HR 944

76TH CONGRESS HOUSE OF REPRESENTATIVES

REPORT No. 944

PROVIDING FOR THE REGISTRATION OF TRADE--MARKS USED IN COMMERCE, TO CARRY OUT THE PROVISIONS OF CERTAIN INTERNATIONAL CONVENTIONS, AND FOR OTHER PURPOSES

JUNE 27, 1939.----Committed to the Committee of the Whole House on the state of the Union and ordered to be printed
Mr. LANKAM from the Committee on Patents, submitted the following

REPORT

[To accompany H. R. 6618]
The Committee on Patents, to whom was referred the bill (H. R. 6618) to provide for the registration of trade--marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes, having considered the same, report favorably thereon and recommend that the bill do pass.

THE STATUTES

The first Federal Trade--Mark Act was that of July 8, 1870 (16 Stat. L., 210, 212, ch. 230, R.S., U.S. 4937, et seq.), entitled "An act to revise, consolidate and amend the statutes relating to patents, trade--marks, and copyrights." There were amendments in 1871 and 1876 (16 Stat. L., 580; 19 Stat. L., 141.) This legislation was declared unconstitutional on the ground that a trade--mark was neither a writing nor a discovery, and therefore could not be founded on the constitutional power given to Congress to protect authors and inventors.
The act of March 3, 1881 (21 Stat. L., 502, ch. 138), "An act to authorize the registration of trade--marks and to protect the same," followed. Its scope was limited to trade--marks used in commerce with foreign nations or with the Indian tribes. It was superseded by the act of February 20, 1905, supplemented by act of May 4, 1906, act of March 2, 1907; act of February 18, 1909; act of January 8, 1913, and act of March 19, 1920, and by provisions in various tariff acts. These acts have been frequently amended until they now are a disorderly patchwork. The existing statutes are still further complicated by the frequent cross--references which they contain to the patent acts.

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It will thus be seen that the present Federal statutory law of trademarks is scattered through a number of acts of Congress which are difficult to find. Anyone who has had occasion to read these statutes must be impressed with their obscurity. If, in an attempt to find out what they mean, one goes further and reads the cases in which they are interpreted and applied, bewilderment is increased because there is no reconciling the decisions.
The need of coordination and codification is apparent.

THE IMPORTANCE OF THE SUBJECT

The subject of trade--marks is getting more and more important. Goodwill is often the most valuable asset that a trading establishment can have, and trade--marks are essentially symbols of business goodwill.
A serious and constructive study was made with a view to revise and modernize and codify the law, and above all to simplify and render less expensive and more certain the protection of this exceedingly valuable property right. It is not only to the interest of the business community that trade--marks be adequately secured, but it is also to the interest of the public that the businessman be protected in his reputation, and the consumer against fraud.

THE GOOD FEATURES OF THE PRESENT ACTS

There is much that is good in the present acts. Their results, on the whole have been beneficial. The present bill preserves the things which have demonstrated their usefulness. The purpose of this bill is to simplify and make registration more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedure simple and inexpensive, and relief against infringement prompt and effective.

THE PURPOSE OF ALL TRADE--MARK LEGISLATION

Finally, any legislation on this subject must have as its object the protection of trade--marks, securing to the owner of the goodwill of his business and protecting the public against spurious and falsely marked goods. The matter has been approached with the view of protecting trade--marks and making infringement and piracy unprofitable. This can be done without any misgivings and without the fear of fostering hateful monopolies, for no monopoly is involved in trademark protection.
Trade--marks are not monopolistic grants like patents and copyrights (Trade--Mark cases, 100 U.S. 82). In Prestonettes v. Coty (264 U.S. 359), Mr. Justice Holmes said (368):
It (a trade--mark) does not confer a right to prohibit the use of the word or words. It is not a copyright. * * *
A trade--mark only gives the right to prohibit the use of it so far as to protect the owner's goodwill against the sale of another's product as his.
In United Drug Co. v. Rectanus (248 U.S. 90, 97--98), Mr. Justice Pitney said:
The owner of a trade--mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly.
***** In truth, a trade--mark confers no monopoly whatever in a proper sense * * *.

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Trade--marks are merely a convenient way of distinguishing the goods of one trader from those of another. By furnishing a means of identification, they perpetuate good will, and enable purchasers, by recognizing the marks, to buy again the goods which have pleased them before (McLean v. Fleming, 96 U.S. 245, 252). The public is thus assured of identity, and is given an opportunity to choose between competing articles. To protect trade--marks, i.e., marks which permit the goods of different makers to be distinguished from each other, is to promote competition and is sound public policy.
The protection which is accorded is security against misrepresentation as to the origin of goods, by suppressing imitations which are calculated to mislead buyers into the belief that the goods of one maker are those of another.

There is no essential difference between trade--mark infringement and what is loosely called unfair competition. Unfair competition is the genus of which trade--mark infringement is one of the species; "the law of trade--marks is but a part of the broader law of unfair competition" (United Drug Co. v. Rectanus, 248 U.S. 90, 97). All trade--mark cases are cases of unfair competition and involve the same legal wrong. As Mr. Justice Pitney observed in Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412:

The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another. *** This essential element is the same in trade--mark cases as in cases of unfair competition unaccompanied with trade--mark infringement. The protection accorded trade--marks is merely protection against swindling. As Mr. Justice Holmes observed, in Dupont v. Masland, 244 U.S. 100, 102:

The word property as applied to trade--marks * * * is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith.

Trade--marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trade--marks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trade--marks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed.

SUMMARY

There are many reasons why there should be a new trade--mark statute. The present act is substantially the act of February 20, 1905. It has been amended from time to time and supplemented by the act of March 19, 1920, which has also been amended in several particulars. The result is a confused situation.

There are many statutes dealing with trade--marks which are widely scattered and difficult of access. There are provisions dealing with trade--marks in tariff acts and other unlikely places. The number of these separate acts may be appreciated by an inspection of section 46, where 17 separate acts are listed. It seems desirable to collect these various statutes and have them in a single enactment.

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Moreover, ideas concerning trade--mark protection have changed in the last 30 years and the statutes have not kept pace with the commercial development. In addition the United States has become a party to a number of international conventions dealing with trademarks, commercial names, and the repression of unfair competition. These conventions have been ratified, but it is a question whether they are self--executing, and whether they do not need to be implemented by appropriate legislation.

Industrialists in this country have been seriously handicapped in securing protection in foreign countries due to our failure to carry out, by statute, our international obligations. There has been no serious attempt fully to secure to nationals of countries signatory to the conventions their trade--mark rights in this country and to protect them against the wrongs for which protection has been guaranteed by the conventions. Naturally under such circumstances foreign

governments do not always give to citizens of the United States their convention rights. To remedy this discreditable situation is merely an act of international good faith.
This bill attempts to accomplish these various things:
1. To put all existing trade--mark statutes in a single piece of legislation.
2. To carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled.
3. To modernize the trade--mark statutes so that they will conform to legitimate present--day business practice.
To remedy constructions of the present acts which have in several instances obscured and perverted their original purpose. These constructions have become so ingrained that the only way to change them is by legislation.
Generally to simplify trade--mark practice, to secure trade--mark owners in the goodwill which they have built up and to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions.

The theory once prevailed that protection of trade--marks was entirely a State matter and that the right to a mark was a common--law right. This theory was the basis of previous national trade--mark statutes. Many years ago the Supreme Court held and has recently repeated that there is no Federal common law. It is obvious that the States can change the common law with respect to trade--marks and many of them have, with the possible result that there may be as many different varieties of common law as there are States. A man's rights in his trade--mark in one State may differ widely from the rights which he enjoys in another.
However, trade is no longer local, but is national. Marks used in interstate commerce are properly the subject of Federal regulation. It would seem as if national legislation along national lines securing to the owners of trade--marks in interstate commerce definite rights should be enacted and should be enacted now.
There can be no doubt under the recent decisions of the Supreme Court of the constitutionality of a national act of giving substantive as distinguished from merely procedural rights in trade--marks in commerce over which Congress has plenary power, and when it is considered that the protection of trade--marks is merely protection

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to good will, to prevent diversion of trade through misrepresentation, and the protection of the public against deception, a sound public policy requires that trade--marks should receive nationally the greatest protection that can be given them.
Mr. Justice Holmes said in Bourjois & Co. v. Katzel (260 U.S. 689), in speaking of the protection accorded to a trade--mark (692):
It deals with a delicate matter that may be of great value but that easily is destroyed, and therefore should be protected with corresponding care.
Of a trade--mark he said:
It stakes the reputation of the plaintiff upon the character of the goods. CHANGES IN

EXISTING LAW In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, existing law proposed to be repealed by the bill is set forth below enclosed in black brackets. [OMITTED]