for consideration of the patent's validity.¹⁰⁸

Since the California Supreme Court had not found a trade secret issue, the Supreme Court declined to decide whether federal law preempted state trade secret protection.¹⁰⁹ The *Lear* opinion did suggest the issue and noted it was "impossible to predict the extent to which this re-evaluation [of trade secret law] may revolutionize the law."¹¹⁰ However, in a separate opinion, Justice Black dissented on the trade secret issue.¹¹¹ He argued *Sears* and *Compco* conclusively decided federal law does preempt state trade secret law.¹¹²

The next relevant application of *Sears* was in *Deepworth Parking Co. v. Laitram Corp.*¹¹³ *Deepworth* held, in a five to four opinion, the unauthorized making of parts of an invention, protected by a combination patent, within the United States for sale to foreign buyers for assembly abroad did not violate the patent act and did not constitute patent infringement. *Sears* was cited for strict construction of patents under a federal policy against monopolies and for competition.¹¹⁴

Thus, by 1972, no Supreme Court case had clearly defined the parameters of *Sears* and *Compco*. Lower federal and state court decisions generally took less than the broad view suggested by Justice Black in his partial dissent to *Lear*.¹¹⁵

Some clarification of *Sears* and *Compco* occurred in *Goldstein v. California*.¹¹⁶ California, in response to the lack of federal sanc-

106. *Id.* at 661.

107. *Id.* at 674.

108. *Id.* at 674-75.

109. *Id.* at 675.

110. *Id.*

111. *Id.* at 676 (Black, J., joined by Warren, C.J., and Douglas, J., concurring in part and dissenting in part).

112. *Id.* at 676-77. See Wydicke, *Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee* (pt. I), 55 J. PAT. OFF. Soc'y 736, 745 (1973).

113. 406 U.S. 518 (1972).

114. *Id.* at 530-31.

115. Derenberg, *supra* note 38, at 680; Derenberg, *The Twenty-fourth Year of Administration of the Lanham Trademark Act of 1946*, 61 TRADE-MARK REP. 257, 322 (1971) ("[T]here is also increasing justification . . . to be optimistic with regard to limiting the effect of the *Sears* and *Compco* decisions to certain specific areas of unfair competition."). See also 8 U.S.F.L. REV. *supra* note 20, at 209.

116. 412 U.S. 546 (1973).

tions for tape and record piracy,¹¹⁷ had enacted section 653(h) of the California Penal Code, which made record piracy a criminal

117. Musical recordings have a long, tortured history under the copyright laws. The first copyright statute passed in 1790 covered only maps, charts and books; however, musical compositions and other items were added through various amendments to the act between 1790 and 1909. See *Goldstein v. California*, 412 U.S. 546, 562 n.17 (1972) (summary). Under the federal copyright law prior to 1909, musical compositions were incapable of copyright registration and protection unless transcribed upon paper in print or musical characters. *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908). Based on this law, *Apollo* held the reproduction of a composition onto player piano rolls was not copyright infringement since the holes in the player piano roll were neither print nor musical characters.

In 1909 Congress consolidated the federal copyright statutes and addressed the *Apollo* holding by enacting § 101, which provided that a recording infringed upon copyrighted sheet music and would therefore be subject to the compulsory license provisions of the Act. Act of March 4, 1909, Pub. L. No. 349, ch. 320, 35 Stat. 1075 (current version at 17 U.S.C. § 101(e) (1970)). See generally E. KITCH & H. PERLMAN, *supra* note 6, at 548. One court interpreted the 1909 act broadly, noting: "[T]he copyright law has been amended, and since the 1st day of July, 1909, any form of recording or transcribing a musical composition, or rendition of such composition, has been capable of registration, and the property rights therein secured under the copyright statute" *Fonotipia Ltd. v. Bradley*, 171 F. 951, 963 (C.C.E.D.N.Y. 1909). Unfortunately, the *Bradley* view was not followed, and claims of rights in mechanical recordings or the performance reproduced thereby were not recognized under the Act. See *Goldstein v. California*, 412 U.S. 546, 568 (1963); *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657, 661-62 (2d Cir. 1955); *Tape Indus. Ass'n of America v. Younger*, 316 F. Supp. 340 (C.D. Cal. 1970), *appeal dismissed*, 402 U.S. 902 (1971); 37 C.F.R. § 202.8(b) (1976).

In 1971 Congress amended the Copyright Act to include sound recordings; however, the amendment did not relate back prior to February 15, 1972, the effective date of the amendment. Act of Oct. 15, 1971, Pub. L. No. 92-140, § 2, 85 Stat. 392 (current version at 17 U.S.C. § 101(e) (Supp. V 1975)). Because of this, an interesting parallel exists between *Goldstein* and *Bradley*. In *Bradley*, the defendant purchased one of plaintiff's records on the open market, made copies, and sold the copies at half the price of the original. Since the act occurred prior to the effective date of the 1909 Copyright Act, the *Bradley* court could not grant relief under the Act even though it did believe the Act provided sanctions for that problem. *Goldstein* involved a similar operation and, since the acts occurred prior to the effective date of the 1971 amendments, no remedies under the amended Act were available.

The *Bradley* court noted: "[W]here the commercial value of the imitation lies in the fact that it takes advantage of and appropriates to itself the commercial qualities, reputation, and salable properties of the original, equity should grant relief." *Fonotipia Ltd. v. Bradley*, 171 F. at 964. Injunctive relief was granted. The significance of *Brad-*

ley lies in the granting of relief for unfair competition absent a showing of passing off. This foreshadowed the adoption of the misappropriation doctrine in *International News Serv. v. Associated Press*, 248 U.S. 215 (1918). See note 54 *supra*; 2 H. NIMS, *supra* note 54, at 924-25.

The *Goldstein* holding dealt only with the constitutionality of the California statute; however, the opinion also held that since *Sears and Compco* were based on federal preemption under the Supremacy Clause, the misappropriation doctrine adopted in *International News Service* was not overruled. See 8 U.S.F. L. Rev. 199, 211 (1973).

The source of this tortured history is Congress. Courts were in a difficult position because they had no statutory support to prevent what they regarded as an unlawful taking. In *Shapiro, Bernstein & Co. v. Miracle Record Co.*, 91 F. Supp. 473, 475 (N.D. Ill. 1950), a suit for copyright infringement of a musical composition, the court noted, "The Copyright Act grants a monopoly only under limited conditions. If plaintiff's argument is to succeed here, then a perpetual monopoly is granted without the necessity of compliance with the Copyright Act."

The problems caused by lack of uniform laws are illustrated by *Warner Bros. Records, Inc. v. R.A. Ridges Distrib. Co.*, 475 F.2d 262 (10th Cir. 1973), where the defendants, in acts predating the 1971 revision of the Copyright Act, pirated copies of plaintiff's tapes and records in Utah. Plaintiff filed suit in state court for equitable relief and obtained a preliminary injunction. Defendants removed the action to federal district court where the state court injunction was dissolved and a motion to remand to state court denied. The Tenth Circuit reversed the federal district court and ordered the case remanded to the state court because defendant's theory of exclusive federal jurisdiction based on *Sears-Compco* preemption was unfounded. A case with nearly identical facts was before the Tenth Circuit a year earlier in *Tape Head Co. v. RCA Corp.*, 452 F.2d 816 (10th Cir. 1971). Uniformity in either the copyright law or in court interpretations would not only have saved extensive litigation, but would also have provided both the infringers and the producers with certainty to guide their actions. Cf. Bass, *Interpretative Rights of Performing Artists*, 42 DRCK. L. REV. 57, 68 (1938) ("The chance of a uniform interpretation . . . might have been better . . . in the Federal court Legislation is a more likely panacea—but who will assume to educate forty-eight legislatures?"). Congress' failure from 1909 to 1971 to address the problem of record piracy and its failure in 1971 to provide a clear indication of what should happen to pre-1971 acts of record piracy have forced courts to manipulate concepts of publication and misappropriation to circumvent the inadequacies of the copyright act. See Treece, *supra* note 80, at 88; Note, *supra* note 95, at 426; Comment, *Performers' Rights and Copyright: The Protection of Sound Recordings from Modern Pirates*, 59 CALIF. L. REV. 548, 560 (1971); 46 N.Y.U. L. REV., *supra* note 51, at 176; 8 U.S.F.L. REV. 199, 211 (1973). See also H. HART & A. SACKS, *supra* note 45, at 541-46, 1394-1401 (discussion of "the myth of an all-competent and indefatigable Congress" and "the implication of the failure of Congress to act."). Congress has finally passed a major copyright revision bill. Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541.

offense.¹¹⁸ The defendants pleaded *nolo contendere* to ten of the 110 counts; the remainder were dismissed. After appeals in the state courts, all of which sustained the validity of the statute, the petitioners sought review in the United States Supreme Court.¹¹⁹ The statute was attacked as unconstitutional since it: (1) established a state copyright of unlimited duration, contrary to the copyright clause, (2) conflicted with federal policy expressed in statutes, in violation of the supremacy clause, and (3) was not within the common law copyright powers left to the states by the copyright act.¹²⁰

The Court analyzed these arguments and concluded the states, under the Constitution, were not totally devoid of power to grant rights in authors. Accordingly, the copyright clause's provision of limited duration was found to apply only to Congress, and not to the states.¹²¹ In regard to the supremacy clause, the Court determined Congress did not intend to remove recording from state control,¹²² and rejected the argument that Congress had so occupied the copyright field as to preempt any state action.¹²³ The Court distinguished *Sears and Compco*:

In [*Sears and Compco*], the question was whether a State could, under principles of a state unfair competition law, preclude the copying of mechanical configurations which did not possess the qualities required for the granting of a federal design patent or mechanical patent. . . .

In regard to mechanical configurations, Congress had balanced the need to encourage invention and originality of invention against the need to insure competition in the sale of identical or substantially identical products. The standards established for granting federal patent protection to machines thus indicated not only which articles in this particular category Congress wished to protect, but which configurations it wished to remain free. The application of state law in these cases to prevent the copying of articles which did not meet the requirements for federal protection disturbed the careful balance which Congress had drawn and thereby necessarily gave way under the Supremacy Clause of the Constitution. No comparable conflict between state law and federal law arises in the case of recording of musical performances.

. . . .

118. CAL. PENAL CODE § 653 (h) (West 1970).

119. *Goldstein v. California*, 412 U.S. 546.

120. *Id.* at 551. The *Sears-Compco* opinions were unclear as to whether preemption was based on the Constitution or federal statutes, thus the "shotgun" approach was necessary in *Goldstein*. See, e.g., E. KITCH & H. PERLMAN, *supra* note 6, at 535-36 n.4.

121. 412 U.S. at 560-61.

122. *Id.* at 566.

123. *Id.* at 567-69.

... [W]e have concluded that our decisions in *Sears* and *Compco*, which we reaffirm today, have no application in the present case¹²⁴

Goldstein thus appears to have limited *Sears* and *Compco* to mechanical configurations, but clarified the bases of the decisions as preemption under the supremacy clause. The dicta in *Sears* and *Compco* as to the copyright law was ignored in the *Goldstein* opinion. Justice Douglas, in a dissenting opinion joined by Justices Brennan and Blackmun, argued that the need for uniformity in both patent and copyright law was recognized in the Constitution and in *Sears* and *Compco*.¹²⁵ Justice Marshall, in a dissenting opinion also joined by Justices Brennan and Blackmun, said federal statutes themselves preempted state regulation.¹²⁶

The latest Supreme Court pronouncement on *Sears* and *Compco* was *Kewanee Oil Co. v. Bicron Corp.*¹²⁷ A division of Kewanee Oil Co. perfected, over a seventeen year period, a method for growing a synthetic crystal for use in detecting ionization radiation.¹²⁸ Some of the processes were considered trade secrets.¹²⁹ Employees left and formed or later joined Bicron Corporation which successfully grew a similar crystal in a nine month period.¹³⁰ A diversity action was brought in the United States District Court for the Northern District of Ohio for damages and injunctive relief for appropriation of trade secrets.¹³¹ The district court granted an injunction against disclosure or use of some of the trade secrets;¹³² however, the sixth circuit reversed the lower court, finding federal patent law preempted state trade secret law.¹³³ The circuit court's opinion was rendered a few weeks prior to *Goldstein*, and the Supreme Court's limitations there were not available to the court of appeals.

The *Kewanee* Court, again in an opinion by Chief Justice Burger, quickly disposed of copyright clause preemption.¹³⁴ The major issue

124. *Id.* at 569-71 (emphasis added).

125. *Id.* at 572-75 (Douglas, J., dissenting).

126. *Id.* at 576-79 (Marshall, J., dissenting).

127. 416 U.S. 470 (1974).

128. *Id.* at 473.

129. *Id.*

130. *Id.*

131. *Id.*

132. *Id.*

133. *Id.* at 474. For the lower court opinion, see *Bicron Corp. v. Kewanee Oil Co.*, 478 F.2d 1074 (6th Cir. 1973), *rev'd*, 416 U.S. 470 (1974). See also Wydick, *supra* note 112; Wydick, *Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee* (pt. II), 56 J. PAT. OFF. SOC'Y 4 (1974).

134. 416 U.S. at 478-79.

issue was seen as the effect of the supremacy clause, and the Court stated that "if the scheme of protection developed by Ohio respecting trade secrets 'clashes with the objectives of the federal patent laws,' *Sears, Roebuck & Co. v. Stiffel Co.* . . . , then the state law must fall."¹³⁵ The Court compared the purposes of trade secret law with those of patent law and no such clash was found. "Each has its own particular role to play, and the operation of one does not take away from the need for the other."¹³⁶ Justice Douglas dissented, joined by Justice Brennan, on the grounds of conflict with *Sears and Compco*.¹³⁷

Although in *Kewanee* no preemption was found, *Sears and Compco* were reaffirmed for the proposition that if state law conflicts with federal patent law, preemption occurs.¹³⁸ However, the Court's opinion may not be substantially adverse to free competition, due to the inherently limited scope of trade secret law.¹³⁹

Thus by 1975, *Sears and Compco* had failed to revolutionize patent, trade secret, trademark, copyright, or unfair competition law as "the courts continue[d] to limit or avoid extension of the *Sears and Compco* decisions into areas other than product simulation."¹⁴⁰

VI. PRODUCT SIMULATION LAW: PROTECTION OF PRODUCT CONFIGURATIONS

This comment is directed toward the narrow situation in which A copies the shape of B's product and markets the product to the public as his own.¹⁴¹ This is referred to broadly as "product simulation,"¹⁴² however, the act of simulating, copying, or imitating will not by itself be regarded as illegal. Illegality will follow only if the shape is protected under the copyright, patent, or trademark statutes, or if A so markets his product that an ordinary purchaser believes he is in fact getting B's product.¹⁴³ "Simulation"

135. *Id.* at 480.

136. *Id.* at 493.

137. *Id.* at 495-99 (Douglas, J., dissenting).

138. *Id.* at 480-81.

139. See generally Doerfer, *supra* note 91; Wydick, *supra* notes 112 & 133; Note, *Patent Preemption of Trade Secret Protection of Inventions Meeting Judicial Standards of Patentability*, 87 HARV. L. REV. 807 (1974).

140. Walter J. Derenberg's *The Twenty-eighth Year of Administration of the Lanham Trademark Act of 1946*, 65 TRADEMARK REP. 373, 452 (1975).

141. The scope excludes the copying of the container or package in which B's product is placed for marketing purposes.

142. See, e.g., Arnold, *supra* note 10.

143. Cf. *Chesebrough Mfg. Co. v. Old Gold Chem. Co.*, 70 F.2d 383 (6th

is taken neutrally and, without further facts, connotes neither legality nor illegality.

A. Trade Secrets

Generally, trade secret¹⁴⁴ law evolved to preclude breaches of confidence and trust.¹⁴⁵ A trade secret includes the knowledge of secret, unpatented processes and formulae and such marketing aids as customer lists.¹⁴⁶

Relief for use of a trade secret will generally be granted where the secret is obtained by improper means.¹⁴⁷ The classic case occurs when a legally protectable secret is disclosed by the inventor to an employee, then in a position of confidence and trust, who later uses it to the detriment of the inventor.¹⁴⁸ Other improper means of obtaining a secret include theft, wiretapping and aerial reconnaissance.¹⁴⁹

Use of a trade secret is allowed however, if the knowledge is placed in the public domain¹⁵⁰ or if it is discovered "by fair and

Cir. 1934) (if general impression made by offending article, when seen alone, upon eye of ordinary purchaser or user, is such as is likely to lead him to believe it is the original article, there is unlawful "simulation" amounting to "unfair competition").

144. See generally *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) (excellent discussion of trade secrets).

145. *Atlantic Wool Combing Co. v. Norfolk Mills, Inc.*, 357 F.2d 866, 869 (1st Cir. 1966) ("In general, the essence of the wrong is the obtaining of unjust enrichment and unfair competitive advantage through inequitable conduct, usually a breach of confidence."); Arnold, *supra* note 10, at 430. See also E. KITCH & H. PERLMAN, *supra* note 6, at 368 n.1; RESTATEMENT OF TORTS § 757, Comment b (1939); *Henkle & Joyce Hardware Co. v. Maco, Inc.*, 195 Neb. 565, 572, 239 N.W. 772, 775-76 (1976); *Securities Acceptance Corp. v. Brown*, 171 Neb. 701, 702, 107 N.W.2d 540, 542 (1961).

146. Perfume formulas represent a classic trade secret formula. See *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968). Compare *California Intelligence Bureau v. Cunningham*, 83 Cal. App. 2d 197, 188 P.2d 303 (1948), with *Aetna Bldg. Maintenance Co. v. West*, 39 Cal. 2d 198, 246 P.2d 11 (1952) (consumer lists).

147. RESTATEMENT OF TORTS § 757(a) (1939).

148. *Smith v. Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953); *Wexler v. Greenberg*, 399 Pa. 569, 160 A.2d 430 (1960).

149. *E.I. duPont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970), cert. denied, 400 U.S. 1024 (1971) (aerial reconnaissance). See also Comment, *Theft of Trade Secrets: The Need for Statutory Solution*, 120 U. PA. L. REV. 378 (1971).

150. *Smith v. Dravo Corp.*, 203 F.2d 369, 373 (7th Cir. 1953); *A.O. Smith Corp. v. Petroleum Iron Works Co.*, 73 F.2d 531, 539 (6th Cir. 1934), modified, 74 F.2d 934 (6th Cir. 1935).

honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering, that is by starting with the known product and working backward to divine the process."¹⁵¹

The primary advantage of relying on trade secret law to protect a formula or process is (1) a process not satisfying the requirements for statutory methods of protection can still be protected,¹⁵² and (2) the protection is for an unlimited time, as long as the secret is maintained and not discovered by allowable methods.¹⁵³ While trade secret protection does offer some advantages, the protection is short of the monopoly conferred by a patent.

B. Copyright Protection

Common law copyright gave the author of literary work the exclusive right to copy the work until he allowed general publication.¹⁵⁴ Statutory copyrights created new rights by allowing the copyright holder to multiply or control multiplication of copies of the work, even after general publication.¹⁵⁵ Legislatures, through the copyright acts, sought to protect the economic rights of authors.¹⁵⁶ Designs of useful articles, as opposed to writings, were generally not protectable by copyright, but were instead relegated to design patent protection.¹⁵⁷ However, in 1954 *Mazer v. Stein*¹⁵⁸ extended copyright protection to a work of art incorporated into a useful article.¹⁵⁹ Thus the Copyright Act¹⁶⁰ allows statutory protection of a design.¹⁶¹

Under existing law, the registration of an object's design, such

151. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974).

152. Discoveries lacking the standard of novelty needed to obtain patent protection may still be protected. See, e.g., *Franke v. Wiltschek*, 209 F.2d 493, 498 (2d Cir. 1953).

153. This was one of the major objections expressed by Justice Douglas in his dissenting opinion in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 496 (1974) (Douglas, J., dissenting).

154. See, e.g., *Sell*, *supra* note 49, at 489.

155. *Caliga v. Inter Ocean Newspaper Co.*, 215 U.S. 182, 188 (1909); *Jeweler's Circular Pub. Co. v. Keystone Pub. Co.*, 281 F. 83, 94 (2d Cir. 1922); 2 H. NIMS, *supra* note 54, at § 272.

156. *Gilliam v. American Broadcasting Co.*, 538 F.2d 14 (2d Cir. 1976); 1 M. NIMMER, COPYRIGHT § 110.2 (1976).

157. HOUSE COMM. ON JUDICIARY, REPORT ON COPYRIGHT LAW REVISION S. 22, H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 50, reprinted in [1976] U.S. CODE CONG. & AD. NEWS 5659, 5663 [hereinafter cited as REPORT].

158. 347 U.S. 201 (1954).

159. See E. KITCH & H. PERLMAN, *supra* note 6, at 700-06.

160. 17 U.S.C. §§ 1 to 216 (1970).

161. See generally Comment, *Trade Regulation: Legal Protection of Commercial Design*, 1959 WIS. L. REV. 652, 659-61.

as the statuette in *Mazer*, comes under the provisions allowing registration of "works of art."¹⁶² A more difficult issue is whether works of art are constitutionally entitled to protection under the copyright clause which provides Congress may pass laws conferring "for limited Times to Authors . . . the exclusive Right to their . . . Writings."¹⁶³ Justice Douglas, in a concurring opinion in *Mazer* joined by Justice Black, would have put the case down for reargument to decide the question.¹⁶⁴ The issue may now be academic since in *Goldstein*, the Court noted, "[t]hese terms [authors and writings] have not been construed in their narrow literal sense but, rather, with the reach necessary to reflect the broad scope of constitutional principles."¹⁶⁵

The United States copyright office regulations provide that, "[i]n order to be acceptable as a work of art, the work must embody some creative authorship in its delineation or form."¹⁶⁶ Thus works of art must show both creativity and originality to be protected; however, these subjective concepts make concrete definition difficult.¹⁶⁷ Generally most commercial designs are not regarded as susceptible to copyright protection.¹⁶⁸

The advantages of obtaining a copyright on a product design are few. A copyright may be preferable to a trade secret since, presumably, once a product is placed on the market, trade secret protection ends.¹⁶⁹ Further, the current copyright duration of twenty-eight years with renewal for another like period¹⁷⁰ would be preferable to the fourteen year maximum protection available under design patent laws.¹⁷¹ However, the copyright protection is of a

162. 17 U.S.C. § 5(g) (1970).

163. U.S. CONST. art. 1, § 8 (emphasis added).

164. *Mazer v. Stein*, 347 U.S. at 219-21 (Douglas, J., concurring). The current law covers "all the writings of an author." 17 U.S.C. § 4 (1970). The Copyright Revision Bill recently enacted by Congress gives protection to "original works of authorship." Act of Oct. 19, 1976, Pub. L. No. 94-553, § 102(a), 90 Stat. 2541. The change was an attempt to avoid the constitutional problem. See REPORT, *supra* note 157, at 51, [1976] U.S. CODE CONG. & AD. NEWS at 5664.

165. *Goldstein v. California*, 412 U.S. at 561.

166. 37 C.F.R. § 202.10(b) (1976).

167. See generally 1 M. NIMMER, *supra* note 156, at §§ 10.2, 19.2.

168. Comment, *supra* note 161, at 660. See also E. KITCH & H. PERLMAN, *supra* note 6, at 709 n.4 ("Can the shape of a product . . . be protected by copyright? The accepted answer . . . is no."). But see Treece, *supra* note 80, at 86 n.39 ("The suggestion that the Stiffel pole lamp might have been eligible for copyright protection is not too extreme . . .").

169. See section VI A *supra*.

170. 17 U.S.C. § 24 (1970).

171. 35 U.S.C. § 173 (1970).

limited nature. Only copying is prohibited,¹⁷² whereas patent grants a monopoly to the first innovator who meets the patent registration requirements. Independent duplication of the design by another is not protected under a copyright, but is protected under a design patent.¹⁷³ The desirability of a design patent over a copyright may change with the new copyright period (author's life plus fifty years) embodied in the copyright revision bill.¹⁷⁴

Legislation for article design protection may yet develop. Title II of the Copyright Revision Bill,¹⁷⁵ as passed by the Senate, included limited protection for the designs of useful articles, regardless of whether the design itself could qualify as a work of art. Because of several unresolved issues, including whether Title II would create a new, unjustified monopoly, the House Committee on the Judiciary deleted Title II from the bill before committing it to the Committee of the Whole House.¹⁷⁶

The new act does, however, settle the federal preemption issue as to copyrights. Section 301(a) makes federal law the exclusive governing copyright law as of January 1, 1978.¹⁷⁷

The intention of section 301 is to preempt and abolish any rights

172. Note, *Protecting the Artistic Aspects of Articles of Utility: Copyright or Design Patent?*, 66 HARV. L. REV. 877, 884-85 (1953); see also Wolff, *Copyright Law and Patent Law: A Comparison*, 27 IOWA L. REV. 250 (1942).

173. See Pogue, *Borderland—Where Copyright and Design Patent Meet*, 52 MICH. L. REV. 33 (1953).

174. Act of Oct. 19, 1976, Pub. L. No. 94-553, § 302(a), 90 Stat. 2541. A design patent and a copyright may both protect the same object; however the Copyright Office as a matter of policy will not register any design which is the subject of an issued design patent. 37 C.F.R. § 202.10(b) (1976). See also Comment, *supra* note 161, at 661.

175. S.22, 94th Cong., 2d Sess. (1976).

176. See REPORT, *supra* note 157, at 50, [1976] U.S. CODE CONG. & AD. NEWS at 5663.

177. Act of Oct. 19, 1976, Pub. L. No. 94-553, § 301(a), 90 Stat. 2541. But there are some exceptions. Section 301(c) appears to codify the result reached in *Goldstein v. California*, 412 U.S. 546 (1973), until February 15, 2047. Section 301(b) clarifies *Sears* and *Compco* by referring to certain actions which will remain with the states to enforce.

[Section 301(b)] sets out, in broad terms and without necessarily being exhaustive, some of the principal areas of protection that preemption would not prevent the States from protecting. Its purpose is to make clear, consistent with the 1964 Supreme Court decisions in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) that preemption does not extend to causes of action, or subject matter outside the scope of the revised Federal copyright statute.

REPORT, *supra* note 157, at 131.

under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law. The declaration of this principle in section 301 is intended to be stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection.¹⁷⁸

C. Design Patents

Patents give the holder the right to exclude others from making, using, or selling a patented invention. A patent may issue on a design of an article of manufacture¹⁷⁹ that is not hidden or obscured in normal use.¹⁸⁰ The Design Patent Act seeks to encourage the decorative arts and enhance the aesthetic appeal and salability of manufactured articles.¹⁸¹ While the act represents a commendable attempt to provide statutory protection of commercial designs, the difficulty in obtaining and keeping a design patent has perhaps served as a catalyst for increased judicial protection of product configurations and trade dress.¹⁸² The act requires the design to be "new, original and ornamental."¹⁸³ But these statutory requirements have been recast, to reflect decisional law, into four requirements. The design must be: (1) new, (2) original, (3) ornamental, and (4) show the exercise of inventive faculty.¹⁸⁴

The requirement that the design be new means the design, to the average observer, must be novel and more than the mere modification of an existing design.¹⁸⁵ Originality requires the inventor

178. REPORT, *supra* note 157, at 130. "[T]he concept of publication [will] lose its all-embracing importance . . ." *Id.* at 129. For an excellent discussion of the problem, see Comment, *Publication and the Copyright Law Revision*, 50 CALIF. L. REV. 672 (1962).

179. 35 U.S.C. § 171 (1970).

180. Application of Cornwall, 230 F.2d 457, 459 (C.C.P.A. 1956).

181. Mott, *The Standard of Ornamentality in the United States Design Patent Law* (pt. 1), 48 A.B.A.J. 548, 548 (1962).

182. Note, *Unfair Competition Protection After Sears and Compco*, 40 N.Y.U.L. REV. 101 (1965). See also Pogue, *supra* note 173, at 36-38; Comment, *The Impact of Sears and Compco on Federal Trademark and Patent Law*, 19 BUFFALO L. REV. 91, 93 (1969). As to the difficulty in keeping a design patent valid, see Note, *supra* note 50, at 545-46; Amerock Corp. v. Aubrey Hardware Mfg., Inc., 275 F.2d 346, 349 n.1 (7th Cir. 1960).

183. 35 U.S.C. § 171 (1970).

184. See R.M. Palmer Co. v. Luden's, Inc., 236 F.2d 496 (3d Cir. 1956); Sel-O-Rak Corp. v. Henry Hanger & Display Fixture Corp., 232 F.2d 176 (5th Cir.), cert. denied, 352 U.S. 870 (1956); Comment, *supra* note 161, at 656; Comment, *supra* note 182, at 93 n.24.

185. Metallic Indus., Inc. v. Brauning, 279 F. 856, 858 (8th Cir. 1922); Appli-

to make a design different and superior to one which a person skilled in the art might have made; thus, more than routine skill is necessary.¹⁸⁶ Both the newness and originality requirements tie in with the fourth requirement, i.e., the design must be sufficiently new and original to show the exercise of inventive faculty.¹⁸⁷ Thus the patentability inquiry may be framed as whether the design is patentably new and original in that it represents a non-obvious advance over the prior art.¹⁸⁸ This has been regarded as a rigorous test and has resulted in a high failure rate in attempts to secure design patents.¹⁸⁹

The third requirement of ornamentality involves considerations separate from inventiveness. Functional or utilitarian designs are not patentable; however, if the design is distinguishable from the utilitarian functions, it may be patented.¹⁹⁰ Where the subjective aesthetic aspects of ornamentality are at issue,¹⁹¹ the courts have tested the requirement in terms of "rudimentary aesthetic appeal"¹⁹² or "graceful and pleasing."¹⁹³

While obtaining and retaining a design patent may be difficult, protection against infringement of a valid patent is broader than most other statutory protection.¹⁹⁴ But, since the design patent

cation of *Abrams*, 205 F.2d 202, 203 (C.C.P.A. 1953); Cf. *United States v. Adams*, 383 U.S. 39 (1966) (novelty, nonobviousness and utility are tests of patentability). See also *W. SHOEMAKER, PATENTS FOR DESIGNS* § 46 et seq. (1929).

186. *Trojan Textile Corp. v. Crown Fabrics Corp.*, 143 F. Supp. 48, 50 (S.D.N.Y. 1956).

187. *S. Dresner & Son, Inc. v. Doppelt*, 120 F.2d 50, 51 (7th Cir. 1941); Comment, *supra* note 161, at 656; *Stern & Hoffman, supra* note 4, at 952 n.75.

188. See *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

189. See, e.g., *Vacheron & Constantin-Le Coultre Watches, Inc. v. Benrus Watch Co.*, 260 F.2d 637, 642-43 (2d Cir. 1958) (dissenting opinion); *Chas. D. Briddell, Inc. v. Alglobe Trauling Corp.*, 194 F.2d 416, 419 (2d Cir. 1952); Comment, *supra* note 161, at 657 & n.35. Cf. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 228-30 (1964) (in order to deal fairly with and effectively guard the rights and welfare of the community, prerequisites to obtaining a patent are strictly observed, "lest in the constant demand for new appliances the heavy hand of tribute be laid on each slight technological advance.")

190. *E. KITCH & H. PERLMAN, supra* note 6, at 709 n.7; Mott, *The Standard of Ornamentality in the United States Design Patent Law* (pt. 2) 48 A.B.A.J. 643, 644-45 (1961).

191. Mott, *supra* note 181, at 551-52; Comment, *supra* note 161, at 656-57.

192. *H.C. White Co. v. Morton E. Converse & Son*, 20 F.2d 311, 312 (2d Cir. 1927).

193. See, e.g., *Harris & Schafer, Inc. v. Curtiss Aerocar Co.*, 69 F.2d 264, 266 (5th Cir. 1934) (design patent on automobile trailer held valid).

194. Comment, *supra* note 182, at 127; Law & Junkins, *Registrability of*

acts have proved unsatisfactory in protecting commercial designs, further legislation, such as that proposed but not enacted in the recent copyright revision bill,¹⁹⁵ may be warranted.

D. Trademarks

Trademark protection, as it exists today, is both statutory and common law, both state and federal. A trademark is a device by which a manufacturer identifies his goods and distinguishes them from the goods of another manufacturer.¹⁹⁶ The functions of a trademark include identifying the manufacturer, guaranteeing the quality of the goods, and advertising the product.¹⁹⁷ Behind these functions is an even broader purpose of preventing consumer deception as to the source of the product.¹⁹⁸ Common law trademarks arise through adoption of the mark and its use in the market place.¹⁹⁹ Exclusive use of a trademark at common law was based on priority of appropriation and was limited geographically to the

Packages and Configuration of Goods on the Supplemental Register: Design Patent vs. Trademark Registration, 45 TRADEMARK REP. 22, 33-35 (1955).

195. See Comment, *supra* note 161, at 662; REPORT, *supra* note 157, at 50. Title II of S.22, the basic bill for the recently enacted copyright revision bill, dealt with design protection. The Committee deleted Title II, in part because it could not truly be classified as copyright protection and therefore was outside the scope of copyright revision. See REPORT, *supra* note 157, at 50, and text accompanying note 176 *supra*.
196. 15 U.S.C. § 1127 (1970). For other definitions see *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) ("A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants."); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916) ("[The trademark function is to] identify the origin or ownership of the article to which it is affixed.").
197. *DeCosta v. Columbia Broadcasting System, Inc.*, 520 F.2d 499 (1st Cir. 1975), *cert. denied*, 423 U.S. 1073 (1976); 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES*, § 65 (3d ed. 1969); E. KITCH AND H. PERLMAN, *supra* note 6, at 409 n.1; Diamond, *The Historical Development of Trademarks*, 65 TRADEMARK REP. 265, 289-90 (1975); Lunsford, *Consumers and Trademarks: The Function of Trademarks in the Market Place*, 64 TRADEMARK REP. 75, 78 (1974); Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 814 (1927).
198. 15 U.S.C. § 1114 (1970); Ladas, *supra* note 6, at 252; Comment, *supra* note 182, at 94.
199. *Flavor Corp. of America v. Kemin Indus., Inc.*, 493 F.2d 275, 284 (8th Cir. 1974); *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 926 (8th Cir. 1967); E. KITCH & H. PERLMAN, *supra* note 6, at 412-13; Lunsford, *supra* note 197, at 77.

area where it had become established by use.²⁰⁰ Although state statutes provide trademark protection,²⁰¹ the Federal Trademark Act of 1946 (the Lanham Act)²⁰² is the most important, since it covers trademarks used in interstate commerce.²⁰³ Generally, registration under the Lanham Act confers only procedural advantages, and no greater substantive rights than exist at common law.²⁰⁴

Registration under the Lanham Act may be either in a principal or supplemental register. A mark may be registered on the principal register if it has "become distinctive of the applicant's goods."²⁰⁵ Entry on the principal register allows the owner to prevent registration of similar or infringing marks,²⁰⁶ obtain damages and injunctive relief for infringement,²⁰⁷ prevent importation of items with infringing marks,²⁰⁸ use the registration in court as prima facie evidence of rights,²⁰⁹ and, after five years, to have an incontestable mark.²¹⁰

Registration on the supplemental register is simpler, since the applicant need only show the mark's capability of distinguishing his goods or services.²¹¹ The owner of a mark on the supplemental

200. *Griesedieck W. Brewery Co. v. Peoples Brewing Co.*, 149 F.2d 1019, 1022 (8th Cir. 1945).

201. *See, e.g.*, NEB. REV. STAT. §§ 87-111 to 125 (Reissue 1976).

202. 15 U.S.C. §§ 1051 to 1127 (1970) [hereinafter referred to as the Lanham Act].

203. *See* E. KITCH & H. PERLMAN, *supra* note 6, at 412-18 (brief history). While the patent acts are based on the patent clause of the Constitution, the Lanham Act is based on the commerce clause; therefore the mark must be used in interstate commerce before it can be registered. Derenberg, *The Twenty-seventh Year of Administration of the Lanham Trademark Act of 1946*, 64 TRADEMARK REP. 339, 444 (1974); Comment, *supra* note 182, at 93.

204. *Brown & Bigelow v. B-B Pen Co.*, 191 F.2d 939, 942 (8th Cir. 1951). Cf. *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 369 (1924) (no new right created from omnipresent possibility of fraud).

205. 15 U.S.C. § 1052(f) (1970). The trademark must either have attained secondary meaning by actual operation as an indicator of the product source or it must be inherently distinctive. *See* Note, *supra* note 50, at 542.

206. 15 U.S.C. § 1052(d) (1970).

207. *Id.* §§ 1114, 1116-17, 1121.

208. *Id.* § 1124.

209. *Id.* §§ 1057(b), 1115(a).

210. *Id.* §§ 1065, 1115(b). *See* *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 371-77 (7th Cir. 1976). *But see* E. KITCH & H. PERLMAN, *supra* note 6, at 464-68 (defensive-offensive distinction).

211. 15 U.S.C. § 1091 (1970).

register can only prevent the registration of confusing marks²¹² and obtain damages and injunctive relief.²¹³ The purpose of the supplemental register is to allow American manufacturers to obtain certain registration rights in foreign countries, although their marks do not qualify for the broader protection afforded by the principal register.²¹⁴

The Lanham Act provides for registration on the supplemental register of "any . . . configuration of goods . . . capable of distinguishing the applicant's goods."²¹⁵ This provision was at one time narrowly construed to exclude items covered by design patents and registration of configurations of the entire good—although configurations which were part of the good could be registered.²¹⁶ Eventually both limitations gave way.²¹⁷ Early cases holding that a configuration registered on the supplemental register could not be advanced to the principal register even if secondary meaning was established²¹⁸ also gave way and advancement to the principal register was eventually allowed.²¹⁹

Functional or utilitarian designs²²⁰ may not be registered since to do so would allow the registration owner "to obtain a monopoly on an unpatentable device by registering it as a trade-mark."²²¹ This concept was extended in *Application of Deister Concentrator Co.*,²²² to exclude registration of functional product configurations which identify the product's source, that is, have acquired a sec-

212. *Id.* § 1052(d).

213. *Id.* §§ 1114, 1116-17.

214. See Note, *supra* note 50, at 543-44.

215. 15 U.S.C. § 1091 (1970). No trademark rights attached at common law to shapes of goods. *Lucien Lelong, Inc. v. Lenel, Inc.*, 181 F.2d 3, 4 (5th Cir. 1950); Zelnick, *Registrations of Configurations of Goods and Containers in the Light of the Sears and Compco Decisions*, 55 TRADE-MARK REP. 933, 937 (1965).

216. Note, *Registrability of Packages and Configuration of Goods on the Supplemental Register: Design Patent v. Trade-mark Registration*, 23 GEO. WASH. L. REV. 82 (1954).

217. *Application of Minnesota Mining & Mfg. Co.*, 335 F.2d 836 (C.C.P.A. 1964) (registration of the article's overall configuration); *In re Pepsi-Cola Co.*, 120 U.S.P.Q. (BNA) 468 (1959) (design patent not a bar).

218. See, e.g., *Ex parte Minnesota Mining & Mfg. Co.*, 92 U.S.P.Q. (BNA) 74 (1952) (registration on principal register denied).

219. *Ex parte Haig & Haig Ltd.*, 118 U.S.P.Q. (BNA) 229 (1958) ("Pinch" Scotch bottle). See also *In re Duro-Test Corp.*, 134 U.S.P.Q. (BNA) 137 (1962); Note, *supra* note 50, at 544 n.27.

220. See "functionality" discussion section VI G *infra*. See generally S. OPPENHEIM, UNFAIR TRADE PRACTICES, 142-43 (2d ed. 1965); Zelnick, *supra* note 215.

221. *Alan Wood Steel Co. v. Watson*, 150 F. Supp. 861, 862 (D.D.C. 1957).

222. 289 F.2d 496 (C.C.P.A. 1961).

ondary meaning.²²³ The functionality limitation was reaffirmed in *In re Honeywell, Inc.*²²⁴

In *Application of Mogen David Wine Corp.*,²²⁵ the court indicated that nonfunctional container configurations could be registered on the principal register if secondary meaning was shown. An earlier opinion in the registration of the Pinch scotch bottle had not considered functionality;²²⁶ therefore the court's holding was significant. The *Mogen David* decision came three days after the *Sears* and *Compco* decisions. A motion for rehearing in light of those decisions was denied.²²⁷ Registration of the Mogen David bottle was eventually rejected because secondary meaning could not be shown.²²⁸ Judge Smith, in a concurring opinion, addressed the *Sears* and *Compco* decisions and distinguished them on the grounds that they dealt with conflicts between federal patent law and state unfair competition law and did not involve trademarks.²²⁹ Judge Smith noted the purpose of the federal design patent law was to encourage ornamental design, whereas the purpose of federal trademark law was to promote free use of words not serving as trademarks and to protect the public from confusion, mistake, and deception.²³⁰

In *Application of Shenango Ceramics, Inc.*,²³¹ the applicant sought to register a product of configuration formerly protected by a utility patent which had expired. Registration was denied since the court found the utility patent to be adequate evidence of functionality.²³²

E. Section 43(a) of the Lanham Act

Section 43(a) of the Lanham Act²³³ allows a civil cause of action against one who "shall . . . use in connection with any goods . . . a false designation of origin . . . and shall cause such goods . . .

223. See Note, *supra* note 50, at 546.

224. 497 F.2d 1344 (C.C.P.A. 1974).

225. 328 F.2d 925 (C.C.P.A. 1964). The bottle was covered by an existing design patent.

226. *Ex parte Haig & Haig Ltd.*, 118 U.S.P.Q. (BNA) 229 (1958).

227. The broad dicta in *Compco* suggested that nonfunctional designs which had acquired secondary meaning would not be entitled to trademark registration. See Zelnick, *supra* note 215.

228. *Application of Mogen David Wine Corp.*, 372 F.2d 539 (C.C.P.A. 1967).

229. *Id.* at 542-43 (Smith, J., concurring).

230. *Id.* at 543.

231. 362 F.2d 287 (C.C.P.A. 1966).

232. *Id.* at 291.

233. 15 U.S.C. § 1125(a) (1970) [hereinafter referred to as Section 43(a)].

to enter into commerce."²³⁴ Although courts initially read this section narrowly,²³⁵ subsequent interpretations beginning with *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*,²³⁶ have expanded its scope into a federal unfair competition law.²³⁷ Generally, a prima facie case under section 43(a) involves a material, false representation of goods by the defendant which deceives the public to the injury of the complaining competitor.²³⁸

With this expansion, the copying of a competitor's goods has been held actionable under section 43(a).²³⁹ Some authors believe *Sears and Compco* negate section 43(a)'s applicability to copying of a competitor's goods,²⁴⁰ but this has not yet happened. In *Middletown Mfg. Co. v. Super Sagless Corp.*,²⁴¹ the defendant bought some of plaintiff's slider recliner hardware and used that hardware in a product which defendant represented to be its own. The court, citing *Sears and Compco*, said defendant had "the legal right to copy the design and sell hardware almost identical to that sold by [plaintiff],"²⁴² but noted the hardware used was not a copy but the

234. *Id.*

235. See E. KITCH & H. PERLMAN, *supra* note 6, at 48 n.1.

236. 214 F.2d 649 (3d Cir. 1954). See also *Potato Chip Inst. v. General Mills, Inc.*, 461 F.2d 1088 (8th Cir. 1972).

237. Under section 43(a), federal substantive law has been held to control, even if a state court is hearing the case. *Clairol, Inc. v. Gillette Co.*, 389 F.2d 264, 268 n.9 (2d Cir. 1968); *Brown & Bigelow v. Remembrance Advertising Prod., Inc.*, 279 App. Div. 410, 412, 110 N.Y.S.2d 441, 444 (1952), *aff'd*, 304 N.Y. 909, 110 N.E.2d 736 (1953). See generally 4 R. CALLMAN, *supra* note 197, § 93.1(b).

238. See Weil, *Protectibility of Trademark Values Against False Competitive Advertising*, 44 CALIF. L. REV. 527, 537 (1956).

239. *Zandelin v. Maxwell Bently Mfg. Co.*, 197 F. Supp. 608 (S.D.N.Y. 1961); *Catalina, Inc. v. Gem Swimwear, Inc.*, 162 F. Supp. 911 (S.D. N.Y. 1958). Cf. *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405 (6th Cir. 1963) (packages and containers); *Eastman Kodak Co. v. Royal-Pioneer Paper Box Mfg. Co.*, 197 F. Supp. 132 (E.D. Pa. 1961) (trade dress).

240. Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?*, 49 IND. L.J. 84, 101 (1973). This analysis apparently assumes adequate labeling by the copier to designate source, a situation explicitly found in both *Sears and Compco*, at least as to the packages. Another author indicated that while *Sears and Compco* had wiped out common law passing off, it could be reinstated under section 43(a), although to do so would be "dubious in view of the language and purpose of that system." *The Supreme Court, 1963 Term, supra* note 86, at 311. The latter view as to the effect of *Sears and Compco* appears overly broad in light of more recent interpretations of those cases.

241. 382 F. Supp. 979 (N.D. Miss. 1974), *aff'd mem.*, 515 F.2d 509 (5th Cir. 1975).

242. *Id.* at 982.

actual product of the plaintiff. The defendant misrepresented it to be his own and section 43(a) relief was granted.

*Gilliam v. American Broadcasting Co.*²⁴³ extended section 43(a) further. Plaintiffs, an entertainment group known as "Monty Python," claimed ABC's editing of their original taped work so mutilated the performance as to violate section 43(a). Plaintiffs charged the edited work was represented as theirs, which, while technically true, created a false impression of origin. The final product was actually the creation of ABC's editors and censors, the plaintiffs said. Plaintiffs relied solely on their common law copyright on the script and their rights as authors.²⁴⁴ Limited relief was granted, with Judge Gurfein speculating in a concurring opinion that the court's decision represented the first application of section 43(a) to a common law copyright case.²⁴⁵

This extension of section 43(a), while commendable as an attempt to bring uniformity to unfair competition law, does present some significant concerns. Since the Lanham Act gives very little definitional substance to the section, relief under section 43(a) is through court interpretation. This is really no different than the development of common law unfair competition, except section 43(a) allows another basis for federal jurisdiction. Since common law unfair competition balances the public interest in competition and the private producer's interests in his products, the basic policy favoring competition which is embodied in common law unfair competition will not be disturbed,²⁴⁶ if the courts, in construing section 43(a), recognize the policy balance. But problems will arise if a court ignores the common law balance and instead injects concepts of business morality into its decision.²⁴⁷

F. Unfair Competition and "Passing Off"

Unfair competition has been used to describe a wide variety of business torts.²⁴⁸ In the area of product simulation law, however, the copying of a competitor's product is not, of itself, actionable.²⁴⁹ But, a product's originator is protected in the general configuration

243. 538 F.2d 14 (2d Cir. 1976).

244. *Id.* at 26.

245. *Id.* (Gurfein, J., concurring).

246. See discussion section VI F & G *infra*.

247. See discussion of Truck Equip. Serv. Co. v. Fruehauf Corp., 536 F.2d 1210 (8th Cir. 1976), section VII *infra*.

248. Trade libel, malicious interference with contractual relations, bribes, espionage, and price cutting. See generally Stern & Hoffman, *supra* note 4; Handler, *supra* note 10.

249. Donald v. Uarco Business Forms, 478 F.2d 764, 766 (8th Cir. 1973).

or appearance of his product against a competitor who enters the field with a product sufficiently similar as to deceive the public and palm off or misrepresent his goods as those of the originator.²⁵⁰ The basis of the action is not the copying itself, but rather the act of palming off so as to deceive the purchaser.²⁵¹

Copying is also prohibited in instances where the product configuration has come to be associated by purchasers with a particular manufacturer as the source. This association is generally referred to as secondary meaning and is limited to instances where the configuration sought to be protected is nonfunctional.²⁵² Functional features may be freely copied, since to hold otherwise would create the equivalent of a perpetual common law monopoly or patent.²⁵³ The thrust of the secondary meaning limitation is still to prohibit passing off, since if the public associates the configuration with a particular manufacturer, the copying of that configuration will mislead the purchaser. Thus the classic definition of unfair competition is that it "consists in palming off one person's goods as the goods of another."²⁵⁴ Early cases discussed fraudulent intent,²⁵⁵ but the trend has been to look not at intent but at the commercial result of the act.²⁵⁶ The presence or absence of intent may be important, however, in influencing a court's attitude in a case,²⁵⁷

250. Cf. Comment, *supra* note 161, at 653 (the commercial designer is not adequately protected by the existing legal structure). See also *Seven Up Co. v. Cheer Up Sales Co.*, 148 F.2d 909, 912 (8th Cir. 1945); *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949, 954 (8th Cir. 1941); *Queen Mfg. Co. v. Isaac Ginsberg & Bros.*, 25 F.2d 284, 287 (8th Cir. 1928); *Personal Finance Co. v. Personal Loan Serv.*, 133 Neb. 373, 377-78, 275 N.W. 324, 327 (1937).

251. See Comment, *supra* note 161, at 653.

252. *Id.* at 653-55.

253. Treece, *supra* note 80, at 90-91.

254. *Queen Mfg. Co. v. Isaac Ginsberg & Bros.*, 25 F.2d 284, 287 (8th Cir. 1928). One author restated the rule: "The copying of [1] nonfunctional features of an article which [2] have acquired a secondary meaning, with [3] a resulting confusion as to source or origin, constitutes unfair competition and will be enjoined by the courts. This is the majority rule reduced to its simplest formula." Pollack, *supra* note 48, at 76 (citations omitted) (emphasis added).

255. See, e.g., *Elgin Nat'l Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665 (1901); *McLean v. Fleming*, 96 U.S. 245 (1877).

256. Compare *Queen Mfg. Co. v. Isaac Ginsberg & Bros.*, 25 F.2d 284, 288 (8th Cir. 1928), with *Kann v. Diamond Steel Co.*, 89 F. 706, 712-13 (8th Cir. 1898) (intent irrelevant). The *Kann* rationale has generally been regarded as that followed by the majority of courts both in the United States and in England. See 2 H. Nims, *supra* note 54, § 350.

257. See *Neely v. Boland Mfg. Co.*, 274 F.2d 195, 203 (8th Cir. 1960); *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 725 (5th Cir. 1954); *White*

in creating a presumption,²⁵⁸ and in shifting the burden of proof.²⁵⁹

Trademark law and unfair competition law overlap to some extent, and one court observed:

The inquiry under the registered trade-mark is whether there has been a colorable imitation of it upon goods of the same class as those to which it has been appropriated, while under the law of unfair competition the inquiry is whether by any kind of imitation the purchaser is misled in buying goods of one manufacturer for those of another.²⁶⁰

This same court later held unfair competition resulted even where the imitation was in a noncompetitive field, if the imitator was in fact trading on the originator's reputation and goodwill.²⁶¹

Perhaps a better distinction was made earlier by the same court: "[S]uits . . . [for trademark infringement] rest on the ownership of the trade-marks. Suits . . . [for unfair competition] are founded upon the damage . . . [caused] by the fraudulent passing of the goods of one manufacturer for those of another."²⁶²

While distinctions between trademark law and unfair competition have been made, they may well be meaningless.

The proper function of a trademark is that by association with goods it becomes a means of identification of the origin or ownership of the article and hence a symbol of good will. This essential element is the same both on trade-mark cases and in cases of unfair competition unaccompanied with trade-mark infringement. The law of trade-marks is but a part of the law of unfair competition.²⁶³

G. Unfair Competition and "Secondary Meaning" and "Functionality"

Secondary meaning is a trademark concept that has filtered into

Tower Sys., Inc. v. White Castle Sys. of Eating Houses Corp., 90 F.2d 67, 69 (6th Cir. 1937), *cert. denied*, 302 U.S. 720 (1937); RESTATEMENT OF TORTS § 729, Comment f (1938); 10 UTAH L. REV. 726, 730 n.23 (1966).

258. *Cleo Syrup Corp. v. Coca-Cola Co.*, 139 F.2d 416, 419 (8th Cir. 1943); *Queen Mfg. Co. v. Isaac Ginsberg & Bros.*, 25 F.2d 284, 288 (8th Cir. 1928); RESTATEMENT OF TORTS § 729, Comment f (1938).

259. *Treece, Protectibility of Product Differentiation: Is and Ought Compared*, 18 RUTGERS L. REV. 1019, 1047 (1964).

260. *F.W. Fitch Co. v. Camille, Inc.*, 106 F.2d 635, 639 (8th Cir. 1939), citing *J. HOPKINS, THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* § 22 (4th ed. 1924).

261. *Hanson v. Triangle Publications, Inc.*, 163 F.2d 74, 78 (8th Cir. 1947).

262. *Shaver v. Heller & Merz Co.*, 108 F. 821, 826 (8th Cir. 1901).

263. *Seven Up Co. v. Cheer Up Sales Co.*, 148 F.2d 909, 910 (8th Cir. 1945). See also *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412-13 (1916).

the broader unfair competition law.²⁶⁴ As with the passing off concept, free copying is allowed, but with the exception that copying is not allowed when the ordinary purchaser has come to identify the product configuration, or trademark, with a particular manufacturer.²⁶⁵ Although secondary meaning protection and passing off are similar, there is a subtle distinction. Passing off recognizes no protectable interest in the object or configuration, rather it limits use of the copy. Secondary meaning recognizes as protectable an interest in the object or configuration itself.²⁶⁶ If an item has acquired secondary meaning, copying may be enjoined or clear differentiation as to source required.²⁶⁷ Thus, generally, the solution for both passing off and secondary meaning lies in explicit source identification, usually by labeling the product with the name of the manufacturer and any other necessary disclaimers.

The purpose of the secondary meaning rule is to prevent purchaser confusion. This is known as the "likelihood of confusion" standard,²⁶⁸ under which confusion among ordinary purchasers in the relevant market as to the source of the goods is actionable.²⁶⁹ The test refers to ordinary purchasers and not careless ones.²⁷⁰

264. *Developments in the Law—Competitive Torts*, 77 HARV. L. REV. 888, 911 (1964); Comment, *supra* note 161, at 655.

265. Comment, *supra* note 161, at 653; 1 H. NIMS, *supra* note 54, § 36.

266. Comment, *supra* note 161, at 653.

267. *Id.* at 653-54.

268. 10 UTAH L. REV., *supra* note 257 at 731.

269. See Treece, *supra* note 80, at 93.

270. *Seven Up Co. v. Cheer Up Sales Co.*, 148 F.2d 909, 913 (8th Cir. 1945); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121 (1938). One particularly bad case where this concept was not maintained was *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955), *cert. denied*, 350 U.S. 832 (1955). There the competitor copied the clock face and external appearance of the "Atmos" clock. The "Atmos" clock operated solely by a mechanism sensitive to changes in pressure and temperature. The competitor, while copying the external appearance, installed an electric motor in its clock. The price difference was \$135; however, palming off was not an issue in the case since the competitor's name was on the front of the clock and the electric cord visible in the rear. The Second Circuit enjoined the copying, due to the competitor's intent and likelihood of confusion among visitors to a purchaser's home who would think the clock was the more expensive "Atmos" brand instead of the competitor's cheaper electric model. The opinion by Judge Frank was surprising since he generally favored free competition. See, e.g., *Standard Brands, Inc. v. Smidler*, 151 F.2d 34 (2d Cir. 1945) (concurring opinion). The mistaken part of the rationale was confusing visitors in the home with ordinary purchasers in the market. The two are not the same, and by misapplying the test the court appeared to be preventing a form of social climbing. "[The] wrong thus con-

Generally, only a likelihood of confusion need be shown,²⁷¹ not actual confusion, although some would hold otherwise.²⁷²

To prove likelihood of confusion, secondary meaning must be established.²⁷³ Since secondary meaning is *source* association, proof of likelihood of confusion as to source, not of the products themselves, must be shown.²⁷⁴ One leading case required not only source association but source motivation, *i.e.*, the consumer purchased the goods because of their source.²⁷⁵ This source motivation test has had a mixed reception²⁷⁶ and is perhaps better modified as requiring that the consumer care about the source.²⁷⁷

Secondary meaning arises from usage:²⁷⁸

The criteria set forth for the establishment of secondary meaning are simply stated as a combination of elements such as long

sisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock." 221 F.2d at 466. See Stern & Hoffman, *supra* note 4, at 944-47.

271. Queen Mfg. Co. v. Isaac Ginsberg & Bros., 25 F.2d 284, 288 (8th Cir. 1928); Pollack, *supra* note 48, at 81-82.

272. Chas. D. Briddell, Inc. v. Alglobe Trading Corp., 194 F.2d 416, 422 (2d Cir. 1952) (dissenting opinion). Cf. American-Marietta Co. v. Krigsman, 275 F.2d 287, 289 (2d Cir. 1960) (a showing that copied features may have contributed to the confusion is not enough).

273. Note, *supra* note 21, at 838.

274. *Id.* at 848; cf. Filter Dynamics Int'l, Inc. v. Astron Battery, Inc., 19 Ill. App. 3d 299, 309, 311 N.E.2d 386, 395 (1974) (form alone of manufacturer's display package was not the salient feature with which prospective customers would identify batteries sold as emanating from particular source). See also James Burrough Ltd. v. Sign of the Beef-eater, Inc., 540 F.2d 266 (7th Cir. 1976): "[T]he test is not whether the public would confuse the marks, but whether the viewer of an accused mark would be likely to associate the product or service with which it is connected with the source of products or services with which an earlier mark is connected." *Id.* at 275 (emphasis in original).

275. Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299, 300 (2d Cir. 1917) (opinion by Learned Hand, J.).

276. See generally *Developments in the Law—Competitive Torts*, *supra* note 264, at 912-14.

277. See Treece, *supra* note 259, at 1040. There is an interpretation of a line of cases which results in what is known as the "Rushmore Doctrine," which generally is taken as stating that relief will be granted upon a showing of a likelihood of confusion, even without a showing of secondary meaning. See, *e.g.*, 3 R. CALLMAN, *supra* note 197, § 77.4. This doctrine has been questioned on the ground that secondary meaning in the products in question was so obvious that the courts recognized it but did not deem it necessary to discuss it, instead moving directly to the issue of a likelihood of confusion. See Pollack, *supra* note 48, at 86.

278. Trade-Mark Cases, 100 U.S. 82, 94 (1879); 10 UTAH L. REV., *supra* note 257, at 731 n.27.

term usage, considerable effort and expenditure by the producer toward developing a reputation and good will for the trademark, resulting in the conscious connection in the minds of the general public of that trademark to the producer of the product.²⁷⁹

Time is clearly an important aspect, especially in product configuration cases;²⁸⁰ however, there is no set time for establishment of secondary meaning.²⁸¹

Absent factors which give rise to presumptions or shift the burden of proof, a plaintiff must prove secondary meaning. Meeting this burden has been approached in a number of ways,²⁸² with consumer surveys in the market representing the general trend.²⁸³

The secondary meaning rule is subject to the functionality doctrine,²⁸⁴ a major limitation which prevents gaining a perpetual property right in a product design without meeting the strict requirements of procuring a patent or copyright.²⁸⁵ The rule is that functional features in otherwise unprotected articles may be freely copied.²⁸⁶ Simulation of nonfunctional features which have acquired secondary meaning remains generally prohibited.²⁸⁷ Functionality, however, is an elusive concept. While it generally means usefulness, functionality is often broadly defined.²⁸⁸ A reasonably

279. *Filter Dynamics Int'l, Inc. v. Astron Battery, Inc.*, 19 Ill. App. 3d 299, 308, 311 N.E.2d 386, 393-94 (1974). See also *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 380 (7th Cir. 1976). In *Filter Dynamics*, the court found no secondary meaning based upon the size of the replacement battery market, the relative amounts of sales and expenditures and the length of time plaintiff's battery package had been on the market (seven months).

280. "[I]t is difficult to adduce a secondary meaning to the contour of a container or package. Nevertheless, there are shapes and forms of containers and packages which are so unique or distinctive that through long utilization they become associated with a particular product." Note, *supra* note 182, at 125 (citations omitted, emphasis added).

281. See Nies, *Secondary Meaning: An Historical Note*, 64 TRADEMARK REP. 247 (1974).

282. See generally Treece, *supra* note 259, at 1040.

283. *Id.* at 1038. See also *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 385-88 (7th Cir. 1976) (detailed discussion of survey).

284. Like secondary meaning, the functionality doctrine is also derived from trademark law. Generally, trademark rights are not granted in functional items. See generally *Application of Honeywell, Inc.*, 497 F.2d 1344 (C.C.P.A. 1974); Note, *supra* note 50, at 546-50.

285. *Shredded Wheat Co. v. Humphrey Cornell Co.*, 250 F. 960, 964 (2d Cir. 1918); Arnold, *supra* note 10, at 432.

286. See, e.g., Pollack, *supra* note 48, at 76.

287. See, e.g., Note, *supra* note 21, at 839-40.

288. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938) (commer-

workable definition is: "Functional features include those which contribute to efficiency or economy in manufacture and handling through the marketing process, and those which contribute to the product's . . . utility, durability or effectiveness or to the ease with which it serves its function or is handled by users."²⁸⁹

Functionality in product configurations is a problem.²⁹⁰ While Diester's rhomboidal table served a useful purpose, the functionality of other designs may not be so obvious. If these designs are in fact patentable, originators, by claiming the designs are nonfunctional, can seek a common law property right without meeting the standards of patent law. To prevent this, some courts have relied on a concept of aesthetic functionality,²⁹¹ which allows copying of a larger number of product features.²⁹²

Pagliari v. Wallace China Co.,²⁹³ is probably the leading case on aesthetic functionality. The court in *Pagliari* held design features on a china plate enhanced its saleability and were therefore functional.²⁹⁴ And, in *J.C. Penny Co. v. H.D. Lee Mercantile Co.*,²⁹⁵ the court found a bib overall pocket design had commercial

cially essential features as functional); *Lektro-Shave Corp. v. General Shaver Corp.*, 92 F.2d 435, 435-36 (2d Cir. 1937) (manufacturing sense of functionality—essential to construction); *Ainsworth v. Gill Glass & Fixture Co.*, 26 F. Supp. 183, 186-87 (E.D. Pa. 1938), *aff'd*, 106 F.2d 491 (3d Cir. 1939) ("When goods are bought largely for their aesthetic value, their features may be functional because they . . . contribute to the value . . ."); *Filter Dynamics Int'l, Inc. v. Astron Battery, Inc.*, 19 Ill. App. 3d 299, 311, 311 N.E.2d 386, 396 (1974) ("Functional in this sense means any purpose other than . . . identification of the source of the goods"); Note, *supra* note 21, at 839 ("[F]eatures which enhance the competitive nature of the product [are functional] and those features which possess only ornamental or design characteristics [are non-functional].") See Pollack, *supra* note 48, at 77; *Developments in the Law—Competitive Torts*, *supra* note 264, at 918; Note, *Unfair Competition and the Doctrine of Functionality*, 64 COLUM. L. REV. 544 (1964).

289. *Filter Dynamics Int'l, Inc. v. Astron Battery, Inc.*, 19 Ill. App. 3d 299, 311-12, 311 N.E.2d 386, 396 (1974); *Developments in the Law—Competitive Torts*, *supra* note 264, at 909; RESTATEMENT OF TORTS § 742, Comment a (1938).

290. Comment, *supra* note 58, at 398.

291. RESTATEMENT OF TORTS § 742, Comment a (1938): "When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended." See also Note, *supra* note 50, at 549.

292. Note, *supra* note 21, at 840; Note, *supra* note 288, at 566-67.

293. 198 F.2d 339 (9th Cir. 1952).

294. *Id.* at 344. See Note, *supra* note 50, at 549.

295. 120 F.2d 949 (8th Cir. 1941).

appeal and was, therefore, functional. Design patent applications had been refused twice. "[A witness' testimony that the useful features could have been incorporated into a different design] did not involve a consideration of the functional elements inhering in the unity and properties of the structure or in the *legitimate desire of the public for the design itself*."²⁹⁶ One author found an aesthetic functionality argument in the *Sears* and *Compco* opinions; however, there is no direct support in the cases for this idea.²⁹⁷

Not all courts have favored aesthetic functionality.²⁹⁸ Probably the most important decision rejecting the argument was *Application of Mogen David Wine Corp.*²⁹⁹ Although a trademark registration case, the decision bears on unfair competition law because trademark law and unfair competition operate on the same concepts. The argument, phrased in terms of "functionality in ornamentation," was termed by the court "ingenious," but was rejected as having no support in the case law.³⁰⁰

Shortly after *Mogen David*, the same court heard a case involving configuration, not of a container, but of a product itself in *Application of Minnesota Mining & Mfg. Co.*³⁰¹ The significance normally attached to *Minnesota Mining* is that the court decided a product's configuration could be registered on the supplemental and principal registers under the Lanham Act. However, the court implied the shape would not be registerable if "it was adopted primarily to be ornamental, or to make the goods easier to pack or to use or to make, or even more saleable."³⁰² Judge Rich, writing for the majority, recognized that to some extent, aesthetic functionality could be important when the product's shape itself was the subject of registration.

Another recent case suggests acceptability of aesthetic functionality in trademark registration cases. *In re Honeywell, Inc.*,³⁰³ dealt with the application for trademark registration of Honeywell's round thermostat cover. The examiner refused registration on the

296. *Id.* at 954 (emphasis added).

297. See Note, *supra* note 21, at 848 n.85 (aesthetic functionality indicated by pole lamp's market success).

298. See, e.g., *Haeger Potteries, Inc. v. Gilner Potteries*, 123 F. Supp. 261, 271 (S.D. Cal. 1954).

299. 328 F.2d 925 (C.C.P.A. 1964).

300. *Id.* at 931, 932-33.

301. 335 F.2d 836 (C.C.P.A. 1964).

302. *Id.* at 840.

303. 187 U.S.P.Q. (BNA) 576 (1975), *aff'd*, 532 F.2d 180 (C.C.P.A. 1976). For an earlier disposition of the case, see 169 U.S.P.Q. (BNA) 619 (1971), *remanded*, 497 F.2d 1344 (C.C.P.A. 1974).

ground that the distinctive features claimed as a trademark were dictated by the thermostat's shape and "are either primarily functional or ornamental in nature."³⁰⁴ The Board cited the *Restatement of Torts*,³⁰⁵ which sets forth the aesthetic functionality idea, along with other aspects of functionality.³⁰⁶ Although not grounding its decision entirely on aesthetic functionality, the Board noted:

The fact that both the cover and the thermostat are round does not detract from the functional characteristics thereof. In fact, it may add to the utilitarian aspects. There are only so many basic shapes in which a thermostat or its cover can be made . . . namely, squares, rectangles, or "rounds" The fact that thermostat covers may be produced in other forms . . . does not and cannot detract from the functional character of the configuration here involved.³⁰⁷

On appeal, the Court of Customs and Patent Appeals cited the above language favorably and affirmed, although aesthetic functionality was not explicitly discussed in the opinion.³⁰⁸

The secondary meaning-functionality concepts are one side of a balance between public interest in competition and producers' interests. The functionality rule allows free imitation of utilitarian configurations, thereby preventing common law monopolies. The secondary meaning rule requires public injury in the form of a likelihood of source confusion for relief.³⁰⁹ On the other side, common law passing off and the Lanham Act protect producers' interests by preventing misrepresentation and by requiring the imitator to identify his goods.

Recently, secondary meaning restrictions have been attacked or ignored.³¹⁰ Failure to utilize this concept lessens consideration of public interest in competition and free copying and leads to decisions based on the court's ideas of business morality. This approach tends to favor anti-competitive producer interests. Protection of both producer and consumer is better realized by a requirement of clear source identification, and labeling is the logical method of achieving this.³¹¹ Instances where labeling or disclaimers by label-

304. 187 U.S.P.Q. (BNA) at 577.

305. RESTATEMENT OF TORTS § 747, Comment a (1938).

306. 187 U.S.P.Q. (BNA) at 579.

307. *Id.*

308. Application of Honeywell, Inc., 532 F.2d 180 (C.C.P.A. 1976).

309. Note, *supra* note 21, at 841.

310. See Note, *supra* note 182, at 105.

311. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964) (dicta); *American Rolex Watch Corp. v. Ricoh Time Corp.*, 491 F.2d 877, 879 (2d Cir. 1974) (marks appear similar from a distance but are distinguishable close up); *Bose Corp. v. Linear Design Lab, Inc.*,

ing are insufficient protection should be rare.³¹²

H. Misappropriation

Protection of product configurations by the misappropriation doctrine should be applied only as an equitable remedy of last resort where protection is unjustifiably not available by other means.³¹³ A prima facie misappropriation case exists where a defendant, at little cost to himself, uses something which cost the plaintiff-originator something to develop, and the use diverts profits from the plaintiff.³¹⁴ Although the public's interest as well as private interests could be balanced in each case, it frequently is not.³¹⁵ Since equitable principles are involved, application of the misappropriation doctrine is done on a case by case basis to allow examination of business facts and circumstances.³¹⁶

Even without the misappropriation doctrine, the means to protect product configurations are extensive. Absent statutory protection of the configuration, palming off or misrepresentation of the purchaser can be prevented by either common law unfair competition or the Lanham Act.

The instances where these protections are not enough should be rare. The very use of the misappropriation doctrine may even sug-

467 F.2d 304, 310 (2d Cir. 1972); *Venn v. Goedert*, 319 F.2d 812, 816 (8th Cir. 1963); *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949, 956 (8th Cir. 1941). See generally Treece, *Copying Methods of Product Differentiation: Fair or Unfair Competition?*, 38 NOTRE DAME LAW. 244 (1963); Treece, *supra* note 259.

For an interesting variation, see *Filter Dynamics Int'l, Inc. v. Astron Battery, Inc.*, 19 Ill. App. 3d 299, 311 N.E.2d 386 (1974), where the plaintiff allowed private labels to be placed on the package which was the object of the litigation. The court said, "A plaintiff who would enjoin others from imitation under trademark and unfair competition laws should not himself be guilty of misrepresenting the source of his own article." *Id.* at 310, 311 N.E.2d at 395.

312. But see *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1013 (5th Cir. 1975) (disclaimer notice on package insufficient).

313. Sell, *supra* note 49, at 487; Comment, *The Misappropriation Doctrine after Sears-Compco*, 2 U.S.F.L. REV. 292, 305 (1968); 46 N.Y.U.L. REV., *supra* note 51, at 168.

314. J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 10.25 (1973); *Developments in the Law—Competitive Torts*, *supra* note 264, at 932; 8 U.S.F.L. REV., *supra* note 20, at 201.

315. Note, *supra* note 21, at 842; Comment, *supra* note 313, at 299 n.27.

316. Goldstein, *Federal System Ordering of the Copyright Interest*, 69 COLUM. L. REV. 49, 69 (1969); Sell, *supra* note 49, at 483; Comment, *The Misappropriation Doctrine: A Search for Literary Title Protection*, 12 SANTA CLARA LAW. 142, 144 n.20 (1972).

gest a failure to consider fully the events which lead to the alleged wrongful acts.³¹⁷ The best reason for limiting the doctrine, however, is its causation of decisional uncertainty and favoring of private interests of manufacturers over the more important public interest in competition.³¹⁸

VII. *TRUCK EQUIPMENT SERVICE CO. v. FRUEHAUF CORP.*: PRECEDENT AND POLICY IGNORED

As discussed above, overriding the various product configuration protections are the broad policy issues of free competition and decisional certainty. These protections and concepts will be used to analyze a recent eighth circuit product simulation case, *Truck Equipment Service Co. v. Fruehauf Corporation*,³¹⁹ to determine (1) if the court addressed the free competition issue; (2) if product simulation doctrines were properly applied; (3) what is the present status of *Sears* and *Compco* in the eighth circuit; (4) whether prior eighth circuit precedents were followed; and (5) whether the case facilitates future private ordering of affairs.

A. Facts

Truck Equipment Service Company³²⁰ manufactured a twin hopper bottom grain trailer which it first sold in interstate commerce in 1968.³²¹ No sales staff covered the company's thirteen-state market area; instead word-of-mouth advertising and occasional advertising in a trade periodical and a Nebraska newspaper of general circulation constituted *TESCO'S* promotional effort.³²² Most sales were in Nebraska, Iowa, and Minnesota. The external design of the trailer, which was designated the "Cornhusker 800," viewed from the side looked like this:



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317. See note 54 *supra*.

318. See, e.g., Note, *supra* note 50.

319. 536 F.2d 1210 (8th Cir. 1976), *cert. denied*, 97 S. Ct. 164 (1976).

320. Hereinafter referred to as *TESCO*.

321. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, slip op. at 1 (D. Neb. April 20, 1973).

322. *Id.* at 1-2.

323. 536 F.2d at 1217.

The exterior of the Cornhusker 800 is trapezoidal in appearance. The front and rear panels of the trailer slope from the top of each panel outward to the bottom of each panel. This feature has been described throughout the proceedings as the sloping-end walls of the trailer. The lower rail of the side panels presents to the eye a broken line; it is not parallel with and equidistant from the ground level at all points. Rather it extends above the rear wheels, parallel with the ground, then slopes down and extends for several feet, in a line parallel with the ground, below the top of the rear wheels, then slopes up again at the front landing gears to extend in a line parallel with the ground and on the same plane as the line above the rear wheels. This feature has been described throughout the proceedings as the drop-center-side wall.³²⁴

As to the design, the district court found:

The sloping end panels and the design of the side panels are the prime distinctive features of appearance of the trailer. . . . The exterior design of the Cornhusker 800 is dictated in part by construction efficiency and in part by appearance. The exterior design is distinctive and unique and is used by [TESCO] to identify its . . . trailer and to distinguish it from those manufactured by competing manufacturers.³²⁵

The trailer design was not protected by patent or copyright.³²⁶

Defendant Fruehauf is a leading semi-trailer manufacturer.³²⁷ Fruehauf considered entering into an arrangement with TESCO whereby Fruehauf would purchase trailers and market them; however, TESCO rejected Fruehauf's offer.³²⁸ In August, 1970, Fruehauf purchased a Cornhusker 800 trailer, removed TESCO's identifying labels, replaced them with labels and other gear indicating it was manufactured by Fruehauf's "Hobbs" division, and photographed the trailer.³²⁹ Certain of these photographs were distributed to Fruehauf personnel and distributors in November, 1970, along with a letter stating the exterior design added strength and gave "the trailer its own identification."³³⁰ In December, 1970, certain of these photographs were placed in sales literature and distributed.³³¹ Also in December, 1970, Fruehauf manufactured its first drop-center-sloping-side-wall twin hopper bottom grain trailer which it labeled as a "Hobbs" trailer. The exterior appearance of

324. *Id.* at 1216-17.

325. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, slip op. at 2.

326. *Id.* at 5.

327. 536 F.2d at 1213.

328. Slip op. at 2-3.

329. *Id.* at 2.

330. *Id.*

331. *Id.* at 3.

the "Hobbs" trailer was identical to the exterior design of the Cornhusker 800.³³²

TESCO filed suit in January, 1972,³³³ alleging that use of the photographs of its Cornhusker 800 trailer in Fruehauf's advertising and that copying the exterior design of its trailer constituted unfair competition, both in violation of section 43(a) of the Lanham Act.³³⁴ No state law issues were raised, only federal section 43(a) violations. The district court bifurcated the trial and considered liability and damages separately.³³⁵

In discovery, TESCO admitted it never attempted to obtain patents³³⁶ on the trailer nor had it registered a trademark for the trailer.³³⁷

B. District Court Decision on Liability

The district court recognized that no liability would lie for copying the trailer design unless there was palming off or the trailer design had acquired secondary meaning in the marketplace.³³⁸ TESCO conceded Fruehauf had not palmed off its trailer³³⁹ and that issue was not present in the case.³⁴⁰

TESCO argued that the configuration of its Cornhusker 800 had acquired secondary meaning in the marketplace.³⁴¹ The court noted *Sears and Compco* "held that any person may copy and place into commerce an unpatented or uncopyrighted product."³⁴² However, the court went on to discuss the functionality aspect of

332. *Id.*

333. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114 (D. Neb., filed Jan. 20, 1972) (complaint).

334. 15 U.S.C. § 1125(a) (1970); Slip op. at 1. The court found liability for use of the photographs and this finding was affirmed on appeal. 536 F.2d at 1215-16. The use by a defendant of a photograph of plaintiff's product in defendant's advertising is not within the scope of this comment. See generally cases cited in the circuit court's opinion and Hill, *Liability Under Section 43(a) of the Lanham Act for Advertisements Featuring a Photographic Reproduction of a Competitor's Product*, 64 TRADEMARK REP. 226 (1974).

335. 536 F.2d at 1217 n.9.

336. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, at 8 (D. Neb., filed August 16, 1972) (Answers to Interrogatories Set I).

337. *Id.* at 9; *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, at 3 (D. Neb., filed August 21, 1972) (Answers to Interrogatories Set II).

338. Slip op. at 5.

339. *Id.* at 6; 536 F.2d at 1214 n.2.

340. See section VI F *supra*.

341. See section VI G *supra*.

342. Slip op. at i n.2.

secondary meaning.³⁴³ The court did not mention the following *Compc* dicta:

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.*³⁴⁴

Although the *Compc* language appears to prevent a copying prohibition based on the secondary meaning-nonfunctionality rule, the district court instead cited Prosser to support the limitation.³⁴⁵

Fruehauf's engineers had, in evaluating the Cornhusker 800 design, concluded that the sloping end walls were essentially useless from an engineering standpoint³⁴⁶ and recommended the end walls be redesigned or some use be made of the dead space.³⁴⁷ The district court relied heavily on this evaluation and on the testimony by TESCO's president that the design was intended to have a distinctive appearance.³⁴⁸ In discussing functionality, the court appeared to concentrate primarily on the sloping end walls although the drop center side walls were also mentioned.³⁴⁹ The court concluded that "portions of the Cornhusker 800 trailer exterior design are nonfunctional."³⁵⁰

Having found nonfunctionality, the court proceeded to what it considered to be the second element of secondary meaning—"whether the unique design of the plaintiff's trailer indicates the origin of the trailer."³⁵¹ This is not entirely correct, since the proper test is whether the ordinary consumer in the market place had come to identify the product with its source, i.e., had the hypothetical consumer come to identify the configuration of the Cornhusker 800 with TESCO,³⁵² with a resulting likelihood of confusion

343. *Id.* at 6 & i n.2.

344. *Compc Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964) (emphasis added).

345. Slip op. at i n.2.

346. *Id.* at 3.

347. *Id.* at 6.

348. *Id.*

349. *Id.*

350. *Id.*

351. *Id.*

352. See section VI G *supra*.

as to the source of Fruehauf's trailer.³⁵³ For evidence of source association, the court stated: "As previously noted, several customers of the plaintiff identified the trailer pictured on the defendant's sales literature as being a Cornhusker 800. This suggests that the design of the hopper trailer was identified with the plaintiff."³⁵⁴

This evidence of confusion appears to have come solely from testimony of TESCO employees and its president and from a Fruehauf employee.³⁵⁵ Neither the district nor appellate court opinion indicated consumer research had been conducted.³⁵⁶ Moreover, it appears the district court inferred secondary meaning from Fruehauf's actions, relieving TESCO of its burden of proof:

Moreover, inferences can be drawn from the evidence that the design of the plaintiff's trailer had acquired customer identification. The evidence shows that the defendant did not manufacture a hopper bottomed trailer prior to 1970; that there were different types of hopper trailers which the defendant could have copied; that the Cornhusker 800 had a unique design; and that the defendant copied the most distinctively designed hopper trailer, even when the defendant's engineering staff indicated that portions of the design were useless. It might reasonably be said that the act of the defendant in adopting the design of the Cornhusker 800 indicated that it expected confusion as to origin and expected to profit from the consumer acceptance of the plaintiff's trailer.³⁵⁷

The district court failed to discuss the public's interest in copying and that interest's favored position; with certain qualifications, in our legal system. Nor did the district or circuit court discuss indications that, prior to the trial on the liability issue, Fruehauf sold its trailer for slightly less than TESCO's retail price. Free copying of the TESCO design probably would have benefited the general public because of Fruehauf's larger market area and its sales staff. Fruehauf's trailer was of at least equal quality³⁵⁸ and if the purchasing public desired that type of grain trailer, (as TESCO's and Fruehauf's sales would appear to indicate they

353. *Id.* See also Slip op. at i n.3.

354. Slip op. at 6 (emphasis added).

355. 536 F.2d at 1220.

356. See text accompanying note 283 *supra*.

357. Slip op. at 6. The court of appeals noted, "The District Court relied upon, in addition to the direct testimony, the inference of secondary meaning which arose from the fact that Fruehauf copied the exterior design of the TESCO trailer exactly without attempting to determine whether any portions thereof were nonfunctional." 536 F.2d at 1220 n.13.

358. "The Fruehauf trailer was not inferior in quality to the Cornhusker 800 . . ." 536 F.2d at 1214 n.2.

did), that public's desire would have been accommodated, since TESCO's market area was limited to three primary states.³⁵⁹

Additionally, the court failed to consider aesthetic functionality or to require direct evidence of *consumer* source identification, rather than second-hand opinions of consumer reactions.

There was no discussion of TESCO's limited advertising to develop consumer identification,³⁶⁰ or of the short span of time between TESCO's production of the trailer in 1968 and Fruehauf's in 1970. Both factors argue against establishment of secondary meaning.

As to consumer confusion, the court considered the photographs used by Fruehauf and the resulting "suggestion" of consumer identification. This type of confusion was irrelevant since the proper test is confusion of the ordinary consumer as to the source of the product.³⁶¹ In its secondary meaning inquiry the district court also appeared to have looked at the product itself to determine consumer confusion, instead of at source confusion. Since the trailers made by Fruehauf were adequately labeled and a semi-trailer is not likely to be the subject of a casual purchase due to cost, probable experience of the purchaser, financing lead time, and desire for specific features, the likelihood of source confusion should have been examined more closely than is indicated by the court's opinion.

The district court found Fruehauf liable and issued an injunction prohibiting Fruehauf's manufacture of twin hopper bottom grain trailers with an exterior appearance similar to the Cornhusker 800.³⁶² The injunction was limited to TESCO's thirteen state market area.³⁶³ The court's memorandum opinion accompanying the injunction did not discuss the monopoly and common law patent aspects of enjoining the copying of the trailer configuration.³⁶⁴

C. Subsequent Developments and the Decision on Damages

Subsequent to the liability finding and injunction, Fruehauf

359. Slip op. at 1-2.

360. See text accompanying note 279 *supra*.

361. See section VI G *supra*.

362. Truck Equip. Serv. Co. v. Fruehauf Corp., No. CV72-L-114 (D. Neb., June 14, 1973) (injunction).

363. *Id.* This is consistent with trademark law that a trademark is established by use and limited to the geographical area of use. See text accompanying note 200 *supra*.

364. See Truck Equip. Serv. Co. v. Fruehauf Corp., No. CV72-L-114 (D. Neb., June 14, 1973) (memorandum on application for injunction).

uncovered additional evidence as to trailer designs. Timpfe, Inc. manufactured a trailer prior to TESCO's which had sloping end walls but a straight frame.³⁶⁵ Its side view would appear as such:



Wilson Trailer Co. also manufactured a grain trailer of similar configuration prior to TESCO's Cornhusker 800.³⁶⁶ TESCO responded: "The sloping ends are not the distinguishing features of the Cornhusker 800, the drop sides are, and everyone knows it."³⁶⁷

Fruehauf then introduced evidence that Spencer-Stafford Loadcraft, Inc., in conjunction with the V.I. Moser Co., manufactured a hopper bottom grain trailer prior to the Cornhusker 800 which, while having straight end walls, did have a drop center side wall.³⁶⁸



On application by Fruehauf, the district court amended the injunction "to authorize manufacturing and selling by the defendant of trailers identical in appearance to the plaintiff's Cornhusker 800, if the defendant marks, advertises and sells its trailers as its own and refrains from using photographs and other representations of the plaintiff's Cornhusker 800 in its advertisements."³⁶⁹ Additionally the district court found no damages for Fruehauf's use of the photograph of TESCO's trailer in the Fruehauf sales literature. As for the copying of the design, the district court reaffirmed its prior finding of liability, and held Fruehauf liable for twenty percent of profits earned on trailer sales within TESCO's primary three-state sales area.³⁷⁰ As to amending the injunction, however, the

365. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, at 3 & Exhibit 1-A (D. Neb., filed Jan. 24, 1975) (affidavit (accompanying motion and notice of hearing)).

366. *Id.* at 4.

367. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, at 9 (D. Neb., filed Jan. 28, 1975) (opposition to motion to reopen discovery).

368. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, at 10 (D. Neb., filed Feb. 7, 1975) (affidavit).

369. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114 (D. Neb., April 28, 1975) (judgment and order).

370. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114, at 1, 3-4 (D. Neb., April 28, 1975) (memorandum on amount of recovery).

court appears not to have relied on the new evidence of prior trailer designs.

Considering the number of Cornhusker 800s which have been manufactured by the plaintiff since the plaintiff began its manufacturing operation up to the present time and the number of copies made and sold by the defendant, it is probable that it no longer can be said that the consuming public identifies the distinctive design of the Cornhusker 800 with the plaintiff. The defendant has requested that the injunction be modified to authorize manufacturing and selling copies of the plaintiff's Cornhusker 800 so long as the defendant marks, advertises and sells its trailers as its own and refrains from using photographs or other representations of the plaintiff's Cornhusker 800 in its advertisements. That will be done.³⁷¹

TESCO appealed the relief granted and Fruehauf appealed the finding of liability. The injunction and its subsequent modification were not appealed.³⁷²

For comparison, a recent case decided by the district court for Nebraska also considered a section 43(a) issue. In *Delano Granite, Inc. v. Mid-America Granite Industries, Inc.*,³⁷³ defendant sold copies of plaintiff's tombstones. The court found no section 43(a) liability, noting:

This case factually differs from *Truck Equipment Service Company v. Fruehauf Corporation*, [536] F.2d [1210] (C.A. 8th Cir. June 9, 1976). In that case I found that use of a photograph of a trailer traded upon the reputation of a trailer manufacturer and confused potential customers as to the source of origin of the trailer pictured on the sales literature. Such is simply not true in the present case. It was also held in the *Truck Equipment* case that copying of the exterior design of the trailer was a trademark infringement, because the uniqueness of that exterior design had gained a secondary meaning indicating the origin of the trailer. Factually, that is not true in the present case, because neither the trademark symbol nor any design of any monument or marker had acquired such familiarity in the Kansas-Nebraska area to indicate to customers the origin of the monument or marker.³⁷⁴

The *Mid-America Granite* plaintiffs also alleged trade secret violation, interference with contract, palming off, etc. At the close of the opinion the court stated:

In considering all the counts in the complaint I have kept in mind *International News Service v. The Associated Press* . . . which has been . . . emphasized It is true that in that case the court underscored the relationship of competitor vis-a-vis com-

371. *Id.* at 4.

372. 536 F.2d at 1213-14.

373. No. CV75-L-154 (D. Neb., June 25, 1976).

374. *Id.*, slip op. at 3-4.

petitor, of reaping where one has not sown, and of being entitled to the beneficial use of property for which one has fairly paid the price. But that concept, for all its majesty, draws no lines and offers no explanation for later cases such as *Sears, Roebuck & Company v. Stiffel Company* . . . and *Compco Corp. v. Day-Brite Lighting, Inc.* . . . It is not that the latter cases emasculated *International News*; it is rather that they have drawn lines to offer guidance in identifying applicable realms of the reap-where-they-have-not-sown generality of *International News*.³⁷⁵

D. The Eighth Circuit Opinion

On appeal, the eighth circuit dealt first with Fruehauf's broad attack that "[t]he public interest in having competitive sources of identical utilitarian products makes copying privileged, even though the original incorporates nonfunctional features and has acquired a secondary meaning, when the copier clearly labels its product as its own and is not guilty of palming off."³⁷⁶ This attack relied on *Sears* and, primarily, *Compco*.³⁷⁷ The court rejected the pertinent parts of the *Compco* opinion as dicta, since trademark law was not an issue before the *Sears* and *Compco* court. "The issue before the [*Compco*] Court was whether state law could extend the effective term of patent protection granted by the federal statutes."³⁷⁸ The court distinguished patent-copyright and trademark law, saying each protected a different interest,³⁷⁹ as had the court in *Application of Mogen David Wine Corp.*³⁸⁰

The *TESCO* court also distinguished its opinion in *J.C. Penny Co. v. H.D. Lee Mercantile Co.*,³⁸¹ on the ground the *Penny* court found the design to be functional and without secondary meaning.³⁸² *Penny* is generally regarded as a leading aesthetic functionality case because it held that to "require defendant to make some change in the style of the design . . . would deprive it of part of its competitive appeal."³⁸³ Further, the *Penny* court had indicated that

375. *Id.* at 12-13 (citations omitted).

376. 536 F.2d at 1214. Portions of the opinion dealt with section 43(a) and the use of a photograph of a competitor's product in advertising. These considerations are beyond the scope of this comment.

377. Fruehauf relied upon and the court rejected the language from *Compco* in text accompanying note 344 *supra*.

378. 536 F.2d at 1214. This does not appear to conflict with *Hampton v. Blair Mfg. Co.*, 374 F.2d 969 (8th Cir. 1967), where the court, relying on *Sears* and *Compco*, held that the duplication or copying of unpatented implement equipment could not be permanently enjoined.

379. 536 F.2d at 1215.

380. 328 F.2d 925 (C.C.P.A. 1964). See text accompanying note 225 *supra*.

381. 120 F.2d 949 (8th Cir. 1941). See text accompanying note 295 *supra*.

382. *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d at 1214 n.3.

383. *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d at 956.

"[a] design, for example, may not be utilitarian in a technical sense, but it may nevertheless be functional in the sense that it will contribute materially to a general sale of the goods."³⁸⁴

In addition to functionality, *Penny* addressed the consumer confusion issue. The court did not specifically find the design to be without secondary meaning, as the *TESCO* court implied, but instead noted:

Under all the facts of the situation, we hold that the form and content of the labels in this case and the manner in which they were displayed on the garment, together with the fact that the overalls were sold only in defendant's own stores, afforded the public such explanation and notice as it was reasonably and practicably necessary and possible to place upon the garments, as a protection against probable deception and confusion in source identification.³⁸⁵

In relying on aesthetic functionality and on the adequacy of the labels to identify the product, the *Penny* court had as a basic premise that

[design imitation] is one of the privileges of our system of competitive enterprise. It insures to the public the benefit of all natural, useful progress in the industrial and commercial arts. Any article, structure or design, which is unpatented, may accordingly be imitated or appropriated in its functional aspects, if no unfair competition is involved in the manner of its use.³⁸⁶

In rejecting *Sears* and *Compco*, the *TESCO* court appears to have rejected the formulation of aesthetic functionality earlier set forth in *Penny*. The *Penny* court clearly felt the public interest in being able to acquire bib overalls with a popular pocket design outweighed the producer's interest in restricting competition in the design. This important balancing of consumer desire versus competitive interests was not made in *TESCO*.

Additionally, in adopting the *Mogen David* distinction between patent and trademark law, the eighth circuit failed to address an important issue:

[A] possible conflict with *Sears* and *Compco* will arise only when an entire product configuration or a distinctive part, as distinguished from its package or container, is registered as a trademark. While a distinctive bottle or container may acquire trademark significance for the enclosed product, it generally, if not always, remains free for use by producers of unrelated products. Trade-

384. *Id.* at 954.

385. *Id.* at 956-57. Cf. *Bowdill Co. v. Central Mine Equip. Co.*, 216 F.2d 156, 160-61 (8th Cir. 1954) (drill bits).

386. 120 F.2d at 953-54.

mark registration of the product, however, results in a theoretically perpetual monopoly of a configuration that *Sears and Compco* seem to assign to the public domain in the absence of a valid design patent.³⁸⁷

After rejecting Fruehauf's broad attack, the *TESCO* court proceeded to review the narrower attack on the district court's findings of fact as to secondary meaning, functionality, and likelihood of confusion.

In reviewing the district court's finding of nonfunctionality, the court relied primarily on Fruehauf's engineers' report that the sloping end walls were useless and on testimony by *TESCO*'s president that the design was intended to be distinctive and a selling point. Additionally the court noted: "[T]he testimony of Fruehauf's management showed that the decision to manufacture a trailer identical to the Cornhusker 800 was based on sales rather than engineering considerations."³⁸⁸ This reaction of management would appear consistent with the purpose of free competition as embodied in product simulation law. Part of the problem on the functionality issue was the apparent failure of Fruehauf's witnesses to agree whether the shape was necessary to the interior construction of the twin hopper bottoms and the general strength of the trailer.³⁸⁹ *TESCO*'s evidence as to alternative methods of construction was apparently not refuted in the first trial on liability.³⁹⁰ The eighth circuit therefore concluded the district court was not clearly in error for finding portions of the exterior design nonfunctional. Again, in the discussion of the narrower attack, the aesthetic functionality concept was ignored.

The nonfunctionality finding itself could not prevent copying, since the object must have acquired secondary meaning with a likelihood of consumer confusion. The court rejected the testimony that other grain trailers had either sloping end walls or drop center side walls, stating: "It is the overall design which the District Court found to be distinctive and possessed of a secondary meaning."³⁹¹ The problem with this finding, other than conflict with *Sears and Compco*, was its lack of basis in evidence.³⁹² The court admitted it was relevant to proof of secondary meaning that relatively few trailers had been sold by *TESCO* and that its advertising was not extensive,³⁹³ however, as had the district court, the eighth

387. Comment, *supra* note 182, at 97 (citations omitted).

388. 536 F.2d at 1218. Compare with note 297 *supra*.

389. *Id.* at 1219 n.10.

390. *Id.* at 1218 n.10, 1219 n.11.

391. *Id.* at 1217 n.9.

392. See section VII B *supra*.

393. 536 F.2d at 1220.

circuit relied upon the testimony of TESCO and Fruehauf employees as to consumer confusion; and that, as noted before, is not the correct evidence upon which to focus the secondary meaning inquiry.³⁹⁴ The court's review of the finding of a likelihood of confusion was again grounded upon the testimony of the employees. The court stated that "given the intent of Fruehauf to trade upon the reputation of TESCO, the inference that a likelihood of confusion would arise is inescapable."³⁹⁵ Ultimately the court concluded:

Fruehauf, without knowledge of or inquiry into the functional and nonfunctional aspects of the exterior design of the Cornhusker 800, copied exactly not only the superior functional qualities of the TESCO trailer but also the exterior physical characteristics by which that good reputation was known to the purchasing public. It not only sought and received the benefits of TESCO's goodwill, but, by coupling the latter's reputation with its own well-known name, set upon a course of conduct which, in practical effect, would destroy the good reputation of TESCO.³⁹⁶

The district court's award of twenty percent of the profits from the three state primary sales area was modified to all of the profits, thus increasing the award from \$30,070.21 to \$144,550.41.³⁹⁷

E. Implications of the Opinion

If the *Sears* and *Compco* opinions were cast in broad terms to retard use of the misappropriation doctrine and to favor the private producer's interests,³⁹⁸ TESCO is a reversion to pre-*Sears* and *Compco* law. This is made evident by projecting the TESCO facts upon the various available methods of design protection.

The design was not eligible for trade secret protection once placed in the public domain, as it was then no longer a secret.³⁹⁹ Protection under the copyright act also was doubtful since it is difficult to conceptualize a grain trailer as a work of art, although this is not a certainty.⁴⁰⁰ Even so, copyright protection would probably have failed absent registration once the object was "published." While sales to the public would probably have constituted publication, this too is uncertain in light of the failure of the copyright

394. See section VII B *supra*.

395. 536 F.2d at 1220.

396. *Id.* at 1223.

397. Compare *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114 (D. Neb., April 28, 1975) (judgment and order), with *Truck Equip. Serv. Co. v. Fruehauf Corp.*, No. CV72-L-114 (D. Neb., July 16, 1976) (amended judgment).

398. See text accompanying notes 85-86 *supra*.

399. See text accompanying note 150 *supra*.

400. See note 168 *supra*.

act to protect recordings and performances.⁴⁰¹ Under the newly enacted copyright law, publication and common law copyright will no longer be relevant,⁴⁰² but the new law is no closer than the old to offering clear design protection by copyright.⁴⁰³

Fruehauf's subsequent evidence of other trailers with sloping end walls or drop center side walls precluded protection by design patent, had one been sought. The Cornhusker 800's design, combining the drop center side and the sloping end walls into the same trailer, would not qualify as either new, original, or as an exercise of inventive faculty. Nor would this combination be a design superior to one which a person skilled in the art might have made.⁴⁰⁴

Finally, since Fruehauf's labeling of its trailer precluded palming off, the only remaining design protections were the trademark-unfair competition protection, in the form of secondary meaning with a likelihood of consumer confusion and the misappropriation doctrine. These were, of course, the protections the district and circuit courts allowed and, had the district court not modified the injunction, TESCO would have been granted a perpetual common law monopoly in the manufacture of grain trailers with the exterior configuration consisting of sloping end walls and drop center walls. This is the same sort of trespass against the balance between public and private interests struck in the copyright and patent acts as that committed by the seventh circuit in *Sears and Compco*⁴⁰⁵ and rejected by the Supreme Court.

Both the injunction and damages in *TESCO* conflict with the *Compco* admonition, whether dicta or not, that "neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling."⁴⁰⁶

Additionally, the *TESCO* court not only affirmed support for the *International News Service* misappropriation doctrine but adopted its objectionable examination of private producers' interests to the exclusion of those of consumers.

[Fruehauf's] argument [as to the adequacy of labeling] is a reformulation of the proposition that the law of unfair competition protects only against palming off or misrepresentation. The law of unfair competition, however, protects also against misappropriation. See *International News Service v. Associated Press* As the Supreme Court has said:

401. See, e.g., note 117 *supra*.

402. See note 178 *supra*.

403. See text accompanying note 176 *supra*.

404. See section VI C *supra*.

405. See text accompanying note 62 *supra*.

406. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. at 238.

The fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves.⁴⁰⁷

The adoption of this test ignores the public's interest in free competition among manufacturers, an interest represented in litigation only if the court conscientiously keeps that interest in mind. By choosing the *International News Service* test, the eighth circuit has forsaken the precedents of common law unfair competition which carefully kept public interest as the primary focus. "Abandonment of the 'public inquiry' requirement in these private trade regulation suits would most unfortunately restrain those competitive forces on whose action our economy is based, and would impair the personal freedom from state action to which our social order is dedicated."⁴⁰⁸

TESCO appears to reject, or at least further narrow, *Sears* and *Compco*; to reject the aesthetic functionality approach of *Penny*; and to adopt the misappropriation doctrine, not as a last equitable resort but as a first line means of protecting product configuration. As a result, along with the misappropriation doctrine will come case-by-case decisions based on equitable considerations as between manufacturers, rather than on predictable principles of law and free competition. Perhaps future cases will now result in more opinions with such comments as follows:

We reach this conclusion by applying the same "eyeball" test as that applied by the District Court. We do not say that six eyes are necessarily apt to reach a more accurate assessment than are two, but, under the standard of review applicable in this case, our six eyes tell us that the color of the packages is similar.⁴⁰⁹

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407. 536 F.2d at 1220 (quoting from *International News Service v. Associated Press*, 248 U.S. at 239). See section VI H & section III *supra*.

408. Stern & Hoffman, *supra* note 4, at 971.

409. *Frito-Lay, Inc. v. So Good Potato Chip Co.*, 540 F.2d 927, 931 (8th Cir. 1976). Cf. *Saxony Products, Inc. v. Guerlain, Inc.*, 513 F.2d 716 (9th Cir. 1975) (noses and "sniffing test by court").